

UTILITIES SERVICE BOARD MEETING

February 11, 2013

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 Roberts 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: Julie Roberts, Sam Frank, Pedro Roman, John Whitehart, Jason Banach, and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Tamera Ratliff-Roberts, Tom Axsom, Michael Horstman, Phil Peden, Mike Bengtson, and Mike Hicks. Others present: Angie Steeno and Andrew Perry representing Crowe Horwath, and Sue Mayer.

MINUTES

Board member Roman moved and Board member Sam Frank seconded the motion to approve the minutes of the January 28th meeting with the addition of board member Banach being present at the meeting. Motion carried, 5 ayes, 2 members absent, (Ehman and Swafford).

CLAIMS

Board member Roman 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 January 28th included \$221,327.51 from the Water Utility; \$19,699.00 from the Wastewater Utility; and 0.00 from the Wastewater/Storm water Utility. Total Claims approved, \$240,996.51.

Motion carried, 5 ayes, 2 members absent, (Ehman and Swafford).

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

Vendor invoices submitted to the controller's Office on February 15th included \$187,784.09 from the Water Utility; \$277,802.43 from the Wastewater Utility; and \$502.60 from the Wastewater/Storm water Utility. Total Claims approved, \$466,089.12.

Board member Banach asked about the claim for Terminex. It is for a yearly treatment and he wondered what pest would only receive a yearly treatment. Utilities Director Murphy said it was a treatment at Blucher Poole WWTP but he would have to contact them for more information. Utilities Deputy Director Langley said he thought it might be for termites.

Motion carried, 5 ayes, 2 members absent, (Ehman and Swafford).

Wire transfers and fees for the month of November:

Board member Roman moved and Board member Frank seconded the motion to approve the wire transfers and fees for the month of November in the amount of \$320,532.96.

Motion carried, 5 ayes, 2 members absent, (Swafford and Ehman).

Wire transfers and fees for the month of December:

Board member Roman moved and Board member Ehman seconded the motion to approve the wire transfers and fees for the month of December in the amount of \$358,725.10.

Motion carried, 5 ayes, 2 members absent, (Ehman and Swafford).

APPROVAL OF THE HIGHLAND VILLAGE SEWER REHABILITATION, CHANGE ORDER NO. 1:

Utilities Engineer Peden said this is a good change order because it is a deduct. It is for \$24,130. He said the final completion date was December 14th which was before the completion date of December 31st required by the Agreed Order. The job went smoothly, 18,000 linear feet of eight inch cured-in-place pipe was installed, and 94 manholes were rehabbed.

Board member Roman moved, and board member Frank seconded the motion to approve the Highland Village Sewer Rehabilitation, Change Order No. 1. Motion carried, 5 ayes, 2 members absent, (Ehman and Swafford).

APPROVAL OF REVISED WASTEWATER PRETREATMENT PERMITS FOR CIRCLE PROSCO, COOK PHARMICA, COOK POLYMER TECHNOLOGY, GENERAL ELECTRIC, AND ALL SOURCE PACKAGING:

Pretreatment Coordinator Ratliff-Roberts said these permits are just like the ones updated at the last meeting. These updates are to come into compliance with new rules required by the EPA. The USB passed the changes in the ordinance last December. Two sampling stations for local limits were added for Cook Pharmica. General updates of definitions, and some procedural changes such as contact updates were also made. All their categorical limits are unchanged. Circle Proscos is a non-categorical user, and is significant just for the processes they use. They just had some new limits added. Cook Polymer had one new location for sampling local limits added, and the general changes in definitions and contact information. General Electric had two locations added for sampling local limits, and left the categorical requirement for metal finishing unchanged. They also had the general information for definition and procedural changes. All Source Packaging is a liquid detergent manufacturer. They are sampling for local limits at the same location, which is a lift station.

Board member Roman moved and board member Frank seconded the motion to approve the revised Wastewater Pretreatment Permits for Circle Proscos, Cook Pharmica, Cook Polymer Technology, General Electric, and All Source Packaging. Motion carried, 5 ayes, 2 members absent, (Ehman and Swafford).

APPROVAL OF INDUSTRIAL WASTEWATER PRETREATMENT PERMIT FOR ORGANIZED LIVING:

Ms. Ratliff-Roberts said Organized Living had an expiring permit so they had to apply for a new one. It updates for the sewer ordinance as well. One location was added for sampling for local limits, and the categorical sampling locations and requirements for metal finishing were left the same.

Board member Roman moved and board member Frank seconded the motion to approve the Industrial Wastewater Pretreatment Permit for Organized Living. Motion carried 5 ayes, 2 members absent, (Ehman and Swafford).

OLD BUSINESS:

No old business was presented.

NEW BUSINESS:

No new business was presented.

SUBCOMMITTEE REPORTS:

There were no subcommittee meetings.

STAFF REPORTS:

Utilities Director Murphy reminded the USB that at the last meeting he had mentioned the possibility of refinancing some sewer bonds, for a net of \$1.2 million in savings. He introduced Angie Steeno from Crowe Horwath to give more information and answer questions such as whether the entire cost of refinancing would be covered. Mr. Murphy said, if the USB approves, at the next meeting a resolution would be brought forward, and then the matter would go to the Common Council sometime in April.

Ms. Steeno introduced a new colleague of hers, Andrew Perry, who is a graduate of IU.

She said they have identified four bonds to refund. Three of the bonds were issued in 2000 through the State Revolving Fund, and there was an open market bond issued in 2003. The maturity date for the bonds ranges from 2021 to 2025. The proposed bonds would be about \$20.2 million, and would have the same maturity dates. The interest rates on the old debt range from 2.9% for the bonds from 2000, up to 5% on the bonds issued in 2003. Today rates range from 1.15% to 3.50%. These interest rates will provide significant savings. The percentage of savings on the refinanced bonds will be around 6%. That will provide about \$1.2 million in net present value savings. Of that \$1.2 million, about \$800,000 is annual net present value savings, and about \$400,000 is funding for the debt reserve. One of the benefits to refinancing the bonds is in regard to the debt service reserve. At the end of last year 3 series of bonds were issued for some capital improvements. When that was done the debt service reserve was funded to a certain level. The Utilities have been making monthly transfers of around \$19,000 to the State Revolving Fund. This bond issue can fully fund the combined reserve requirement, so the monthly transfers will no longer be necessary. The bonds include all costs so no out of pocket revenues will be required from Utilities. Everything will be paid out of the bond proceeds.

Board member Banach asked if the rates are fixed for the term of the bonds. Ms. Steeno said they are. Mr. Banach asked for a summary sheet of what she had just told them. He confirmed that all the costs are covered in the bond issues, but wanted to have an estimate of what those costs would be. Ms. Steeno said underwriters are looking at about \$132,000. That is the fee that is paid to the bankers. The other costs of issuance would include the bond counsel who drafts the resolutions, and a financial advisor who would oversee the numbers. Those costs come to around \$120,000 which includes getting the bond rating. All the normal costs for any type of bond issue will be paid out of proceeds. Mr. Banach asked if the total debt is around \$20.2 million. Ms. Steeno said that is the new debt. The old debt that is being retired is around \$20.3 million. The difference is the principal on the old debt plus all the accrued interest, the cost of issuance, and funding the debt service reserve requirement.

Board member Banach asked Utilities Director Murphy if there is an internal staff member who would point out that something like this could be valuable to pursue, or is it typically someone from outside

such as a consultant, or bond counsel. Mr. Murphy said most of what Assistant Director of Finance Horstman focuses on is internal. When the sewer rates were done in December 2011 Ms. Steeno, and the bond counsel Bose McKinny worked with Utilities. They have been keenly aware of Utilities finances and history. They have been watching this and made the suggestion to Utilities' staff that this might be an opportune time for refinancing. They also looked to see if anything could be done on the water side, but there are a number of reasons why that would not be feasible at this time.

Mr. Banach asked if this wasn't something that would usually come to the Finance Subcommittee before it came to the USB. Board member Frank, the Chair of the Finance Subcommittee, said this was strictly a rate thing so it is less complicated. He felt it could be understood in one meeting and that way people wouldn't have to come in twice.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

ADJOURNMENT:

The meeting was adjourned at 5:21 p.m.

Julie Roberts, Vice President