

UTILITIES SERVICE BOARD MEETING

July 9, 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 Vice President Henke called the regular meeting of the Utilities Service Board to order at 5:18 p.m. The meeting was held in the Utilities Service Board room in the City of Bloomington Utilities Department Administrative building in Bloomington, Indiana.

Board members present: Tim Henke, Jeff Ehman, Julie Roberts, Jason Banach, John Whikehart, Pedro Roman and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Mike Hicks, Vickie Renfro, Jane Fleig, Mike Trexler, Michael Horstman and Tom Staley. Others present: Jeff Baldwin representing the Boys and Girls Club, Rudy Fields representing Riddle Point Rowing Association, Inc., Mark Menefee representing Indiana University, Ben Beard representing Gentry Estates, Margaret Fette representing the Libertarian Party and Sue Mayer.

Board Vice President Henke read a notice that an executive session of the Utilities Service Board was held at 4:30 p.m. on July 9, 2007 in the Utilities Service Board meeting room at 600 E. Miller Drive. The executive session was attended by authorized personnel only to discuss pending litigation in accordance with Indiana Code. Only those issues that are acceptable for executive sessions were discussed.

CLAIMS

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

Claims 0790948 through 0790999 including \$290,260.33 from the Water Operations & Maintenance fund and \$233,871.78 from the Water Construction fund for a total of \$524,141.11 from the Water Utility; Claims 0730576 through 0730607 including \$365,624.91 from the Wastewater Operations & Maintenance fund and \$245,021.46 from the Wastewater Construction fund for a total of \$610,646.37 from the Wastewater Utility; and claim 0770071 through claim 0770072 for a total of \$31,448.79 from the Wastewater/Stormwater Utility. Total claims approved – \$1,166,236.27.

Board member Ehman asked about the claim for Environmental Services which operates and maintains the Illinois Central Spring WTP. He asked about the status and duration of the current contract. How long will they continue to operate for this amount of money? Deputy Director Langley explained that Utilities is no longer a party to the contract but is only administering it. No Utility funds are being contributed toward the operation of the plant. He thinks that the expiration of the existing contract between EPA, the State of Indiana and CBS Corporation is August 31.

Mr. Ehman then asked about a claim for Cryptosporidium analyses. He wanted to know if the same pattern is being seen where they do not produce any toxin. Mr. Langley said this is required by the Clean Water act although he isn't sure if at this point compliance samples are being done or if they are to determine a base level for future tests. The organism that produces the toxin is Raciborskii which is an alga that produces a toxin when it is in decline.

Finally Mr. Ehman asked why 3 Utilities employees are a part of an insurance claim. Utilities Director Murphy explained that the vehicles owned by these three employees had been damaged while they were parked at the Service Center.

Board Vice President Henke pointed out that it was a lot of damage for one mower to have caused. He then asked if the contract with Greeley Hansen was a new one or if it was one that had already been approved. Assistant Director of Engineering Bengtson explained that this item is a part of the Wet Weather Program. The Agreed Order Compliance Plan is one of the final pieces of this contract. Mr. Henke asked when the USB will be able to see the Compliance Plan. Utilities Director Murphy said that he expects to have it available by sometime in September. Mr. Henke said that he thinks that the Finance Committee should look at it sometime when it's in the final phase.

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

Wire transfers and fees for the month of June 2007:

Board member Ehman moved and Board member Roberts seconded the motion to approve the wire transfers and fees for the month of June 2007 in the amount of \$608,948.44.

Motion carried. 6 AYES, 1 member absent, (Swafford).

APPROVAL OF A RESOLUTION PERMITTING THE INITIATION OF CONSTRUCTION AT RIDDLE POINT BY THE BOYS AND GIRLS CLUB:

Attorney Renfrow from the City of Bloomington Legal Department reminded the USB that they had recently signed an agreement with the Boys and Girls Club that would allow them to partner with the Riddle Point Rowing Association to build a boat house at Riddle Point. Anything that happens there would have to be in accordance with the long term lease that was entered into with the Boys and Girls Club in 1996 and has been amended several times since then. One of the provisions of that lease is that before construction of any kind may begin the Boys and Girls Club must get permission from the Utilities Service Board. At this time they are asking for permission to begin construction of the boat house.

Jeff Baldwin, the Executive Director of the Boys and Girls Club said that this partnership is generating a tremendous amount of energy. The boat house will serve more than just the Rowing Association. It will not be built until the fall but in the meantime the Rowing Association would like to determine the foot print of the boat house so they can bring a temporary trailer to that location to store the boats in until the boat house has been built. The boat house will have an upper multi-use room where the Boys and Girls Club will be able to store their canoes. Some trees will have to be removed. For the most part they are smaller saplings but there are a few larger, more mature trees.

Rudy Fields representing the Riddle Point Rowing Association said that they did work around two very nice, old Oak trees and a Shag Bark Hickory. The trees that will be removed are mostly Poplars and Ash with a few Hickories. He said that they would like to clear the pad area and do some leveling so the storage trailer can be brought in.

Board member Banach asked Ms. Renfrow what the term of the existing lease is. She said it lasts until 2046. Mr. Banach asked who will own the improvements. Ms. Renfrow replied that Utilities would.

Board member Ehman asked how the septic system is handling the increased activity. Mr. Baldwin said that they had an Engineer look things over and he said that things are fine for right now. If it becomes necessary to expand a site has been identified that would be good for a mound system.

Vice president Henke said that the USB appreciates the work that the Boys and Girls Club does at Riddle Point and is also conscious of the stewardship responsibilities for the natural assets that they have shown.

Board member Roberts moved and board member Ehman seconded the motion to approve the resolution permitting the initiation of construction at Riddle Point by the Boys and Girls Club. Motion carried, 6 ayes, 1 member absent (Swafford).

APPROVAL OF BEAM, LONGEST AND NEFF SUPPLEMENTAL AGREEMENT NO. 2:

Assistant Director of Engineering Bengtson reminded that USB that in March of 2005 they entered into an agreement with Beam, Longest & Neff to create a relocation plan for Utilities infrastructure in preparation for the widening of State Road 45/46. The plan had been to move the 20 inch water main out of the right of way since it was to be a limited access highway once the improvements have been completed. This plan was estimated to cost about \$9 million. After hearing the price INDOT decided that it would not have to be totally limited access and Utilities should look at leaving some of the pipes in the right of way if that would serve to bring the costs down. That was done under Supplemental Agreement No. 1. It brought the price down to about \$8 million dollars. About that time Indiana University said that they had plans for the creation of a corridor along the east side of 45/46. They suggested that Utilities infrastructure could be relocated in that corridor. This would also allow for more convenient service for IU's future needs. INDOT has asked Utilities to pursue that plan which is why approval is being sought for Supplemental Agreement No. 2 for \$9,825,000. Because it is anticipated that the cost for this project will exceed 10% of the annual water budget INDOT will make hardship fees available to Utilities. That means only 10% of the final cost will be paid by Utilities.

Board member Roberts moved and board member Roman seconded the motion to approve the Beam, Longest and Neff Supplemental Agreement No. 2. Motion carried, 6 ayes, 1 member absent (Swafford).

PRESENTATION OF THE 2008 CITY OF BLOOMINGTON UTILITIES DEPARTMENT BUDGET:

Utilities Director Murphy said that the budget had been presented to the Finance Committee. The Finance Committee recommended 3 to 0 that it be passed by the USB.

Mr. Murphy said that Utilities continues to maintain a 60 day cash reserve for Operation and Maintenance. Beyond that is an available fund balance of \$3.26 million for total cash on hand of \$5.7 million. Projected revenue is expected to increase due to the unusually dry spring. The amount anticipated is approximately \$11.1 million in water. Anticipated wastewater revenue is \$14.2 million and storm water is \$1.4 million. This gives anticipated total revenue of approximately \$26.7 million.

In the Operations and Maintenance budget for water there is an increase of approximately \$352,000 and for wastewater/storm water there is a reduction of \$11,000 for a combined total O & M budget of \$15.082 million.

Extensions and Replacements has \$2.2 million budgeted for water, \$986,000 for wastewater and storm water at \$406,000, for a total of \$3.6 million for Extensions and Replacements.

Mr. Murphy pointed out that the 2006 budget included an amount restricted for on-going capital projects. This is for projects that are in the Extension and Replacement budget. The funds for these projects are "locked away". This includes 2005 and 2006 projects that are being worked on.

The budget maintains a steady spending similar to 2007. No significant new equipment purchases or additional staff has been proposed.

Board member Banach asked how the interest rates are determined on the bonds. Budget Analyst Trexler said that in some cases they are variable and some are fixed as Utilities enters into the agreement but the rate varies over the term of the bond. Mr. Banach commented on the fact that about 30% of the revenue is spent on debt service. He asked if there is a level that should not be exceeded. Mr. Trexler replied that while there is no statutory ceiling the level that Utilities is at is about right. Mr. Banach asked if it has an effect on Utilities bond rating. Mr. Trexler said it would.

Board Vice President Henke said that the USB had asked John Skomp of Crowe Chizek and his recollection is that in comparison to other utilities Bloomington's has more debt but has also made more progress on some big issues such as the Wet Weather Program.

Board member Roberts commented on the fact that the beauty of a public utility is that it does have a balanced budget. There's no profit so the rates stay as low as possible and all the money that is made goes back into improvements and the structure itself.

Board Vice President Henke pointed out that for 2008 there is lots of money budgeted for the Long Range Water Plan. He wanted to know how it can all be spent in one year. He asked if money is being allocated, encumbered and put in the Extensions and Replacements budget. Budget Analyst Trexler agreed that is how it is handled, although it is not technically an encumbrance but it does serve the same purpose. These are the projects that are included in past budgets that have not been fully expended or have not yet begun. That money has been set aside.

Utilities director Murphy said that most of the increases over 2007 can be seen in the payroll. Historically a 3% salary increase for employees has been in the budget. The state has said there will be a .25% increase in PERF. Some inflation increases for supplies have also been included. There is an anticipated 5% increase in liability insurance. When all categories are totaled there is an increase of about 2.5%.

It looks like T & D overspent for materials and supplies but that is because some medium sized projects that could have been capitalized were expensed. Now any project that leads to an asset and is over \$25,000 will be capitalized.

Board member Banach asked what "in lieu of taxes" is. Mr. Murphy explained that Utilities in not assessed for property taxes on their properties so this amount is paid to the city instead of taxes. Mr. Banach then asked about the interdepartmental services. Mr. Trexler said that Utilities makes use of a number of the City's services such as IT and Employee Services. The City bills Utilities for the percentage of services that Utilities uses.

Mr. Banach asked if the miscellaneous expenditures include anything besides the money set aside for the Community Action Program. Mr. Murphy said it can also include things like shipping and mandated drug testing.

Utilities Director Murphy then described the functions of each department. For details please see the 2008 budget.

Board member Ehman asked about the equalization basin for Blucher Poole that is in the budget. Assistant Director of Engineering Bengtson explained that it had been a part of several previous projects but always got scratched. The Director of the plant does consider it to be a very important improvement.

Ex-officio board member Mayer expressed surprise that money was budgeted to replace the Dillman Road equalization basin liner. Mr. Bengtson said it wasn't really enough to replace the liner but they would start setting some aside for that purpose.

Board Vice President Henke said that he is concerned that when funds are being stock piled for a particular project they sometimes get used for another project. He asked that there be accurate record keeping of these funds.

Board member Banach seconded the recommendation of the Finance Committee that the 2008 budget be approved. Motion carried, 6 ayes, 1 member absent (Swafford).

OLD BUSINESS:

No old business was presented.

NEW BUSINESS:

No new business was presented.

SUBCOMMITTEE REPORTS:

There was a Finance Subcommittee meeting to discuss the 2008 budget. Soon meetings will be scheduled for Engineering, Finance and a meeting for Property and Planning has been scheduled for August 6th.

STAFF REPORTS:

There were no staff reports. Vice President Henke thanked Mike Hicks for his work in shepherding the new building to completion. He also asked that the minutes reflect President Swafford's contributions to bringing about the new building.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

ADJOURNMENT:

The meeting was adjourned at 6:50 p.m.

L. Thomas Swafford, President

FOR ENTRY INTO THE MINUTES:

An Executive Session of the Utilities Service Board was held at 4:30 p.m. on Monday, July 9, 2007, in the Utilities Service Board meeting room of the City of Bloomington Utilities Department Administrative Building, 600 E. Miller Drive, Bloomington, Indiana 47401. This Executive Session was attended by authorized personnel only to discuss possible initiation of litigation that is defined under Indiana Code as being acceptable for discussion in Executive Session. Only those issues that are acceptable for Executive Session were discussed. (A sign-up sheet of those in attendance is attached to the minutes.)