

UTILITIES SERVICE BOARD MEETING

December 19, 2011

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 5:00 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, Sam Frank, John Whikehart, Jeff Ehman, Pedro Roman and ex-officio members Tom Micuda and Tim Mayer. Staff members present: Patrick Murphy, Michael Horstman, Mike Bengtson, Mike Hicks, Mike Trexler, Jane Fleig, Tom Axsom and Jon Callahan. Others present: Sue Mayer and Grace and Molly Frank.

MINUTES

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

CLAIMS

Board member Frank moved and Board member Ehman seconded the motion to approve the ACH payments as follows:

Vendor invoices that will be submitted to the controller's Office on December 29th included \$194,236.00 from the Water Utility; \$0.00 from the Wastewater Utility; and 0.00 from the Wastewater/Storm water Utility. Total Claims approved, \$194,236.00.

Assistant Director of Finance Horstman said the ACH claim is a new one. It is a request for approval to make a transfer for a bond payment on the new water bonds. They have insisted on monthly ACH payments.

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

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

Vendor invoices submitted to the controller's Office on December 14th included \$195,809.98 from the Water Utility; \$122,743.99 from the Wastewater Utility; and \$21,891.83 from the Wastewater/Storm water Utility. Total Claims approved, \$340,445.80.

Board President Swafford asked about the claim for Columbus Industrial Electric, Inc. for the Smith Road lift station. He said there seem to be a lot of problems there, and wondered if the station is being rehabbed or if it is just a maintenance nightmare. Utilities Capital Projects manager Hicks said there had been another recent claim for this pump station because a variable frequency drive unit had to be replaced. The station was rehabbed some years ago. In this case the claim is for a pump that was put into service at the time the station was rehabbed. This large kind of pump usually needs to be rewound every five years, but in this case went a year beyond that. Mr. Swafford said it seems lots of money has been spent on this

station, and he was curious if it had major problems or if it is just time to start upgrading it. Mr. Hicks said it is time to start upgrading it.

Mr. Swafford also commented on the claim for ADS Environmental Services. He said it is for the Wet Weather Program. He asked for an update at some point on where this program is at. Utilities Director Murphy said the Wet Weather Plan is at the point of implementation of the Agreed Order. That will be the next phase.

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

Wire transfers and fees for the month of October:

Board member Frank moved and Board member Roman seconded the motion to approve the wire transfers and fees for the month of October in the amount of \$56,701.34.

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

APPROVAL OF THE WRITE OFF OF BAD DEBT:

Finance Subcommittee Chair Frank said the subcommittee had met just before this meeting to look at the write off of bad debt. They sent it forward to the full USB with a recommendation for approval. They also considered the Interdepartmental Agreement which was recommended for approval to the entire USB.

Assistant Director of Finance Horstman said there are three different sections of debt write offs.

1. In accordance with IC 36-9-23-33 section I, the Utilities staff would like to expense 431 uncollectable wastewater accounts that are at least 90 days overdue with an outstanding balance of less than \$40.00. The total dollar value to be written off is \$6,755.10. This section of the Indiana Code allows a USB to write off a wastewater fee or penalty that is less than \$40.00.
2. Pursuant to the resolution passed by the Utilities Service Board on October 29, 2007, the Utilities staff would like to expense 370 uncollectable water accounts that are at least 90 days overdue with an outstanding balance of less than \$40.00. The dollar value to be written off is \$6,054.99.
3. In accordance with IC 36-9-23-32, subsection B the Utilities staff would like to expense 45 uncollectable wastewater accounts. This section deals with previous owners of property that have sold the property and a lien cannot be filed against the current owner. The previous owners were given notice, and 180 days has passed since that notice, as is required by Indiana Code. The total value to be written off is \$16,602.86.

Board member Ehman said that basically it is more expensive to pursue these than to write them off.

Board President Swafford said that even though these accounts have been written off they are still on the record, so if these customers ever come back and want service they will have to clear their bad debt first.

Board member Roman moved and board member Ehman seconded the motion to write off all three of the bad debts, the wastewater at \$6,755.10, the water at \$6,054.99, and the

wastewater property transfer at \$16,602.86. Motion carried, 5 ayes, 2 members absent, (Banach and Roberts).

APPROVAL OF THE 2011 INTERDEPARTMENTAL AGREEMENT WITH THE CITY OF BLOOMINGTON:

City of Bloomington Controller Trexler said there is an Interdepartmental agreement between the City and Utilities because the City provides a number of services for the Utilities Department that need to be reimbursed to the City. This is the agreement for 2011. It breaks down into a few different sections. The first section is for services provided. Utilities does not have a Human Resources Department, a Legal Department, ITS, etc. so they use this agreement to contract with the City for these services. He said the second page of the document provided details the amounts that constitute the agreement. Exhibit A, under General Services, shows the departments that provide services to Utilities. Each department calculates the percentage of their staff time that is used for Utilities work. That percentage is applied to their budget for the preceding year to come up with the amount for Utilities to reimburse the City. There have been some changes in the percentages for this year. One of those is the Controller's Office. Utilities used to administer their own payroll, because of the new Financial System that is now done by the Controller's Office. The payroll administrator spends about half of his time working with the Utilities payroll. Utilities represent 7.14% of the Controller's budget. The other big change is with the Legal Department. Utilities used to directly pay for one of the attorney's positions. Due to some restructuring in the Legal Department the City now directly pays all of the legal staff, so Utilities reimburses them for the portion of services received.

Mr. Trexler said he sends out a request to Department Heads asking them to verify or update this information each year. He said in the future he will bring more detailed information about how that is calculated.

The change from last year is an increase of \$38,990.00, which is 4.67%. The actual City budget went up by a little less than 1%.

The next section of the agreement deals with payment in lieu of taxes. This is a proxy for the property taxes Utilities would pay if they were a private business. Utilities uses the streets, the fire department, police protection, and all those things people get when they pay their property taxes. This is a proxy for the Utilities' portion of those taxes.

Mr. Trexler said in years past there was an agreed upon number for the value of this agreement that was increased each year based on the increase in the corporate tax rate. A couple of years ago this was changed so the Finance Department of Utilities provides a list of the assets owned by Utilities inside the City limits, broken down by water and wastewater. The corporate tax rate is applied to that amount. The corporate tax rate for 2010 was .7552 per \$100. For 2011 it was .7694 per \$100, this is an increase of 1.8%. He pointed out that Exhibit A shows the water portion actually went down due to the value of the assets in the water utility. Wastewater went up.

The next portion of the agreement deals with health insurance. The way health insurance is funded for the City and Utilities is through a health insurance trust fund. An amount per employee is calculated and is transferred into the health insurance trust fund. That fund is used to manage health care services. This is paid in arrears. Utilities portion of that for 2010 was \$1,129,092.00.

The next portion is for Fleet maintenance. This is the set rate for maintaining all of Utilities' vehicles. This amount is based on trending in past years. The amount of time spent on each department's vehicles is calculated and that percentage of fleet costs is allocated to each department in the City, including Utilities. The total for that is \$397,995.00.

Board member Ehman asked to what extent the allocations for the general services portion change from year to year. Mr. Trexler said they haven't changed much in the last three years. The changes this year are the first he is aware of, and they are just for the specific cases he mentioned. During the Finance Subcommittee meeting there was some discussion of a more specific review of those amounts, and providing some more detail about how those amounts are arrived at. Mr. Trexler said he would provide this for next year's agreement. He said he is waiting for two pieces of information to complete next year's Interdepartmental Agreement; the value of the assets, once the books are closed, and the final tax rate that he hopes to get by the end of the first quarter. Most of the departments agree the amount of time they spend on Utilities hasn't changed significantly.

Board member Roman moved and board member Ehman seconded the motion to approve the Interdepartmental Agreement with the City of Bloomington. Motion carried, 5 ayes, 2 members absent, (Banach and Roberts).

OLD BUSINESS:

No old business was presented.

NEW BUSINESS:

Administrative Committee Chair Whitehart said one of his responsibilities is to each year bring forward nominations for the USB officers. He nominated Tom Swafford for President and Julie Roberts for Vice President for 2012.

Board member Roman moved and board member Ehman seconded the motion to approve the nomination of Tom Swafford for USB President and Julie Roberts for USB Vice President. Motion carried, 5 ayes, 2 members absent, (Banach and Roberts).

SUBCOMMITTEE REPORTS:

There were meetings of the Financial and Administrative Subcommittee meetings that were reported on earlier in the meeting

STAFF REPORTS:

Utilities Director Murphy said the True-up report was filed on November 28th, and the rate as proposed was approved by the IURC. That rate went into affect from the time the report was filed. A letter will be sent with the next bill to notify the public that when it is implemented, which is probably still a month or two off, there will be a little catch up.

Mr. Murphy said the rate is lower than anyone originally proposed which is good!

Board President Swafford said that last Wednesday Utilities presented the sewer rate increase to the City Council. It went well, with both the staff and the consultants doing a good job. The final hearing will be on Wednesday, and based on last week it looks like it is going to pass.

Mr. Swafford also pointed out that the calendar for next years' meetings had been provided, and asked board members to notice the first meeting of the year is on Tuesday, January 3rd.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

ADJOURNMENT:

The meeting was adjourned at 5:20 p.m.

L. Thomas Swafford, President