

## UTILITIES SERVICE BOARD MEETING

March 26, 2012

***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, Julie Roberts, Sam Frank, Jason Banach, John Whikehart, Jeff Ehman, Pedro Roman, and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Mike Trexler, Rick Dietz, Michael Horstman, Tom Axsom, Jon Callahan, Phil Peden, Mike Hicks, and Mike Bengtson. Others present: Sue Mayer.

### MINUTES

***Board member Roberts moved and Board member Roman seconded the motion to approve the minutes of the March 12<sup>th</sup> meeting. Motion carried, 7 ayes.***

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

Utilities Director Murphy said there had been an Administrative Subcommittee meeting immediately preceding this meeting. He reminded the USB they had requested that Mike Trexler, City Controller, review the methodology for calculating the Interdepartmental Agreement, and that the process be expedited. Utilities books for 2011 have only just been closed, and Mr. Trexler only just received the property tax rate from the Local Government Finance Department. Mr. Murphy introduced Mr. Trexler.

City Controller Trexler said he had come to talk about the 2012 Interdepartmental Agreement between the Civil City of Bloomington and the Department of Utilities. He said the agreement is largely unchanged although there are some minor changes to exhibits, one new section, and some numbers have been updated. He suggested going through the agreement section by section.

There are six major components of the agreement, the first one establishing the authority for the agreement. The second section details the general services provided by the Civil City to the Utilities Department. The costs of those services are set out in Exhibit A. These costs are figured by attributing a percentage of the total budget from 2011 to the services provided to Utilities. That percentage is applied to the 2011 budget to get the total charge.

Exhibit B is a list of each department in the general services proportion, and what services they provide. The level of detail varies among departments. Generally it is broken down by full time employee equivalents that are devoted to Utilities business. For example in his department both he and the Deputy Controller devote some time to reporting, there is someone who processes all of Utilities credit card claims, and there is someone who processes payroll for Utilities. The percentage of each one of those positions' time that is devoted to Utilities is used to figure the FTE equivalents. In his department it is about one FTE of the seven employed.

Some Departments' amounts have gone up or down, and some have gone away. For example the Clerk's office used to be included, but it seemed most of the services being charged were largely covered by the Common Council, so the Clerk is no longer listed. Most of what the Fire Department was charging is really covered by the Payment in Lieu of Taxes.

There were some big changes to the way the amount for the Police was calculated. Police provide protection services for Utilities' properties outside of the City limits. The Pilot payment is based on the value of Utilities' assets inside the City limits. The average cost for the Police to respond to a call outside the City limits, and the average number of calls made to those properties, was used to come up with a percentage of their total budget.

The next part of the Agreement is the Payment in Lieu of Taxes. This is the amount of taxes that would be paid if it were a private utility, because Utilities does still use services such as Police and Fire, and the infrastructure paid for by taxpayer's dollars. That payment went down a little this year, by \$3,632.00, or about .72%. That was not because the rate went down, it actually went up to .7800. It is because the net book value of Utilities' assets went down. This doesn't mean the assets are deteriorating. Their net book value is depreciating based on straight line depreciation, and a significant amount of new assets has not been added. Assets often grow in spurts. Projects often sit in what is called a Construction Work in Progress account until they are finished and get moved into assets. A large two year project may suddenly be dumped into the assets instead of slowing building the assets.

Health insurance went up significantly. The total amount went up by \$773,000.00 or about 68.5%. Health care costs have steadily been going up over the years. Utilities has not seen an increase in the amount they have contributed because the reserves built up in the health trust fund have been used to cover the additional costs for quite awhile. That cannot continue to happen, so there is now a large jump in payments to cover the true costs of health insurance. Between 2011 and 2012 the payments went up by about 14%. It will probably be between 12 and 14% going forward.

The payments for Fleet have also increased significantly, by about \$60,000, or 15%. This is calculated like the general services. Fleet Maintenance spends about 36% of their time on Utilities' vehicles. That is mostly because the Utilities Fleet is getting old. The City has been updating their vehicles lately, after having deferred for quite awhile. The City's worst vehicles have been replaced so Utilities vehicles are taking up more and more of Fleet Maintenance's time, which means Utilities is paying a larger portion of their budget. There has been about a 15% increase over what it was last year.

The sixth section is the new section. It has two components to it. The first is formalizing an informal agreement that has been in place for years. That agreement is that Utilities pays for half of the shared financial software. In the past that software was Oracle, which handled financial management and Human Resources. In 2011 the software was switched to New World Systems. With this change the agreement for Utilities to pay half the cost is being formalized.

The second part of the agreement is to reimburse the City for half the upfront cost of purchasing New World Systems in 2011. The total purchase price was \$500,000 so the Utilities's portion is \$250,000. The pay back on this is less than eight years, so it will be a savings. Oracle was not working well for the organization, and the maintenance costs were

very high. The maintenance costs of the new system are much lower, and don't escalate, and the system works much better. A lot of money is being saved both in Utilities and the Civil City. It has allowed the Controller's Office to be so much more efficient they need one fewer employee.

The next section of the agreement deals with PCB litigation. Utilities pays for that, and the Civil City reimburses for half of it.

Board member Whitehart, Chair of the Administrative Subcommittee, said they had met at 4:30 this afternoon. They heard the same presentation, and felt the further detail in Exhibit B was very helpful. He also said this is the earliest he remembers this agreement being ready. The Administrative Subcommittee moved, and approved, a recommendation to the full USB that the Interdepartmental Agreement with the City of Bloomington be adopted.

Board member Ehman said it was wonderful to get this agreement in March. A lot of progress has been made in terms of the extra detail in Exhibit B. He said the 50% payment agreement in section six seems fair, but he asked that for next year the actual usage of these software systems be determined to see if Utilities is benefitting from the use of that software as much as the City is. If there is a difference in total use or benefits it should be taken into account. Mr. Trexler said Rick Dietz, ITS Department Head, had been at the earlier Administrative Subcommittee meeting to talk about this, but had to leave before this Regular Session. These specifics weren't included in the agreement, but Mr. Dietz has done this analysis and found that Utilities actually uses more than 50% of the system. The system has three different components; financial, human resources, and the Utilities billing component. Both Utilities and the City use the financial management and human resources components, but only Utilities uses the Utility billing component. Based on the number of users, the number of modules, the number of customizations needed for the system, (the City operates on a different accounting system than Utilities; the City uses a cash basis, and Utilities uses a modified accrual basis.), so there have been different types of customizations and trainings have been necessary. It tilts a little toward the Utilities, but it is felt that splitting the costs of the software is the reasonable thing to do.

Board member Ehman said he also has a question about the process. He asked if this document should have gone to the Finance Subcommittee first, and if there should have been more time to review it. Board President Swafford said it went to the Administrative Subcommittee because it is a contract. He said he had been asking Mr. Trexler for some time to get this agreement ready. Mr. Trexler has a process to go through. One of the things he did this year, at the request of the USB, was to ask each Department Head to review the percentages, which took a little bit longer. Also, he never gets all the information he needs in a timely fashion from Utilities or other departments. The USB wanted to get this approved as soon as possible. Mr. Swafford said things should be easier next year based on the work done this year.

Mr. Ehman agreed the document should go to the Administrative Subcommittee because it is a contract, but he feels it should also have gone to Finance. Mr. Swafford said that hadn't been done in the past, but there could be a joint meeting next year.

Controller Trexler said he doesn't think this agreement could be brought forward any earlier, unless it is a partial agreement. The PILOT portion is based on information that isn't ready until Utilities' books are closed, and until the final budget order is received from the Department of

Local Government Finance. That was just received about two weeks ago, and Utilities Assistant Director of Finance Horstman only determined the net book value of the assets at about the same time. Unless those portions were to be left out and brought later, this is about the earliest the agreement could be expected.

Mr. Ehman said getting it in March is reasonable, but so would be a two week window for review of it.

Board member Roberts said they had been discussing leaving it open because the final numbers weren't known. She asked if the numbers they are looking at today is what they will actually be paying, or is there still a possibility that it will wind up being different.

Mr. Trexler said that in most sections of the agreement there is a mention that Utilities will be billed directly for costs specific to them. There are some claims this evening's packet for training on the new software. That training was specific to Utilities, so they will pay for that. The same clause is in the health insurance portion. If the actual insurance costs exceed the estimates Utilities will be billed for the extra. Any costs that are specifically attributable to Utilities, in excess of this agreement, will be billed for.

Utilities Director Murphy said an economy will be gained by buying new vehicles. All of Utilities equipment and vehicles have been identified and prioritized for replacement. As newer vehicles and equipment are purchased it will lower the Fleet Maintenance cost. He also said that the health insurance costs have been considered. They were not a part of the water rate, but there is enough elasticity in the resources to cover it. It was specifically addressed in the Sewer rate increase.

Board member Roman said the cost of the insurance went up after the water rate increase was done. The USB let the Council know this is something that needs to be considered in another year or two. They don't want to end up in a situation where all these costs go up without the revenue being adjusted accordingly.

***Board member Roman seconded the recommendation of the Administrative Subcommittee to approve the Interdepartmental Agreement with the City of Bloomington. Motion carried, 7 ayes.***

## **CLAIMS**

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

***Vendor invoices that will be submitted to the controller's Office on March 27, 2012 included \$220,882.00 from the Water Utility; \$0.00 from the Wastewater Utility; and 0.00 from the Wastewater/Storm water Utility. Total Claims approved, \$220,882.00.***

***Motion carried, 7 ayes.***

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

**Vendor invoices submitted to the controller's Office on March 21<sup>st</sup> included \$462,581.99 from the Water Utility; \$153,223.58 from the Wastewater Utility; and \$4,021.28 from the Wastewater/Storm water Utility. Total Claims approved, \$619,826.85.**

**Motion carried, 7 ayes.**

**APPROVAL OF THE CONTRACT WITH ATC TO PERFORM THE SEMI-ANNUAL ANALYSIS OF GROUNDWATER DATA FROM THE DILLMAN ROAD SLUDGE LANDFILL:**

Utilities Deputy Director Langley said he is asking for the USB's approval of a contract between the City of Bloomington Utilities and ATC Associates, which is a groundwater consulting firm in Indianapolis. The amount of the contract is \$41,042.

Mr. Langley said in the wastewater treatment business they take solids out of water, purify the water, put the water back into the environment, and continue to manage the solids so they are not a threat to the environment. The Dillman Road Landfill is the main recipient of the solids from that process. The State of Indiana requires a five year permit be maintained. At this time Mr. Langley's staff is in the midst of applying for approval of that permit. When it is complete it will be brought to the USB.

The contract with ATC covers required semi-annual groundwater monitoring of the landfill. They are testing to make sure the landfill is not leaking pollutants back into the environment. Utilities collects the samples, has them analyzed, and mails a data set to ATC Associates. They put that data into a computerized trending system. This contract was originally approved by the USB in 2008, and there has not been a cost increase since the inception of the contract.

**Board member Roberts moved, and board member Roman seconded the motion to approve the contract with ATC & Associates to perform the semi-annual analysis of groundwater data from the Dillman Road Sludge Landfill. Motion carried, 7 ayes.**

**APPROVAL OF THE LAKE LEMON SHORELINE PROJECT PERMIT:**

Utilities Deputy Director Langley said this is a temporary access request by a homeowner, Steve Biggerstaff, on the North Shore of Lake Lemon. He is also requesting permission to grade on City property that is next to the Biggerstaff's house. There will be an agreement to be signed, but it couldn't be prepared in time for this meeting. It will stipulate that silt fencing will be used to control any soil run off, no permanent structures will be built on City property, no shrubs, bushes or trees will be removed, and drainage towards neighbors will be controlled.

Mr. Langley introduced Steve Biggerstaff to give a presentation on his plans.

Mr. Biggerstaff said he owns the property along with two of his sons. He said the property is just east of the marina on one of the highest hills around the lake.

Mr. Biggerstaff said he had hired a builder from central Indiana who is familiar with the kind of conditions the Lake Lemon Conservancy had asked for in the agreement.

He said he has requested that part of the structure, not the foundation, be allowed to protrude on City of Bloomington property. Mr. Langley and Mr. Madden (Lake Lemon Conservancy) said they were unwilling to set a precedent of that sort.

Swales will be installed on both the North and South sides of the property to make sure there is no drainage off the property.

The existing home, built in the 1970's, is two manufactured homes that are staggered about 20 feet. The existing septic system is located in the notch created by the staggering of the homes. There is a very steep slope there.

Mr. Biggerstaff said he had a professional survey done to determine whether or not one portion of his property is an easement. He found he has title and deed to the entire property of .445 acres.

Brown County requires a 20' set back from lot lines. (The property is in Brown County.) The existing deck is 4.5' from the property line, and the house is about 14' from it. He hopes to get a variance from the Brown County BZA.

Mr. Biggerstaff showed how he anticipates reshaping the area between the house and lake, which includes City of Bloomington property.

The factor that is driving Mr. Biggerstaff's plans is that the current septic is failing. It is adequate if the property is only used for short periods of time, but he hopes to start spending more time there. The Brown County Health Department tested the soil and determined the only workable septic system would be a Presby Mound system. It will be two mounds that are 45' by 14', and are 10' apart. The mounds are elevated 3 – 4'. There will be a perimeter drain around it. He believes this will be worry free and environmentally safe. This will add to the value of the lake.

If Mr. Biggerstaff receives all the permissions he needs he will then have house plans drawn up.

Board member Ehman asked if any trees or shrubs will be in the way. Mr. Biggerstaff said he has hired an arborist to trim the trees, but nothing will be done without a permit.

Mr. Ehman asked if this might create an issue of precedence with other land owners. Utilities Deputy Director Langley said that is what they are trying to avoid. It would be an administrative nightmare to open up selling City property. One potential problem with opening things to development is that it would degrade the lake. The first priority should be maintaining the quality of the lake, and the water in it, in case it needs to be put back in use sometime in the future. In this situation the advantage is getting a septic system that will work for the next 35 to 50 years.

Board President Swafford asked how much grading will be done on City property. Mr. Biggerstaff said it would be about 20' to 50'. Mr. Swafford asked who from Utilities will be monitoring this situation. Mr. Langley said he and Utilities' Engineering staff would, with help from Attorney Vickie Renfrow as needed. Mr. Swafford asked Mr. Biggerstaff to inform Utilities when he is ready to start grading.

Board member Roman asked how this will be approved. Mr. Langley said an MOU is being prepared that echoes what has been established in the public record. Vickie is preparing it with the stipulations in the agreement. Board President Swafford said he will sign the MOU once it is ready.

***Board member Roberts moved and board member Frank seconded the motion to approve the Lake Lemon Shoreline Project permit. Motion carried, 7 ayes.***

**OLD BUSINESS:**

No old business was presented.

**NEW BUSINESS:**

No new business was presented.

**SUBCOMMITTEE REPORTS:**

The Administrative Subcommittee met and was reported on earlier in this meeting.

**STAFF REPORTS:**

Utilities Director Murphy reported that there have been discussions with Hilliard Lyons, Utilities' financial consultants, about the sales of the taxable and non-taxable bonds for the sewer works. Standard & Poors has given Utilities a AA- rating for bonds. The sales should take place during the next couple of weeks.

Mr. Murphy said there had not been any significant damage from the storms on Friday night.

**PETITIONS AND COMMUNICATIONS:**

There were no petitions or communications.

**ADJOURNMENT:**

The meeting was adjourned at 5:54 p.m.

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**L. Thomas Swafford, President**