

MEMORANDUM

TO: City Council
Jeff Mikorski, City Manager

FROM: Timothy L. Ball, General Manager, MUB

DATE: June 12, 2013

SUBJECT: **BOND ORDINANCE**
RATE ORDINANCE
ACQUISITION ORDINANCE
ACQUISITION AGREEMENT
RELATED MUB RESOLUTIONS
RELATED COUNTY COMMISSION ORDER
SCOTTS RUN PSD ACQUISITION
COUNCIL MEETING INFORMATION
For June 18, 2013

This will serve as a read ahead to help you prepare for the meeting. If you have any questions please contact me prior to the meeting on Tuesday evening.

The attached ordinances and acquisition agreement will facilitate MUB's acquisition of the Scotts Run PSD (SRPSD). SRPSD provides sanitary sewer service to the Osage area, including Mylan Park and University Town Centre. It was recently (10 years ago) constructed using a \$3.9 million grant and a combination of loans totaling \$9.9 million loan (0.5%, 30 years, 0.25%, 36 years). SRPSD currently serves about 970 customers.

The SRPSD has recognized that it lacks the staff and resources to properly manage its operations, and has asked to be acquired by MUB. The County Commission endorses this action. The acquisition has been identified by the SRPSD and the County Commission as the best solution for the challenges facing SRPSD, and it is also an opportunity for MUB to expand its customer base and service area.

We have recently received the commitment of the WV DEP to allow MUB to assume the debt of SRPSD. It is this commitment that makes the acquisition feasible. We will not pay any other consideration to SRPSD for this acquisition. The assumption of the debt necessitates the proposed Bond Ordinance.

We propose to keep the existing rates in place that currently apply to the SRPSD service area. Addition of these rates to the MUB tariff necessitates the proposed Rate Ordinance.

This acquisition will allow a valuable system addition to be done, and without subsidization by MUB.

The acquisition agreement is an Exhibit to the Acquisition Ordinance. Approval of the Acquisition Ordinance will, by that act, include approval of the acquisition agreement. The Mayor will need to execute the acquisition agreement AFTER PSC approval has been obtained.

I include Resolutions approved by the MUB Board endorsing the acquisition agreement and the bond ordinance and assumption of debt. I also include a copy of the County Commission's Order which approves the acquisition.

Actions requested of City Council are review and approval of the following:

- Acquisition Ordinance
- Rate Ordinance
- Bond Ordinance

Please note also that you should expect public comment from some members of the Scotts Run community who oppose the proposed acquisition. Several such persons spoke at the MUB meeting and the SRPSD meeting, both held May 22, 2013. Similar comments were presented to the County Commission at its meetings of May 29* and June 5. After taking these comments into consideration*, both Boards and the County Commission voted to proceed with the acquisition.

In addition to your approval, the acquisition must still be approved by the Public Service Commission.

I will attend the Council meeting, and will be happy to provide any further explanation that you may desire.

* At the County Commission meeting of May 29, questions were raised regarding the eligibility of certain SRPSD Board member(s). For that reason, the County Commission then tabled the subject of the acquisition, and requested the Asst Prosecuting Attorney to provide an opinion. The eligibility of the Board member(s) was confirmed, and the County Commission approved the acquisition on June 5.