

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MARCH 19, 2018

1. **Call to Order** at 5:00pm in the SPUC Service Center, 255 Sarazin Street.
2. **Approval of Minutes**
3. **Communications**
4. **Approve the Agenda**
5. **Approval of Consent Business**
6. **Bills: Approve Warrant List**
 - 6a) March 5, 2018
 - 6b) March 19, 2018
7. **Liaison Report**
8. **Reports: Water Items**
 - 8a) Water System Operations Report – Verbal
 - 8b) 2018 City of Shakopee Street Reconstruction Project
 - 8c) Resn. #1187 – Approving Watermain Replacement with the 2018 City of Shakopee Street Reconstruction
 - 8d) Resn. #1188 – Setting the Amount of the Trunk Water Charge, Approving of Its Collection and Authorizing Water Service to Certain Property Described as: Ridge Creek Second Addition and Outlot's A and B Ridge Creek First Addition
 - 8e) Resn. #1189 – Approving of the Estimated Cost of Pipe Oversizing on the Watermain Project: Ridge Creek Second Addition
 - 8f) Resn. #1190 – Amending Resolution #1098 and Determining Lateral Watermain Equivalency for the Project Described as: Jennifer Lane Watermain from Valley Creek Crossing 2nd Addition to Wood Duck Trail
 - 8g) Resn. #1191 – Approving of the Final Cost of Pipe Oversizing on the Watermain Project: CP17-32J (Jennifer Lane Watermain Extension)
 - 8h) Resn. #1192 – Approving Payment for the Pipe Oversizing Costs on the Watermain Project: Ridge Creek First Addition
 - C=> 8i) Monthly Water Production Dashboard
 - 8j) Purchase Agreement for Booster Station – Windermere Way
9. **Reports: Electric Items**
 - 9a) Electric System Operations Report – Verbal
 - 9b) MMPA February 2018 Board Meeting Summary
10. **Reports: Human Resources**

11. **Reports: General**
 - 11a) Proposal for Audit Services with bergenKDV
 - 11b) Financial Results for December 2017 and 2016-2017 Comparative Financial Results
 - 11c) Tom Bovitz Scholarship
12. **New Business**
13. **Tentative Dates for Upcoming Meetings**
 - Regular Meeting -- April 2
 - Mid Month Meeting -- April 16
 - Regular Meeting -- May 7
 - Mid Month Meeting -- May 21
14. **Adjourn to 4/2/18 at the SPUC Service Center, 255 Sarazin Street**

MINUTES
OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
(Regular Meeting)

President Amundson called the regular session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., February 20, 2018.

MEMBERS PRESENT: Commissioners Joos, Amundson, Hennen and Weyer. Also present, Liaison Mocol, Utilities Manager Crooks, Finance Director Schmid, Planning & Engineering Director Adams and Water Superintendent Schemel.

Motion by Weyer, seconded by Joos to approve the minutes of the February 5, 2018 Commission meeting. Motion carried.

There were no Communication items.

President Amundson offered the agenda for approval.

Motion by Joos, seconded by Hennen to approve the agenda as presented. Motion carried.

The warrant listing for bills paid February 20, 2018 was presented.

Motion by Joos, seconded by Weyer to approve the warrant listing dated February 20, 2018 as presented. Motion carried.

Liaison Mocol presented her report. The City Council will be having a workshop to review the TIF designation for Canterbury Commons. The Council will also be reviewing the 2018 Street Reconstruction Project.

Water Superintendent Schemel provided a report of current water operations. Annual preventative maintenance for the Pump Houses is being completed. Well 7 and 12 have been pulled to inspect for wear and tear. Repairs will be made to the pumps if warranted.

Mr. Schemel provided an update on the Riverview Booster Station construction schedule and reviewed work completed to date.

Utilities Manager Crooks provided a report of current electric operations. Two electric outages were reviewed. The status of construction projects was updated. The entire SPU Service Center is now tied into the emergency generator. If our site loses power, it will be up and running in a matter of seconds.

Finance and Administration Director Schmid informed the Commission that SPU is at the end of a three year contract for financial audit services with bergenKDV. Three options were reviewed for engagement with an audit firm.

Motion by Joos, seconded by Weyer to solicit quotes for financial audit services for a one year and/or three year contract with various audit firms.

Motion withdrawn by Commissioner Joos.

Motion by Weyer, seconded by Hennen to solicit a one year and a three year quote (2018-2020) for financial audit services from bergenKDV and to bring back those quotes to a future Commission meeting for review. Motion carried.

Motion by Weyer, seconded by Hennen to offer Resolution #1185. A Resolution Allowing the Use of Facsimile Signature for Check Signing. Ayes: Commissioners Weyer, Joos, Hennen and Amundson. Nay: none. Motion carried. Resolution passed.

The investment of surplus funds for SPU was reviewed by Ms. Schmid. A discussion of investment options and rates followed.

Motion by Weyer, seconded by Hennen to grant the Director of Finance and Administration or his/her designee the authority to invest surplus funds without prior approval of the Utilities Commission within the limitation set by law and the guidelines of the Commission's approved Investment Policy and complete required wire transfers for such transactions. Motion carried.

Electronic funds transfers are regulated by MN Statute. Ms. Schmid reviewed those requirements.

Motion by Joos, seconded by Hennen to grant the Director of Finance and Administration or his/her designee the authority to make electronic funds transfers through the official depository and said depository shall receive a certified copy of the authorization. The official depository will notify SPU of an electronic funds transfer within one day of receiving an electronic funds transfer and the transfers will be documented and included in the warrant lists for approval by the Utilities Commission. Motion carried.

The pre-payment of bills was reviewed by Ms. Schmid.

Motion by Joos, seconded by Weyer to grant the Director of Finance and Administration or his/her designee the authority to pay certain bills prior to the approval of those bills, so that it may take advantage of discounts offered for prompt payment. Motion carried.

Motion by Joos, seconded by Weyer to offer Resolution #1186. A Resolution Regulating Wage and Contract Terms. Ayes: Commissioners Hennen, Joos, Weyer and Amundson. Nay: none. Motion carried. Resolution passed.

Motion by Weyer, seconded by Joos to adjourn to the Commission Goals and Objectives Work Session.

Motion by Weyer, seconded by Joos to reconvene to Regular Session.

President Amundson stated that no official business took place during the Work Session.



The tentative commission meeting dates of March 5 and March 19 were noted.

Motion by Joos, seconded by Weyer to adjourn to the March 5, 2018 meeting. Motion carried.



Commission Secretary: John R. Crooks

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: John R. Crooks, Utilities Manager 
FROM: Lon R. Schemel, Water Superintendent 
SUBJECT: 2018 City of Shakopee Street Reconstruction
DATE: February 28, 2018

BACKGROUND

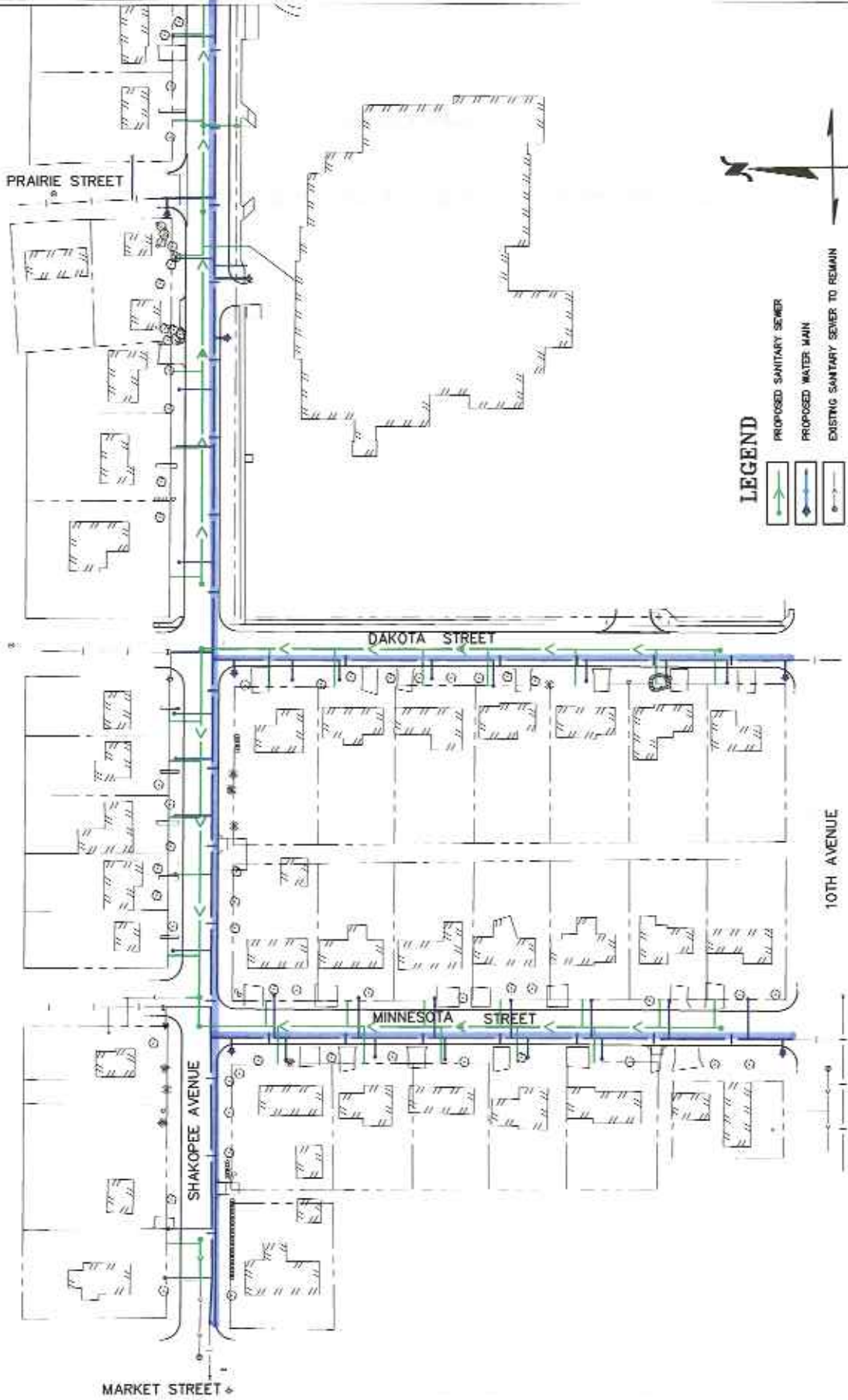
Resolution #262 defines the sequences involved in coordinating construction projects between the City of Shakopee and SPU. We are now at step 8 of that process which is the approval of the feasibility report from the City of Shakopee and the areas involved.

ISSUE

The feasibility report involves the areas highlighted on drawings C.1 and C.2 of the proposed watermain improvements from the City of Shakopee. These areas would be receiving new watermain and appurtenances in compliance with the Water Policy Manual dated August 4, 2014. The City of Shakopee's estimate for watermain improvements is \$498,000.00. The amount approved in 2018 budget for Reconstruction project is \$620,000.00.

ACTION REQUESTED

Staff requests that the Commission adopt resolution #1187 to enable the City of Shakopee to proceed with the ordering of plans and specifications for the 2018 Street Reconstruction.



LEGEND

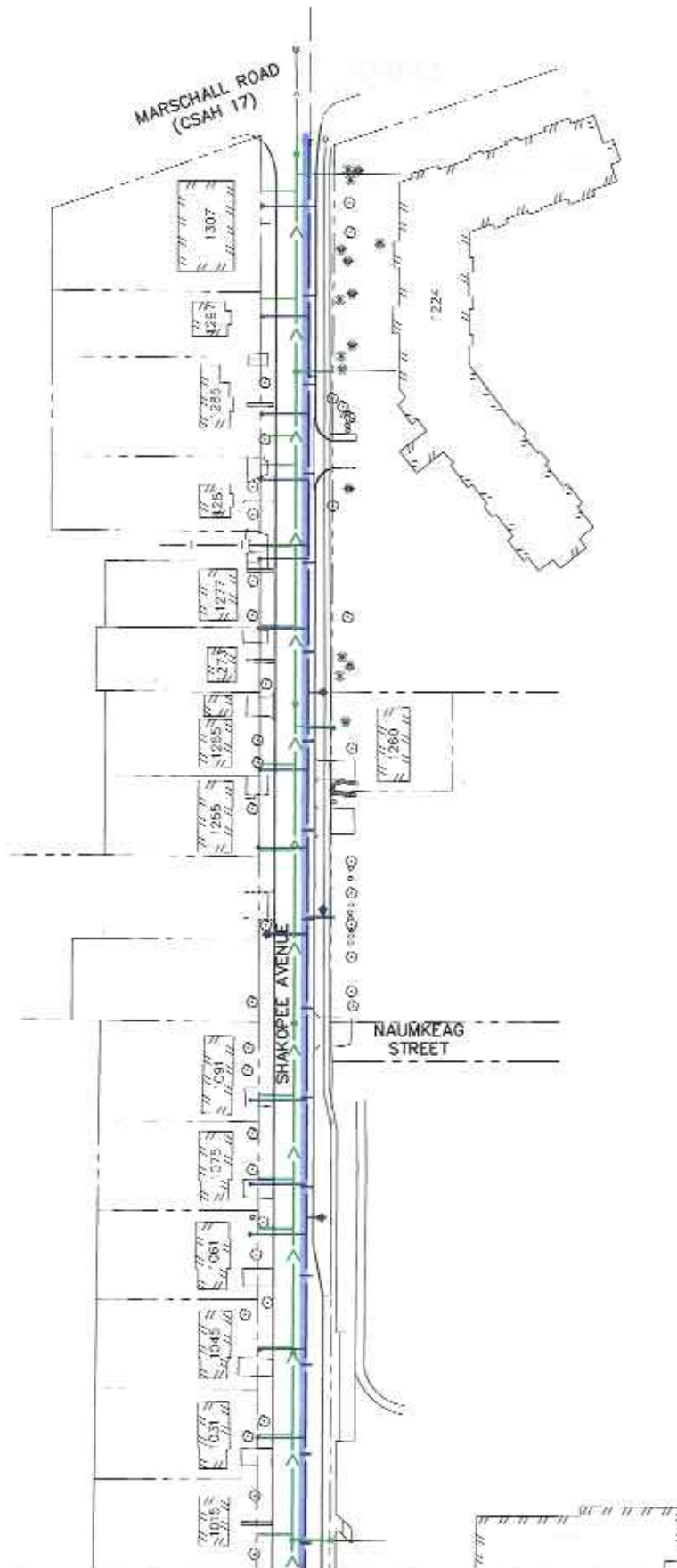
-  PROPOSED SANITARY SEWER
-  PROPOSED WATER MAIN
-  EXISTING SANITARY SEWER TO REMAIN
-  EXISTING WATER MAIN TO REMAIN
-  EXISTING TREE








2018 STREET RECONSTRUCTION
PROPOSED SANITARY SEWER AND WATER MAIN



DATE:	JAN 2018
DRAWN BY:	AIE
SHAKOPEE ENGINEERING DEPARTMENT	

FIGURE:
C.1



LEGEND

-  PROPOSED SANITARY SEWER
-  PROPOSED WATER MAIN
-  EXISTING SANITARY SEWER TO REMAIN
-  EXISTING WATER MAIN TO REMAIN
-  EXISTING TREE



2018 STREET RECONSTRUCTION
PROPOSED SANITARY SEWER AND WATER MAIN

DATE:	JAN 2018
DRAWN BY:	AIE
SHAKOPEE ENGINEERING DEPARTMENT	

FIGURE:
C.2

RESOLUTION #1187

A RESOLUTION APPROVING WATERMAIN REPLACEMENT
WITH THE 2018 CITY OF SHAKOPEE STREET RECONSTRUCTION

WIHEREAS, the Shakopee City Council has ordered an improvement to the areas defined in the 2018 Street Reconstruction for street, sanitary sewer and storm sewer, and

WIHEREAS, the Shakopee Public Utilities Commission desires to replace the existing watermain, valves, hydrants, and service lines to the curb stop valve at cost to the Shakopee Public Utilities Commission, and

WHEREAS, the Shakopee Public Utilities Commission on March 19, 2018 approved the Preliminary Engineering Report for watermain replacement, as shown on the attached engineering drawings, and

THEREFORE BE IT FURTHER RESOLVED, the funding for this project comes from the Commission approved reconstruction fund, and

WIHEREAS, no costs for the street restoration are applied to the Shakopee Public Utilities Commission on this project.

NOW, THEREFORE BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION THAT, in consideration of the savings and coordination the Shakopee Public Utilities Commission approves the watermain and associated appurtenances replacement as recommended in the Preliminary Engineering Report prepared by the city staff and as approved on March 19, 2018 by the Shakopee Public Utilities Commission, and hereby concurs with the City Council's ordering the project and the plans and specifications.

Adopted in regular session of the Shakopee Public Utilities Commission, this 19th day of March, 2018.

Commission President: Deb Amundson

ATTEST:

Commission Secretary: John R. Crooks

RESOLUTION # 1188

A RESOLUTION SETTING THE AMOUNT
OF THE TRUNK WATER CHARGE, APPROVING OF ITS COLLECTION
AND AUTHORIZING WATER SERVICE TO CERTAIN PROPERTY
DESCRIBED AS:

RIDGE CREEK SECOND ADDTION AND
Outlots A and B RIDGE CREEK FIRST ADDTION

WHEREAS, a request has been received for City water service to be made available to certain property, and

WIHEREAS, the collection of the Trunk Water Charge is one of the standard requirements before City water service is newly made available to an area, and

WHEREAS, the standard rate to be applied for the Trunk Water Charge has been set by separate Resolution,

NOW THEREFORE, BE IT RESOLVED, that the amount of the Trunk Water Charge is determined to be \$93,687.51 based on 24.99 net acres, and that collection of the Trunk Water Charge is one of the requirements to be completed prior to City water service being made available to that certain property described as:

Lots 1-2, Block 1; Lots 1-8, Block 2; Lots 1-13, Block 3; Lots 1-6, Block 4, RIDGE CREEK SECOND ADDTION AND Outlots A and B RIDGE CREEK FIRST ADDTION

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 19th day of March, 2018.

Commission President: Deb Amundson

ATTEST:

Commission Secretary: John R. Crooks

RESOLUTION # 1189

A RESOLUTION APPROVING OF THE ESTIMATED COST OF
PIPE OVERSIZING ON THE WATERMAIN PROJECT:RIDGE CREEK SECOND ADDITION

WHEREAS, the Shakopee Public Utilities Commission has been notified of a watermain project, and

WHEREAS, the pipe sizes required for that project have been approved as shown on the engineering drawing by Pioneer Engineering, and

WHEREAS, a part, or all, of the project contains pipe sizes larger than would be required under the current Standard Watermain Design Criteria as adopted by the Shakopee Public Utilities Commission, and

WHEREAS, the policy of the Shakopee Public Utilities Commission calls for the payment of those costs to install oversize pipe above the standard size, and

WHEREAS, the pipes considered oversized are listed on an attachment to this Resolution,

NOW THEREFORE, BE IT RESOLVED, that the amount of the oversizing to be paid by the Shakopee Public Utilities Commission is approved in the amount of approximately \$96,513.39, and

BE IT FURTHER RESOLVED, the payment of the actual amount for said oversizing will be approved by the Utilities Commission when final costs for the watermain project are known.

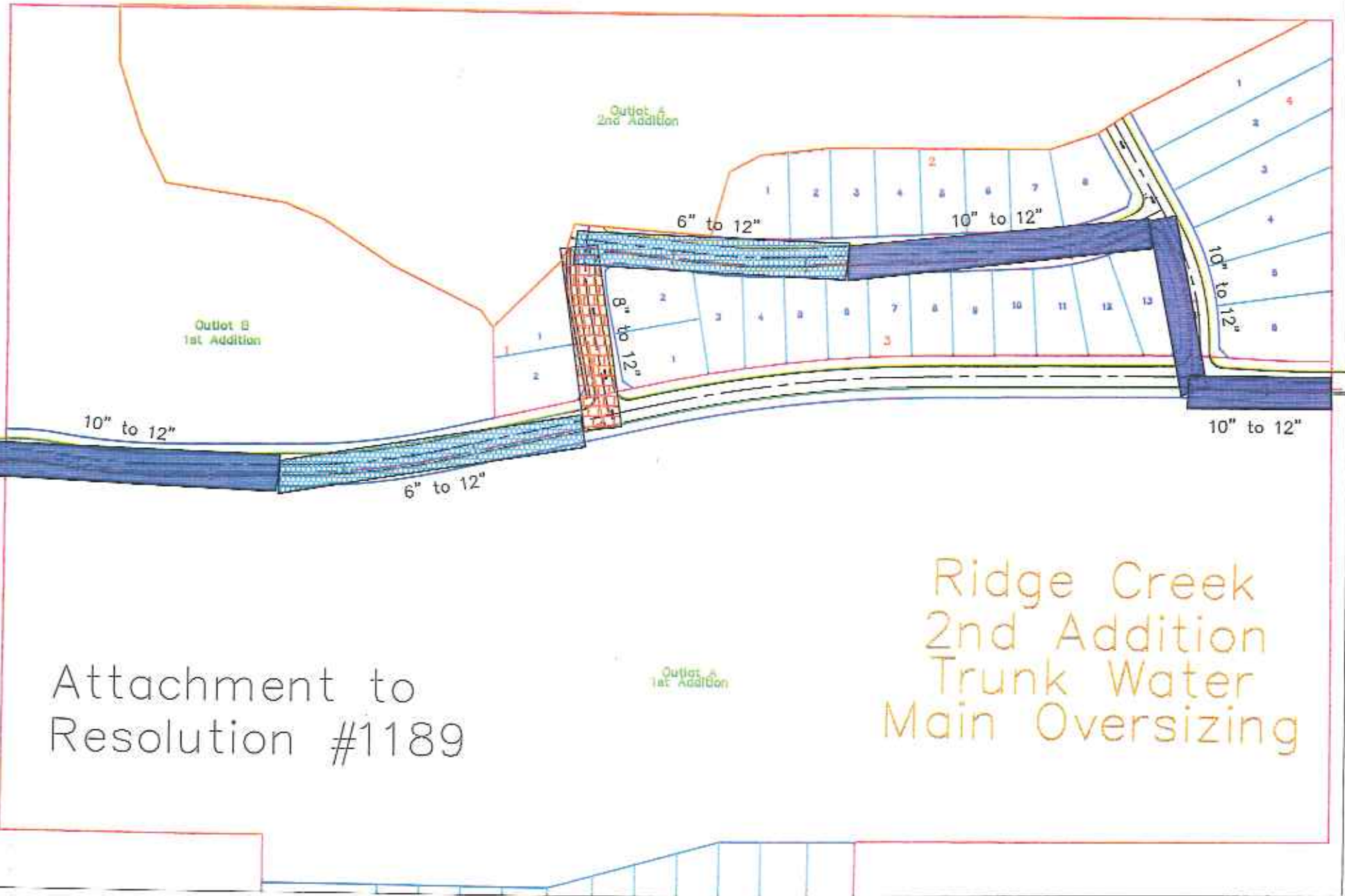
BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 19th day of March, 2018.

Commission President: Deb Amundson

ATTEST:

Commission Secretary: John R. Crooks



Attachment to
Resolution #1189

Ridge Creek
2nd Addition
Trunk Water
Main Oversizing

RESOLUTION #1190

A RESOLUTION AMENDING RESOLUTION #1098 AND DETERMINING LATERAL WATER MAIN EQUIVALENCY FOR THE PROJECT, DESCRIBED AS:

JENNIFER LANE WATER MAIN FROM VALLEY CREEK CROSSING 2ND ADDITION TO WOOD DUCK TRAIL (CP17-32J)

WHEREAS, the Shakopee Public Utilities Commission previously adopted Resolution #1098, A Resolution Approving A Water Main Construction Project, And Determining Its Lateral Water Main Equivalency, and

WHEREAS, the final cost of the 12-inch water main construction is \$171,443.86, and

WHEREAS, the cost of a lateral water main equivalent to an 6-inch water main, the minimum size required to serve the north to south flow requirement of the adjoining property per the Shakopee Public Utilities Commission's adopted water main design criteria, is determined to be \$148,279.58, and

WHEREAS, the area of the land being traversed by the extension of Jennifer Lane and the 12-inch water main, which is identified on Attachment A to this resolution, and that is determined to be receiving the benefit of the lateral water main equivalent is 16.82 acres, and

WHEREAS, the final cost of the trunk water main over sizing from the 6-inch lateral water main to the 12-inch trunk water main is \$23,164.32.

NOW THEREFORE BE IT RESOLVED, that Resolution #1098 is hereby amended.

BE IT FURTHER RESOLVED, that the lateral water main equivalent cost shall be recovered under the provisions of Resolution #815 with the fee described charged to the properties fronting the Jennifer Lane extension when those properties request water service and meet all other standard requirements to receive water service including additional lateral water main construction, and the fee is fixed now with final construction costs plus engineering/administrative charges known the fee shall be \$8,815.67 per acre, and

BE IT FURTHER RESOLVED, that the trunk water main over sizing cost shall be funded per the trunk water policy, and

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 19th day of March, 2018.

Commission President: Deb Amundson

ATTEST:

Commission Secretary: John R. Crooks

Attachment A to Resolution #1190

Final Lateral Water Main Equivalent Charge for Extension of Jennifer Lane

P.I.D Number	Owner	Acreage	Lateral Water Main Charge
271350010	Bawek	1.40	\$12,341.94
271350020	Meyers	1.77	\$15,603.74
279190157	Dearborn	3.37	\$29,708.81
279190153	Purcell	3.77	\$33,235.08
279190155	Cordt	1.90	\$16,749.77
271420450, 271420500	Menden	1.95	\$17,190.56
270610100	Minich	1.16	\$10,226.18
270610090	Ludzach	0.81	\$7,140.69
270610080	Hackman	0.69	\$6,082.81
	Total Acres	16.82	\$148,279.58

\$148,279.58 Total Lateral Water Main Cost
\$8,815.67 per acre

RESOLUTION # 1191

A RESOLUTION APPROVING OF THE FINAL COST OF PIPE OVERSIZING ON THE
WATERMAIN PROJECT:CP17-32J (JENNIFER LANE WATER MAIN EXTENSION)

WHEREAS, the Shakopee Public Utilities Commission had previously approved of an estimated amount for oversizing on the above described watermain project, and

WHEREAS, the pipe sizes required for that project have been installed as shown on the engineering drawing by City of Shakopee Engineering Staff, and

WHEREAS, a part, or all, of the project contains pipe sizes larger than would be required under the current Standard Watermain Design Criteria as adopted by the Shakopee Public Utilities Commission, and

WHEREAS, the policy of the Shakopee Public Utilities Commission calls for the payment of these costs to install oversize pipe above the standard size.

NOW THEREFORE, BE IT RESOLVED, that the payment by the Shakopee Public Utilities Commission for the oversizing on this project is approved in the amount of \$23,164.32, and

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 19th day of March, 2018.

Commission President: Deb Amundson

ATTEST:

Commission Secretary: John R. Crooks

RESOLUTION #1192

A RESOLUTION APPROVING PAYMENT FOR THE PIPE OVERSIZING COSTS ON THE WATERMAIN PROJECT:

RIDGE CREEK FIRST ADDITION

WHEREAS, the Shakopee Public Utilities Commission had previously approved of an estimated amount for oversizing on the above described watermain project, and

WHEREAS, the pipe sizes required for that project have been installed as shown on the engineering drawing by Pioneer Engineering, and

WHEREAS, a part, or all, of the project contains pipe sizes larger than would be required under the current Standard Watermain Design Criteria as adopted by the Shakopee Public Utilities Commission, and

WHEREAS, the policy of the Shakopee Public Utilities Commission calls for the payment of these costs to install oversize pipe above the standard size.

NOW THEREFORE, BE IT RESOLVED, that the payment by the Shakopee Public Utilities Commission for the oversizing on this project is approved in the amount of \$85,940.04, and

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 19th day of March, 2018.

Commission President: Deb Amundson

ATTEST:

Commission Secretary: John R. Crooks

Monthly Water Dashboard

As of: December 2017 Shakopee Public Utilities Commission

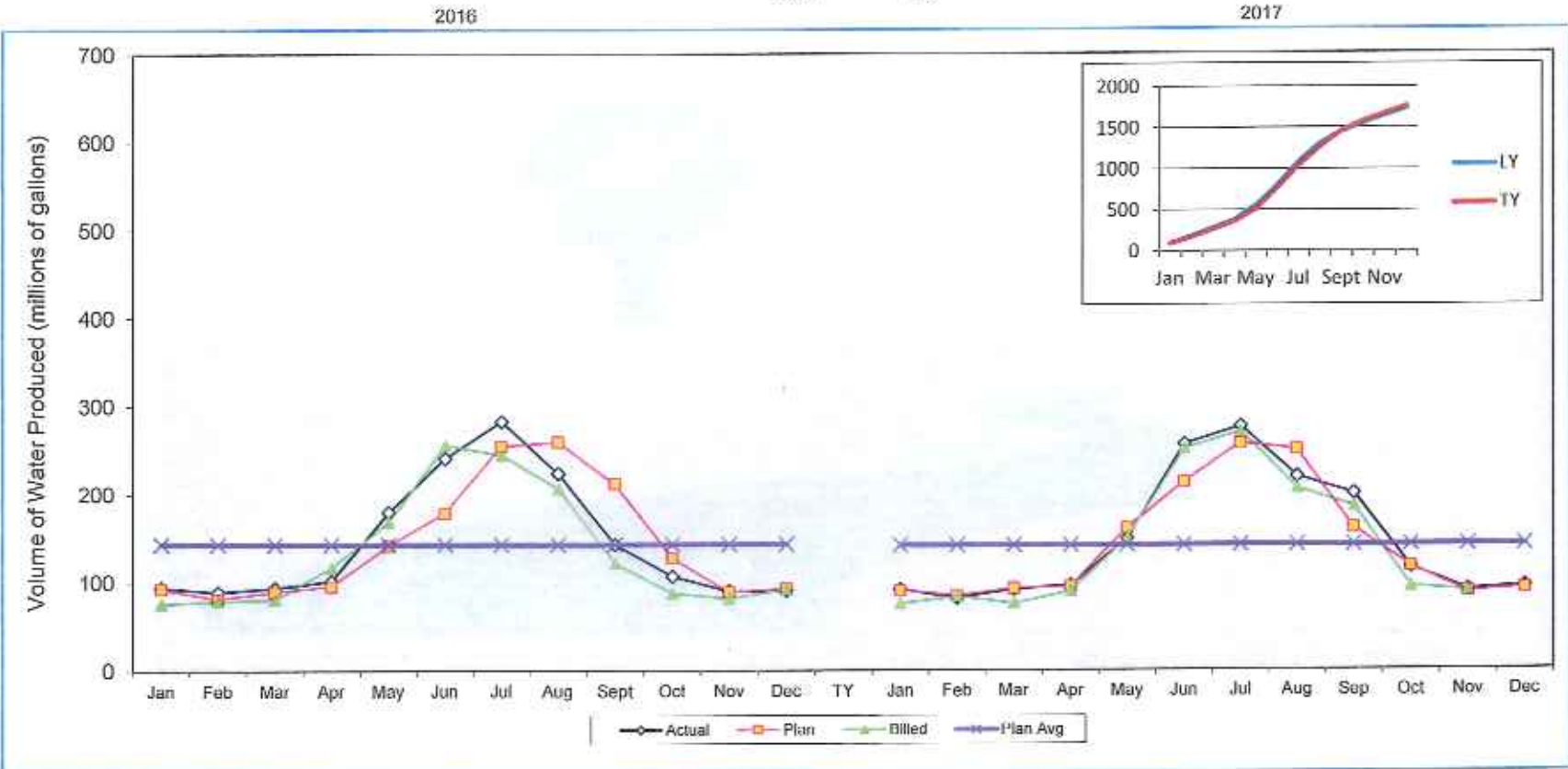
ALL VALUES IN MILLIONS OF GALLONS

Element/Measure Water Pumped/Metered

Averages

2014	140
2015	138
2016	145



Last 6 months actuals	276	219	200	116	90	94
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	LY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Actual	94	89	94	102	180	241	283	224	143	107	90	91		92	82	92	96	149	256	276	219	200	116	90	94	
Plan	93	82	90	96	142	179	255	260	212	128	89	93		91	85	93	95	161	213	257	250	161	117	88	92	
YTD % *															101%	99%	99%	99%	97%	104%	105%	101%	104%	104%	104%	103%
Billed	76	79	81	117	169	256	245	207	122	88	82	92		76	84	76	90	150	251	270	206	185	94	89		

* Actual gallons pumped vs. Plan

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: John Crooks, Utilities Manager 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: Windermere Booster Station and Well Site Purchase Agreement
DATE: March 16, 2018

ISSUE

The attached purchase agreement is submitted to the Commission for review and approval.

BACKGROUND

DR Horton is developing multiple properties that are located in the southwest area of the city, in both the 1st High Elevation Service District and the 2nd HES District. Those lots located in the 2nd HES District require SPU to construct a water pressure booster station as identified in our current five year 2018-2022 CIP.

DISCUSSION

Staff has worked with the developer and the city to identify an appropriate parcel to locate the booster station and a municipal well. The original site under consideration is in conflict with a new proposed development being proposed by the Benedictine Health System for a senior living community. A new site located slightly south of the original site is the subject of the attached agreement. This site is the same dimensions as the original site, so the proposed purchase price has remained the same.

The developer will be responsible to provide site grading, access to a public street and other infrastructure to support the booster station and well site development, i.e. utility services for sanitary sewer, water main stubs and storm water management facilities with development of their plat.

The site as currently dimensioned would accommodate a water supply well and future treatment plant in addition to the booster station. During the due diligent period provided in the agreement, staff will be investigating the use of the site for a water supply well and the agreement provides in the event a water supply well is not viable that the area purchased will be redefined to be smaller and the price reduced on a prorata basis.

REQUESTED ACTION

Staff requests the Commission review and approve the attached purchase agreement and authorize its execution subject to final attorney review.

PURCHASE AGREEMENT

DATE: _____, 2018

BETWEEN: **D.R. HORTON, INC.-MINNESOTA,**
a Delaware corporation (“Seller”)

AND: **SHAKOPEE PUBLIC UTILITIES COMMISSION,**
a Minnesota municipal utility commission (“Buyer”)

FOR VALUABLE CONSIDERATION, Seller and Buyer (individually, a “Party” and collectively, the “Parties”) agree as follows:

I. SALE AND PURCHASE

- 1.1 SPUC Parcel. Seller is in the process of platting a parcel of real property depicted in Exhibit A (the “SPUC Parcel”) as Outlot B in a plat to be named Windermere Way, which plat will be recorded at or before Closing. Seller is actively pursuing approval of the plat of Windermere Way, but such plat has not yet been finalized and approved by the City of Shakopee (the “City”). The exact dimensions and location of the SPUC Parcel will not be finally determined until the plat of Windermere Way is finally approved by the City. Notwithstanding any insufficiency of the legal description, the Parties desire to proceed to enter into this Purchase Agreement (this “Agreement”) and obtain the legal description of the SPUC Parcel pursuant to the plat of Windermere Way to be recorded at or prior to Closing.
- 1.2 Sale of Property. Subject to the terms and conditions of this Agreement, Seller will sell and convey to Buyer, and Buyer will purchase and accept from Seller, the SPUC Parcel, together with all improvements thereon and all rights, privileges, easements, licenses, appurtenances and hereditaments relating thereto (collectively, the “Property”). Buyer intends to construct a water booster station, pump house, well and related facilities on the Property, containing up to 0.45 acres of impervious surface area on the Property (collectively, the “Buyer Improvements”).
- 1.3 Closing. The closing of the sale and purchase of the Property (“Closing”) will occur thirty (30) days after the expiration of the Due Diligence Period under Article IV of this Agreement at 10:00 a.m. local time in the offices of McGrann Shea Carnival Straughn & Lamb, Chartered, in Minneapolis, Minnesota, or at such other time or place as Buyer and Seller may agree.

II. PURCHASE PRICE

- 2.1 Payment of Purchase Price. The purchase price for the Property will be Two Hundred Thirty-Five Thousand One Hundred Eighty-Nine and 65/100 Dollars (\$235,189.65) (the “Purchase Price”), paid by Buyer paying such amount to Seller in cash at Closing.

- 2.2 Method of Payment. All cash payments by Buyer will be in U.S. Dollars and in the form of wire transfers, certified checks or other immediately available funds acceptable to Seller.

III. TITLE

- 3.1 Preliminary Title Commitment. Within fifteen (15) days of the date of this Agreement, Seller will furnish to Buyer a commitment for an owner's policy of title insurance (ALTA Form 06/17/06) covering the tax parcels of land underlying the SPUC Parcel (the "Preliminary Title Commitment"), issued by Old Republic National Title Insurance Company, through Commercial Partners Title, LLC, or such other title insurer as may be acceptable to Buyer (the "Title Company"), with standard exceptions for mechanic's liens and parties in possession deleted, with searches for special assessments and with an amount of coverage equal to the Purchase Price. The Preliminary Title Commitment will include a copy of each instrument listed as an exception to title or referred to therein. The service charge for the Preliminary Title Commitment will be paid by Seller.
- 3.2 Final Title Commitment. As soon as the Property is able to be platted, Seller will furnish to Buyer a final commitment for an owner's policy of title insurance (ALTA Form 06/17/06) covering the Property (the "Final Title Commitment") issued by the Title Company, with standard exceptions for mechanic's liens, survey and parties in possession deleted, with searches for special assessments and with an amount of coverage equal to the Purchase Price. The Final Title Commitment will include a copy of each instrument listed as an exception to title or referred to therein, except for any instruments previously furnished with the Preliminary Final Commitment. The service charge for the Final Title Commitment will be paid by Seller, but the premium for any policy issued pursuant to the Final Title Commitment will be paid by Buyer.
- 3.3 Survey. As soon as the Property is able to be platted, Seller will furnish to Buyer at Seller's cost an "as-built" survey in both print and CADD formats of the Property made by a registered land surveyor and certified to Buyer, the Title Company and the title insurer, showing the location of all easements, buildings, improvements, and encroachments, and the contours and topography of the Property, and conforming to the current standard detail requirements established by the American Land Title Association and the National Society for Professional Surveyors (the "Survey").
- 3.4 Examination of Title. Buyer will be allowed thirty (30) days after receipt of the Preliminary Title Commitment and fifteen (15) days after receipt of the Final Title Commitment and Survey for examination of title to the Property and making of objections. Objections will be made in writing or be deemed waived. Any exceptions to title accepted by Buyer or not timely objected to as aforesaid are, collectively, the "Permitted Encumbrances."
- 3.5 Corrections to Title. If any objections to title to the Property are made as provided in Section 3.4, Seller may elect in its sole and absolute discretion, but is not obligated, to attempt to cure any or all objections. If Seller elects to attempt to cure any such objections, Seller will be allowed until ten (10) days prior to the last day of the Due Diligence Period to cure or agree to cure at Closing (i.e. by providing required title affidavits) such objections. If

Seller notifies Buyer that it chooses not to cure any or all objections, or if Seller has not informed Buyer at least ten (10) days prior to the end of the Due Diligence Period that such objections are or will be cured, then Buyer may as its sole remedies either: (a) terminate this Agreement by giving Seller written notice thereof on or before the last day of the Due Diligence Period, in which case both Parties shall be released from all further obligations under this Agreement (subject, however, to any other obligations and agreements which expressly survive termination); or (b) waive all or any of the objections and close the transaction with no reduction in the Purchase Price, in which event the uncured objections shall be deemed waived by Buyer and shall thereafter be Permitted Encumbrances under this Agreement. If Buyer fails to give such written notice of termination within the time required herein, it shall be conclusively deemed that Buyer has elected to waive the objections not so cured and to accept them as Permitted Encumbrances.

IV. REVIEW OF THE PROPERTY

- 4.1 Due Diligence Information. Within fifteen (15) days after the date of this Agreement, Seller will make available at its offices for review and copy by Buyer all records, engineering studies, reports and tests, construction reports, studies and other permitting documents for Windermere, "as-built" CADD files of construction documents, and other documents and surveys relating to the condition, suitability, and desirability of the Property that are in the possession of Seller or otherwise reasonably available to Seller (the "Available Reports"). As they become available in the development process, Seller shall similarly make available to Buyer all such further documents regarding the Property, which shall also be considered part of the Available Reports. Notwithstanding the foregoing, the Available Reports shall exclude all environmental reports except the ESA Report of Finding discussed in Section 4.2, any reports or documents which are proprietary to Seller or which are privileged and confidential pursuant to a recognized legal privilege (such as attorney-client communications and/or attorney work product) (such excluded documents and reports are referred to collectively as the "Excluded Materials"). For purposes hereof, proprietary information includes any internally-generated or internally-created reports, investigations, analysis and other documents which relate to or constitute cash flow budgets, accounting budgets, marketing information, market analysis or similar information. All Available Reports and other materials prepared by third parties for, on behalf of, or at the request of Seller, but expressly excluding any Excluded Materials, are collectively referred to herein as "Due Diligence Information." With respect to any Due Diligence Information provided to Buyer and any other information made available to Buyer by or on behalf of Seller, Buyer acknowledges and agrees that: (a) Seller makes no covenant, representation or warranty whatsoever as to such information, including without limitation, its content, reliability, accuracy or completeness; (b) if Buyer uses or relies on any information provided by Seller, Buyer shall do so solely at Buyer's own risk, and Seller makes no representation, warranty or assurance as to whether Buyer has any right to use or rely thereon; (c) the parties preparing any such information are not the agents of Seller; (d) except to the extent that Mike Suel, Seller's Land Development Manager, becomes personally aware of any such misrepresentations, misstatements, mistakes, errors or other inaccuracies, Seller shall have no duty to advise Buyer of any misrepresentations, misstatements, mistakes, errors or other inaccuracies contained in such information; and (e) Seller shall have no liability, and is

hereby released from all liability to Buyer, its successors and/or assigns, with respect to such information, including without limitation, any liability for misrepresentations, misstatements, mistakes, errors or other inaccuracies contained in such information, except to the extent that Mike Suel, Seller's Land Development Manager, becomes personally aware of any such misrepresentations, misstatements, mistakes, errors or other inaccuracies and Seller fails within a reasonable time period to so advise Buyer in accordance with subsection (d).

- 4.2 ESA Report of Findings. Within fifteen (15) days after the date of this Agreement, Seller will cause to be prepared and will provide a copy to Seller of an Environmental Site Assessment Report of Findings (the "ESA Report of Findings") covering the parcel of real property identified on Exhibit C (the "ESA Report of Findings Parcel"), which ESA Report of Findings Parcel includes all of the Property. Seller shall have no liability, and is hereby released from all liability to Buyer, its successors and/or assigns, with respect to such information, including without limitation, any liability for misrepresentations, misstatements, mistakes, errors or other inaccuracies contained in such ESA Report of Findings, except to the extent that Mike Suel, Seller's Land Development Manager, becomes personally aware of any such misrepresentations, misstatements, mistakes, errors or other inaccuracies and Seller fails within a reasonable time period to advise Buyer of same.
- 4.3 Due Diligence. Buyer will be allowed sixty (60) days after the date of this Agreement (the "Due Diligence Period") to review the Due Diligence Information and the ESA Report of Findings, inspect the Property, perform such inventories, observations, tests, and investigations as Buyer may reasonably deem appropriate, and otherwise satisfy itself regarding the condition, suitability, and desirability of the Property. If Buyer in its sole discretion is not satisfied with the Property, Buyer may on or before the expiration of the Due Diligence Period terminate this Agreement by giving written notice to Seller. Upon such termination, neither Party will have any further obligations under this Agreement.
- 4.4 Environmental Inspection. Buyer may provide its environmental consultant with a copy of the ESA Report of Findings and pursuant to Section 10.2, Buyer may at its cost conduct investigations of the environmental condition of the Property. Such investigation will include soil borings and Seller consents to such borings so long as Buyer provides Seller with the scope of work prior to completion of the borings and allows Seller to have its representative present at the Property during the completion of such work. If Buyer conducts a Phase I environmental investigation and such report contains a recommendation for a Phase II investigation, Buyer will have the option of either terminating this Agreement or providing to Seller a written request for a Phase II investigation that includes an explanation of the reasons for such request and the proposed Phase II testing. Seller may consent to the Phase II investigation in its sole and absolute discretion and, if Seller does not consent, Buyer may terminate this Agreement. If such consent is granted, Buyer may order at Buyer's cost a Phase II investigation. If a Phase II investigation is ordered, the Due Diligence Period will be extended by an additional sixty (60) days for investigation and submittal of such report.
- 4.5 Confidentiality. Buyer may disclose information in the Due Diligence Information and the ESA Report of Findings or information otherwise obtained by Buyer in the course of its review and inspections to its attorneys, consultants, investors, lenders and tenants.

Otherwise, unless and until Closing occurs and subject to the Minnesota Government Data Practices Act, Buyer will keep all such information confidential.

- 4.6 Cooperation. Seller will cooperate with Buyer in making all necessary filings, petitions, and submissions required by Buyer to obtain the necessary governmental approvals for Buyer's planned use of the Property. Seller will take no action, either personally or in connection with a related entity, that would be inconsistent with or in contravention of its obligations to cooperate hereunder.
- 4.7 Substitute Property. In the event Buyer determines during the Due Diligence Period that it cannot construct a well and related facilities on the Property, Buyer will notify Seller of the same and the size of the real property parcel Buyer is purchasing shall be reduced to the size necessary for the Buyer Improvements, not including the well (the "Substitute Property"). Seller shall amend the plat or replat the Property as necessary to create a separate parcel for the Substitute Property and all references to the Property in this Agreement shall mean the Substitute Property. The Purchase Price shall be reduced pro rata based on the reduction of the real property parcel; i.e. if the real property parcel is reduced by 10% for the Substitute Property, the Purchase Price shall be reduced by 10%. If requested by either Party, the Parties shall execute an amendment to this Agreement to reflect the Substitute Property and the reduced Purchase Price.

V. CONDITIONS TO CLOSING

- 5.1 Seller Conditions. The obligation of Seller to sell the Property under this Agreement is subject to the reasonable satisfaction of Seller that:
- (a) the representations and warranties of Buyer contained in Section 9.2 are true and correct in all material respects as of Closing;
 - (b) Buyer has in all material respects performed and observed all covenants, agreements and conditions of this Agreement to be performed or observed by it prior to or on Closing;
 - (c) Seller has received a certificate or certificates dated the day of Closing and signed by a responsible officer of Buyer certifying as to the matters set forth in items (a) and (b) of this Section;
 - (d) no action or proceeding has been instituted or threatened by any third party unaffiliated with Seller to enjoin or delay purchase or obtain material damages from Seller with respect to the purchase which Seller in good faith believes presents a significant risk of succeeding; and
 - (e) Buyer has delivered to Seller all of the items required to be delivered to Seller pursuant to Section 6.1.
- 5.2 Buyer Conditions. The obligation of Buyer to purchase the Property under this Agreement is subject to the reasonable satisfaction of Buyer that:

- (a) the representations and warranties of Seller contained in Section 9.1 are true and correct in all material respects as of Closing;
- (b) Seller has in all material respects performed and observed all covenants, agreements and conditions of this Agreement to be performed or observed by it prior to or at Closing;
- (c) Buyer has received a certificate or certificates dated the day of Closing and signed by a responsible officer of Seller certifying as to the matters set forth in items (a) and (b) of this Section;
- (d) no action or proceeding has been instituted or threatened by any third party unaffiliated with Buyer to enjoin or delay purchase or obtain material damages from Buyer with respect to the purchase which Buyer in good faith believes presents a significant risk of succeeding;
- (e) as of two (2) days before and as of Closing, Seller has removed from the Property any and all containers of motor oil, paint, solvents, petroleum products, all motor vehicle tires and batteries, and all Hazardous Substances, pollutants, and environmental contaminants;
- (f) Buyer has received all necessary approvals for the construction of the Buyer Improvements on the Property;
- (g) Seller has all Stormwater Pollution Prevention Plan ("SWPPP") erosion control measures and temporary seeding and mulching in place on the Property; and
- (h) Seller has delivered to Buyer all of the items required to be delivered to Buyer pursuant to Section 6.2.

5.3 Unsatisfied Conditions. If any condition set out in Section 5.1 or 5.2 is unsatisfied on the date scheduled for Closing, the Party for whose benefit the condition is may at its option:

- (a) waive the condition and proceed with Closing;
- (b) delay Closing for up to sixty (60) days to allow the condition to be satisfied; or
- (c) terminate this Agreement.

If this Agreement is so terminated, neither Seller nor Buyer will have the right to specific performance or damages for default of this Agreement.

VI. CLOSING

6.1 Buyer's Closing Documents. Buyer will deliver to Seller at Closing:

- (a) the Purchase Price specified in Section 2.1;

- (b) a resolution of the board of commissioners of Buyer authorizing and approving the transaction contemplated by this Agreement, certified as true and correct by the secretary of Buyer;
- (c) the access easement executed by Buyer pursuant to Section 14.10 hereof and substantially in the form of Exhibit B attached hereto;
- (d) a CSW Notice of Permit Modification Form regarding the SWPPP to be completed, provided and submitted to the Minnesota Pollution Control Agency ("MPCA") by Seller pursuant to Section 6.2(g), completed as to Buyer's portion of the Form and executed by Buyer; and
- (e) any other items required by this Agreement or reasonably required by the Title Company.

6.2 Seller's Closing Documents. Seller will deliver to Buyer at Closing:

- (a) a limited warranty deed duly executed by Seller conveying the Property to Buyer;
- (b) original copies of all contracts and records in Seller's possession;
- (c) an affidavit satisfactory to Buyer that Seller is not a foreign person under Section 1445 of the United States Internal Revenue Code;
- (d) a well disclosure statement as required under Minnesota Statutes section 103I.235, if appropriate disclaimer language is not contained in the deed delivered at Closing;
- (e) an affidavit satisfactory to Buyer that at Closing there are no outstanding, unsatisfied judgments, tax liens, or bankruptcies against Seller, no labor, services, materials, or machinery furnished to the Property for which mechanics' liens could be filed, and no unrecorded interests in the Property which have not been fully disclosed to Buyer;
- (f) a resolution of the board of directors of Seller authorizing and approving the transaction contemplated by this Agreement, certified as true and correct by an officer of Seller;
- (g) the access easement executed by Seller pursuant to Section 14.10 hereof and substantially in the form of Exhibit B attached hereto;
- (h) a CSW Notice of Permit Modification Form regarding the SWPPP to be completed (except for Buyer's portion), executed (except for Buyer's execution of its portion) and submitted to the MPCA by Seller, and a copy of the State Storm Water General Permit for Windermere; and
- (i) any other items required by this Agreement or reasonably required by the Title Company.

- 6.3 Preparation and Delivery of Property. Prior to Closing, Seller will:
- (a) properly seal and abandon any wells on the Property per the Minnesota Department of Health and other applicable requirements;
 - (b) properly remove any septic systems (including any tanks and drainfields) on the Property per the Minnesota Department of Health and other applicable requirements;
 - (c) grade and deliver the Property in accordance with the grading plan approved by Buyer and the City and generally in accordance with the Grading Plan attached hereto as Exhibit D; and
 - (d) remove any remaining residential home improvements, including basement concrete block and floors.
- 6.4 Installation of Public Street, Sanitary Sewer and Water Stubs, and Storm Water Improvements. After Closing, Seller shall at its sole cost and expense install a sanitary sewer stub and two (2) water main stubs, one (1) 16" in diameter and one (1) 12" inch in diameter, to the perimeter of the Property and install a public street adjacent to the Property, all in accordance with the street and utility plans on file with the City in connection with the Windermere Way and Windermere South development plans. To the extent the location of the public street providing access to the Property requires additional driveway area in the land located to the south of the Property and designated as Outlot C in the proposed Plat of Windermere South, such land shall be platted by Seller as an additional outlot and conveyed to Buyer post-closing, at such time as the public street is platted, for no additional consideration. Seller shall also at its sole cost and expense design and construct a storm water management system sufficient to handle storm water run off from the Property, all in accordance with the utility plans on file with City in connection with the Windermere Way and Windermere South development plans.
- 6.5 Delivery of Possession. Seller will deliver possession of the Property to Buyer at Closing.
- 6.6 Further Actions. At Buyer's request from time to time after Closing, Seller will at no cost to Seller execute and deliver such further documents of conveyance and take such other action as Buyer may reasonably require to convey the Property to Buyer.

VII. CLOSING COSTS AND PRORATIONS

- 7.1 Closing Costs. Buyer and Seller will each be responsible for its legal, accounting and other expenses associated with the transaction contemplated by this Agreement up to and including the date final adjustments are made pursuant to this Agreement. Seller will be responsible for any document recording fees required for correction of title and any state deed tax required in connection with the transaction. Buyer will pay all other document recording fees, fees associated with the transfer or obtaining of licenses and permits required to operate the Property, mortgage registry taxes, and any sales or use taxes required in connection with the transaction. Seller and Buyer will each pay half of the closing fee and any escrow fees

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imposed by the Title Company, title insurer or its closing agent in connection with this transaction.

- 7.2 Taxes and Assessments. Real estate taxes with respect to the Property due and payable in the year in which Closing occurs will be prorated as of Closing. Seller will pay all special assessments payable, levied or pending as of Closing and all real estate taxes due and payable in years prior to the year in which Closing occurs. Buyer will pay all such taxes and assessments due and payable in years following the year in which Closing occurs.
- 7.3 Income and Expenses. Except as set out in Section 7.2, all income and operating expenses relating to the Property will be prorated as of the close of business of the day before Closing. Seller will be responsible for the expenses and entitled to the revenues accrued or applicable to the period prior to Closing. Buyer will be responsible for the expenses and entitled to the revenues accrued or applicable to the day of Closing and thereafter.
- 7.4 Estimates. If any amount to be apportioned under Section 7.3 cannot be calculated with precision because any item included in such calculation is not then known, such calculation will be made on the basis of reasonable estimates of Seller of the items in question. Promptly after any such item becomes known to either Party, such Party will so notify the other and will include in such notice the amount of any required adjustment. If such adjustment requires an additional payment by Buyer to Seller, Buyer will make such payment to Seller simultaneously with its giving or within twenty (20) days of its receipt of such notice, as the case may be. If such adjustment requires a refund by Seller to Buyer, Seller will make such refund simultaneously with its giving or within twenty (20) days after its receipt of such notice, as the case may be.

VIII. PROPERTY CONVEYED "AS IS."

- 8.1 Property Sold As Is, Where Is, and with all Faults. As a material inducement to Seller to enter into this Agreement and to sell and convey the Property to Buyer subject to the terms of this Agreement and at the Purchase Price stated herein, Seller and Buyer covenant and agree as set forth in this Section 8.1. Buyer acknowledges and agrees that but for Buyer's agreement to these provisions, Seller would not sell the Property to Buyer. Buyer agrees that Buyer will take the Property at Closing subject to the following conditions:
- (a) Disclaimer of Warranties. Except for the representations, warranties, covenants and agreements expressly set forth in this Agreement, Seller hereby specifically disclaims any warranty, guaranty, promise, covenant, agreement, or representation of any kind or character, oral or written, past, present or future, express or implied, of, as to, or concerning: (i) the nature and condition of the Property, including, without limitation, (A) the water, soil and geology, the suitability thereof and/or of the Property for any and all activities and uses which Buyer may elect to conduct, (B) the manner or quality of the construction or materials, if any, incorporated into the Property and/or the manner, quality, state of repair or lack of repair of the Property or any improvements thereon or related thereto, (including without limitation any offsite improvements and infrastructure) and (C) the existence of any environmental hazards

or conditions (including but not limited to the presence of Hazardous Substances of any type and/or above or below ground storage tanks, and/or pipelines) at, on, under, or near the Property or compliance with any applicable Environmental Laws or other Applicable Laws of any Governmental Authority; (ii) the nature and extent of any right-of-way, lease, possession, lien, encumbrance, license, reservation, or other condition concerning the Property; (iii) the value of the Property and/or the income or profits which may or may not be derived from the Property, or any potential appreciation in value or the resale value of the Property; and (iv) the compliance of the Property or its operation with any laws, ordinances, or regulations of any Governmental Authority, including without limitation any Environmental Laws and/or any land use laws or the compliance of the Property or its operation with any development agreements, covenants, conditions, or restrictions, or any other agreements or arrangements related to the development, use, or operation of the Property. Except for the representations, warranties, covenants and agreements expressly set forth in this Agreement, the sale of the Property is made on an **"AS IS", "WHERE IS" AND "WITH ALL FAULTS"** basis, and Buyer expressly acknowledges that Seller makes no warranty or representation, express or implied, or arising by operation of law, including, but not limited to, any warranty of condition, title (other than the special warranty of title with respect to the Property), zoning, tax consequences, operating history or projections, valuation, governmental approvals, or any other matter or thing relating to or affecting the Property, including, without limitation, (i) the value, merchantability, marketability, profitability, suitability or fitness for a particular use or purpose of the Property or any portion thereof, and (ii) the manner or quality of construction or materials incorporated into any of the Property. Except as provided in this Agreement, Seller has no obligation to make repairs, replacements or improvements to the Property, or to pay any fees, costs or expenses related to the Property, or for any other liability or obligation with respect to the Property (except for any taxes or assessments to be paid by Seller at Closing and other costs and expenses to be paid by Seller as expressly set forth in this Agreement).

- (b) "Hazardous Substances" means any pollutants, materials, substances, or wastes identified or regulated in any way under applicable Environmental Laws, including, without limitation: any "hazardous waste" as defined by RCRA, and regulations promulgated thereunder, any "hazardous substance" as defined by CERCLA, and regulations promulgated thereunder, and any toxic substance as defined under or regulated by the Toxic Substances Control Act; asbestos, polychlorinated biphenyls, radon, freon and other chlorofluorocarbons, explosive and radioactive materials; petroleum and petroleum based products; urea formaldehyde foam insulation; underground and above ground storage tanks, whether empty, filled or partially filled with any substance, including without limitation any petroleum product or any other hazardous substance; any substance the presence of which on the Property is prohibited by any Environmental Laws; and any other substance or material which by or under any Environmental Laws requires special handling or notification of any Governmental Authority in its collection, storage, treatment, use, or disposal.

- (c) "Environmental Laws" means any local, state, or Federal law, rule or regulation pertaining to environmental regulation, contamination, clean-up, or disclosure, or otherwise to health and safety, including without limitation each of the following, as the same may be amended from time to time, and all regulations promulgated pursuant to or in connection with any of the following: (1) the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 et seq.), as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, "RCRA"); (2) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.), as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, "CERCLA"); (3) the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); (4) the Endangered Species Act (15 U.S.C. § 1531 et seq.); (5) laws, statutes, ordinances, rules, regulations, orders, or determinations relating to "wetlands", including without limitation those set forth in the Clean Water Act (33 U.S.C. § 1251 et seq.); and (6) the Federal Insecticide, Fungicide and Rodenticide Act, as amended.
- (d) "Governmental Authority" or "Governmental Authorities" means the United States, the State of Minnesota, the County of Scott, and the City, or any other governmental authority or agency having jurisdiction over the Property or any activities Buyer may conduct on or in the vicinity of the Property, including without limitation any municipal utility district, water control and improvement district, or similar district or taxing authority in which the Property is located or otherwise having jurisdiction over the Property, and any other agency, department, commission, board, or bureau or instrumentality of any of the foregoing, including without limitation the Army Corps of Engineers, the Federal Emergency Management Agency, the Environmental Protection Agency, and the MPCA.
- (e) "Applicable Law" means any city, county, state, federal, or other governmental regulation, ordinance, law, code, statute or constitution, including any zoning ordinance or use restriction or any administrative, executive, or judicial orders, decrees, or determinations which govern, regulate, control, or otherwise apply to or relate in any manner to the Property and the ownership, development, use, or operation of the Property, to the construction, marketing, leasing, and sale of improvements constructed (or to be constructed) on the Property, and/or to the interpretation and enforcement of this Agreement, including without limitation all Environmental Laws (as hereinafter defined).
- (f) Buyer's Additional Representations, Warranties and Covenants. Buyer represents to Seller that Buyer is a knowledgeable buyer of real estate and that, except for the representations, warranties, covenants, and agreements of Seller set forth in this Agreement, Buyer is relying solely on its own expertise and that of Buyer's consultants and advisors in purchasing the Property. Buyer further acknowledges and agrees that having been given the opportunity to inspect the Property, except for the representations, warranties, covenants, and agreements of Seller set forth in this Agreement, Buyer is relying solely on and will rely solely on its own investigation of

the Property and not on any information provided or to be provided by Seller or any employee, agent, representative, or broker of Seller or otherwise attributed to Seller, and all such reliance is expressly and unequivocally disclaimed by Buyer. Except as set forth in this Agreement, Buyer further unequivocally disclaims the existence of any duty to disclose on the part of Seller or any employee, agent, representative, or broker of Seller and any reliance of Buyer on the silence or any alleged nondisclosure of Seller or any of its employees, agents, representatives, or brokers. Buyer further acknowledges and agrees that any information provided or to be provided with respect to the Property was obtained from a variety of sources and that Seller has not made any independent investigation or verification of such information and makes no representations as to the accuracy or completeness of such information. Except for the representations, warranties, covenants, and agreements of Seller set forth in this Agreement, Seller is not liable or bound in any manner by any verbal or written statements, representations or information pertaining to the Property, or the operation thereof, furnished by any real estate broker, agent, employee, servant or other person. Upon Closing, except for the representations, warranties, covenants, and agreements of Seller set forth in this Agreement, Buyer shall assume the risk that adverse matters, including, but not limited to, adverse physical and environmental conditions and development and construction defects, may not have been revealed by Buyer's inspections and investigations and includes, without limitation, matters which, if known by Buyer, would materially affect Buyer's decision to purchase the Property. Except for the representations, warranties, covenants, and agreements of Seller set forth in this Agreement, Buyer hereby assumes all risk and liability (and agrees that Seller shall not be liable for any special, direct, indirect, consequential, incidental, punitive, or other damages) resulting or arising from or relating to the ownership, use, condition, location, development, maintenance, repair, or operation of the Property.

- 8.2 Survival. Buyer hereby acknowledges, confirms, and agrees as follows: (i) the provisions of Section 8.1 are a material inducement to Seller entering into the sale transaction which is the subject of this Agreement, including without limitation the Purchase Price to be paid by Buyer to Seller for the Property; and (ii) the provisions of Section 8.1 will survive any termination of this Agreement (including any termination as a result of Seller's default) and Closing, to the maximum extent permitted by any Applicable Law.

IX. WARRANTIES AND REPRESENTATIONS

- 9.1 Seller Warranties. Seller warrants and represents to Buyer that:
- (a) to the best knowledge of Mike Sucl, Seller's Land Development Manager, the Due Diligence Information and the ESA Report of Findings made available to Buyer pursuant to Sections 4.1 and 4.2 are true and correct copies, have not been amended or modified, and are in full force and effect and free from default or notice of default;
 - (b) no brokerage commission or other compensation is due and unpaid in connection with any lease, tenancy or occupancy of the Property or any renewal thereof;

- (c) Seller has not received any notice of a violation of any building codes, fire codes, health codes, zoning codes, Environmental Laws, or other laws and regulations affecting the Property or the use thereof;
- (d) Seller has not received any notice of a condemnation, environmental, zoning or other regulation or proceeding being instituted or planned which would detrimentally affect the use and operation of the Property for its intended purpose;
- (e) Seller has not received any notice of hearing of a public improvement project from any governmental assessing authority, the costs of which may be assessed against the Property;
- (f) there are no wells on or serving the Property (this statement being made pursuant to the disclosure requirements of Minnesota Statutes section 1031.235);
- (g) there are no individual sewage treatment systems on or serving the Property (this statement being made pursuant to the disclosure requirements of Minnesota Statutes section 115.55);
- (h) Seller does not know of any underground or aboveground storage tanks currently on the Property, or any underground or aboveground storage tanks formerly on the Property that had a release for which no corrective action was taken, except as may otherwise be disclosed in the Due Diligence Information or affidavit filed of record (this statement being made pursuant to the disclosure requirements of Minnesota Statutes section 116.48);
- (i) Seller has removed, or will remove prior to Closing, all wells, individual sewage treatment systems, underground or above ground storage tanks, house improvements, personal property, containers of motor oil, paint or solvents, petroleum products, motor vehicle tires and batteries, and all Hazardous Substances from the Property, including but not limited to any such Hazardous Substances identified in any environmental assessment of the Property;
- (j) to the best of Seller's knowledge, no methamphetamine production has occurred on the Property;
- (k) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to carry out its business in Minnesota as conducted, to execute and deliver this Agreement and the documents entered into pursuant hereto, and to carry out its obligations under this Agreement and such documents;
- (l) this Agreement has been duly authorized, executed and delivered on behalf of Seller and constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms;

- (m) the execution, delivery and performance of this Agreement by Seller will not result in a breach or violation of Seller or constitute a default by Seller under any agreement, instrument or order to which Seller is a party or by which Seller is bound;
- (n) Seller is not aware of any action, proceeding or investigation pending or threatened which might materially adversely affect the Property or the ability of Seller to perform its obligations under this Agreement; and
- (o) the stormwater ponding systems in Windermere and Windermere South have been designed in an appropriate size so as to handle the stormwater runoff from the Buyer Improvements.

9.2 Buyer Warranties. Buyer warrants and represents to Seller that:

- (a) Buyer is a municipal utility commission duly organized, validly existing and in good standing under the laws of the State of Minnesota and has all requisite power and authority to carry on its business as conducted, to execute and deliver this Agreement and the documents entered into pursuant hereto, and to carry out its obligations under this Agreement and such documents;
- (b) this Agreement has been duly authorized, executed and delivered on behalf of Buyer and constitutes the valid and binding agreement of Buyer, enforceable in accordance with its terms;
- (c) the execution, delivery and performance of this Agreement by Buyer will not result in a breach or violation by Buyer or constitute a default by Buyer under any agreement, instrument or order to which Buyer is a party or by which Buyer is bound; and
- (d) Buyer is not aware of any action, proceeding or investigation pending or threatened which might materially adversely affect the ability of Buyer to perform its obligations under this Agreement.

X. OPERATIONS PRIOR TO CLOSING

10.1 Operation. During the period from the execution of this Agreement to Closing, Seller will cause the Property to be operated in the manner in which it has been operated prior to the execution of this Agreement. Seller will not without Buyer's written consent permit any new leases or contracts or any amendment, modification, termination, surrender, extension or assignment of any of the contracts or any sublease of the Property or any waiver of Seller's rights under any of the contracts. Seller will keep and comply with all requirements of encumbrances and will not without Buyer's written consent permit any new encumbrance or any amendment, modification or termination of any encumbrance or any waiver of Seller's rights under any encumbrance on the Property.

10.2 Inspection. During the period from execution of this Agreement to Closing, Buyer and its representatives may enter the Property to inspect the Property and perform such inventories, observations, tests and investigations as Buyer may reasonably deem appropriate. Buyer will

at Buyer's cost repair any resulting damage to the Property and will indemnify and hold harmless Seller from any injury or damage to persons or property. Notwithstanding anything in this Agreement to the contrary, this obligation and indemnity survive termination of this Agreement.

XI. CASUALTY AND CONDEMNATION

11.1 Notice of Damage or Taking. Seller will give Buyer prompt notice of any fire or other casualty occurring between the date of this Agreement and Closing which involves damage to the Property and of any actual or threatened taking in condemnation affecting the Property of which Seller has knowledge.

11.2 Option to Terminate. If prior to Closing:

- (a) the Property sustains damage by fire or other casualty in an amount greater than 10% of the Purchase Price under this Agreement;
- (b) the Property is taken in condemnation or by transfer in lieu of condemnation; or
- (c) condemnation proceedings are commenced against the Property,

Buyer may terminate its obligations under this Agreement by written notice given to Seller within fifteen (15) days after receipt of the notice referred to in Section 11.1. If so terminated, this Agreement will be void and of no effect and neither Party will have any further rights or obligations under this Agreement.

11.3 Affect on Closing. If Buyer is not entitled to or does not timely make the election provided for in Section 11.2, this Agreement and the obligations of Seller and Buyer under this Agreement will remain in full force and effect except that:

- (a) Buyer will accept the Property with such damage or condemnation;
- (b) there will be no abatement or reduction in the Purchase Price; and
- (c) Seller will at Closing, pay over to Buyer any insurance proceeds and condemnation awards received prior to Closing which have not been applied to repairs and restoration, and assign to Buyer Seller's interest in all unpaid insurance proceeds and condemnation awards.

XII. DEFAULTS AND REMEDIES

12.1 Buyer's Default and Seller's Remedies. If Buyer defaults under this Agreement, and if Buyer fails to cure such default within ten (10) days after written notice of such default by Seller to Buyer, then Seller may, as Seller's sole and exclusive remedy, terminate this Agreement pursuant to Minnesota Statutes section 559.21, as amended from time to time.

12.2 Seller's Defaults and Buyer's Remedies. Seller shall be in default under this Agreement if Seller fails to meet, comply with, or perform any covenant, agreement, or obligation within the time limits and in the manner required in this Agreement which is not cured within ten (10) days after written notice of such default by Buyer to Seller. If Seller is in default under this Agreement, Buyer may, as Buyer's sole and exclusive remedies: (a) waive the contractual obligations of Seller and proceed to Closing; or (b) terminate this Agreement by written notice delivered to Seller on or before the Closing.

12.3 Attorneys' Fees. If either Party to this Agreement defaults in the performance required hereunder, and the non-defaulting Party employs an attorney to enforce the terms hereof, such non-defaulting Party shall be entitled to reasonable attorneys' fees from the defaulting Party if such non-defaulting Party substantially prevails in any litigation to enforce this Agreement.

12.4 Limitation on Damages. In no event shall either Party be liable to the other Party for (and each Party hereby waives all rights to) any speculative, consequential, or punitive damages for any breach of or default under this Agreement or under any other provision of this Agreement.

XIII. NOTICE

13.1 Any notice authorized, required or permitted to be given under this Agreement must be in writing and shall be deemed to have been given: (a) when delivered in person; (b) when deposited with Federal Express, UPS or other nationally recognized overnight courier service; or (c) when deposited in the United States mail, postage prepaid, certified mail or registered mail, return receipt requested, and in each case properly addressed to the Parties to be notified at the following addresses:

If to Buyer: Shakopee Public Utilities Commission
 255 Sarazin Street
 Shakopee, MN 55379
 Attention: Joseph D. Adams
 Telephone: (952) 445-1988
 Facsimile: (952) 445-7767
 Email: jadams@shakopeedutilities.com

with copies to: Shakopee Public Utilities Commission
 255 Sarazin Street
 Shakopee, MN 55379
 Attention: Lon Schemel
 Telephone: (952) 445-1988
 Facsimile: (952) 445-7767
 Email: lschemel@shakopeedutilities.com

McGrann Shea Carnival Straughn & Lamb, Chartered
800 Nicollet Mail, Suite 2600
Minneapolis, MN 55402
Attention: Carla J. Pedersen
Telephone: (612) 338-2525
Facsimile: (612) 339-2386
Email: cjp@mcgrannshca.com

If to Seller:

D.R. Horton, Inc. - Minnesota
20860 Kenbridge Court, Suite 100
Lakeville, MN 55044
Attention: James R. Slaikeu, Vice President
Telephone: (952) 985-7403
Facsimile: (952) 985-7400
Email: jrslaikeu@drhorton.com

with copies to:

D.R. Horton, Inc.
481 Munn Road, Suite 150
Fort Mill, SC 29715
Attention: Doug Brown, North Region President
Telephone: (803) 431-2271
Email: Dbrown@drhorton.com

D.R. Horton, Inc.
481 Munn Road, Suite 150
Fort Mill, SC 29715
Attention: Jennifer Roselius, Regional Counsel
Telephone: (803) 431-2270
Email: JLRosclius@drhorton.com

Stinson Leonard Street
50 South Sixth Street, Suite 2600
Minneapolis, MN 55402
Attention: John C. Kuehn
Telephone: (612) 335-1717
Facsimile: (612) 335-1657
Email: john.kuehn@stinson.com

- 13.2 Any Party may, from time to time at any time change its address by giving ten (10) days' written notice to the other Party of such change of address in the manner set forth above.

XIV. GENERAL

- 14.1 Assignment.

- (a) Buyer shall not have the right to sell, assign, or transfer this Agreement without Seller's prior written consent, which consent may be granted or withheld by Seller in Seller's sole and absolute discretion, and any such purported assignment by Buyer without Seller's consent shall constitute a default by Buyer under this Agreement. Any assignment by Buyer shall not relieve Buyer of its obligations contained in this Agreement and Buyer shall remain personally liable for the same.
 - (b) Seller shall not have the right to sell, assign, or transfer this Agreement without Buyer's prior written consent, which consent may be granted or withheld by Buyer in Buyer's sole and absolute discretion, and any such purported assignment by Seller without Buyer's consent shall constitute a default by Seller under this Agreement. Any assignment by Seller shall not relieve Seller of its obligations contained in this Agreement and Seller shall remain personally liable for the same.
 - (c) The terms, provisions, warranties, representations, covenants, and agreements contained in this Agreement shall apply to, be binding upon, and inure to the benefit of, the Parties hereto and their respective legal representatives, successors, and assigns.
- 14.2 Time is of the essence in the performance of this Agreement. If the time for performance of any obligations hereunder falls on a Business Day, the time for performance of such obligations shall be extended to the next day which is not a Business Day "Business Day(s)" means any day which is not a Saturday, Sunday or Minnesota state or federal holiday.
- 14.3 The Parties will cooperate to facilitate the purchase of the Property by Buyer under the terms and conditions herein set forth.
- 14.4 The paragraph headings used in this Agreement are for convenience purposes only, and shall not be used in the interpretation of this Agreement.
- 14.5 All exhibits attached hereto are incorporated herein by reference and made a part of this Agreement.
- 14.6 Failure of Seller or Buyer to insist in any one or more instances upon the performance of any of the covenants, agreements, and/or conditions of this Agreement, or to exercise any right or privilege herein conferred shall not be construed as a waiver of any such covenant or condition.
- 14.7 Nothing contained herein is intended to create, nor shall it ever be construed to make, Seller and Buyer partners or joint venturers.
- 14.8 The term "Execution Date," "date of this Agreement," or "date hereof," as used herein, shall mean the later of the following dates: (1) the date of Seller's signature; or (2) the date of Buyer's signature; or (3) the date of the Corporate Approval of the Seller..
- 14.9 Broker Commissions. Buyer and Seller each represents that no salesperson, broker, or agent has been retained by it in connection with this transaction. Buyer and Seller each

indemnifies the other from any real estate or other sales commissions arising out of any claim of any salesperson, broker or agent acting or claiming to have acted on behalf of the indemnifying Party in connection with this transaction.

- 14.10 NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, NEITHER THIS AGREEMENT NOR ANY AMENDMENT HERETO SHALL BE A VALID AND ENFORCEABLE OBLIGATION OF SELLER UNLESS EXECUTED BY ANY ONE OF DONALD R. HORTON, DAVID AULD, MICHAEL J. MURRAY, R. DOUGLAS BROWN or BILL W. WHEAT, EACH AN "AUTHORIZED OFFICER" OF SELLER, AND IN THE CASE OF THIS AGREEMENT OR ANY AMENDMENT HERETO, THE EXECUTION BY SUCH OFFICER OCCURS WITHIN THIRTY (30) DAYS OF THE EXECUTION OF THIS AGREEMENT OR AMENDMENT BY SELLER AND BUYER'S REPRESENTATIVE. Such approval by an Authorized Officer is referred to as "Corporate Approval".
- 14.11 Access Easement. At Closing, Seller shall grant to Buyer and Buyer shall accept from Seller, and the Parties shall execute, an access easement substantially in the form of Exhibit B attached hereto.
- 14.12 This Agreement may be executed in any number of identical counterparts that, taken together, shall constitute collectively one agreement; but in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. Additionally, (i) the signature pages taken from separate individually executed counterparts of this Agreement may be combined to form multiple fully-executed counterparts; and (ii) a facsimile signature or an electronically scanned signature shall be deemed to be an original signature for all purposes. All executed counterparts of this Agreement shall be deemed to be originals, but all such counterparts, when taken together, shall constitute one and the same agreement.
- 14.13 Entire Agreement. This Agreement contains the entire agreement between the Parties relating to the Property, and neither Party shall be bound by any verbal statement or agreement made heretofore. Except as otherwise expressly set forth in this Section, this Agreement may only be amended, modified, or changed by a traditional written document properly executed by Seller and Buyer. Such amendment may be transmitted by e-mail, facsimile, or other method permitted by the provisions for giving notice in this Agreement.
- 14.14 Survival. Except as may otherwise be expressly provided in this Agreement, all covenants, agreements, obligations and undertakings made by Seller and Buyer in or pursuant to this Agreement will survive Closing, for a period of three (3) years after Closing, whether or not so expressed in the immediate context of any such covenant, agreement, obligation or undertaking.
- 14.15 Construction. This Agreement will be construed and enforced in accordance with the laws of the State of Minnesota. Time is of the essence of this Agreement. Seller and Buyer acknowledge and agree that each has been given the opportunity to independently review this Agreement with legal counsel or has the requisite experience and sophistication to

understand, interpret, and agree to the particular language of the provisions hereof. Seller and Buyer have equal bargaining power, and intend the plain meaning of the provisions herein. In the event of an ambiguity in or dispute regarding the interpretation of this Agreement, the interpretation of this Agreement shall not be resolved by any rule of interpretation providing for interpretation against the Party who causes the uncertainty to exist or against the drafter.

[Remainder of this page is intentionally left blank.]

IN WITNESS OF this Agreement, Seller and Buyer have duly executed it as of the date set out at its head.

SELLER:

D.R. HORTON, INC.-MINNESOTA,
a Delaware corporation

By: _____
Its: _____

BUYER:

SHAKOPEE PUBLIC UTILITIES COMMISSION,
a Minnesota municipal utility commission

By: _____
Its: _____

By: _____
Its: _____

[Remainder of this page is intentionally left blank.]

CORPORATE APPROVAL – HORTON:

D.R. Horton, Inc.-Minnesota
(a Delaware corporation)

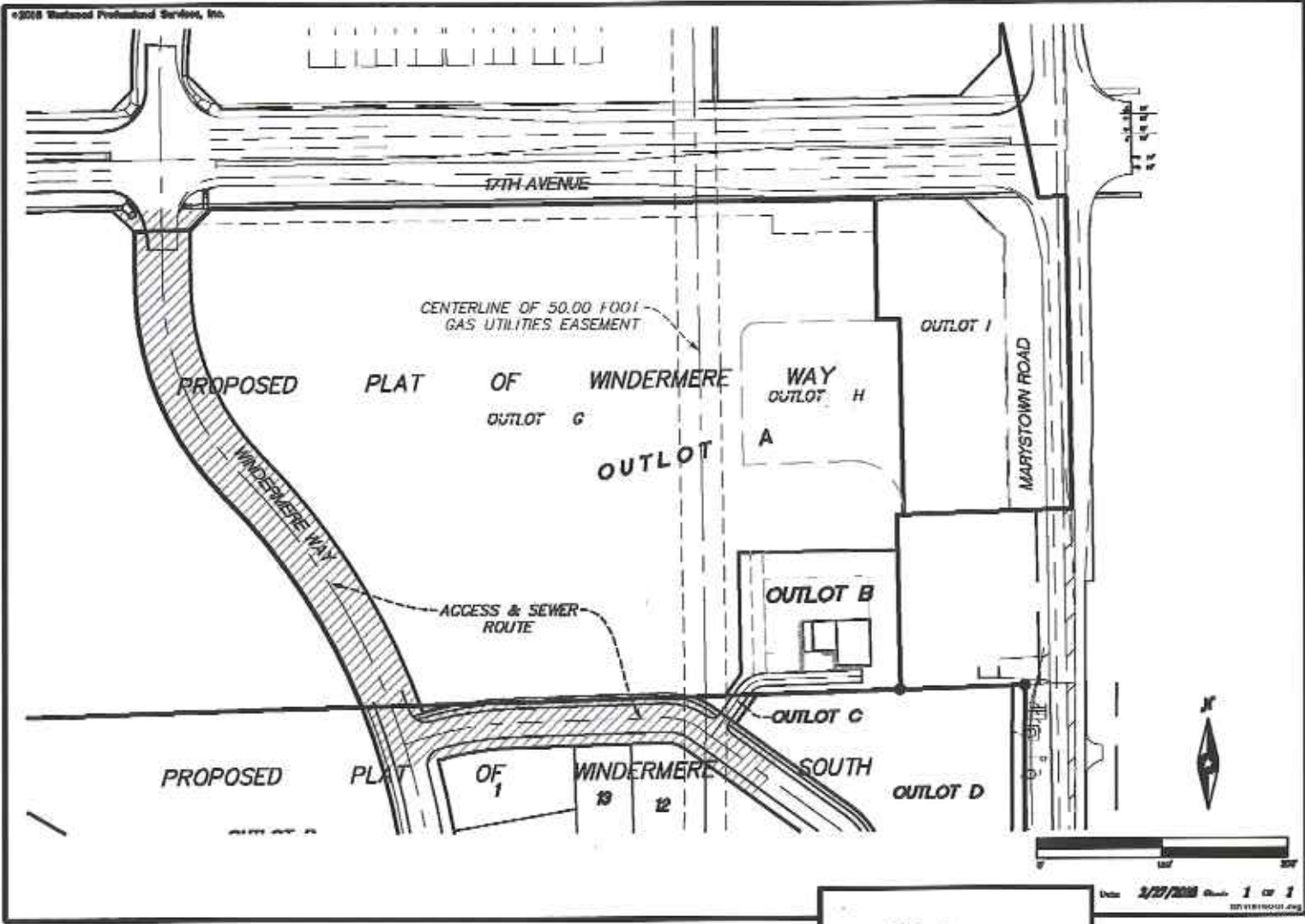
By: _____
Name: _____
Title: _____
Date: _____

[Remainder of this page is intentionally left blank.]

EXHIBIT A

Depiction of the SPUC Parcel (Outlot B)

[See attached]



Westwood
 Name: 2021010101 1221 Westwood Drive, Westwood
 Fax: (615) 435-0101 Westwood, TN 37185
 Tel: (615) 435-0101
 Westwood Professional Services, Inc.

Case: _____
 Status: _____
 Date: _____
 Next meeting: _____

Prepared for
D.R. Horton, Inc.-Minnesota
 2000 Pennington Court, Suite 200
 Leominster, MA 01460

Windermere
 Lebanon, Minnesota

Date: 3/15/2001 Sheet: 1 of 1
 2021010101.dwg
 Depiction of
SPUC Parcel

EXHIBIT B

Declaration of Access Easement

This Declaration of Access Easement (this "Declaration") is made as of the ____ day of _____, 2018, by and between D.R. Horton, Inc. – Minnesota, a Delaware corporation, Grantor, in favor of the Shakopee Public Utilities Commission, a Minnesota municipal utility commission, Grantee.

Recitals

- A. Grantor is the fee owner of the real property located in the City of Shakopee, County of Scott, State of Minnesota legally described as follows (the "Property"):

Outlot A, Windermere Way

- B. Grantor desires to grant to Grantee, and Grantee desires to accept, the following non-exclusive easement, according to the terms and conditions contained herein.

Terms of Easement

1. Grant of Easement. For good and valuable consideration, receipt of which is acknowledged by Grantor, Grantor grants and conveys to Grantee, a non-exclusive easement, consisting of a 30.00 foot wide strip of land extending from County Road 15 or County Road 16, for ingress, egress and access over, under, across and through the Property (the "Easement") to provide access to the adjacent property legally described as Outlot B, Windermere Way ("Outlot B").
2. Easement Area and Relocation of Easement Area. Initially, the Easement will be located in the area depicted on Exhibit A (the "Easement Area"). Grantor may from time to time relocate the Easement Area within the Property, if in the sole opinion of Grantor such relocation will accommodate the development activities of Grantor.
3. Duration of Easement. The Easement shall continue until Outlot B is served by direct access to a public road, which public road shall be in a location and configuration acceptable to Grantee. Upon the completion of such public road providing direct access to Outlot B, the Easement shall automatically terminate.
4. Cost of Improvements. Improvements to the Easement, if any, shall be made at Grantee's sole expense. Grantor shall not be obligated to pay any such expenses, and Grantor shall not be obligated to pay any relocation costs in the event of any relocation of the Easement.
5. Scope of Easement. The Easement granted herein includes the right of Grantee, its contractors, agents, and employees, to enter the Property at all reasonable times upon reasonable notice to Grantor for the purpose of gaining pedestrian and vehicular access to Outlot B. No provision of this Declaration and no easement granted herein shall be construed or deemed a dedication of any rights to the general public or for any public use

whatsoever, it being the intention of the parties that this Declaration shall be strictly limited to the purposes herein expressed.

6. Warranty of Title. Grantor warrants it is the owner of the Property and has the right, title and capacity to convey to Grantee the Easement herein.
7. Environmental Matters. Grantee shall not be responsible for any costs, expenses, damages, demands, obligations, including penalties and reasonable attorney's fees, or losses resulting from any claims, actions, suits or proceedings based upon a release or threat of release of any hazardous substances, pollutants, or contaminants which may have existed on, or which relate to, the Easement Area or Property prior to the date of this Declaration.
8. Indemnity. As a condition of Grantor's grant of this Easement and Grantee's use of this Easement, Grantee shall indemnify Grantor, its successors and assigns, from any and all damages arising out of Grantee's or its agents', employees' or representatives' intentional or negligent actions while in or on the Property.
9. Binding Effect. The terms and conditions of this Declaration shall run with the land and be binding on Grantor, its heirs, successors and assigns. This Declaration contains the entire agreement between the parties related to the subject matter hereof. It is the intention of the parties hereto that Grantor hereby grants the Easement herein specified without divesting itself of the right to use and enjoy the Property, subject only to the rights of Grantee to use the same for the purposes herein expressed.

[Remainder of this page is intentionally left blank.]

GRANTOR:

D.R. HORTON, INC. – MINNESOTA,
a Delaware corporation

By: _____
Its: _____

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2018, by _____, the _____ of D.R. Horton, Inc. – Minnesota, a Delaware corporation.

Notary Public

NOTARY STAMP OR SEAL

GRANTEE:

SHAKOPEE PUBLIC UTILITIES COMMISSION,
a Minnesota municipal utility commission

By: _____
Its: _____

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____, 2018, by
_____, the _____ of Shakopee Public Utilities
Commission, a Minnesota municipal utility commission, on behalf of the commission.

Notary Public

NOTARY STAMP OR SEAL

THIS INSTRUMENT DRAFTED BY:
Stinson Leonard Street LLP (JCK, JGS)
50 South Sixth Street
Suite 2600
Minneapolis, MN 55402

EXHIBIT A
Easement Area

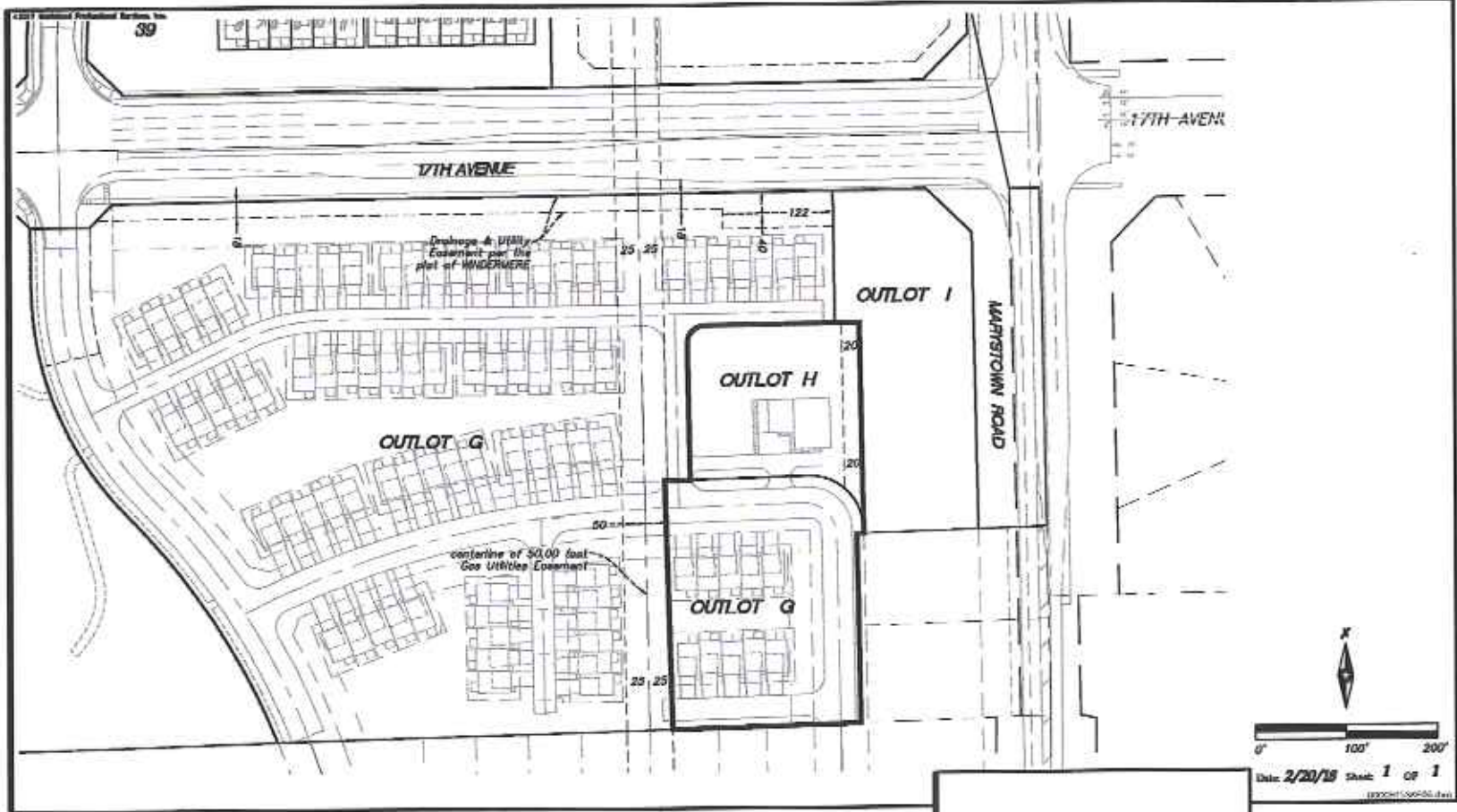
EXHIBIT B

Public Road

EXHIBIT C

ESA Report of Findings Parcel

[See attached]



Westwood

Phone (952) 874-1100 7888 Arapahoe Drive
 Fax (952) 874-0022 8446 Franklin, MN 55044
 Toll Free (888) 537-0150 westwood@jg.com
 Westwood Professional Services, Inc.

Client _____
 Checked _____
 Drawn: **MSJ**
 Record Drawing by/Date _____

Prepared for
D.R. Horton, Inc.-Minnesota
 2080 Kenbridge Court, Suite 200
 Lakeville, MN 55044

Windermere

Shelburne, Minnesota

ESA Report of Findings Parcel

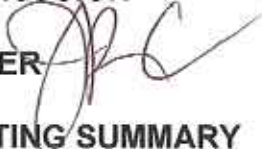
Date: 2/20/18 Sheet 1 of 1

12/20/2017 10:05:53 AM

EXHIBIT D
Grading Plan

[See attached]

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION
FROM: JOHN R. CROOKS, UTILITIES MANAGER 
SUBJECT: FEBRUARY 2018 MMPA BOARD MEETING SUMMARY
DATE: MARCH 2, 2018

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on February 20, 2018 at the offices of Shakopee Public Utilities in Shakopee, Minnesota.

The Board reviewed responses to MMPA's request for proposals for capacity purchases.

The Board discussed the need to implement distributed generation tariffs and rate schedules at the local governing body (City Council or Utility Commission) level. MMPA has worked with the Minnesota Municipal Utilities Association to prepare documents for each member to approve.

Participation in MMPA's Residential Clean Energy Choice program increased over January. Customer penetration of MMPA's Clean Energy Choice program for residential customers is at 2.6%, with a range of market penetration by members of 1.4% to 5.6%.

Additional customers have also signed up for MMPA's Clean Energy Choice for Business program.

The Board discussed the status of the renewable projects that the Agency is pursuing.



SHAKOPEE PUBLIC UTILITIES COMMISSION

"Lighting the Way - Yesterday, Today and Beyond"

March 1, 2018

TO: John Crooks, Utilities Manager *JRC*
FROM: Renee Schmid, Director of Finance and Administration *RS*
SUBJECT: Proposal for Audit Services from berganKDV

Background

At the last Commission meeting on 2/20/18, the Commission directed staff to request quotes for audit services from berganKDV for both a one year and a three engagement contract and bring the quotes back to the commission for consideration.

The proposal for engagement is attached. The rate for a one year contract is \$18,350. The rate for a three year contract is as follows: 2018 - \$18,050, 2019 - \$18,650, and 2020 - \$19,200.

Requested Action

Staff requests the Commission to provide direction on the contract option (one year or three year) for audit services.



February 28, 2018

Board of Commissioners
C/O Ms. Renee Schmid, Director of Finance and Administration
Shakopee Public Utilities Commission
255 Sarazin Street
Shakopee, MN 55379

BerganKDV, Ltd.

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Dear Board of Commissioners and PUC Management:

This letter is to confirm and summarize our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Summary of Engagement Terms:

Level of Attest Service: Audit (Governmental) / Audit in accordance with Government Auditing Standards (Governmental, if applicable) and Federal OMB audit (if applicable.)

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Financial Statements: Statements of Net Position, Revenues, Expenses and Cash Flows.

Financial Reporting Framework: Accounting Principles Generally Accepted in the United States of America.

Period: As of and for the Year Ended December 31, 2017, 2018, and 2019.

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Required Supplementary Information (RSI): Management's Discussion and Analysis (MD&A), Schedule of Funding Progress – Other Post Employment Benefits, Schedule of Employer Contributions – Other Post Employment Benefits, Schedules of Net Pension Liabilities and Contributions.

Supplementary Information: Opinion in relation to the financial statements as a whole, including the schedule of expenditures of federal awards, if applicable.

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

Engagement Partner: Steven Wischmann, CPA.

Non-attest Services: Preparation of the financial statements/schedule of federal awards, if applicable.

Fees: Our fees for these services will be as follows: December 31, 2018 - \$18,050, 2019 - \$18,650, and 2020 - \$19,200. OMB Single audit program fees to be negotiated if required (annually). December 31, 2018 only option \$18,350. Please indicate your decision by circling the option approved.

St. Cloud
220 Park Avenue S
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

We appreciate the opportunity to be of service to you and believe this letter and attached audit engagement agreement accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter and as further detailed in the attached audit engagement agreement, please sign the enclosed copy of this summary of engagement terms and return it to us.

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

I have read and I agree to the summary of engagement terms listed above and the terms in the attached audit engagement agreement.

bergankdv.com

Sincerely,

BerganKDV, Ltd.

Steven Wischmann, CPA

Acknowledged by:

Signature

Title

Date

BerganKDV, Ltd.
ATTACHMENT – AUDIT ENGAGEMENT AGREEMENT
(GOVERNMENTAL – FEDERAL SINGLE AUDIT, IF APPLICABLE)

This agreement is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we are to provide.

We will audit the financial statements as identified in the summary of engagement terms, including the related notes to the financial statements, which collectively comprise the basic financial statements of the governmental entity. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the governmental entity's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the governmental entity's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required RSI is identified in the summary of engagement terms and will be subjected to certain limited procedures, but will not be audited.

We may also be engaged to report on supplementary information other than RSI, including the schedule of expenditures of federal awards, that accompanies the governmental entity's financial statements. If we opine on the supplementary information, accompanying the financial statements as identified in the summary of engagement terms, we will subject the supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and we will provide an opinion on it in relation to the financial statements as a whole.

If we do not provide an opinion or any assurance on the supplementary information other than RSI as identified in the summary of engagement terms, the other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements and our auditor's report will not provide an opinion or any assurance on that other information.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with the financial reporting framework identified in the summary of engagement terms and to report on the fairness of the supplementary information for which we opine on as identified in the summary of engagement terms when considered in relation to the financial statements as a whole. The objective also includes reporting on —

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The Government Auditing Standards report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

BerganKDV, Ltd.
ATTACHMENT – AUDIT ENGAGEMENT AGREEMENT
(GOVERNMENTAL – FEDERAL SINGLE AUDIT)

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our single audit. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a single audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than

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would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, Government Auditing Standards, and the Uniform Guidance.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the governmental entity's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the governmental entity's major programs. The purpose of these procedures will be to express an opinion on the governmental entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the governmental entity in conformity with the financial reporting framework identified in the summary of engagement terms and the Uniform Guidance based on information provided by you. These non-attest services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards.

We may provide other non-attest services, as identified in the summary of engagement terms. These services may not be fully covered under this engagement agreement and may be billed separately under other agreements with you.

We will perform the services in accordance with applicable professional standards. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with the financial reporting framework identified in the summary of engagement terms and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the

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Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards, take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings, promptly follow up and take corrective action on reported audit findings and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary of prior audit findings should be available for our review during our field work.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period; and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with the financial reporting framework identified in the summary of engagement terms. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the financial reporting framework identified in the summary of engagement terms; (2) you believe the supplementary information, including its form and content, is stated fairly in accordance with the financial reporting framework identified in the summary of engagement terms; (3) the methods of measurement or presentation have not changed from those used in the prior period; and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

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You agree to assume all management responsibilities for the non-attest services identified in the summary of engagement terms and any other non-attest services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the non-attest services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the governmental entity; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of BerganKDV, Ltd. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to oversight, regulatory, state agencies or their designees pursuant to authority given to them by law or regulation, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of BerganKDV, Ltd. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the oversight, regulatory or state agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

The engagement partner, as identified in the summary of engagement terms, is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for these services are detailed in the summary of engagement terms. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are

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payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

You may request that we perform additional services not contemplated by this engagement agreement or summary letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fee. We also may issue a separate engagement agreement and summary letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement agreement and summary letter.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

This engagement agreement and summary letter includes your authorization for us to supply you with electronically formatted financial statements or drafts of financial statements, financially sensitive information, spreadsheets, trial balances or other financial data from our files, upon your request.

If you intend to publish or otherwise reproduce the financial statements and make reference to our Firm name, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed. Additionally, if you include our report or a reference to our Firm name in an electronic format, you agree to provide the complete electronic communication using or referring to our name to us for our review and approval prior to distribution.

During the course of our engagement, we will request information and explanations from management regarding the entity's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of false or misleading representations that are made to us by management.

Any disputes between us that arise under this agreement, or for a breach of this agreement, or that arise out of any other services performed by us for you, must be submitted to nonbinding mediation before either of us can start a lawsuit against the other. To conduct mediation, each of us shall designate a representative with authority to fully resolve any and all disputes, and those representatives shall meet and attempt to negotiate a resolution of the dispute. If that effort fails, then a competent and impartial third party acceptable to each side shall be appointed to hold and conduct a nonbinding mediation proceeding. You and we will equally share in the expenses of the mediator and each of us will pay for our own attorneys' fees, if any. No lawsuit or legal process shall be commenced until at least 60 days after the mediator's first meeting with the parties.

The nature of our engagement makes it inherently difficult, with the passage of time, to present evidence in a lawsuit that fully and fairly establishes the facts underlying any dispute that may arise between us. We both agree that notwithstanding any statute of limitation that might otherwise apply to a claim or dispute, including one arising out of this agreement or the services performed under this agreement, or for breach of contract, fraud or misrepresentation, a lawsuit must be commenced within 24 months after the date of our report. This 24 month period applies and starts to run on the date of each report, even if we continue to perform services in later periods and even if you or we have not become aware of the existence of a claim or the basis for a possible claim. In the event that a claim or dispute is not asserted at least 60 days before the expiration of this 24 month period, then the period of limitation shall be extended by 60 days, to allow the parties of conduct nonbinding mediation.

Our role is strictly limited to the engagement described in this letter, and we offer no assurance as to the results or ultimate outcomes of this engagement or of any decisions that you may make based upon our communications with, or our reports

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to you. Your entity will be solely responsible for making all decisions concerning the contents of our communications and reports, for the adoption of any plans and for implementing any plans you may develop, including any that we may discuss with you.

You agree that it is appropriate to limit the liability of BerganKDV, Ltd., its shareholders, directors, officers, employees and agents and that this limitation of remedies provision is governed by the laws of Minnesota, without giving effect to choice of law principles.

You further agree that you will not hold us liable for any claim, cost or damage, whether based on warranty, tort, contract or other law, arising from or related to this agreement, the services provided under this agreement, the work product, or for any plans, actions or results of this engagement, except to the extent authorized by this agreement. In no event shall we be liable to you for any indirect, special, incidental, consequential, punitive or exemplary damages, or for loss of profits or loss of goodwill, costs or attorney's fees.

The exclusive remedy available to you shall be the right to pursue claims for actual damages that are directly caused by acts or omissions that are breaches by us of our duties under this agreement.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of contract. Our 2014 peer review report is attached as follows.



Report on the Firm's System of Quality Control

October 16, 2017

To the Partners of BerganKDV, Ltd.
and the Peer Review Committee of the Minnesota Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of BerganKDV, Ltd. (the firm) in effect for the year ended March 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

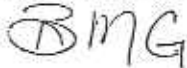
Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion


In our opinion, the system of quality control for the accounting and auditing practice of BerganKDV, Ltd. in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BerganKDV, Ltd. has received a peer review rating of *pass*.


BMG Certified Public Accountants, LLP

A handwritten signature in black ink, consisting of the letters 'B', 'M', and 'G' in a stylized, cursive font.

Lincoln, Nebraska

February 23, 2018

TO: John Crooks, Utilities Manager 

CC: Joe Adams
 Greg Drent
 Lon Schemel
 Sharon Walsh
 Sherri Anderson
 Tyra Kratochvil 

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Financial Results for December, 2017 &
 2016 – 2017 Comparative Financial Results

The following financial statements are attached for your review and approval.

- 1) Month to Date Financial Results – December, 2017
- 2) Year to Date Financial Results – December, 2017
- 3) 2016 – 2017 Comparative Financial Results

Key items to note:

Month to Date Financial Results – December, 2017

- Total Utility Operating Revenues for the month of December totaled \$4.0 million and were favorable to budget by \$309k or 8.3%. Electric revenues were favorable to budget by \$289k or 8.4% and water revenues were also favorable to budget by \$20k or 7.8%.
- Total operating expenses were \$4.5 million and were unfavorable to budget by \$902k or 24.8%. Total purchased power costs in December totaled \$2.7 million and were \$190k or 7.5% unfavorable to budget for the month.
- Total Operating Expense for electric including purchased power was unfavorable to budget by \$851k or 26.1% due to higher than planned expenses in purchased power costs of \$190k, timing of energy conservation expenses of \$453k, and employee benefits expense of \$205k which includes \$209k of change in pension liability expense for PERA GASB 68, higher than plan outside services expense of \$117k for consulting project engagements for electric long range planning, arc flash study, and the annual operation report, offset by lower than plan depreciation expense of \$39k reflecting yearend adjustments for capitalized assets and lower than plan expenses in customer service of \$47k and other expenses of \$28k.
- Total Operating Expense for Water was unfavorable to budget by \$51k or 13.73% due to higher than plan operation and maintenance expense of \$33k due to well repairs, employee benefits expense of \$52k which includes \$69k of change in pension liability expense for PERA GASB 68, higher than plan outside services expense of \$26k for consulting project engagements for the water supply plan,

offset by lower than plan depreciation expense of \$42k reflecting yearend adjustments for capitalized assets and lower than plan expenses in customer service of \$16k and other expenses of \$2k.

- Total Utility Operating Income was a loss \$523k and was \$593k unfavorable to budget primarily due to higher than planned operating expenses due to timing and yearend adjustments that were partially offset by higher than planned operating revenues.
- Total Utility Non-Operating income was \$207k and was favorable to budget by \$190k due to higher than plan rental and miscellaneous income of \$227k, and investment income of \$41k, and was partially offset by a loss on disposition of property of \$78k due to early retirement of a water main that was reconstructed as part of the high school expansion project.
- Capital Contributions for December totaled \$2.2 million and were favorable to budget by \$2.0 million due to higher than plan capital contributions of \$2.3 million for developer constructed water main projects of \$1.3 million, and other project contributions related to work order closings of \$0.9 million in electric, that were partially offset by lower than plan Water Connection fees of \$0.2 million.
- Municipality contributions to the City of Shakopee totaled \$320k and were higher than plan by \$120k due to higher sales in electric and water year over year. December includes the year end true up for payments due to the city for free service and city transfer fees.
- Change in Net Position was \$1.6 million and was favorable to budget by \$1.5 million primarily due to higher than plan capital contributions of \$2.1 million, higher than plan non-operating income of \$0.2 million, and were partially offset by lower than plan operating income of \$0.6 million, and higher than plan municipal contributions to the City of Shakopee of \$0.1 million.

Year to Date Financial Results - 2017

- Total Utility Operating Revenue year to date December was \$52.1 million and is unfavorable to budget by \$1.2 million or 2.3%. Electric revenues were unfavorable to budget by \$1.5 million or 3.1% and water revenues were favorable to budget by \$0.3 million or 5.6%. The lower than plan revenues of \$1.5 million in electric were driven by lower than plan energy sales in the residential and industrial revenue groups of \$0.6 million and lower than plan power cost adjustment income of \$0.9 million due to lower than plan sales and lower than planned purchased power cost per kWh. The 2017 purchased power cost/kwh was 7.336 cents versus a planned cost/kwh of 7.496 cents or 2.1% lower than plan. Total kWh sales in 2017 were 429.3 million kwh compared to a plan of 435.9 or 1.5% lower than plan. Water sales volume in all revenue groups exceeded planned projections for the year which is driving the favorable revenue variance for the year. Total water sales gallons for 2017 were 1.7 billion gallons which exceeded planned sales volume of 1.6 billion gallons.
- Total Utility Operating Expenses year to date December were \$45.2 million and were favorable to budget by \$2.4 million or 5.1%. Electric Operating expense totaled \$41.1 million and was favorable to plan by \$2.0 million or 4.7%. Water operating expense totaled \$4.1 million and was also favorable to plan by \$0.4 million or 9.2%. Purchased power costs totaled \$33.2 million and were lower than plan by \$1.1 million or 3.1% driven by lower sales and lower purchased power costs per kWh. Operation and maintenance expenses were lower than plan in electric and water by \$0.3 million. Administrative and general expenses were favorable to plan by \$0.6 million driven by lower than planned expenditures in

outsides services of \$0.3 million due to lower than planned spending in legal fees for territory acquisition and litigation, lower than planned project costs for the security assessment project, and lower than planned spending on consulting expense due to project implementation delays for EBill presentment and disaster recovery, and lower than planned expenses in meter reading and customer service of \$0.1 million due to delay in hiring new staff and restructure of meter reading staff, and lower than plan employecc benefits, administrative personnel, and other miscellaneous expenses \$0.2 million. Depreciation expense was lower than plan by \$0.4 million due to timing of the capitalization of the Dean Lake Sub Station and other water projects between 2016 and 2017.

- Total Utility Operating Income was \$6.8 million and was favorable to budget by \$1.2 million driven primarily by lower than planned operating expenses and partially offset by lower than planned electric revenues.
- Total Utility Non-Operating Income was \$0.6 million and was favorable to budget by \$0.2 million due to higher than planned rental and miscellaneous income of \$0.2 million and higher than plan investment income of \$0.1 million, and partially offset by \$0.1 million due to loss on the disposition of property.
- YTD Capital Contributions were \$5.6 million and were favorable to budget by \$3.8 million primarily due to higher than plan water connection fees of \$1.4 million, and capital contributions of \$2.4 million for electric and water projects. Connection fees included several large projects related to new commercial development in Shakopee during the year. Capital projects include \$1.3 million in donated water main developer projects and \$0.8 million in contributions for distribution upgrade work at the Dean Lake sub-station which was necessary to support interconnection of the MMPA Shakopee Energy Plant.
- YTD Municipal Contributions to the City of Shakopee was \$2.4 million and is slightly unfavorable to budget by \$6k or 0.3%.
- YTD Change in Net Position is \$10.6 million and is favorable to budget by \$5.3 million primarily due to lower than planned operating expenses of \$2.4 million, higher than plan miscellancous and investment income of \$0.2 million, and higher than planned capital contributions of \$3.8 million driven by water connection fees and capital contributions, and partially offset by lower than planned operating revenues of \$1.2 million.

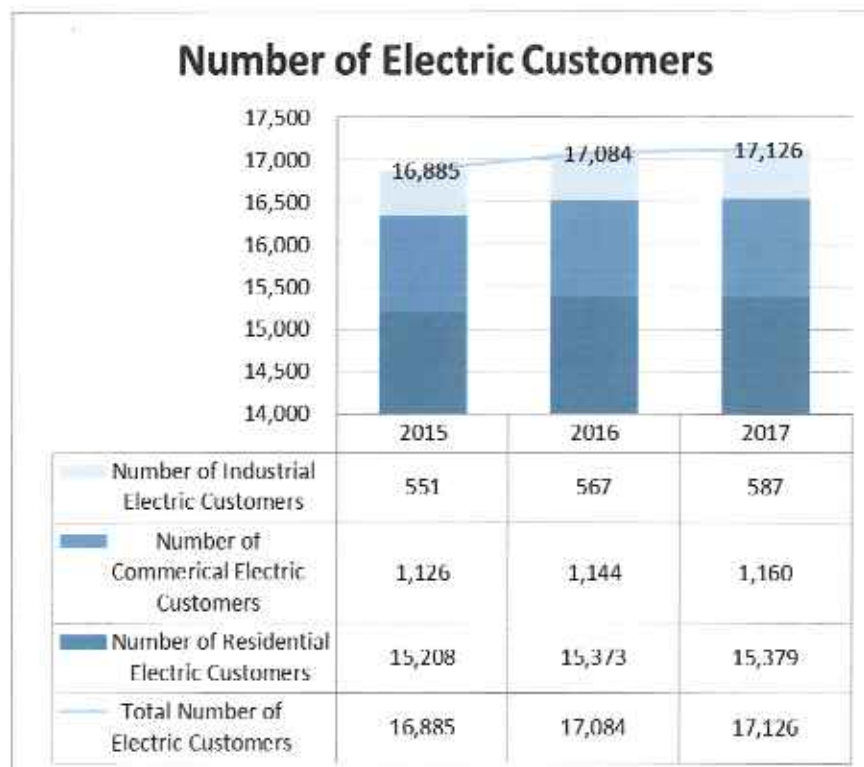
2016 – 2017 Comparative Financial Results

- Total Utility Operating Revenue was \$52.1 million in 2017 compared to \$50.8 million in 2016, an increase of \$1.3 million or 2.6%. Electric revenues increased year over year by \$0.7 million or 1.5% reflecting an increase in total kWh sales volume of 0.6%, and an increase in power cost adjustment revenue driven by increased power costs, and partially offset by lower underground relocation revenues due to a decrease in rates. Water revenues also increased year over year by \$0.6 million or 13.5% also driven by an increase water gallons sold of 3.9% and a 10% rate increase water commodity usage rates.
- Total Utility Operating Expenses were \$45.2 million in 2017 compared to \$43.5 million in 2016, an increase of \$1.7 million or 3.9% driven primarily by higher purchased power costs of \$0.9 million due to higher sales and increased costs of purchased power per kWh of 2.1%, higher outside services of \$0.3 million, higher operation and maintenance expense, customer accounts expense, administrative expense, and other expenses of \$0.2 million, and higher depreciation expense of \$0.3 million.

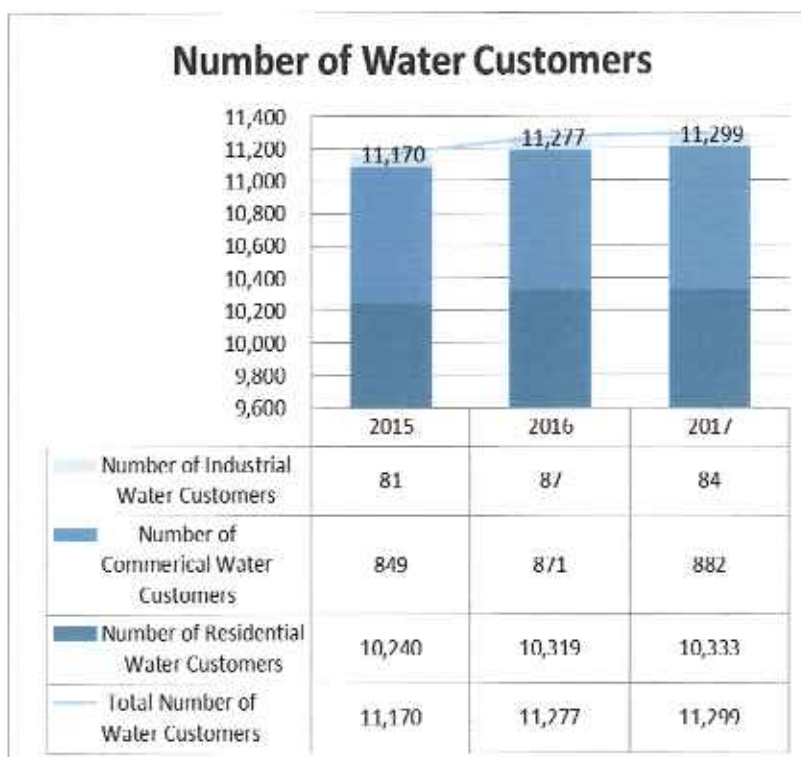
- Total Utility Operating Income was \$6.8 million in 2017 as compared to \$7.2 million in 2016, a decrease of \$0.4 million or 5.6% driven by higher operating revenues of \$1.3 million and offset by increased operating expense of \$1.7 million.
- Total Utility Non-Operating Income was \$603k in 2017 compared to \$440k of Non-Operating income in 2016, an increase of \$162k. The increase in 2017 from 2016 included higher rental and miscellaneous income of \$121k, higher investment income of \$91k, and lower interest expense of \$9k, which were partially offset by increases in losses on disposition of property of \$58k due to the retirement of assets.
- Capital Contributions totaled \$5.6 million in 2017 as compared to \$2.9 million in 2016, an increase of \$2.7 million. The increase is attributable to higher collection of water connection fees of \$0.6 million, and higher capital contributions of \$2.1 million.
- The transfer to the City of Shakopee was \$2.4 million in 2017 as compared to \$2.3 million for 2016, an increase of \$0.1 million or 5.9% driven by revenue increases year to year.
- Change in Net Position is \$10.6 million in 2017 compared to \$8.3 million in 2016, an increase of \$2.4 million year over year. Electric Net Position in 2017 increased \$0.2 million from 2016 and Water Net Position in 2017 increased \$2.2 million from 2016 primarily due to increased operating revenue and capital contributions in 2017 as compared to 2016.

Account Growth

- The number of electric customers billed in December, 2017 totaled 17,126 as compared to 17,084 as of December 2016, reflecting an increase of 42 customers or 0.25% for the year 2017.

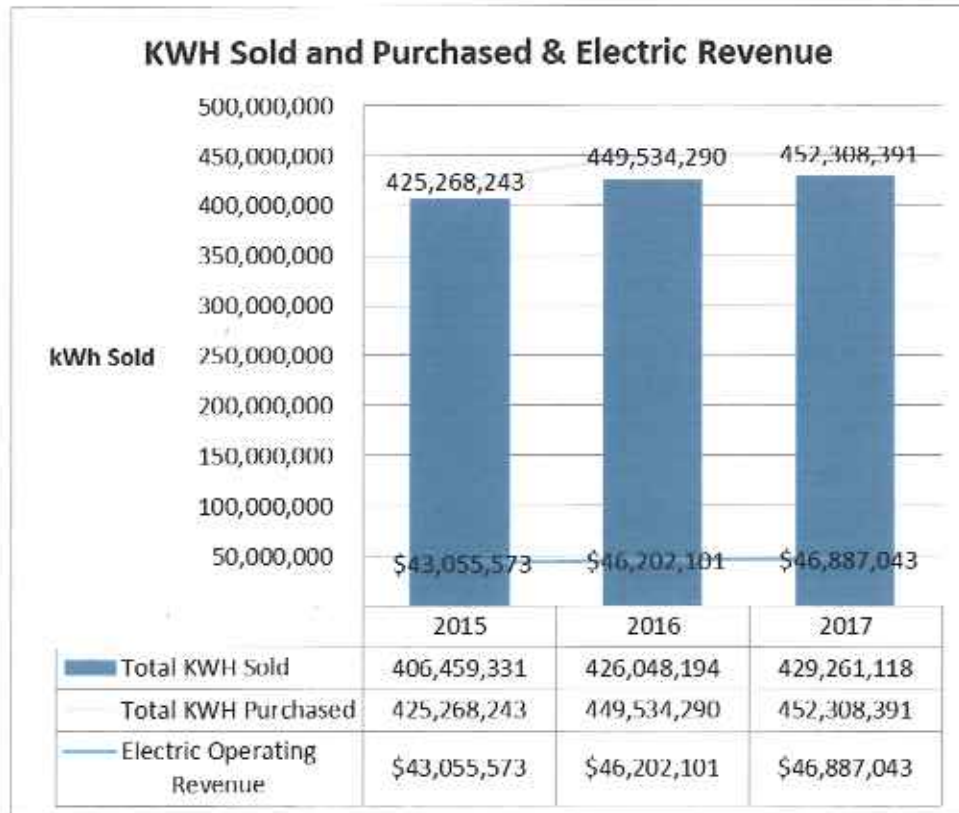


- The number of water customers billed in December, 2017 was 11,299 as compared to 11,277 as of December 2016, reflecting an increase of 22 customers or 0.2% for the year 2017.



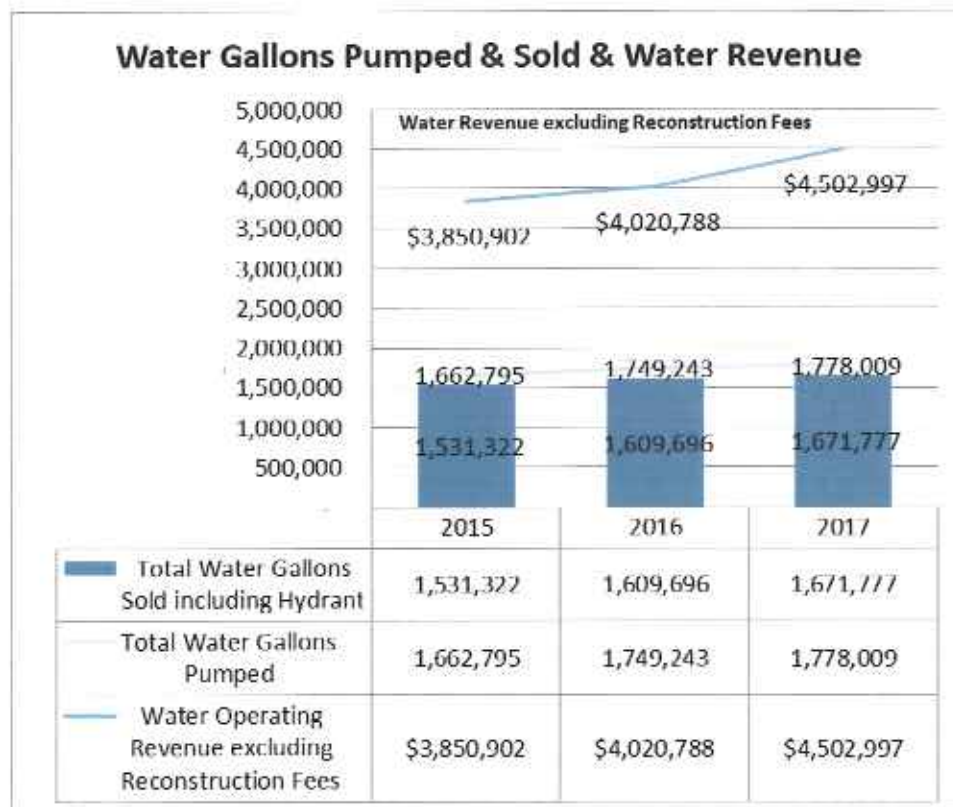
KWH Purchased and Sold

- Total kWh purchased in 2017 was 452,308,391 as compared to 449,534,290 in 2016, reflecting an increase of 0.62% year over year. Total KWH sold in 2017 was 429,261,118 as compared to 426,048,194 in 2016, reflecting an increase of 0.75% for the year 2017. Electric Operating revenues totaled \$46.8 million in 2017 compared to \$46.2 million in 2016, an increase of \$0.7 million or 1.5% driven by higher kWh sales, and higher power cost adjustment revenue due to increased costs of power per kWh, and partially offset by lower underground relocation revenues due to a rate decrease. Power costs per kWh sold increased from 7.181 cents per kWh in 2016 to 7.336 cents per kWh, an increase of 2.15%.



Water Gallons Pumped, Sold and Water Revenue

- Water Gallons pumped in 2017 totaled 1.778 billion gallons as compared to 1.749 billion gallons in 2016, reflecting an increase of 1.6% for the year 2017 from 2016. Water Gallons sold including hydrant sales in 2017 totaled 1.671 billion gallons as compared to 1.609 billion in 2016, reflecting an increase of 3.6% for the year 2017 from 2016. Water operating revenues excluding Reconstruction Fees totaled \$4.5 million in 2017 as compared to \$4.0 million in 2016, an increase of 11.9%. Commodity rates increased by 10% in 2017. The water rate structure aligns with conservation based rate structure as required by the DNR.



SHAKOPEE PUBLIC UTILITIES
MONTH TO DATE FINANCIAL RESULTS
DECEMBER 2017



SHAKOPEE PUBLIC UTILITIES
"Lighting the Way – Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Month to Date Actual - December 2017			Month to Date Budget - December 2017			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	MTD Actual v. Budget B/(W) \$ %		MTD Actual v. Budget B/(W) \$ %		MTD Actual v. Budget B/(W) \$ %	
OPERATING REVENUES	\$ 3,732,306	281,385	4,013,691	3,443,381	261,004	3,704,385	288,925	8.4%	20,382	7.8%	309,306	8.3%
OPERATING EXPENSES												
Operation, Customer and Administrative	3,959,780	343,983	4,303,763	3,059,868	250,376	3,320,243	(889,913)	-29.0%	(93,607)	-37.4%	(983,520)	-29.6%
Depreciation	150,226	82,259	232,484	189,194	124,473	313,667	38,968	20.6%	42,214	33.9%	81,182	25.0%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	4,110,006	426,242	4,536,248	3,259,061	374,848	3,633,910	(850,945)	-26.1%	(51,393)	-13.7%	(902,338)	-24.8%
Operating Income	(377,700)	(144,856)	(522,557)	184,320	(113,845)	70,475	(562,020)	-304.9%	(31,012)	-27.2%	(593,031)	-841.5%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	213,150	37,868	251,118	22,173	2,068	24,241	190,976	861.3%	35,801	1736.2%	226,677	935.0%
Interdepartment Rent from Water	7,500	-	7,500	7,500	-	7,500	-	0.0%	-	-	-	0.0%
Investment Income	39,688	17,584	57,272	12,951	3,002	15,954	28,736	208.4%	14,582	485.7%	41,318	259.0%
Interest Expense	(29,010)	(33)	(29,043)	(28,769)	(19)	(28,788)	(241)	-0.8%	(14)	-72.2%	(255)	0.9%
Amortization of Debt Issuance Costs and Loss on Refunding	(1,484)	-	(1,484)	(1,484)	-	(1,484)	-	0.0%	-	-	-	0.0%
Gain/(loss) on the Disposition of Property	(240)	(77,735)	(77,975)	-	-	-	(240)	-	(77,735)	-	(77,975)	0.0%
Total Non-Operating Revenue (Expense)	229,604	(22,216)	207,388	12,372	5,051	17,423	217,232	1755.8%	(27,267)	-539.8%	189,965	1090.3%
Income Before Contributions and Transfers	(148,096)	(167,072)	(315,168)	196,692	(108,794)	87,898	(344,788)	-175.3%	(58,278)	-53.6%	(403,066)	-458.0%
CAPITAL CONTRIBUTIONS	916,412	1,293,663	2,210,075	-	149,395	149,395	916,412	-	1,144,268	785.9%	2,060,680	1379.3%
MUNICIPAL CONTRIBUTION	(133,579)	(187,417)	(320,995)	(121,396)	(78,192)	(200,589)	(12,181)	-10.0%	(108,224)	-136.7%	(120,405)	-80.0%
CHANGE IN NET POSITION	\$ 634,737	939,175	1,573,912	75,294	(38,501)	36,793	559,443	743.0%	977,766	2533.7%	1,537,209	4188.3%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	MTD Actual	MTD Budget	MTD Actual v. Budget	
	December 2017	December 2017	Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 1,302,581	1,254,721	47,861	3.8%
Commercial and Industrial	2,399,725	2,174,267	225,458	10.4%
Uncollectible accounts	(51,746)	(73,134)	21,389	-
Total Sales of Electricity	3,650,560	3,355,853	294,707	8.8%
Forfeited Discounts	14,986	21,016	(6,030)	-28.7%
Free service to the City of Shakopee	11,587	14,223	(2,635)	-18.5%
Conservation program	55,172	52,289	2,883	5.5%
Total Operating Revenues	3,732,306	3,443,381	288,925	8.4%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	2,713,807	2,524,285	(189,522)	-7.5%
Distribution operation expenses	30,670	39,436	8,766	22.2%
Distribution system maintenance	42,977	55,428	12,451	22.5%
Maintenance of general plant	54,114	35,652	(18,462)	-51.8%
Total Operation and Maintenance	2,841,567	2,654,801	(186,767)	-7.0%
Customer Accounts				
Meter Reading	8,367	9,810	1,443	14.7%
Customer records and collection	(811)	44,751	45,562	101.8%
Energy conservation	511,947	58,828	(453,119)	-770.2%
Total Customer Accounts	519,503	113,389	(406,114)	-358.2%
Administrative and General				
Administrative and general salaries	46,525	49,969	3,444	6.9%
Office supplies and expense	8,833	15,471	6,638	42.9%
Outside services employed	158,398	40,959	(117,439)	-286.7%
Insurance	8,938	15,727	6,789	43.2%
Employee Benefits	349,022	143,488	(205,533)	-143.2%
Miscellaneous general	26,994	36,063	9,069	25.1%
Total Administrative and General	598,710	301,678	(297,032)	-98.5%
Total Operation, Customer, & Admin Expenses	3,959,780	3,069,868	(889,913)	-29.0%
Depreciation	150,226	189,194	38,968	20.6%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	\$ 4,110,006	3,259,061	(850,945)	-26.1%
OPERATING INCOME	\$ (377,700)	184,320	(562,020)	-304.9%

**SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE**

	MTD Actual	MTD Budget	MTD Actual v. Budget	
	December 2017	December 2017	Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Water	\$ 281,533	270,423	11,110	4.1%
Forfeited Discounts	1,143	1,731	(588)	-34.0%
Uncollectible accounts	(1,290)	(11,151)	9,860	-
Total Operating Revenues	<u>281,385</u>	<u>261,004</u>	<u>20,382</u>	<u>7.8%</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	38,706	39,294	588	1.5%
Pumping and distribution maintenance	62,734	33,731	(29,003)	-86.0%
Power for pumping	26,575	23,252	(3,323)	-14.3%
Maintenance of general plant	4,071	2,342	(1,728)	-73.8%
Total Operation and Maintenance	<u>132,086</u>	<u>98,620</u>	<u>(33,466)</u>	<u>-33.9%</u>
Customer Accounts				
Meter Reading	4,505	7,592	3,087	40.7%
Customer records and collection	(1,289)	11,996	13,285	110.7%
Energy conservation	-	-	-	-
Total Customer Accounts	<u>3,215</u>	<u>19,588</u>	<u>16,373</u>	<u>83.6%</u>
Administrative and General				
Administrative and general salaries	29,708	31,460	1,752	5.6%
Office supplies and expense	3,743	5,926	2,183	36.8%
Outside services employed	43,087	17,377	(25,711)	-148.0%
Insurance	2,979	5,242	2,263	43.2%
Employee Benefits	104,100	52,190	(51,910)	-99.5%
Miscellaneous general	25,063	19,971	(5,092)	-25.5%
Total Administrative and General	<u>208,681</u>	<u>132,167</u>	<u>(76,514)</u>	<u>-57.9%</u>
Total Operation, Customer, & Admin Expenses	<u>343,983</u>	<u>250,376</u>	<u>(93,607)</u>	<u>-37.4%</u>
Depreciation	82,259	124,473	42,214	33.9%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	<u>426,242</u>	<u>374,848</u>	<u>(51,393)</u>	<u>-13.7%</u>
OPERATING INCOME	<u>\$ (144,856)</u>	<u>(113,845)</u>	<u>(31,012)</u>	<u>-27.2%</u>

SHAKOPEE PUBLIC UTILITIES
YEAR TO DATE FINANCIAL RESULTS
DECEMBER 2017



SHAKOPEE PUBLIC UTILITIES
"Lighting the Way – Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Year to Date Actual - December 2017			Year to Date Budget - December 2017			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	YTD Actual v. Budget B/(W) \$ %	YTD Actual v. Budget B/(W) \$ %	YTD Actual v. Budget B/(W) \$ %			
OPERATING REVENUES	\$ 46,887,043	5,184,200	52,071,243	48,370,139	4,907,722	53,277,861	(1,483,095)	-3.1%	276,478	5.0%	(1,206,618)	-2.3%
OPERATING EXPENSES												
Operation, Customer and Administrative	30,073,148	2,807,262	41,880,409	40,894,697	3,050,507	43,945,204	1,821,550	4.5%	243,245	8.0%	2,064,795	4.7%
Depreciation	2,055,840	1,318,706	3,374,546	2,270,325	1,493,674	3,764,000	214,485	9.4%	174,989	11.7%	389,454	10.3%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	41,128,988	4,125,967	45,254,955	43,165,023	4,544,181	47,709,204	2,036,035	4.7%	418,214	9.2%	2,454,249	5.1%
Operating Income	5,758,055	1,058,233	6,816,288	5,205,116	363,541	5,568,657	552,939	10.0%	694,692	191.1%	1,247,631	22.4%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	435,086	215,809	650,895	266,078	173,383	439,461	169,009	63.5%	42,425	24.5%	211,434	48.1%
Interdepartment Rent from Water	90,000	-	90,000	90,000	-	90,000	-	0.0%	-	-	-	0.0%
Investment Income	215,222	81,118	296,340	155,417	36,028	191,443	59,805	38.5%	45,092	125.2%	104,897	54.8%
Interest Expense	(348,580)	(313)	(348,893)	(348,732)	(229)	(348,961)	(1,848)	-0.5%	(84)	-36.6%	(1,931)	-0.6%
Amortization of Debt Issuance Costs and Loss on Refunding	(17,802)	-	(17,802)	(17,802)	-	(17,802)	-	0.0%	-	0.0%	-	0.0%
Gain/(Loss) on the Disposition of Property	6,694	(74,373)	(67,679)	-	-	-	6,694	0.0%	(74,373)	-	(67,679)	-
Total Non-Operating Revenue (Expense)	380,620	222,240	602,861	146,960	209,180	356,140	233,660	159.0%	13,060	6.2%	246,720	69.3%
Income Before Contributions and Transfers	6,138,675	1,280,473	7,419,148	5,352,076	572,721	5,924,797	786,599	14.7%	707,752	123.6%	1,494,351	25.2%
CAPITAL CONTRIBUTIONS	1,158,713	4,468,735	5,627,448	-	1,792,742	1,792,742	1,158,713	-	2,675,993	149.3%	3,834,706	213.9%
MUNICIPAL CONTRIBUTION	(1,411,320)	(1,001,919)	(2,413,240)	(1,456,776)	(950,309)	(2,407,085)	45,456	3.1%	(51,611)	-5.4%	(6,155)	-0.3%
CHANGE IN NET POSITION	\$ 5,886,068	4,747,289	10,633,357	3,895,300	1,415,155	5,310,455	1,990,768	51.1%	3,332,134	235.5%	5,322,902	100.2%

**SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE**

	YTD Actual	YTD Budget	YTD Actual v. Budget	
	December 2017	December 2017	Better/(Worse)	%
	\$	\$	\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 16,496,838	17,091,569	(594,731)	-3.5%
Commercial and Industrial	29,341,945	30,222,902	(880,957)	-2.9%
Uncollectible accounts	(51,746)	(73,134)	21,389	-
Total Sales of Electricity	45,787,037	47,241,336	(1,454,299)	-3.1%
Forfeited Discounts	248,556	252,193	(3,637)	-1.4%
Free service to the City of Shakopee	168,038	170,673	(2,635)	-1.5%
Conservation program	683,413	705,937	(22,524)	-3.2%
Total Operating Revenues	46,887,043	48,370,139	(1,483,096)	-3.1%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	33,180,393	34,245,700	1,065,308	3.1%
Distribution operation expenses	390,397	473,233	82,836	17.5%
Distribution system maintenance	627,840	665,138	37,298	5.6%
Maintenance of general plant	283,974	427,821	143,848	33.6%
Total Operation and Maintenance	34,482,603	35,811,892	1,329,290	3.7%
Customer Accounts				
Meter Reading	101,514	117,716	16,202	13.8%
Customer records and collection	467,356	537,016	69,660	13.0%
Energy conservation	683,413	705,937	22,524	3.2%
Total Customer Accounts	1,252,283	1,360,669	108,386	8.0%
Administrative and General				
Administrative and general salaries	564,340	599,633	35,293	5.9%
Office supplies and expense	132,106	185,651	53,545	28.8%
Outside services employed	281,500	491,513	210,013	42.7%
Insurance	153,709	188,725	35,016	18.6%
Employee Benefits	1,833,539	1,823,862	(9,678)	-0.5%
Miscellaneous general	373,068	432,752	59,685	13.8%
Total Administrative and General	3,338,262	3,722,136	383,874	10.3%
Total Operation, Customer, & Admin Expenses	39,073,148	40,894,697	1,821,550	4.5%
Depreciation	2,055,840	2,270,325	214,485	9.4%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	\$ 41,128,988	43,165,023	2,036,035	4.7%
OPERATING INCOME	\$ 5,758,055	5,205,116	552,939	10.6%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	YTD Actual	YTD Budget	YTD Actual v. Budget	
	December 2017	December 2017	Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Water	\$ 5,161,591	4,898,097	263,494	5.4%
Forfeited Discounts	23,898	20,776	3,122	15.0%
Uncollectible accounts	(1,288)	(11,151)	9,862	-
Total Operating Revenues	<u>5,184,200</u>	<u>4,907,722</u>	<u>276,478</u>	<u>5.6%</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	446,320	471,532	25,212	5.3%
Pumping and distribution maintenance	336,401	404,773	68,372	16.9%
Power for pumping	289,227	279,029	(10,197)	-3.7%
Maintenance of general plant	35,362	28,108	(7,254)	-25.8%
Total Operation and Maintenance	<u>1,107,310</u>	<u>1,183,443</u>	<u>76,133</u>	<u>6.4%</u>
Customer Accounts				
Meter Reading	56,367	91,102	34,735	38.1%
Customer records and collection	125,980	143,956	17,976	12.5%
Energy conservation	1,834	12,000	10,166	-
Total Customer Accounts	<u>184,182</u>	<u>247,058</u>	<u>62,877</u>	<u>25.5%</u>
Administrative and General				
Administrative and general salaries	358,588	377,525	18,937	5.0%
Office supplies and expense	61,221	71,115	9,895	13.9%
Outside services employed	153,596	208,523	54,927	26.3%
Insurance	51,236	62,908	11,672	18.6%
Employee Benefits	646,966	660,283	13,317	2.0%
Miscellaneous general	244,163	239,651	(4,512)	-1.9%
Total Administrative and General	<u>1,515,770</u>	<u>1,620,006</u>	<u>104,236</u>	<u>6.4%</u>
Total Operation, Customer, & Admin Expenses	<u>2,807,262</u>	<u>3,050,507</u>	<u>243,245</u>	<u>8.0%</u>
Depreciation	1,318,706	1,493,674	174,969	11.7%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	<u>\$ 4,125,967</u>	<u>4,544,181</u>	<u>418,214</u>	<u>9.2%</u>
OPERATING INCOME	<u>\$ 1,058,233</u>	<u>363,541</u>	<u>694,692</u>	<u>191.1%</u>

SHAKOPEE PUBLIC UTILITIES
COMPARATIVE FINANCIAL RESULTS
2016 - 2017



SHAKOPEE PUBLIC UTILITIES
"Lighting the Way – Yesterday, Today and Beyond"

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUE & EXPENSE AND NET ASSETS
COMPARATIVE FINANCIAL RESULTS FOR 2016 - 2017

	2017			2018 Restated			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	2016 \$	2017 B/(W) %	2016 \$	2017 B/(W) %	2016 \$	2017 B/(W) %
OPERATING REVENUES	\$ 46,887,043	5,184,200	52,071,243	46,202,101	4,568,096	50,770,197	684,942	1.5%	618,104	13.5%	1,301,046	2.6%
OPERATING EXPENSES												
Operation and Maintenance	39,073,148	2,807,262	41,880,409	37,923,711	2,587,266	40,510,978	(1,149,438)	-3.0%	(219,995)	-9.5%	(1,369,431)	-3.4%
Depreciation	2,055,840	1,318,706	3,374,546	1,841,744	1,199,571	3,041,315	(214,086)	-11.6%	(119,135)	9.9%	(333,231)	-11.0%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	#DIV/0!	-	-	-	#DIV/0!
Total Operating Expenses	41,128,988	4,125,967	45,254,955	39,765,456	3,786,837	43,552,293	(1,363,533)	-3.4%	(339,130)	-9.0%	(1,702,663)	-3.9%
Operating Income	5,758,055	1,058,233	6,816,288	6,436,645	781,259	7,217,904	(678,591)	-10.5%	276,974	35.5%	(401,617)	-5.6%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	435,086	215,809	650,895	317,749	212,329	530,078	117,337	36.9%	3,480	1.6%	120,817	22.8%
Interdepartment Rent from Water	90,000	-	90,000	90,000	-	90,000	-	0.0%	-	0.0%	-	0.0%
Investment Income	215,222	81,118	296,340	164,029	41,653	205,682	51,193	31.2%	38,465	94.7%	90,657	44.1%
Interest Expense	(348,580)	(313)	(348,893)	(358,055)	(145)	(358,200)	9,475	2.6%	(168)	-115.9%	9,307	2.6%
Amortization of Debt Issuance Costs and Loss on Refunding	(17,802)	-	(17,802)	(17,802)	-	(17,802)	-	0.0%	-	#DIV/0!	-	0.0%
Gain on the Disposition of Property	6,694	(74,373)	(67,679)	4,886	(14,222)	(9,337)	1,808	-	(60,151)	-422.9%	(58,342)	-
Total Non-Operating Revenue (Expense)	380,620	222,240	602,861	200,807	239,614	440,422	179,813	89.5%	(17,374)	-7.3%	162,439	36.9%
Income Before Contributions and Transfers	6,138,675	1,280,473	7,419,148	6,637,453	1,020,873	7,658,326	(498,778)	-7.5%	259,600	25.4%	(239,178)	-3.1%
CAPITAL CONTRIBUTIONS	1,156,713	4,468,735	5,625,448	430,031	2,446,392	2,876,423	728,682	169.4%	2,022,343	62.7%	2,751,025	95.6%
TRANSFER TO MUNICIPALITY	(1,411,320)	(1,001,919)	(2,413,240)	(1,387,447)	(891,017)	(2,278,464)	(23,874)	-1.7%	(110,902)	-12.4%	(134,776)	-5.9%
CHANGE IN NET POSITION	5,886,068	4,747,289	10,633,357	5,680,037	2,576,248	8,256,285	208,031	3.6%	2,171,041	64.3%	2,377,072	28.8%

**SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE**

	2017	2016	2016 - 2017	
			Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 16,496,838	16,889,534	(392,696)	-2.3%
Commercial	29,341,945	28,283,315	1,058,630	3.7%
Uncollectible accounts	(51,746)	(65,319)	13,573	20.8%
Total Sales of Electricity	45,787,037	45,107,530	679,507	1.5%
Forfeited Discounts	248,556	250,448	(1,893)	-0.8%
Free service to the City of Shakopee	168,038	170,673	(2,635)	-1.5%
Conservation program	683,413	673,450	9,964	1.5%
Total Operating Revenues	46,887,043	46,202,101	684,942	1.5%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	33,180,393	32,282,815	(897,578)	-2.8%
Distribution operation expenses	390,397	422,906	32,509	7.7%
Distribution system maintenance	627,840	562,335	(65,505)	-11.6%
Maintenance of general plant	283,974	358,418	74,445	20.8%
Total Operation and Maintenance	34,482,603	33,626,474	(856,128)	-2.5%
Customer Accounts				
Meter Reading	101,514	105,518	4,004	3.8%
Customer records and collection	467,356	431,706	(35,650)	-8.3%
Energy conservation	683,413	673,450	(9,964)	-1.5%
Total Customer Accounts	1,252,283	1,210,673	(41,610)	-3.4%
Administrative and General				
Administrative and general salaries	564,340	525,695	(38,645)	-7.4%
Office supplies and expense	132,106	121,308	(10,798)	-8.9%
Outside services employed	281,500	104,798	(176,702)	-168.6%
Insurance	153,709	145,757	(7,952)	-5.5%
Employee Benefits	1,833,539	1,801,117	(32,422)	-1.8%
Miscellaneous general	373,068	387,889	14,821	3.8%
Total Administrative and General	3,338,262	3,086,564	(251,698)	-8.2%
Total Operating Expenses	39,073,148	37,923,711	(1,149,436)	-3.0%
Depreciation	2,055,840	1,841,744	(214,096)	-11.6%
Amortization of plant acquisition	-	-	-	#DIV/0!
Total Operating Expenses	\$ 41,128,988	39,765,456	(1,363,533)	-3.4%
OPERATING INCOME	\$ 5,758,055	6,436,845	(678,591)	-10.5%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	2017	2016	2016 - 2017	
			Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Water	\$ 5,161,591	4,553,038	608,553	13.4%
Forfeited Discounts	23,898	20,274	3,623	17.9%
Uncollectible accounts	(1,288)	(5,217)	3,928	75.3%
Total Operating Revenues	<u>5,184,200</u>	<u>4,568,096</u>	<u>616,104</u>	<u>13.5%</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	446,320	429,994	(16,326)	-3.8%
Pumping and distribution maintenance	336,401	263,632	(72,769)	-27.6%
Power for pumping	289,227	277,511	(11,716)	-4.2%
Maintenance of general plant	35,362	23,597	(11,765)	-49.9%
Total Operation and Maintenance	<u>1,107,310</u>	<u>994,733</u>	<u>(112,577)</u>	<u>-11.3%</u>
Customer Accounts				
Meter Reading	56,367	80,201	23,834	29.7%
Customer records and collection	125,980	114,172	(11,808)	-10.3%
Energy conservation	1,834	2,467	633	-
Total Customer Accounts	<u>184,182</u>	<u>196,840</u>	<u>12,658</u>	<u>6.4%</u>
Administrative and General				
Administrative and general salaries	358,588	336,316	(22,272)	-6.6%
Office supplies and expense	61,221	55,436	(5,785)	-10.4%
Outside services employed	153,596	67,403	(86,193)	-127.9%
Insurance	51,236	48,586	(2,651)	-5.5%
Employee Benefits	646,966	664,199	17,233	2.6%
Miscellaneous general	244,163	223,754	(20,409)	-9.1%
Total Administrative and General	<u>1,515,770</u>	<u>1,395,694</u>	<u>(120,076)</u>	<u>-8.6%</u>
Total Operating Expenses	<u>2,807,262</u>	<u>2,587,266</u>	<u>(219,995)</u>	<u>-8.5%</u>
Depreciation	1,318,706	1,199,571	(119,135)	-9.9%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	<u>4,125,967</u>	<u>3,786,837</u>	<u>(339,130)</u>	<u>-9.0%</u>
OPERATING INCOME	<u>\$ 1,058,233</u>	<u>781,259</u>	<u>276,974</u>	<u>35.5%</u>




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SHAKOPEE PUBLIC UTILITIES

“Lighting the Way – Yesterday, Today and Beyond”

March 16, 2018

TO: John Crooks, Utilities Manager 

FROM: Sharon Walsh, Director of Marketing and Customer Relations 

SUBJECT: 2018 Tom Bovitz Scholarship Award

Overview

Each year, SPU partners with the MMUA to sponsor the Tom Bovitz Memorial Scholarship. The SPU scholarship is offered to high school seniors who have plans to attend a post-secondary educational institution and who are, or have legal guardians who are, customers of SPU. Students participate in an essay competition interpreting one or more aspects of the theme, “Municipal Utilities: Good For All of Us.”

SPU will award a first place scholarship in the amount of \$1000 and a second place scholarship in the amount of \$500. The first place winner will have their essay submitted to the MMUA to compete at the state level. This winner will have the opportunity to earn an additional scholarship of \$500, \$1000, \$1500 or \$2000, depending on their placement in the state competition.

I reached out to three local high schools (SHS, PLHS and HFCHS) to personally promote the scholarship. I also followed up with each school in late February for a second time to drive participation. Submissions are due March 23rd. I will present these to the Commission for review and voting at the April 2nd meeting.

Action Requested

At this time there is no requested action.