UTILITIES SERVICE BOARD MEETING
January 26th, 2015

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 Administrative Building in Bloomington, Indiana.

Board members present: Julie Roberts, Jim Sims, Sam Frank, Jason Banach, Jeff Ehman, Tim Mayer, Ex-Officio, Tom Micuda, Ex-Officio. Staff members present: Patrick Murphy, John Langley, Tom Axsom, Phil Peden, Patrick Stoffers, Rachel Atz, Jon Callahan, Nolan Hendon, and Kim Alexander.

Other: Greg Small, Jacquelyn Moore

MINUTES

Board Member Sims moved and Board Member Ehman seconded the motion to approve the minutes of the January 12th meeting. Motion carried, 5 ayes, 1 member absent, (Swafford).

CLAIMS

Board Member Frank moved and Board Member Sims seconded the motion to approve the claims as follows:

Vendor invoices that will be submitted to the Controller's Office on January 21, 2015 included $17,290.30 from the Water Utility; $9,293.93 from the Wastewater Utility; and $0.00 from the Stormwater Utility. Total Claims approved, $26,584.23.

Motion carried, 5 ayes, 1 member absent, (Swafford).

Board Member Frank moved and Board Member Sims seconded the motion to approve the claims as follows:

Vendor invoices (payables) that will be submitted to the Controller's Office on January 21, 2015 included $61,968.01 from the Water Utility; $72,025.98 from the Wastewater Utility; and $6,133.86 from the Stormwater Utility. Total Claims approved, $140,127.85.

Motion carried, 5 ayes, 1 member absent, (Swafford).

Board Member Sims moved and Board Member Ehman seconded the motion to approve the utility bill payments as follows:

Utility bill invoices submitted to the Controller's Office on January 21, 2015 included $22,313.55 from the Water Utility; $14,925.88 from the Wastewater Utility; and $0.00 from the Stormwater Utility. Total Claims approved, $37,239.43.

Motion carried, 5 ayes, 1 member absent, (Swafford).

Board Member Sims moved and Board Member Ehman seconded the motion to approve the ACH payment submitted to the Controller's Office on January 22nd as follows:

ACH payment of $221,731.09 for January 2015.

Motion carried, 5 ayes, 1 member absent, (Swafford).

Wire transfers and fees for the month of December, 2014:

Board Member Sims moved and Board Member Ehman seconded the motion to approve the wire transfers and fees for the month of December in the amount of $439,088.79.

Motion carried, 5 ayes, 1 member absent, (Swafford).

Board Member Sims moved and Board Member Ehman seconded the motion to approve the customer refunds as follows:

Customer refunds submitted to the Controller's Office on January 21st include $273.72 from the Water Utility and $1,219.19 from the Wastewater Utility. Total Claims approved, $1,492.91.

Motion carried, 5 ayes, 1 member absent, (Swafford).

Board Member Sims asked what these refunds were for. Patrick Stoffers, Finance Manager, explained that the first refund was a meter misread of 73 units. The second item was an overpayment. The third refund involved a switch-out of meters where the meters had crossed over, and the last one was an overpayment.

RENEWAL OF CONTRACT FOR CONSULTING SERVICES FOR THE LABOR MANAGEMENT COMMITTEE - JOHN LANGLEY

John Langley, Deputy Director, asked the Board to reconsider this contract which was originally presented to and passed by the Board at the previous meeting on January 12. The contract has been altered to include the specific dates January 1 - December 31, 2015 as suggested by Member Banach and has been reviewed by counsel Greg Small. Mr. Small added a couple of paragraphs to the contract which are standard contract language to include an indemnification clause. Mr. Langley reviewed the terms of the contract which is for consulting services related to the Labor Management Committee. The contract is extended at an hourly rate of $80.00, not to exceed $10,000 annually. The alterations satisfied Member Banach and the other members of the Board.

Board Member Banach moved and Board Member Sims seconded the motion to accept the Contract as it has been rewritten for Consulting Services for the Labor Management Committee.

Motion carried, 5 ayes, 1 member absent, (Swafford).

OLD BUSINESS:

N/A

NEW BUSINESS:

N/A

SUBCOMMITTEE REPORTS:

N/A

STAFF REPORTS:

There were two staff reports. Director Murphy introduced Greg Small from the City's legal department who presented the Board with the information pertinent to an opportunity for refinancing CBU's Sewer Revenue Bonds and Waterworks Revenue Bonds. These bonds were originally procured through the Indiana Bond Bank in 2006. Mr. Small previewed what he will be bringing to the February 9 Board meeting. These two ordinances will be introduced under First Readings at the Council February 4; the second readings will be February 11th, and the final readings February 18th. After the bonds were issued the Indiana Bond Bank purchased those bonds and put them into a portfolio with other qualified entities as they are allowed to do under statute. They now have the opportunity to refund and refinance that portfolio of which our bonds are part of. The sewage works bonds estimated savings, net of all costs, will be $700,000; the net savings on the water bonds should be approximately $480,000. Mr. Small hopes to have this through Council by February 18th with the Board's recommendation. Under this timeline, it is anticipated that the transaction will be closed and the bonds will be placed by the end of February. The general baseline for refunding bonds is about a 5% savings, net present value. Mr. Small has been told that this is about a 10% savings due to excellent interest rates in the current economic environment.

One condition for the City participating in this refunding program and using this credit is an agreement to restrict its ability to call or, in essence, pay-off and redeem, the bonds earlier than the maturity date (which will remain January 1, 2027). With this program, the City would defer its rights to call these bonds for ten years - from January 1, 2016 to January 1, 2015); we are basically forfeiting our call rights for ten years to recognize these savings. Board Member Ehman asked if there were any downsides to this refinancing program. Mr. Small indicated that he isn't aware of any. Board Member Banach asked Director Murphy if it would be possible to see a projection of savings on an annual basis to understand what these savings will mean to the bottom line. Director Murphy indicated that this could be done.

Mr. Small also explained to the Board the three different ways that the savings can be realized: 1) "up front" in order to use the money as soon as possible; 2) over all of the debt service payments in order to level those payments; or 3) at the end of the payments in order to shorten the maturity date. We will work with Assistant Director of Finance Feferman and the Controller's office to determine which will be the best use of those funds for CBU. Board Member Banach voiced concern regarding the method that will be most beneficial to the ratepayers. Mr. Small's understanding is that at this time the "up front" method will be the most beneficial because you lower the principal amount, which lowers the interest payments through the course of the bond. Director Murphy stated that we can always consult with Angie Steeno at Crowe Horvath about the matter as well.

John Langley, Deputy Director, presented the second staff report. He began my noting that the Property & Planning Subcommittee Meeting previously scheduled for 4:30 p.m. prior to this regular Board meeting had been cancelled. He would like to reschedule the meeting for February 9 at 4:30 p.m. The petitioner had informed Mr. Langley about a week and a half ago that they had determined that regarding the Boltinghouse property, they had discovered an additional area that encroached on City of Bloomington property. Mr. Langley researched the issue and the attorney, and decided they would like to refine the evidence they are going to present it to the Board in support of their request for an additional encroachment concerning the septic system on this property. Mr. Langley would also like some additional time to do more research on their request. He apologized for inconveniencing the Property Subcommittee, but he thought it was important to honor their request.

Board Member Sims asked what the process is in discovering these additional encroachments. He reminded everyone that when it was first discussed one of the concerns was setting a precedent for the future and this is starting to happen. How many more of these might we see? Mr. Langley did have an exact number, only that there are many more. He reminded the Board about the history of Lake Lemon which was developed in the 40s and 50s, owned by the City as the water supply in 1952. When Monroe Reservoir was built it took a back seat to that. Mr. Langley has been talking with Board Member Ehman about getting some GIS work done to identify the properties where there may possibly be encroachments right now; establishing that database will be helpful going forward. He also mentioned that CBU is potentially going to be in litigation with a property owner who trespassed on City of Bloomington property and cut down trees. He will be giving the Board more information on that as the case progresses.

A couple of years ago the County proposed an environmental overlay zoning for properties around the lake. We need to determine exactly which of the City of Bloomington owned properties would be affected by that proposed overlay. Board Member Banach followed up on Board Member Sims' concern about precedents. He made a general comment about septic tanks saying that if we have other septic tanks on our property, this constitutes a whole "can of worms" to discuss. Mr. Langley indicated that the two attorneys present today are probably the best authorities in the room on the subject. To clarify, Mr. Langley said he is still in the process of determining exactly what the encroachment is. He was told today that it involves a pumping system; last week Brown County told him that the absorption system is actually on the Boltinghouse property in the front. The pumping system is located "downstream" and "downhill." The whole thing is not on our property, but some of it is.

PETITIONS AND COMMUNICATIONS:

N/A

ADJOURNMENT:

The meeting was adjourned at 5:19 p.m.

Julie Roberts, Vice President