

UTILITIES SERVICE BOARD MEETING

July 7, 2007

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, Jason Banach, Jeff Ehman, Pedro Roman and ex-officio members Tim Mayer and Tom Micuda. Staff members present: Patrick Murphy, John Langley, Mike Bengtson, Tom Staley, Michael Horstman, Missy Walden, Mike Hicks, Jon Callahan, Vickie Renfrow, Adrian Reid, Phil Peden, Jane Fleig and Justin Wykoff. Others present: Sue Mayer.

MINUTES

Board member Banach moved and Board member Roman seconded the motion to approve the minutes of the June 23rd meeting. Motion carried, 4 ayes, 2 members absent, (Roberts and Whikehart).

CLAIMS

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

Claims 0890920 through 0890984 including \$182,922.92 from the Water Operations & Maintenance fund for a total of \$182,922.92 from the Water Utility; Claims 0830560 through 0830594 including \$225,960.59 from the Wastewater Operations & Maintenance fund for a total of \$225,960.59 from the Wastewater Utility; and a total of \$2,179.22 from the Wastewater/Storm water Utility. Total claims approved - \$411,062.73

Motion carried, 4 ayes, 2 members absent, (Roberts and Whikehart).

REQUEST FOR APPROVAL OF AN INTERLOCAL AGREEMENT FOR SHARING OF COSTS FOR REPLACEMENT OF THE BRIDGE SPANNING JACKSON CREEK ON ROGERS ROAD:

Utilities Director Murphy reminded the USB that a 6 ton limit had been placed on this bridge last year following an inspection by Beam, Longest and Neff that revealed some structural issues. School buses weigh more than 6 tons so it has caused serious problems with the bus routes. Mr. Murphy then introduced City Engineer Adrian Reid. Mr. Reid said that American Structure Point has been creating a design for the repair of this bridge. Last week Public Works accepted a bid of just under \$600,000 for this project. They are proposing a 3-way interlocal agreement for sharing the costs. The third party is Monroe County. The old bridge will be removed. No one knows when it was originally built but it is certainly quite old. It is a cast-in-place structure that is sagging and has lost steel on the underneath side. This is a much needed project.

Mr. Murphy told the USB that for 2008 \$200,000 had been earmarked for the W. Kirkwood storm water project. Public Works had been planning to start phase 2 of that project. Since then that project has been moved to the back burner in favor of other projects which makes that money available for Utilities portion of this interlocal agreement.

Board member Banach asked Mr. Murphy what kind of precedence there is for this kind of 1/3, 1/3, 1/3 arrangement between these particular entities. Mr. Murphy replied that Utilities is engaged in an agreement with the County for the Walnut and First St. bridge project. Public Works also has a portion of that but it is much less significant. The Rogers St. Bridge is within the city limits. The participation of Utilities and Public Works in this project gives the city a little more control over it. Because it had originally been thought that Utilities would pay the full amount for the repair of this bridge Mr. Murphy is very pleased to have Public Works and Monroe County each taking responsibility for a third of it. There had been some discussion if it is a bridge or a culvert. With the assistance of the legal department there have been discussions with the County to dispel the notion that because the bridge is less than 20 feet it is the sole responsibility of Utilities. There has also been some discussion about another plan for three-way participation in the repair of the N. Dunn St. bridge. Mr. Murphy said he sees this as a positive situation.

Mr. Banach said he questions whether this should be a Utilities project at. He wanted to know why Utilities' rate payers should participate in this project at all. Mr. Murphy said there are some culvert aspects of it. There is a long held notion that anything under 20 feet is not a bridge and therefore is the responsibility of Utilities. Mr. Banach asked where it is written that if it is less than 20 feet it is not a bridge. Mr. Murphy said he didn't think there is a written policy. It's just a general understanding. Mr. Banach said that is what he has problems with. He wondered who should be held responsible in these cases. Mr. Reid said that they rely heavily on the legal interpretation of it. Public Works has the lead position because this is viewed as an emergency replacement. City Attorney Renfrow said she didn't know where the 20 foot idea came from. No support for it could be found in the statutes. It is clear that there is no clear position in the law about how the sharing of responsibilities for bridges in the city limits should take place. The Public Works Department is responsible for roadways and the Utilities Department is responsible for drainage and storm water issues. It was felt the most cooperative way to handle this is with the three way split. There is probably close to equal responsibility between the three entities. In the case of the North Dunn St. Bridge FEMA will probably reimburse a large portion of the cost of repairs. In other communities in the state that got into a push comes to shove sort of situation the outcome has not been very good. It makes more sense to do this in a cooperative fashion so everyone gets something from it.

Mr. Banach said he thinks that is a legitimate position but it makes him nervous moving forward. He believes there may be more situations like this coming up in the near future, especially in the case of bridges. He thinks it would be a good idea to formalize this relationship in some manner with the County. Ms. Renfrow said that during her time with the city there have not been many bridge issues that came up. With the more recent events the legal department is inclined to move forward with a more formal agreement so there will be some predictability.

Board member Roman asked if this is or is not a bridge. Mr. Reid said that at the end of the project it will be in the County's inventory so it will be a bridge. Mr. Roman asked if it is a bridge now. Mr. Reid said it is not. Mr. Roman said he is not comfortable paying for something Utilities has no responsibility for. If it is a culvert that has been damaged Utilities should pay because that is their responsibility. He said the County wouldn't pay a dime unless they had to so if they are willing to pay for a third of it they know they should be paying for the whole project

but they don't have the money for it. Ms. Renfrow said that one of the reasons it was felt best to develop this kind of cooperative relationship is because if the City insists that the County must be fully responsible for it they could agree to do it but on their own time line. That is not a reasonable solution, especially because each of the parties does have an interest in this bridge. It supports a road and a good channel for drainage.

Mr. Roman said he understands the need for the City and County to cooperate he just doesn't understand the need for Utilities to pay for something that is not a culvert. He asked if the culvert is working. Does it need to be repaired? Assistant Director of Engineering Bengtson said things are getting hung up on terminology. Whether it's called a culvert, a bridge or a tube it conveys storm water underneath it and holds a roadway up above it. Mr. Roman asked if the part that conveys the storm water is working. Mr. Bengtson said it's working but under sized. Mr. Roman asked if it needed to be enlarged to provide service for rate payers. Mr. Bengtson said it does. Mr. Murphy said that initially it had been thought that Utilities would pay the entire amount of \$600,000. He is happy that Public Works and the County are coming in and dividing the responsibility. Utilities will fix the culvert then Public Works will come in to take care of the road work and other things.

Board President Swafford said the damage was caused last year by a major storm. That is when the load limit was put on the bridge. Mr. Roman said he doesn't want to pay for bridges and roads. There are going to be many expenses in the upcoming years.

Board member Ehman said his memory is that it was the foot bridge that was thought to be damaged. Then the bridge was evaluated as well and found to be damaged. He asked why Mr. Murphy would have been concerned that Utilities would have to pay the full amount. Mr. Murphy said that originally there were discussions about whether it was under or over 20 feet and the assumption was made that Utilities would be responsible if it were less than 20 feet. Mr. Ehman asked if that was when it was believed there was a rule in effect but it turned out to just be an historical agreement with the County. Mr. Murphy said he wasn't exactly sure. With new legal staff at the City and the County the assumed rule about who is responsible for which bridges was re-examined and found to not exist. Then Public Works stepped forward and an outreach effort was made to the County that resulted in this interlocal agreement. Mr. Ehman said it sounds like the County is responsible but the City and Utilities will be paying 2/3 of the cost because of a concern that it won't happen on an acceptable time frame.

City Engineer Reid explained that Mr. Ehman's assessment is part of the thinking for this agreement. It is not clear that the County is responsible. It is a bridge but prior to this it was not a bridge that was in the County's inventory. Because of that they did not see it as being their responsibility. This is often the case with older infrastructure. If it is in their inventory they should be maintaining it but in this case it is not in their inventory so it is appreciated that they would cooperate. Mr. Ehman asked if it were just replaced as a culvert would it stay out of the County's inventory. Mr. Reid said that would be the case and the County would probably prefer that. He said he shares Mr. Banach's concern that down the road the economic impact to the Utility could be significant and he shares Mr. Roman's concern that it could be unfair to the Utility rate payers. Mr. Ehman said he would support this agreement so the work will get done but he is concerned about what it could mean moving forward if this relationship that is beginning is continued. Mr. Murphy said he thinks that is a valid concern. At First St. and Walnut St. Utilities asked the County to size the culvert for 100 year storms which increased the cost so Utilities shared the cost. He doesn't think this is unprecedented. Mr. Ehman said Utilities paid for engineering costs for that. Mr. Murphy said they also shared the construction costs. That's how he views this situation. He believes, based on the recommendations of

Utilities' Engineers and Mr. Reid who sits on the plan commission, that Utilities' participation in this is warranted and valid and does meet the necessary requirements for benefits to rate payers.

Ex-officio board member Mayer said that when the event occurred that compromised both the pedestrian bridge and the street bridge Mayor Kruzan made a strong effort to get the pedestrian bridge repaired right away and a concerted effort to go ahead and take care of the street bridge because Monroe County School Corporation can no longer use their buses on Rogers Rd. They have had to divert their bus routes. With diesel at \$4.00 to \$5.00 a gallon it is important to find a way to conserve those energy resources. The rate payers will pay 1/3 of the cost of the bridge but they are paying a lot for fuel to go round-robin to get the kids to school. This should be looked at in a more holistic way than if it is a bridge or a culvert.

Ex-officio board member Micuda asked Mr. Reid what the actual change to the culvert would be in terms of capacity. Mr. Reid said the existing opening is less than 18 feet and the new one will be 20 feet. Board President Swafford asked if it would meet the 100 year storm requirement. Mr. Reid said it would and they have the DNR permits and 401, 404 permits for the Corps of Engineers to be able to do this project.

Board member Banach commented that the questions of the USB make it clear that a clear, formal process is needed for these situations. When the City Council created the storm water utility and passed the fees, one of the major points of discussion was how would these funds be used. All of the Council agreed they should go for storm water projects. What they did not want to see was for this to turn into a way to do Public Works projects. That was seen as a possibility and now Mr. Banach is concerned that it is heading that way.

Board President Swafford said he does believe Utilities has some responsibilities. It is a storm water issue and a public safety issue. He also agrees with what the other USB members have had to say about this. He hopes that some kind of working agreement can be made because he also believes that there will be more situations like this one. There are a lot of old culverts and bridges. There should be a clear definition developed as to what a culvert is. He doesn't have a problem with this project but the infrastructure is aging and will be in need of a lot of repairs and Utilities needs to be sure that the rate payers money is being spent to address problems that are Utilities'. He thinks there are probably a lot of culverts that aren't on anybody's records until one of them fails and there is a big hole in the road.

Board member Roman asked Assistant Director of Engineering Bengtson how he would define the need to increase the size of a culvert. Mr. Bengtson said it is needed because maintaining would be less trouble. Less debris would be caught and it makes sure the water goes through the opening not around. Mr. Roman asked if Mr. Bengtson's experience is that the price for this project is reasonable. Mr. Bengtson said it is.

Board member Banach moved and board member Ehman seconded the motion to approve the interlocal agreement for sharing the costs for replacement of the bridge spanning Jackson Creek on Rogers Road. Motion carried, 4 ayes, 2 members absent, (Roberts and Whikehart).

REQUEST FOR APPROVAL OF THE PROPOSED 2009 BUDGET:

Board President Swafford said there had been a Finance Subcommittee meeting earlier in the week to discuss the budget. Because only two committee members were there they could not

make a recommendation but they did have consensus that the budget should be moved forward for approval.

Utilities Director Murphy explained that this budget employed a zero based budgeting technique to evaluate and define all of Utilities' cost centers. This process involved closely examining all the expenses and revenues with a focus on the rising variable costs. This evaluation has revealed a number of trends that have been incorporated into the budget. One of those trends is a constant increase in fuel and energy costs which is expected to continue. Over the years Utilities has tried to incorporate efficiencies in the way work is done at the plants, on the streets and through the new building. The increased demands that have been placed on the Utility from increased work load and increased costs in materials and supplies have presented some requirements that haven't existed in the previous budgets. As a result of the demands that are being placed on the system a 10% increase is included in this budget for all fuel and energy related costs. The budget has been flat lined for a long time both to contain costs and to get a more realistic handle on incorporating the new budget format. Under this proposal a more realistic front is being put on the Operations and Maintenance costs.

Secondly Utilities has seen a consistent increase in revenues of 2.5% over the past few years. There can be a lot of variation due to factors such as rainfall and development resulting in new connections. The water revenue declines during years when there is lots of rain during the summer such as this year. However the trend is expected to continue upward. To maintain a conservative estimate this proposal contains a 2% increase in revenue projections.

Third, a need for additional personnel has been identified. This will make the department more effective and responsive to the needs of the community, the utility and the regulators. This budget proposal contains 2 new employees. They are in the Engineering Department and the Meter Services Department.

The fourth new recommendation is based on the City's fleet maintenance review. It scores equipment over several factors such as age, maintenance issues, etc. About 30 vehicles were identified but only 3 are being replaced in this budget. One is the vactor combination sewer and cleaner truck. Two vehicles in the Meter Services Department are also being replaced. They are smaller vehicles that are fuel efficient.

Finally a number of expenses have been identified that are being allocated more appropriately to other cost centers. For instance training expenses that have traditionally been in the Director's budget have been moved to the Plants and the T & D Department since these departments rely more on outside training as opposed to the training offered by the City's Employee Services Department.

Utilities Director Murphy than gave a Power Point presentation of the proposed 2009 budget. The presentation is attached to these minutes.

Board member Banach asked about the large variation in interest income from the storm water revenue. In 2007 \$15,000 was budgeted and the actual amount was \$261,000. Assistant Director of Finance Horstman said the rates went up and the amount had simply been underestimated. Also there were some bond proceeds that increased the interest income. Utilities Director Murphy said there is a bond for the Jordan River and Spankers Branch that had not been drawn on for a long time because the project had not been started. Now the project has begun and the bond is being drawing down to pay the engineer designing the project. It is a combination of reducing the amount in the bond proceeds and the diminishing

return on interest rates. Mr. Horstman offered to review those numbers. Mr. Banach said he would like for him to do that because it is such a huge variance from the budget and then it's being taken way back down which make it look like an anomaly.

Mr. Banach then asked about the total for the combined O & M budget. He said that would include the two new employees and an increase of 2.99% in salaries. If the approximate expense for the two new employees is taken out it would leave an increase of about 1.5%. He asked if that is all the salary increase the employees will get? Mr. Horstman said he had budgeted for a 3% salary increase. Mr. Banach said the budget is only increasing by 3% and if that includes the 2 new employees it doesn't make sense. Mr. Horstman explained that there had only been 2 months of 2008 to base the new budget on so he had gone back to the 2007 figures.

Mr. Banach then referred to Mr. Murphy's mention of contractual services that he hadn't been sure why they had been taken out. He asked if that might have been the printing of the bills. He knew that had been outsourced and wondered if it had been brought back in house. Mr. Murphy said there is still a contract for the printing of bills. Mr. Horstman explained that the items in that line were moved. One contract was with TSC, the software vendor, which was moved to accounting.

Board member Roman asked if the 10% increase in transportation included gasoline. Mr. Murphy said it did. Mr. Roman asked if Mr. Murphy felt comfortable with a 10% increase in gasoline and electricity expenses. Mr. Horstman said accountants by nature are conservative. A 10% increase is quite significant. Mr. Roman mentioned that gasoline prices have been predicted to go up by 28 to 36%. Mr. Murphy said this is why contingencies are maintained the water, wastewater and storm water extensions and replacements. He thinks there is enough although that could depend on whether it is a hot year, a warm year or an in between year. He said that Utilities has also been very vigilant in watching expenses.

Mr. Roman said the budget goes in the right direction and he really appreciates the effort to conserve resources. He just wonders if it shouldn't go up 20%.

Board member Roman then asked about the increase in the supply lines for wastewater and storm water. He asked what supplies these increases are for. Mr. Murphy said it could be meters, hydrants, pumping equipment, treatment equipment and things of that sort. Much of the equipment contains copper which is very expensive. Mr. Roman asked if he thinks enough has been budgeted for these things. Mr. Murphy said he does. Mr. Roman then said he understands the 5% increase in the services the City supplies. He said he does not understand the 5% increase in lieu of taxes. The value of assets has not gone up 5% and the State is not raising taxes by 5%. Mr. Murphy said this is just a budget and Utilities is not committed to that increase. If this amount is not spent then it's surplus and can be put back in the bank.

Ex-officio board member Mayer asked if anything was budgeted for conservation in 2009. Utilities Director Murphy said that is being paid out of the 2008 budget and will roll over to 2009.

Board President Swafford asked that the trucks for the meter readers be very energy efficient trucks, maybe even hybrids. Mr. Murphy said they have to be able to haul a certain amount equipment. Mr. Swafford asked that it be looked into.

Board member Ehman moved and board member Banach seconded the motion to approve the proposed 2009 budget. Motion carried, 4 ayes, 2 members absent, (Roberts and Whikehart).

OLD BUSINESS:

No old business was presented.

NEW BUSINESS:

No new business was presented.

SUBCOMMITTEE REPORTS:

There was a Finance Subcommittee meeting that was discussed earlier in this regular session.

STAFF REPORTS:

Mr. Horstman provided the USB with a financial report for this year through May 31st.

PETITIONS AND COMMUNICATIONS:

A homeowner asked if the dates for the summer sewer average could be changed. Board President Swafford referred her to the Rules and Regulations Sub committee.

ADJOURNMENT:

The meeting was adjourned at 6:38 p.m.

L. Thomas Swafford, President