

UTILITIES SERVICE BOARD MEETING

March 17, 2008

Utilities Service Board meetings are recorded electronically or stenographically and are available during regular business hours in the office of the Director of Utilities.

Board President Swafford called the regular meeting of the Utilities Service Board to order at 5:02 p.m. The meeting was held in the Utilities Service Board room at the City of Bloomington Utilities Department Administrative Building in Bloomington, Indiana.

Board members present: Tom Swafford, Julie Roberts, Pedro Roman, Jeff Ehman, Tim Henke and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Phil Peden, Tom Staley, Mike Bengtson, Michael Horstman, Jane Fleig, Shawn Miya, Mike Hicks and Vickie Renfrow. Others present: Mark Menefee and Jeff Kaden representing Indiana University, Mike Cline and George Lewis representing Hanum, Wagle & Cline, Sarah Morin representing the Herald Times, Ben Beard representing Gentry Estates, Margaret Fette representing the Libertarian Party, Kate Hablen representing Baxter Pharmaceutical Solutions, LLC and Sue Mayer.

MINUTES

Board member Roberts moved and Board member Roman seconded the motion to approve the minutes of the March 4th meeting. Motion carried, 5 ayes, 2 members absent, (Banach and Whikhart).

CLAIMS

Board member Roberts moved and Board member Ehman seconded the motion to approve the claims as follows:

Claims 0890331 through 0890392 including \$70,799.77 from the Water Operations & Maintenance fund for a total of \$70,799.77 from the Water Utility; Claims 0830191 through 0830232 including \$224,340.22 from the Wastewater Operations & Maintenance fund for a total of \$224,340.22 from the Wastewater Utility; and a total of \$3,222.88 from the Wastewater/Stormwater Utility. Total claims approved – \$298,362.87.

Board member Henke asked about the claim for Insituform. He wanted to know if they are doing the sewer lining. Assistant Director of Engineering Bengtson said they are. Mr. Henke asked if this project is done. Mr. Bengtson explained that about \$2 million has been spent of the \$3 million set aside for this project. This claim is a part of the \$2 million. This had been added on to one of the projects. It is a part of the work being done in the Renwick subdivision. Greeley and Hansen are putting together another sewer lining project to spend down the remainder of the \$3 million.

Motion carried, 5 ayes, 2 members absent, (Banach and Whikehart).

Wire transfers and fees for the month of February 2008:

Board member Roberts moved and Board member Henke seconded the motion to approve the wire transfers and fees for the month of February 2007 in the amount of \$855,876.71.

Motion carried 5 Ayes, 2 members absent, (Banach and Whikehart).

REPORT ON THE HANUM, WAGLE & CLINE WATER CAPITAL IMPROVEMENT PLAN PEER REVIEW:

Mr. Cline of Hanum, Wagle & Cline gave a power point presentation of their findings.

Board member Ehman asked about the large range in estimated prices for construction, engineering and observation. He wanted to know why the range is so large and if Mr. Cline could narrow it down more. Mr. Cline explained that INDOT is at the high end of the range. They allow up to 13% of the total construction costs for construction, engineering and construction observation. The low end is RD which does more rural, smaller water projects. They come in at the 4% range. The goal of Hanum, Wagle & Cline was to get documented sources of the range. That number is higher when work is being done around the Treatment Plant when there are processes that include re-doing shop drawings and inspections and maybe some commissioned work with regard to the performance of the equipment. A water main along a rural road is lower in the range. Mr. Cline said he believes that the 8% to 11% range would be where that project would fall.

Board member Roman said that the part of the study that was most important to him was their estimation of the engineering costs. The large range makes it difficult to evaluate. He had wanted to find out if the Engineering costs given by Black & Veatch are justified. The range is so wide it is hard for him to determine that. Mr. Cline replied that if the USB brought in 6 firms like theirs and Black & Veatch they would get 6 different prices. A lot of it has to do with knowledge of the system. There is a hydraulic modeling aspect. For Mr. Cline's firm to recreate the modeling that would determine the connection point and the diameter of the pipe versus the motor size of the pump would require a lot of effort. Black & Veatch wouldn't have to go through nearly that much since they already know the system. The plans for the existing pipeline being used are dated 1965 and were stamped by Black & Veatch. They have a significant knowledge of the system. Mr. Cline's fees would be higher for this project although they would be lower than a firm from Chicago. A local firm in Bloomington could probably inspect the work at a lower cost since they wouldn't have the lodging and travel costs. There would be a range no matter what. Mr. Roman said he understands that, the range from \$1.4 million to \$4.1 million is so big that anything fits. Mr. Cline said that a lot of the range is due to the inspection number. The range on the design number is a little smaller. Mr. Roman asked if Mr. Cline could tell him the amount of money that should be spent for engineering. Mr. Cline replied that if the design engineering includes the tank, the booster station and the SCADA system it goes higher than the low end of the numbers. The low end of the number is just for the water main. Mr. Cline guessed that 6.5% to 7.5% would be about right. Construction depends on the timing. If this project gets bid in the first quarter of next year, which is the best time to bid a project like this because business is usually slow for contractors during the winter, they have just had a wage scale determination and chances are suppliers have stock in their yards, and they get started in March so they have a whole construction season, it will reduce the range for construction engineering. If there are difficulties getting the land or getting approval for financing from IURC so it doesn't get bid until September of next year the contractor will be fighting the weather. A lot of it is just timing. Mr. Cline said that whether it is Black & Veatch or Hannum, Wagle & Cline the hourly rate for the inspector will be very similar.

Board member Henke asked how difficult it is to prepare a Request for Proposals for bidding of the engineering services given what information is available at this point. Mr. Cline said that he believes that Black & Veatch should go ahead and do the modeling for pipe diameters, pump sizing, tank sizes and routing to get it all completely nailed down. The hydraulics should be settled on, then take advantage of the intellectual capacity of the consultant who has been involved for 45 years. That will allow an apple to apple comparison. It would be straight engineering contractual

work. He doesn't think Utilities is ready for RFP's yet. If a new firm were hired it would be necessary to pay them to do all of that. There's a learning curve that would have to be paid for to do the modeling, the alignment and the final determination of the route. Once all of that is nailed down there is guidance available from a trade group, ACEC. They have on-line guidance on qualification based selection proposals. Utilities has a lot of experience and capacity that should be taken advantage of. He believes that if the positions were reversed Black & Veatch would say the same thing.

Board President Swafford asked Mr. Cline if, based on his analysis, he feels that the report from Black & Veatch is valid. Mr. Cline said yes he would say that about both the budget and the immediate need. There is only one water line from the plant and it is close to a major fault line for earthquakes. If the water main, which is 45 years old, were broken it would be a very serious problem. Mr. Swafford asked if it is Mr. Cline's opinion that it would be more costly to change to someone other than Black & Veatch at this time. Mr. Cline said there would be a six figure learning curve to change horses at this time, that Utilities would have to pay for.

Ex-officio board member Mayer said that looking at the way the economy is going right now it is apparent that construction and material costs will be going up. Based on that it seems to be important to start making some decisions so the project can move forward. Mr. Cline said that because of China and India moving so many people into their middle class materials are becoming more expensive. He thinks the USB has enough information to go ahead and get the financing and approvals going. He thinks that \$17.5 million is an accurate figure. The engineering could be done quickly by Black & Veatch. If another firm were brought in there would be a ramp up time of 3 to 5 months.

Board member Roman asked Mr. Cline if he advised getting this started by next winter. Mr. Cline said that in Indiana a bid can not be awarded until the financing is in place. He thinks if Utilities starts to acquire the land needed for the tank, starts on the financial approvals and the engineering is completely done and ready to bid in the first quarter of the year there would be a 5% to 10% reduction in costs compared to if it were done in the last quarter. Mr. Roman then asked when Hannum, Wagle & Cline had presented the report to Utilities. Mr. Cline said that they were finished in early February.

Board member Henke moved and board member Roberts seconded the motion to accept the report prepared by Hannum, Wagle & Cline. Motion carried, 5 ayes, 2 members absent (Banach and Whikehart).

D. MICHAEL SNAPP'S APPEAL OF THE CBU STAFF DECISION ABOUT 349 S. COLLEGE, LLC:

Assistant Director of Engineering said that since early in 2005 the Engineers have been talking about this project with Mr. Snapp. The initial talks were about a problem on the back part of the site. There is a natural waterway which caused some problems with his foundation along with 2 pipes entering his property to the North and the way they were deflected into the channel. It was going from 2 large conduits to an open channel. There have been discussions with Mr. Snapp about that particular problem since March of 2005. Mr. Bengtson said that they only recently acquired a set of plans that was worth reviewing. Up until then they had a page with half the building on it and different configurations he was proposing for changing the way the water entered his site. The water went up against the building and was deflected into the channel that is on his property. When Utilities Engineers got a set of plans and thought that the project was viable they did a review and discovered that there was a very old water main in front of his site that they think needs to be replaced. It was installed in 1896. It didn't seem prudent to allow connection of a fire

main that would serve a fire suppression system such as is planned for this project. Utilities Engineers feel Mr. Snapp should lay 260 feet of water main to serve his site. There is another upcoming project that will be in the same situation. Mr. Bengtson said that they have worked with at least 8 major downtown projects, maybe more, that have complied and replaced water mains along with their project. Ever since 2005 they have been focusing on aging water lines around downtown and surrounding neighborhoods. For the most part where the work is done is determined by the Public Works Department who has put out paving lists way ahead of when the paving will be done. That has allowed Utilities to coordinate with those and get pipes replaced ahead of the paving. The paving lists have been used to prioritize where the replacements will occur. Unfortunately, the front of Mr. Snapp's property has not been included. Utilities never knows when a project will come along that will need a new main. Prioritization cannot be dependant on projects.

Mr. Snapp said that he had come to appeal the decision of the staff requiring him to place this water line. He agreed that they did start conceptual communications in 2005. Those discussions did revolve around the storm culvert but that has been pretty well resolved. After the initial communication with Utilities, then going through the approval process, he was granted approval for the project by the City's Board of Zoning Appeals in January of 2007. He believes that there was every opportunity in the 2 years from the first communication and the final approval for any issues relating to the water line to be addressed. He said it's not fair to say that the size and scope of the project was not known to Utilities. All the communications with the City Planning staff on the project approval involved Utilities. Many of the issues relating to the approval are specifically directed at the utilities and infrastructure. He thinks it is fair to say that the size and scope of the project was known up to and including the day of the approval of the project in January of 2007. After the approval they again asked and were assured that infrastructure for water and sanitary sewer service was available for their project. In July of 2007 they received a letter from Utilities' staff stating that water and sanitary sewer service were available to serve their proposed project. Secondly, he said, the idea that the infrastructure is inadequate or in some way too old to serve his project is just not the case. He would understand if infrastructure is unavailable or inadequate or undersized to serve a project. There is an 8 inch water line at this location that was been tested as early as 2006. The static pressure was 871,153 gal./min. with a residual pressure of 78 gal./min.. He said that Utility professionals would say that these are excellent numbers. The Marriot Courtyard Hotel hooked on to the 8" water main at S. College Ave. in the 1990's. The waterline was 100 years old at that time. They were not required to replace any infrastructure. There is no indication that the waterline is inadequate, has inadequate flows or is failing in any way. This is a staff decision that seems to reflect a new policy. He believes the staff is attempting to use his project as a test case to establish new policies. Policy decisions should be made by the USB and established in the Rules and Regulations that small business people and developers use to plan and budget their projects. If the timeline is examined it shows that in January of 2007 he received approval for his project, in July of 2007 he received a letter saying he could be served by the current infrastructure then in December of 2007 the staff reviewed his plans and denied access to the waterline. No one can plan under circumstances such as this.

Mr. Snapp went on to say that from his experience as a Utilities staff member, in the Finance Department, and his conversations with the IURC, these rates and charges to maintain and replace infrastructure exist in the rates being charged that are already being charged. Requiring developers to pay these charges after the fact is outside the rate structure. If it is a policy matter that is being changed, don't do it to someone who has an approved project nearly a year before Utilities makes their decision. Make the policy change and move forward in the future.

Board President Swafford said that he would like to send this matter to the Engineering Subcommittee for a recommendation back to the full board at the next meeting.

APPROVAL OF THE INDUSTRIAL PRETREATMENT PERMIT FOR BAXTER PHARMACEUTICAL SOLUTIONS, LLC:

Deputy Director Langley asked that the USB approve a new pretreatment permit for Baxter Pharmaceutical Solutions. He introduced a new staff member, Shawn Mia, who is the Pretreatment Program Inspector.

Ms. Mia said that Baxter's current permit was approved by the USB on March 22, 2004 and expires on March 22, 2008. Baxter mixes, compounds, fills and packages pharmaceuticals. Consequently their wastewater discharge is regulated by chapter 40 Code of Federal Regulations, part 439.4. This regulation requires Baxter to sample their wastewater twice a year and to have the samples analyzed for the parameters listed in the permit. During the current permit period Baxter did not exceed any permit limitations. There will be a new expiration date of March 17, 2012.

Board member Roberts moved and board member Henke seconded the motion to approve the Industrial Pretreatment Permit for Baxter Pharmaceutical Solutions, LLC:

Board member Henke said that he had read about other communities that have pharmaceuticals in their water. He wanted to know how that relates to this permit. Ms. Mia explained the article was dealing with how people ingest pharmaceuticals and it is then discharged to the water treatment plant. Baxter is sampling their waste water for all the parameters that are required under law. There is no sampling for the kind of medications people may be taking. Baxter Pharmaceuticals is filling syringes with vaccinations. She doesn't believe the two issues are related.

Board President Swafford asked if Baxter has had any violations in the past. Ms. Mia said they had not.

Motion carried, 5 ayes, 2 members absent, (Banach and Whikehart).

Ex-officio board member Mayer pointed out that the article in the paper did not point out that the community's water supply comes out of Lake Monroe. The Wastewater treatment plants discharge into Clear Creek which is downstream from the lake. Things may be discharged into the creek but they do not go back into the community's water supply.

OLD BUSINESS:

Board member Henke asked how things were coming along with the Rule 24 revisions. Ms. Renfrow, City Attorney, replied but I couldn't hear her answer. Board member Ehman asked what was holding things up. He said that if the spirit and intent of the subcommittee's words haven't been changed he doesn't see any need for it to go back to a subcommittee. It could be emailed for people to proof read. He asked Ms. Renfrow if there were substantive changes that would require it to go back to the subcommittee. Ms. Renfrow said there were. Mr. Henke said he would like to have a meeting of the subcommittee scheduled before the next meeting.

Board member Henke asked if anything had been done about creating a brochure with information about how to deal with sewer backups into people's homes. Utilities Director Murphy said there is

an operating procedure where Risk Management immediately comes on site to deal with the customer. Superintendent of Operations Staley said that a brochure has been created that is given to the customers who are in this situation. Mr. Henke asked that the USB be given the brochure.

NEW BUSINESS:

Board member Roberts mentioned that 4" to 6" of rain is expected over the next few days. She wondered if the staff is anticipating any problems due to this. Deputy Director Langley said there will be too much water but he doesn't expect there to be any operational problems.

Board President Swafford said they had received a report at this meeting on the peer review that the USB requested. The review verified the report on Phase 2 by Black & Veatch. Phase 2 was approved pending a peer review. Based on the peer report it is now possible to move forward on Phase 2. Board member Roman asked what Mr. Swafford meant by move forward. Does he mean start preparing the finances? Mr. Swafford agreed. He pointed out that they still have Phase 3 to make a decision about. That is the part about the plant expansion. Board member Ehman said there should be an evaluation of the different options available. Mr. Henke said he isn't sure that the USB has accepted the peer review. President Swafford suggested they have a vote.

Board member Henke moved and board member Ehman seconded the motion to accept the peer review by Hanum, Waggle & Cline. Motion carried, 5 ayes, 2 members absent, (Banach and Whikehart).

Board President Swafford said there was also a question about whether or not a peer review would be required for Phase 3. His recollection was that if Phase 2 were approved the USB would not request a Phase 3 peer review. The issue now is which of the possibilities for Phase 3 should be chosen. Everyone talked at once at this point so I wasn't able to decipher it. Board member Roberts said she would be comfortable proceeding with Phase 3. Board member Roman said they still need to choose between the options and alternatives of Phase 3. Mr. Swafford said that is what would come next.

Utilities Director Murphy explained that Phase 2 includes the pipe line, the storage tank and the booster stations. Phase 3 is the plant expansion. Mr. Roman said that he would like to have an opinion from outside about each of the options presented in Phase 3. He said that he had talked to some people who said they believed that some of the alternative options in Phase 3 were over priced and their view of the alternative that would have the present plant expanded is overly optimistic. He would like to have some more information about the cost of alternatives.

Board member Henke asked Utilities Director Murphy and Assistant Director of Engineering Bengtson if there is enough on the plate, with Phase 2 receiving a green light, to begin gathering more information about Phase 3. Mr. Murphy asked the USB what alternative they would like to undertake with Phase 3, do they want to expand the plant or build a new one. Mr. Roman said there would also be the possibility of getting the water from somewhere else. Mr. Murphy said that he thinks that the construction costs are transferable to Phase 3. He assumes that Phase 3 would be similar to Phase 2. The argument he has heard presented is the question of is the extra capacity needed right now or can it wait. Mr. Henke said that he doesn't think the USB has determined the timing. There is a maximum day problem. They are just beginning to look at various conservation efforts that might be established for peak days. He hasn't heard anything about the impact of the new storage tank that is a part of Phase 2. He doesn't believe the USB has seen enough study on some of the issues regarding water treatment using different media.

Things aren't far enough along on Phase 3 to accept what Black & Veatch offered. He is not confident about the timing, he doesn't believe they have looked at peak day conservation methods and they haven't looked at the media type. The Chamber of Commerce looked at this plan and they had similar questions. The present plant has lots of capacity to push water through it for treatment. He still has a lot of questions about Phase 3.

Ex-officio board member Mayer said he thought that the staff had experimented with different filtration methods and decided this is the one they wanted to go with. Assistant Director of Engineering Bengtson said something I couldn't hear. Utilities Director Murphy said they had been looking at using membranes. He went on to say if the USB wants to have a discussion about Phase 3 it needs to be compact because the cost of these projects will only go up. When this project was packaged the intention was put together Phase 2 and Phase 3 for a rate increase of approximately 46%. If each phase is undertaken separately the costs will go much higher. City Attorney Renfrow said that it will not be possible to go forward with Phase 2 until a rate case has been done and bonds are sold. If a rate case is done only for Phase 2 money will be wasted because another rate case will have to be done. They can only do them every so often so Phase 3 will be pushed out for at least a year and a half beyond that. The delay would increase the costs very significantly. The only way that a 46% rate hike could be suggested, as a conservative estimate, was by doing the two projects simultaneously so things like cost of issuance could be reduced and so there could be coordination in the way the pay back is done to keep rates low. The USB needs to figure out if this is absolutely all that they want done right now and if they are willing to wait at least 2 years to do the rest of it.

Board member Roman said that they haven't yet decided. They don't know what they need to do when. He doesn't yet know how much water is needed and when. There are other options for modifying the existing plant, building a new plant or for bringing water from a different place. He feels there is still a lot that needs to be discussed. He understands that some money may be saved if the bonding is done now but in the current economy all these materials are actually getting cheaper, not more expensive because people aren't building when they have no money. The cost of bonding may be higher but at the same time the rate payers will get a break because they will suffer less if they get a 20% rate increase rather than a 46% rate increase. He doesn't feel able to make a decision on any of this now and probably won't be for quite some time.

Board member Ehman said he was against the Phase 2 review to begin with but he thinks the time and money it took was well worth it. He is pleased that it was done. He has always been in favor of a review of Phase 3 because of all the unanswered questions that have been mentioned and the magnitude of the project. Everyone agreed that Phase 2 was a no-brainer, with Phase 3 there are still large unanswered questions. Everyone agrees that at some point in the near future a plant expansion will be needed but no one knows what that date is or how big an expansion is needed given the report that has been presented. Mr. Ehman's opinion is it is in the best interest of the USB to send it out for a peer review and to get a second opinion from a qualified group that the USB will have confidence in. He hasn't changed that position.

Board member Roberts said she was also against the peer review. She thinks that this has, however, confirmed the fact this other firm has blindly, without Black & Veatch's numbers, come within \$100,000 on a \$17 million dollar project. It shows that Black & Veatch is professional, they know the rates and they know the system. Mr. Cline just said that Black & Veatch are the company to go with if they want to save time and money. She thinks the USB is being penny wise and pound foolish if they want to take all this time to get way more information than she thinks is needed. She is comfortable with moving ahead with the plant expansion. The only decision that needs to be made is whether the plant should be expanded to a capacity of 24 mgd or 36 mgd. Lake Monroe is the water source for the community. Utilities cannot squeeze water out of rocks

when the Lake is already sitting there. She thinks the members of the USB are dragging their feet on making this decision.

Board member Henke said that one of the things that hasn't been discussed often enough is that even though the cost of expanding the plant will be higher in five or seven years than it would be in 2 years the community of rate payers will save a tremendous amount of money to not have to pay for it until it is needed. The figures show that the community is using 13 mgd, on average, from a plant that has a capacity of 24 mgd. The economics are that the more of the capacity that is utilized, the more efficient it is. Even though it might cost more in 5 years the community won't have to pay for it for 5 years which is a big savings for them. Mr. Henke said he had conferred with John Skomp of Crowe Chizek who had agreed with his analysis. The other issue, which has been brought up by Board member Ehman, is there are tremendous questions that should at least be discussed with Black & Veatch. These are questions about design, the need, the timing, all those things. The peer review that was just presented was almost entirely about the cost, which was fine for that aspect of the project. With this particular portion of the project, if there is no peer review, there needs to be an honest, open discussion with engineers in the community, the chamber group, the Utilities staff and Black & Veatch, not just a kind of forum, but a situation where everyone can talk and be comfortable with what's been recommended.

Board President Swafford said he doesn't know how long it would take, even if they get started today, before the water line and the plant, whether it's 24 or 36 mgd, is finished. In his estimation it will be 5 years. Assistant Director of Engineering said that he expected it to take 2 ½ to 3 years. Mr. Swafford said it would never go that fast. His concern is that he doesn't want to run out of water one day. Some conservation measures are being considered and some other things. Mr. Swafford said he agrees with the rest of the USB that there are a lot of unanswered questions out there. He doesn't want to still be sitting there talking about it when the community runs out of water. What he wants to do is schedule a working meeting with the USB and Black & Veatch sometime in the next 2 – 3 weeks to get some of the questions people have asked answered. Then the USB can decide what they are going to do and move forward whether it is next year or in 2 years. He doesn't know when the community will run out of water, nor does anyone else. If the USB talks to a dozen different people they will each have different answers. He thinks that as a Utility it is important to never run out of water for one customer. Whatever has to be done, whether it's through conservation or plant expansion, he thinks the USB needs to make sure that the customers have the water they need when they want it. Going back to Phase 2, he asked if it wouldn't be possible to start some of the engineering work and if the funding is available to get started. Someone from the audience said it had been budgeted for. It would be possible to start to look at land acquisition or easements. There is some preliminary work that can be started on without waiting. The contract to build the line cannot be awarded at this time but there is a lot of work that could be started on.

Board member Ehman reminded the USB that Mr. Cline had recommended that the modeling work be started immediately. Mr. Swafford said the work should be started on whatever parts there is money for.

Assistant Director of Engineering Bengtson said something that could not be heard.

Mr. Swafford said those are engineering decisions that the staff will have to make. They will decide where to put the tank and how to get the waterline to the community.

SUBCOMMITTEE REPORTS:

There were no subcommittee meetings.

STAFF REPORTS:

Utilities Director Murphy said that an update on extensions and replacements had been prepared and handed out to the USB. Budget Analyst Trexler asked if there were any questions about it. He said they have the wastewater statement, the financial statement and a construction update. He pointed out that he had changed the format of the financial statements from a month to month comparison to year to year. He felt that would make it more helpful in looking at how things are going this year in comparison to last year. Throughout the year there has been a net income of \$1.9 million. He asked them to note that the vast majority of it is in projects that have already been started but are not yet completed.

Mr. Trexler went on to say that he had also changed the format of the project update. In this case he is reporting all of the items in extensions and replacements, all of the SRF projects and all of the construction projects. These include things that have been approved but have not yet begun. It is pretty comprehensive with the exception of some small scale infrastructure improvements that are being done in-house. Board President Swafford asked the USB to include everyone if they contact Mr. Trexler with any questions so everyone will get the information.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

ADJOURNMENT:

The meeting was adjourned at 6:08 p.m.

L. Thomas Swafford, President