

# UTILITIES SERVICE BOARD MEETING

October 1, 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 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, Jason Banach, Jeff Ehman, Tim Henke, John Whikehart, Pedro Roman and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Jon Callahan, Michael Horstman, Mike Bengtson, Mike Trexler, Tom Staley, Phil Peden, Mike Hicks and Jane Fleig. Others present: Mark Menefee representing Indiana University, Ben Beard representing Gentry Estates and Sue Mayer.

## MINUTES

***Board member Ehman moved and Board member Roberts seconded the motion to approve the minutes of the September 17th meeting with several corrections. Motion carried. 5 Ayes, 2 members absent, (Whikehart and Roman).***

## CLAIMS

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

***Claims 0791437 through 0791505 including \$576,702.80 from the Water Operations & Maintenance fund and \$100.00 for water hydrant meter rental for a total of 576,802.80 from the Water Utility; Claims 0730872 through 0730910 including \$699,241.95 from the Wastewater Operations & Maintenance fund and \$145,569.13 from the Wastewater Sinking fund for a total of \$1,422,121.95 from the Wastewater Utility; and claim 0770110 for a total of \$508.07 from the Wastewater/Stormwater Utility. Total claims approved – \$1,422,121.95.***

Board member Ehman asked about the claim for Snedegar Construction for a welder rig. He wondered if something had happened to Utilities' welder rig or if Utilities typically pays for a welder rig. Utilities Engineer Fleig answered that Utilities does not have their own welder rig so Snedegar was hired to do the welding for a road crossing. Mr. Ehman also asked what the retainage is for in the Irwin Union Bank claim. Capital Projects Manager Hicks explained that this is the portion of the contractor's invoice that is being held in escrow at Irwin Union Bank until the project is completed to the satisfaction of Utilities. In this case the project is satisfactory and complete so the entire amount of the retainage was released. Finally Mr. Ehman asked about the South Central Community Action Program. He asked if it was a part of the administrative support for SCCAP that the USB had previously approved. Assistant Director of Finance Horstman said this claim is for software. It isn't really a part of the administration of this program but is a response the request by Utilities for more accountability which made it necessary for SCAAP to hire their software company to make some changes.

Board member Henke asked to be reminded about the CitiMortgage Inc. contract and terms. Assistant Director of Finance Horstman explained that this contract started in April 2004 and will run through October of 2013. It is for the Dillman Plant energy savings. Utilities makes two annual payments. Mr. Henke asked if it is based on a percentage of the savings. Budget Analyst Trexler explained that the payments are a fixed rate. At the end of the contract Utilities and CitiMortgage will

settle up. The Civil City Legal Department oversees these contracts. Board member Mayer explained that when the Council approved this the company made suggestions and modifications for energy savings. The payment being made is based on the savings. He said that it applies to all City buildings.

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

***Wire transfers and fees for the month of August 2007:***

***Board member Henke moved and Board member Roberts seconded the motion to approve the wire transfers and fees for the month of August 2007 in the amount of \$847,704.86.***

Board member Mayer asked how much longer Utilities will be making payments on the Russel Road contract. Assistant Director of Finance Horstman said that it will be paid back in 2009.

***Motion carried. 7 Ayes.***

#### **APPROVAL OF CONTRACT FOR LEE BALLIET:**

Deputy Director Langley explained that Utilities has had a consulting contract with Lee Balliet for the past 6 or 7 years. He works with the Labor Management Committee providing consulting and educational services and basic general advice. Mr. Balliet is one of the foremost experts in Indiana on Labor Management organizations. Utilities' LMC is close to being one of the oldest existing Labor Management groups in Indiana that has been formed in the last 10 years.

***Board member Roberts moved and board member Ehman seconded the motion to approve the contract with Lee Balliet. Motion carried. 7 ayes.***

#### **OLD BUSINESS:**

Board member Henke said that last week he had asked Mr. Horstman about incremental revenues, fixed costs of water, etc. He is trying to understand the economics of the water system. There has been discussion of fixed costs versus variable costs in the production of water. What might be more helpful would be for Mr. Horstman to report on how much water was budgeted to be sold in 2007. Mr. Henke thinks the prediction is that more water will be sold in 2007 than was budgeted for. He was wondering what the difference is and whether it might continue to incrementally increase. Mr. Henke wants to have an understanding of the impact on the revenue stream of selling more water on a day to day basis and how this might affect future plant expansion. Mr. Horstman said that it would clearly be heavily impacted by the weather. Mr. Henke said that last year the daily average of water that was sold was 13.5 mgd. This year there is a report that predicts about 15 mgd per day. If the amount of the additional water sales for the year were predicted it might be possible to predict the affect on the budget. Mr. Horstman said that he believes that the financial consulting firm Crowe Chizek would have built a growth factor into their analysis. Board member Ehman said that another way to consider this would be to plot a curve on the cost of producing the water versus the revenues from different amounts of water. He thinks that curve would be non-linear. What he is interested in is how the curve might show that the cost of production goes down for the last few million gallons of water. Mr. Horstman said that sales would still have to be predicted which is pretty difficult. Mr. Henke stated that what he wants to do is to project what would happen if more water were sold.

#### **NEW BUSINESS:**

No new business was presented.

## **SUBCOMMITTEE REPORTS:**

There were no subcommittee meetings.

## **STAFF REPORTS:**

Utilities Director Murphy introduced Jon Callahan who is the new Public Affairs Specialist. He said that he believes Mr. Callahan will be a strong asset for the Utilities Department.

Mr. Murphy told the USB that there had been an exit interview with the Mayor and the State Board of Accounts to discuss the audit. There was no qualified opinion. It was a very good report. One thing that was discussed is some water and wastewater accounts that go back to 2001. The State Board of Accounts has recommended that a policy be developed for writing off these accounts. This will make it necessary to have a Finance Subcommittee meeting soon.

Board President Swafford said that he had attended the exit interview and it lasted about 5 minutes. It was very complimentary. The auditors indicated that they were very pleased with Utilities' financial records.

Board member Henke mentioned that in the past the Finance Committee had been invited to the exit interview. He feels it gives the other board members some access to the auditors which is useful. He asked what the plan is for releasing the audit findings. Mr. Murphy said that Utilities needs to respond to the audit before the final document will be received. Mr. Henke felt that the USB should see the findings before a response is made. Mr. Murphy said the auditor's took the preliminary document back with them so it is not available. It isn't an official document yet.

Utilities Director Murphy informed the USB that he and Assistant Director of Engineering Bengtson had met with a firm from Terre Haute about a review of Phase 2 of the Long Range Water Plan. The firm will be submitting a proposal. The first firm they had met with will come back with their outside engineer for another meeting on Wednesday. He hopes that soon he will be able to come to the USB with a recommendation about which firm should be hired to do the review of Phase 2.

Board member Roberts asked if the Finance Committee meeting would include having a representative from Crow Chizek give a report on the financing of the Long Range Water Plan. Mr. Murphy said that it would probably be two different meetings. Board President Swafford said that he would prefer to wait to have the meeting with Crowe Chizek until after the review of Phase 2 had been completed. Ms. Roberts said that if the rest of the USB preferred to wait that is alright with her. All the rest of the USB agreed that they are willing to wait.

Capital Projects Manager Hicks gave an update on the Monroe Water Treatment Plant Improvements Project. Utilities have sent a response to the close out document that Danis (the contractor) had sent.

Notice was received this week that Danis has retained a legal firm to counsel them on this matter. Attorney Renfrow has been in contact with the legal firm to answer some of their questions.

Mr. Hicks also reported that there are still some issues about closing the New Administrative Building Project. The punch list is down to fewer than 5 items. The only significant one is the Heating, Ventilation and Air Conditioning system. This delay in finishing the contract has caused there to be extra costs. The contractor, CDI, has been informed that discussions will have to take place to determine how these costs will be covered. There will be a meeting about this next week.

Additionally, one subcontractor, who Utilities contracted with separately from the general contractor, is filing a claim for \$5,400 because of the delays caused by the general contractor.

Budget Analyst Trexler said that the packet had included the financial statements for August. The net income for August was \$1.14 million and a year to date net income of \$3.5 million.

Mr. Trexler had also passed out a document about construction work in progress. The first 4 pages were the Extensions and Replacements with updated notes from the engineers. He added 2 more pages, one for State Revolving Fund Projects and one for Construction Fund Projects. The Construction Fund is where the bonded interest's proceeds are held. This shows all the current construction projects.

**PETITIONS AND COMMUNICATIONS:**

There were no petitions or communications.

**ADJOURNMENT:**

The meeting was adjourned at 5:32 p.m.

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**L. Thomas Swafford, President**