UTILITIES SERVICE BOARD MEETING
July2, 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 5:01 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, Pedro Roman, Jeff Ehman, John Whikehart, and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Michael Horstman, Tamera Ratliff-Roberts, Mike Hicks, Jane Fleig, and Phil Peden. Others present: Sue Mayer and Grace Frank.

MINUTES

Board member Roberts moved and Board member Roman seconded the motion to approve the minutes of the June 18th meeting. Motion carried, 6 ayes, 1 member absent, (Banach).

CLAIMS

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

Vendor invoices submitted to the controller's Office on June 27th, 2012 included $302,783.80 from the Water Utility; $108,578.93 from the Wastewater Utility; and $266,162.50 from the Wastewater/Storm water Utility. Total Claims approved, $677,525.23.

APPROVAL OF A REVISED INDUSTRIAL WASTE PRETREATMENT PERMIT FOR SCHULTE CORPORATION:

Pretreatment Coordinator Ratliff-Roberts said Schulte Corp. is currently rated as a metal finisher with two separate lines. They are changing the chemical be used for line two so they will not be regulated any longer. IDEM has reviewed the chemicals to be sure it would be acceptable to take that line off the permit. Schulte cleaned the line, did some sampling, and sent metal results that were acceptable.

Board President Swafford asked if it would no longer be necessary to monitor Schulte. Ms. Ratliff-Roberts said they would still have to meet certain pretreatment standards for local limits, prohibited discharge limits, and for all the metals they already regulate. Line one will still be using the traditional metal finishing chemicals, so it will continue to be regulated. Schulte is hoping in the future to make the same change with line one.

Ex-officio board member Mayer asked if this was a change in their process. Ms. Ratliff-Roberts said it is. The chemicals being used to clean the metal are being changed to alkaline based chemicals that are less harsh, so it doesn't strip the metal.

Board member Roberts moved and board member Ehman seconded the motion to approve the revised industrial waste pretreatment permit for Schulte Corporation. Motion carried, 6 ayes, 1 member absent, (Banach).

OLD BUSINESS:

No old business was presented.

NEW BUSINESS:

No new business was presented.

SUBCOMMITTEE REPORTS:

Utilities Director Murphy said he has planned for a Finance Subcommittee meeting on Wednesday, July 11th, at 4:00 pm to preview the 2013 budget. Board member Roman asked that a reminder of the meeting be sent to USB members.

STAFF REPORTS:

Utilities Director Murphy pointed out that staff members Axsom, Bengtson and Callahan are absent from the meeting. He said there had been a main break on N. Dunn St. between Tamarac and Lakewood. It is an 18 inch water line that is very deep in the ground. It took awhile to locate it. This line crosses a 20 inch line, and is close to a utility pole, so Duke energy will have to assist in the repair. M. E. Simpson assisted in locating the break.

Mr. Murphy said information had been shared with the public about water consumption. The public is being asked to conserve water through this week, in terms of both times of usage, and amount. The plant has been producing water at a very high rate. The average for the past week has been around 25 mgd. On this day about 24.5 mgd of raw water was pulled up the hill to the treatment plant, and about 22.5 mgd of finished water has been sent to town. By Sunday the operators felt comfortable about the amount of water in the towers. The main break has not shown much impact on the level of the Redbud water tank.

The high service pumps are not in an air conditioned environment and it is about 100 degrees where they are. Keeping the motors cooled has been an issue, but they have had some industrial sized fans brought out.

Mr. Murphy commended the Monroe WTP operators, maintenance staff, and management. They have been outstanding during this difficult time.

Mr. Murphy said he had a conversation with IU today. They have agreed to go easy on water consumption for this week. The City Departments have also been asked to conserve water. The over all levels of demand have been historic for June.

Utilities Director Murphy said the College Avenue project is moving along. The City wants to repave the street, so Utilities is repairing and replacing the infrastructure first. The current water pipe is 100 years old. The materials are being paid for with TIF funds. The work is being done between 2nd and 3rd Streets.

The water line will continue east, around the corner on Third St. as far as Washington St. TIF funds are paying for that as well.

Assistant Director of Finance Horstman said he would give a preview of the 2013 budget. First he wanted to give an update on the New World accounting system. He said his staff is fully engaged, and things are going well. The printing of bills was about two weeks behind schedule, but the due date was moved back to July 6th. He said he expects the next billing cycle to go much better. The bills should be out sooner, and things should be back to normal. The payment on line mechanism will be up as soon as it can be verified it is working properly.

Board President Swafford asked if anyone had complained because their bill was late. Mr. Horstman said there had been a few complaints.

Mr. Horstman said he had been working on the budget since March. The Mayor's office had given some direction as far as having a streamlined, zero-based budget. It is built on the things that are required rather than the things staff might want to do.

There have been two rate increases, and Utilities is in the process of making all the outstanding payments to the City. The West Third St. project has been paid off. Everything should be paid by the end of August. Because of this the budget is still a little tight for this year, so there won't be a lot of extra money for 2013. The Extensions and Replacements budget reflects the things that have to be done, like replacing 100 year old pipe.

Board member Ehman asked if the extra revenue from the rate increases have been factored into the budget. Mr. Horstman said they have been. There will be some extra revenue, but there is some catching up to do. The health insurance costs went up a lot this year, and have to be covered. Maintenance on vehicles and equipment also continues to rise. The number of gallons of water being pumped this year has gone up a little due to the drought, but during 2010 and 2011 the amount was pretty much unchanged. There will be more revenue because of the rate increase, but Mr. Horstman doesn't think there will be a significant change in the volume of water produced.

Board member Roman said some of the reason Utilities owed money to the Civil City was because Utilities had not yet acquired the bonds. Now they have them it should be possible to use the bonds to pay the City. Other things, such as Third St. Payments must come from the portion of the rate increase that goes to pay for the increase in operational expenses. He said he thought that was about 22%. Some of these costs are from the water utility and some are from the wastewater utility. The wastewater utility is all revenue that is provided for the increase in the personnel expenses, since there are not any multi-million dollar projects as there are on the water side. He asked for more detailed information.

Mr. Roman said he has been concerned about the vehicles for some time now. He believes it is more expensive to fix them than to buy new ones. He asked that they please be replaced so staff will be confidant they can perform their jobs without their vehicles breaking down. He said the debts must be paid, and required equipment must be bought. That is why the rates were increased. He asked for very specific information about these kinds of things at the Finance Subcommittee meeting.

Utilities Director Murphy said the snapshot for the wastewater utility is very different than the one for the water utility. The increase in health insurance costs was known by the time the wastewater rate increase was passed. That was not known when the water rate was passed. One of the things that will be budgeted for in 2013 is a cost of services study for the water utility. He said it might actually be best to do the cost of services study in 2012 given how long it takes to do a water rate increase. Because the last increase was passed in May of 2010, it

will be three to three and a half years by the time another increase is passed. This is something that has been discussed with Crowe Horwath. They say it will take at least four months to do the cost of services study.

Board member Ehman said the USB had some very specific concerns about some aspects of the cost of services study for the last rate increase, that weren't addressed. He asked Utilities Director Murphy to consult with the USB when he is formulating the scope of the study. Mr. Murphy said Angie Steeno, with Crowe Horwath, had brought up that very thing.
Board member Roman asked if the IURC had allowed Utilities to pay debt from the bonds. Mr. Murphy said those costs had been covered. Board President Swafford said there had been conversations about doing the cost of services study this year rather than putting it off until January. He said there will be more discussion about that soon.

Mr. Swafford reminded the USB that all board members are welcome to attend the Finance Subcommittee meeting. He said all board members would get the same information the subcommittee members receive.

Utilities Director Murphy said the budget presentation to the City Council will take place on Tuesday, July 24th.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

ADJOURNMENT:

The meeting was adjourned at 5:27 p.m.

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L. Thomas Swafford, President