

UTILITIES SERVICE BOARD MEETING

March 24, 2010

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 5:05 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, Sam Frank, John Whikehart, Pedro Roman, Jason Banach and ex officio members Tim Mayer and Tom Micuda. Staff members present: Patrick Murphy, John Langley, Vickie Renfrow, Mike Hicks, Michael Horstman, Phil Peden, Tom Staley, Dan Sherman, Jon Callahan, Mike Bengtson, Rachel Atz and Mike Trexler. Others present: Mark Schmitter representing the Washington Township Water Co., Isabel Piedmont-Smith representing the Common Council, John Skomp and Angie Steeno representing Crowe Horwath, Lyn Coyne representing Indiana University, Sean Clifford representing Beam, Longest and Neff, Larry Jacobs representing the Chamber of Commerce, Jim and Tommie Allison, Maggie Sullivan, Mike Biggs, Shodo Spring and Sue Mayer.

MINUTES

Board member Roberts moved and Board member Roman seconded the motion to approve the minutes of the March 2nd meeting. Motion carried, 6 ayes, 1 member absent, (Ehman).

CLAIMS

Board member Roberts moved and Board member Roman seconded the motion to approve the claims for April 1st as follows:

Claims 1090324 through 1090376 including \$140,765.52 from the Water Operations & Maintenance fund for a total of \$140,765.52 from the Water Utility; Claims 1030177 through 1030212 including \$216,990.76 from the Wastewater Operations & Maintenance fund for a total of \$216,990.76 from the Wastewater Utility; and claim 1070011 for a total of \$623.97 from the Wastewater/Storm water Utility and \$5,860 from the Wastewater/Storm water Construction fund for a total of \$6,483.97. Total claims approved – \$364,240.25.

Motion carried, 6 ayes, 1 member absent, (Ehman).

Board member Roberts moved and Board member Banach seconded the motion to approve the claims for March 19th as follows:

Claims 1090272 through 1090323 including \$96,651.71 from the Water Operations & Maintenance fund and \$750.00 for water hydrant meter rental for a total of \$97,401.71 from the Water Utility; Claims 1030147 through 1030176 including \$194,166.16 from the Wastewater Operations & Maintenance fund for a total of \$194,166.16 from the Wastewater Utility; and claims 170009 through 170010 for a total of \$30,109.30 from the Wastewater/Storm water Utility and \$8,580.49 from the Wastewater/Storm water Construction fund for a total of \$38,689.79. Total claims approved – \$330,257.66.

Motion carried, 6 ayes, 1 member absent, (Ehman).

Wire transfers and fees for the month of January 2009:

Board member Roberts moved and Board member Banach seconded the motion to approve the wire transfers and fees for the month of January in the amount of \$649,650.88.

Motion carried, 6 ayes, 1 member absent, (Ehman).

President Swafford reminded the USB that they had authorized the payment of credit cards totaling \$22,503.56 because the March 16th regular session had been cancelled due to the lack of a quorum. At this time a final action is needed for those payments.

Board member Roberts moved and board member Roman seconded the motion to approve the credit card payments for \$22,503.56. Motion carried, 6 ayes, 1 member absent, (Ehman).

APPROVAL OF THE INDIANA DEPARTMENT OF TRANSPORTATION HIGHWAY UTILITY EXTRAORDINARY COST AGREEMENT:

Assistant Director of Engineering Bengtson said when he first started working for Utilities in 1989 one of the first things he did was attend a meeting on the widening of the by-pass. The project came and went but a few years ago it seemed to be moving forward so the USB hired Beam, Longest and Neff to do a relocation plan for the 20" water main that parallels the by-pass. The project is now ready to be bid out in May. Several different plans have been considered for the relocation and the costs have been whittled down as far as possible in negotiations with INDOT. The project is still large enough that State statute enables Utilities to request hardship money so the State will pay part of the relocation plan.

Mr. Bengtson introduced Mr. Clifford who represents Beam, Longest and Neff to explain the agreement. Mr. Clifford said the City is required to relocate the water lines because of the road construction. There is a State statute that indicates that a Utility cannot be required to spend any more than 10% of their operating revenue for a project of this kind. The operating revenue this agreement is based on is \$10,790,211.00. The total cost of relocation, design studies and construction is \$2,310,254 of which \$662,714 has already been spent. Ten percent of the \$10,790,211 is \$1,790,000 which is the total amount the City can be required to pay. The state will pay \$900,000. This agreement says that once the project is let and awarded the City will pay \$416,000 and INDOT will make up the \$900,000.

Board member Banach asked if the document had been approved by the City Legal Department. Utilities Director Murphy said it had been. Mr. Banach asked if it would be financially alright for Utilities' situation. Mr. Murphy said Utilities had bonded for this project with the 2005 rate increase.

Board member Roberts moved and board member Roman seconded the motion to approve the Indiana Department of Transportation Highway Utility Extraordinary Cost Agreement. Motion carried, 6 ayes, 1 member absent, (Ehman).

RECOMMENDATION FOR WATER RATES AND CAPITAL IMPROVEMENTS:

Utilities Director Murphy reminded the USB that on March 2nd Mr. Skomp, representing Crowe Horwath, had presented an extensive review of the different scenarios that had been presented for water rates. He will give another brief overview.

Mr. Skomp said there were three different scenarios. The first would not include any of the projects or construction for a plant expansion or new line. It would bring the rates up to where they would cover the current operating expenses and provide some capital improvement income, (about \$1.9 million per year). This would require about a 22% increase in rates.

The second scenario would also include the redundant waterline from the plant to the City. That would require a 35% increase in rates.

The recommended scenario includes expansion of the water plant, the redundant line and operating expenses. This would be a 47% increase. For a customer who is a minimum user that would be a \$3 to \$4 increase in their bill. Someone who is an average user might see a \$7 or \$8 increase.

Mr. Skomp said an across the board increase has been recommended.

Board member Banach said he had a question about scenario three which includes an interest only proposal for the first ten years of the bond issue. That would cost an extra \$9.6 million over the life of the bonds. Mr. Skomp confirmed that. Mr. Banach said he is really struggling with why a 54% increase isn't being suggested which would save the \$9.6 million. He wanted to know if there are reasons for doing that other than it being less of an increase right now.

Mr. Skomp explained he had wrapped the debt which kept the total amount of debt level over time versus making the debt service from this current issue level. By wrapping and pushing out the principal, over the life of the bond, it is about \$9.5 million more in interest. If a level debt service was done and more principal were paid from the beginning it would move it from a 47% increase to a 54% increase. Wrapping is something that is commonly done, especially with low interest, tax exempt debt in the 4-5% range. This was done to keep the rate impact for the customers as low as possible.

Mr. Banach asked if there were any compelling reason such as State approvals to keep it at the 47% increase. It is a political policy. Does it have anything to do with the bond ratings? Mr. Skomp said it did not. Once he took a proposal that was not wrapped to the bond commission and they recommended wrapping it to bring the rates back down. There is no compelling reason why it can not be presented to the commission with a straight amortization and they can push it back if they wish. There is no financial gain in the wrapping other than to keep the rates as low as possible.

Board member Roman asked Assistant Director of Engineering Bengtson if there are important elements, that are unique, whose malfunction could put a major portion of the plant out of use. Mr. Bengtson said there are two settlement trains and a third one is in the plans for the expansion. The large filters do not meet the ten state standards. One more redundant filter is needed to meet these standards. This plan will increase the production capacity of the plant to 30 mgd which would require yet another filter. There are multiple, unique, pumps of different capacities that are in a configuration that allows one to be repaired while the others are still functioning. They are very large and can take awhile to acquire.

Mr. Roman asked Mr. Bengtson to give a general impression of how he feels about the current plan. Mr. Bengtson said that while there has been a lot of talk about population projections and things like that, he is concerned with the operational aspects. There have been some occurrences over the last year where each one of the treatment trains have been out of service for 5 to 7 days which knocks out about 12 million gallons of the plants capacity to make treated water. One instance was a mechanical failure; a sweep arm came loose and jammed up under the rest of the equipment. It was mutilated and had to be straightened, parts had to be ordered and the whole basin had to be cleaned before it could go back into service. If something like that happened on one of the warmest days, when the production rate needs to be at its very maximum the water reserve in the tanks would be depleted. Fortunately it happened at a time when production rate was down and the second treatment train was used along with all of the filters so it was possible to get by. The other occasion was when a 20 foot length of 16" diameter pipe cracked end to end. Three million gallons of water were lost on this one occasion. There was also another time when 150,000 gallons of water was lost. There were several days during this past year when the plant

was producing at 21+ mgd; if another 3 million gallons of water had needed to be produced it would have brought the plant to its cusp of ability to produce.

Mr. Roman asked Mr. Bengtson if he would agree with the statement that regardless of capacity there are important and expensive components of the plant in need of repair. Mr. Bengtson said that is very accurate. From an operational point of view he believes that extra capacity is needed. Mr. Roman asked if the cost of fixing the plant is about the same as the plant expansion. Mr. Bengtson said what worries him is the time line for repairs. Mr. Roman asked what the age of the plant is. Mr. Bengtson said the last project was in 2005 when there were some renovations. Some of the things that have broken recently had run for five years. Any mechanical device that runs for that long could possibly have trouble. Mr. Roman asked if Mr. Bengtson thinks it is better to increase capacity now which will also provide for situations where repairs must be made. Mr. Bengtson replied that he does.

Board member Roman asked if the design presented by Black & Veatch satisfies Mr. Bengtson's concerns about all the operational problems he had mentioned. Mr. Bengtson said it does, it gives the flexibility to recover from the type of events previously mentioned. Mr. Roman asked if regardless of the demographics Mr. Bengtson advises the USB to support the rate increase just from an operational point of view. Mr. Bengtson said that would be his recommendation.

Ex-officio board member Mayer asked Assistant Director of Engineering Bengtson how long he anticipates build-out will take. Mr. Bengtson replied that he thinks the construction time would be about two years individually for the plant and the redundant line. He doesn't know if they plan to start both at once or stagger the projects. Some easements still need to be secured before the pipeline work can begin. The plant could be started as soon as the permits are acquired.

Board President Swafford said that at this time he wants to give the USB a chance to make comments then the public would be given a chance to make their comments.

Mr. Skomp said that yesterday board member Roman had asked him about the problem with the surety bond. If the fix for it is not included in the 22% increase how much more would the increase have to be to take care of it. Mr. Skomp said the rate increase would go up to 24%. The one thing the 22% increase would not do is fix the surety bond. He still recommends the 47% rate increase.

Board member Banach said he is not in favor of paying interest only for ten years. The difference between a 47% increase and a 54% increase on the smaller user's bills would be negligible whereas it will cost the rate payers \$9.6 million dollars to finance this if interest only is paid for the first ten years. It does not make good financial sense. He has not heard any compelling reason why the 54% rate hike would not be preferred. He hopes to hear some more discussion at the Common Council level.

Board member Roberts said she is a school teacher by profession and she likes visuals so she brought some. She said she was very pleased to see so many members of the public at this meeting. These are people who care about water and understand it is the basis of civilization in the modern age. She also thanked the citizens who successfully prevented privatization ten years ago. At that time it was very trendy to sell of utilities.

The amount of documentation the USB has had to sift through and understand has been huge. It took her a long time to boil it all down to where it made sense to her and she could explain it to other people. One thing Ms. Roberts wanted to clarify is that no one will pay a 47% increase on their utility bill. It is a 47% increase on one third of the bill. If the 47% increase is multiplied by one third it becomes a 16% increase on the entire bill.

Ms. Roberts then gave a very clear explanation of the situation and plan using visual aids.

Board member Frank said Ms. Roberts had done a very good job of explaining everything. He continued on to say he thinks there are valid reasons for considering what board member Banach had said. If an additional 7% would save \$9 million it makes sense. That is close to the price for the redundant water line. He is an accountant by trade and he doesn't think it makes financial sense to wrap the bonds. It would be easier and better to go ahead and ask for the higher rate increase that would allow for principal payments from the beginning.

Board member Roman said he would like to give a brief history of the process the USB had gone through to reach this stage. It started with a Black & Veatch report which was offered as a solution for the demographic growth the community was facing. The census reports didn't support that decision. Then there were peak days when production of water was close to a maximum. That was a concern. Utilities received a letter from IDEM that gave three different options. It did not force a plant expansion. The first option was to dispute the numbers. The second was to increase capacity and the third was to present a conservation plan to them. The USB commissioned Whitman Hydro to produce such a report. The plan was produced and it did satisfy the requirements of the letter. However, the USB voted for the plant expansion.

Mr. Roman went on to say the issue of the peak days is of concern to him for two reasons. First, the cause of the peaks is unknown. The days on which it happened is known. Second, they are not related to time. It is not something that increases chronologically. In 2009 things went very well. There were almost no peak days. In 2008 and 2007 there were a lot of days when more than 21 mgd of water was produced. There were none in 2006, 2005, 2004 and then there were some in 2003. Obviously the peak days are weather related not related to the plant or any other condition. These peak days have been happening for quite some time and will continue to happen. The way to resolve that is to have a plant that is big enough to cover it. He just is not comfortable spending \$40 million, which will end up with the rate payers paying \$80 million, for eight to ten days out of every decade. But, in looking through all these issues, conservation is an option, but it is not an option that will fix the peak days. The peak days could only be fixed with ordinances that would preclude people from having certain uses of water during certain times of the year.

Mr. Roman said he agrees that the current prices charged by Utilities are very competitive but that is some of the reason why there is a 23% deficit. He thinks, considering the quality of the water and service the rate payers are receiving, it would not be a problem if the water is expensive. His concern is that 15 months ago he told certain people that a 25% rate increase would be needed no matter what. That is not anything he has ever disputed. He does have a problem with the way things are sometimes presented. It is inaccurate to say the CBU bill will be raised 47%. A portion of the bill will be raised by 47% if that is what the Common Council wants to do. That is not the only rate that needs to be increased. Currently there is a deficit operational situation that will require the sewer rates to be raised 35%. That will happen sometime this year. Along with that, there is an agreement that is being negotiated with the State right now regarding the sanitary sewer overflows. There will be a requirement to implement some repairs on the sewer system that will cost almost \$30 million. This must be done within 20 years. Originally a period of 25 years had been requested but that petition was denied. CBU has been diligent enough to have already started this process. There will have to be a considerable sewer rate increase in the near future.

It is unlikely that the IURC, the state utilities regulator, will allow the entire 47% increase at once. It seems more likely that it will be tiered with progressive rate increases.

Mr. Roman said he still has the same position he had when he voted against the plant expansion two years ago. He doesn't see a need from the capacity point of view. For the past two weeks he has been having discussions with Assistant Director of Engineering Bengtson about the operation of the plant

itself. That has nothing to do with consumer's or rate payer's need for more water, who pays for it or how it gets paid for. These are completely different issues. These conversations have caused him to become concerned about Utilities ability to provide water if something happens, which almost happened twice this year. It this was to occur when production is above 6.5 mgd there would be serious problems. What he learned is that it would be very expensive to get everything working and only a little more to replace worn machinery and take the plant from producing 24 mgd to 30 mgd and an ability to be expanded to 36 mgd. His concern is to make sure that the issues that exist with the operation of the plant are addressed in the design presented by Black & Veatch. After two years of fighting this plan because he did not think there should be an expansion he has come to the conclusion that the expansion is needed. It is the Common Council who will make the decision based on the USB's recommendation. He hopes they will have more information than he does at this time. He will support a recommendation for a rate increase of 47%

Board member Whikehart said he had been looking over the notes he had taken about this project starting in May, 2008. He feels some disappointment that, after 22 months, the same issues are being talked about. Between 2007 and 2008 there were four public hearings on this matter. In May of 2008 the USB recommended that option 3, which included the redundant line and the expansion of the plant to 30 million mgd, be adopted. There was some discussion about expanding the plant to 36 million mgd but the USB felt it would be more prudent to go with 30 million mgd. The notes he made at the time indicated there was no dispute over the fact that the treatment plant needed to be expanded. His notes indicated that he viewed it as an investment in the future, not a business expense and that this very valuable natural resource, that is not owned by the USB, needs to be protected. It is important to capture more of that resource since others have expressed interest in it. Mr. Whikehart said his nine year old daughter relies on him, as nine year olds should, to make decisions in her best interests. He said he came to this community in the 1960's as a student and since then someone has taken very good care of this community and it is one he is happy to live in in 2010. He wants to make sure as a father and a citizen that when his daughter is 29 years old, if she wants to live in Bloomington, that he had made it the kind of community that someone was kind enough to make it for him when he returned here. He considers this to be an investment. He supports the 47% rate increase and would support the 54% increase because like board member Banach he is concerned about ten years of interest only payments. The Common Council can make the final decision about that.

Ex-officio board member Mayer said he is the Council's representative to the USB so he will keep his comments short since he will have ample opportunity to express his views when they take up this matter. He does want to share that he served as the Council's representative to the USB back in the mid 1980's. Mr. Murphy's predecessor, Mr. Phillips, told him at that time that he expected his last act as director to be to bring a second line to the City. That didn't happen but now Utilities Director Murphy is making it happen. As several other board members have said, this current board has been looking at the subject for a very long time. The amount of research, input and consultant time is very high for this project. Each member has spent an incredible amount of time looking at the data and the options. He thinks they have adequate information to make a valuable decision for the community.

Mr. Mayer thanked the USB for all the time and energy they have put into this to this date.

Board President Swafford said as a life long resident of Bloomington he remembers when there was water problems, at times the City would run out of water. Griffy Lake would be drained, and then Lake Lemon was built which would also almost be drained in the fall. Now we have a good water source. The water is some of the best quality in the Country. He encourages people who travel to compare other community's water with this one. Every once in awhile he gets an email from someone who has been travelling around and comments on what great water this community has. He does support the plant expansion. A great deal of time has been spent talking about it. On May 12, 2008 the USB voted to

move forward with the plant expansion. They have been going through a lot of due diligence since that time and it is now time to move forward.

Board President Swafford invited the public to make any comments at this point. There is a five minute time limit.

Shodo Spring said she wanted to speak to the security of the water supply and to the need for additional water. She supports putting an extra line in.

She suggested that the capital improvement, instead of being placed in a plant at the other end of the redundant lines, be made a little closer to home. There is a problem with storm water which is water that falls on roofs and pavements. Because it has no place to go it becomes a flooding problem in the streets. She knows of several people in Bloomington who have placed metal roofs on their homes and are diverting the water to rain water catchment tanks which they use for household purposes. If \$40 million were to be spent bit by bit on gradually assisting the conversion of roofs, or perhaps starting with publically owned buildings, the water supply could be increased as it is needed and have a very secure water supply because it wouldn't be travelling so many miles. It would involve some detail work. It would also mitigate the storm water problem. She wants to propose that building a large plant at a great distance might not be the only option.

Tomi Allison said that these plans are based on growth projections that may no longer be valid. She believes the Country faces a prolonged recession. Conservation could allow the project to be scaled back or perhaps be delayed. Water conservation should not be ruled out on the basis that the community has abundant water. Lake Monroe is an artificial source of water and there is no reliable ground water available. There will be many demands on Lake Monroe. Water is a natural resource which should be conserved in all circumstances. It's the right thing to do.

James Allison said he regrets that he didn't get an opportunity to read the entire conservation report. He did read the recent op ed by Jack Wittman who had produced the conservation report. Mr. Wittman urged the USB to support this project "in the name of future generations, better water quality and a more secure water system." Mr. Allison said he would like to question each one of those purposes today. He has heard that less water is used now than ten years ago. If that is so why is more capacity needed to serve "future generations"? The projected population growth does not warrant greater capacity as far as he knows.

Second, if there are no water quality issues why is better quality needed and how would the project improve the quality.

Third, what is meant by a "more secure water supply system"? How would this project make the water supply more secure?

How much would it cost to double the number of storage tanks?

Mr. Allison said he also has a question about the efficacy of water conservation. Mr. Wittman doubts that conservation can work in Bloomington because there is too much water here. The idea is that if there is a lot of water there is no motivation to conserve. Where's the incentive? If that is correct why does conservation work at his house, which is in Bloomington? They use only 40% of the City's average per capita. Why does it work at his house but doesn't work anywhere else in Bloomington?

As for motivation, once a dual flush toilet is installed and a low flow shower head no further motivation is needed. The equipment does the work.

Mr. Allison also had a question about conservation by pricing which Mr. Wittman had also addressed. Mr. Wittman is not sure it would work in Indiana. In other words he is not sure that Hoosiers would consume less water as its unit price increases. Mr. Allison said the demand law is the only real law economics has. He hopes the legislature hasn't repealed it.

His final point is, as the USB thinks about the future, which is their job, don't forget future conservation technology. He hasn't heard a word about that in the months of discussions he has listened to. For example: waterless urinals in public buildings. These are not some wild dream. They can be found today in the New York Mets baseball stadium that was opened last year. They may also be found in Chicago's Shedd Aquarium. Think about future technology also and its influence on conservation and our water requirements.

Mike Biggs said he would like to have considered the possibility that the community's water might be lost through means there is no control over. It could be due to an earth quake, there doesn't need to be a fault line to have even a small seismic event that could cause the water to be polluted or to somehow become unusable. Or something could happen to effect the plant itself or just a crucial part of the plant that could render it unserviceable. These are the things that should be looked at.

The price increase which will have to happen just to renovate the water plant should include conservation and a tiered rate increase. The baseline people who are using just the average or below average amount of water should not have to pay for it. It is known that there could be a decrease of 50% in the water used. There is no reason the first 50% of the household average couldn't be exempt from the rate increase and start the tier after that rather than just starting right at base line. Sometimes it's not even the amount of money being saved; it's knowing that it's more expensive after a certain amount. A little bit of education in their heads sometimes does an enormous amount. Because of that he would like to support, for safety's sake also, tiered rates, catchment and re-use of water, there is no reason there can't be a program to educate people to help them understand how to do it, how to renovate. There may be some grants for that or if there is anything available that can be created. He would like to see a second line for security without the need to expand the plant. The need isn't there, it isn't there with a little bit of conservation rates and it isn't there if catchment is used and there is a conversion to keeping water and saving it. He thinks in the end the big thing to explore is what would happen if all the water supply were lost. If the community did go conservation, did go catchment and explored where the water does come from. If it were planned out, every community in the State would have a second back up line. It would cost money but this is going to cost a lot of money too. If there were another water supply to tap, in case the present supply or station is lost, then there could be something running at base level where it wasn't pulling from, just getting replenished just to keep the pumps tapped. That sounds like it would be a lot of money and extra energy but that is where things need to go. He believes the community needs to diversify and have a second source so we don't end up like Haiti, we don't end up like Chili, we don't end up where we are completely dependant on the States or the communities around us who may be contending with the same problem, the same disaster.

Common Council President Isabel Piedmont-Smith said she has been frustrated as a Council member. She was present in May, 2008 when the USB first approved the expansion of the treatment plant. At that time the arguments presented by the consultant Black & Veatch were based on the need to increase the capacity of the plant to meet increasing demand. Demographic models were shown about the increase in population in the community. Those were given as justification for a needed plant expansion. Two years later she has been hearing from both the Utilities staff and from independent analyst Matt Laherty that the big problem with the plant is there are single points of failure. If they go down there is not a back up to continue providing the level of water our community needs. These are two very different arguments for the expansion of the water treatment plant. The first demographic argument had some problems based on which data was used to come to those conclusions and

especially if a comparison is made between population increase in the City limits and the CBU direct customer limits, to the population increase outside of those limits.

The second argument, the operational argument, is much more convincing because she does believe there is a responsibility to make sure the system can keep operating and providing the water that the customers are paying for. It is a mystery to her why the argument changed in this way. Was she just not informed earlier about the operational arguments, is it because the first argument didn't work so supporters tried the second? She is confused by this change in reasoning to justify the plant expansion. She would like some clarification on this before she has to vote as a Council member.

There are a couple of other items she will be looking for more information about. Is the second water line really for redundancy or is it to increase the amount of water that can be brought into the CBU service area? Does the plant expansion plan prepared by Black & Veatch actually address the vulnerable single points of failure or do they just provide for expanded capacity to treat water.

She is also curious to hear why the consultants recommended the 47% rate increase rather than starting to pay the principal right away which would save almost \$10 million but would require the 54% increase.

Ms. Piedmont-Smith said she wanted to remind the public that while the plant expansion project will cost around \$41 million the rate payers will pay \$79.3 million over the lifetime of the bond. There will also be increases in the Wastewater Utility.

Finally she is concerned about the attitude of "we've been doing this for two years, let's go ahead and get it done". The Council frequently has staff come to them with a project and they say they have completely explored it, it's time to move ahead. She does not feel it is her duty as an elected official to just take people's work and rubber stamp it. She believes her colleagues feel the same way. She is asking the USB members and the public to allow the Council ample time to address all their questions before they decide which rate increase they will forward to the IURC.

Maggie Sullivan who is a recent appointment to the Commission on Sustainability, said she was given an opportunity to take a tour of the water plant a few weeks ago. Up until that time she thought the plant expansion was unnecessary. Having toured the plant, talked to a lot of the people involved and starting to read through the studies, she has come to believe the expansion really is necessary just from an operational point of view so there will be a secure water supply. She also believes that conservation should be promoted including even some of the more radical ideas such as water catchment in the City as an alternate water source, whether it is grey water or eventually even a possibility of drinking water. She said she hopes the plan will include hiring a conservation officer. This is an issue that will require a lot of education of the public and everyone involved. The Sustainability Commission is working on this right now. They are trying to put together some frequently asked questions to help people understand everything that is happening. She told board member Roberts that she would like to have a copy of her visuals because they were very helpful. She suggested that it would be a good idea for the City Council to also take a tour of the plant so they can visualize what the expansion will look like. She understands Ms. Piedmont-Smith's desire to have plenty of time to make an informed decision but she believes it is the way to go even if it does cause some sticker shock for some people.

Board President Swafford said Council President Piedmont-Smith had raised some good points. He said this plan does address the operational issues. Part of the Black & Veatch plan is to address the single point failures as well as many other things in the plant. He asked Mr. Skomp to address how things have arrived at this point from the first demographic studies.

Mr. Skomp said they looked at conservation rates to see where the main consumption was. As they started breaking things down and looking at them, for example residential class, commercial class and

multi-family dwellings to see where the growth was, they found that the wholesale and residential sales had stayed quite steady. The growth has been in the multi-family dwellings. The period of time being considered is 2003 through the present time and has stayed pretty consistent. It peaks during a dry year but the past few years have been wet so the consumption has come back down. Some believe that because of that the emphasis does not need to be on growth. That is not seen as being the pressure point for the need for the plant expansion as much as it was some of the redundancy that is needed.

Board President Swafford reminded the USB one more time that on May 12, 2008 they had recommending moving forward with the plant expansion. At this time they need to forward a recommendation to the City Council. The consultant and staff have recommended a 47% rate increase.

Board member Roman moved that the USB forward a recommendation to the City Council for a rate increase of 47%. There was no second.

Board member Roman said he wanted to clarify something before a vote. There is not a connection between the capacity of the plant and the amount of water taken from the lake.

Board member Roberts moved that the USB forward a recommendation to the City Council that they request from the IURC a 54% rate increase so the consumers will be saved \$9.6 million. Board member Banach seconded the motion.

Board member Roman asked if the motion was for something not in the report. Board President Swafford said the difference between the 47% increase and the 54% increase is the 47% wrapped the bond. Mr. Roman said the 54% was not in the report. It is not consistent with the recommendation.

Mr. Skomp said that at the last meeting they were requested to go back and see what it would happen if the debt service were leveled on this new issue versus what was done with the wrapping. That information was sent to all the USB showing it would save \$9.5 million over the life of the bond issue and would result in a 54% increase.

Board member Roman asked if that would affect the tiers on which the IURC will apply this. He does not believe they will approve a 54% increase. Mr. Skomp said the IURC will be able to step the rate increase if the bond issue is stepped. The bond issue would have to be split with part of it being done now and part later. In order to bid the projects and let the awards the funds must be on hand. If one bond issue is done for all the money at one point in time it would be necessary to start paying on it immediately and the IURC would need to approve the rates to pay on it. If instead a stair step increase in preferred it would require determining how the projects can be staggered so there can be two bond issues to get up to the total of 54%. That can be worked through. Mr. Roman asked if Mr. Skomp thinks the IURC will approve a 47% or 54% increase all at once if the Council makes the request. Mr. Skomp said he thinks if the bond issue is not split, at best, the IURC would approve the 22% right away then as soon as the bonds are issued it can go up to 54%. Depending on the extent to which the projects are ready to go that could mean a two or three month gap. For example, working with IURC right now, a recommendation was made for a water increase for Indianapolis. The IURC said they would like to stair step it. There would be one increase before the bonds are issued and one afterwards. Mr. Roman said he was asking about what the IURC can impose on the City, not what the Council can ask them to do. Will the 54% rather than 47% have any effect on the Council's ability to get approval from the IURC? Mr. Skomp said they will have to go to the IURC and ask. For a bond to be issued they have to give the rates to pay it. If they tell the Council to split the bond issue and stair step it there are some things that can be done. The Council may want to recommend that before going to the IURC.

Mr. Roman asked if the motion was for 47% or 54%. Board President Swafford said it is for 54%.

Board member Whikehart said the USB is making a recommendation to the City Council. If they want to, the City Council can take the recommendation for 54% and move it back down to 47%. Mr. Swafford said that is correct. This is just a recommendation to the Council. That is all the USB can do.

There was a role call vote:

***Pedro Roman – No
Sam Frank – Yes
Julie Roberts – Yes
Tom Swafford – Yes
Jason Banach – Yes
John Whikehart – Yes***

Motion carried, 5 ayes, 1 nay, 1 member absent, (Ehman).

OLD BUSINESS:

No old business was presented.

NEW BUSINESS:

No new business was presented.

SUBCOMMITTEE REPORTS:

There were no subcommittee meetings.

STAFF REPORTS:

There were no staff reports.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

ADJOURNMENT:

The meeting was adjourned at 6:27 p.m

L. Thomas Swafford, President