

UTILITIES SERVICE BOARD MEETING

June 15, 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 President Swafford 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: Tom Swafford, Jeff Ehman, Sam Frank, Jim Sims, Amanda Burnham, Julie Roberts, Jason Banach, and Tim Mayer, Ex-officio. Staff members present: Patrick Murphy, Jeff Underwood, Efrat Feferman, Kim Alexander, Greg Small, Jane Fleig, Mike Hicks, Mike Bengston, John Langley, Phil Peden, Nolan Hendon, Jon Callahan, Tom Axsom, and Rachel Atz.

Other: Keith Bryant, Dave Hayward, Adrian Reid, Sandra Flum.

MINUTES

Vice President Roberts moved and Board Member Ehman seconded the motion to approve the minutes of the June 15 meeting. Motion carried, 7 ayes, no members absent.

CLAIMS

Vice President 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 10 included \$486,373.97 from the Water Utility; \$740,221.21 from the Wastewater Utility; and \$30,140.25 from the Stormwater Utility. Total Claims approved, \$1,256,735.43.

Motion carried, 7 ayes, no members absent.

Vice President Roberts moved and Board Member Ehman seconded the motion to approve the ACH payments as follows:

Vendor invoices that will be submitted to the Controller's Office on June 11 included \$221,731.09 from the Water Utility; \$0.00 from the Wastewater Utility; and \$0.00 from the Stormwater Utility. Total Claims approved, \$221,731.09.

Motion carried, 7 ayes, no members absent.

Vice President Roberts moved and Board Member Ehman seconded the motion to approve the utility claims as follows:

Utility invoices submitted to the Controller's Office on June 04 included \$86,776.83 from the Water Utility; \$73,829.12 from the Wastewater Utility; and \$0.00 from the Stormwater Utility. Total Claims approved, \$160,605.95.

Motion carried, 7 ayes, no members absent.

Wire transfers and fees for the month of May:

Vice President Roberts moved and Board Member Ehman seconded the motion to approve the wire transfers and fees for the month of May in the amount of \$415,105.83.

Motion carried, 7 ayes, no members absent.

Vice President Roberts moved and Board Member Ehman seconded the motion to approve the customer refunds as follows:

Customer refunds submitted to the Controller's Office on June 10 included \$0.00 from the Water Utility; \$512.39 from the Wastewater Utility; and \$0.00 from the Stormwater Utility. Total Claims approved, \$512.39.

Motion carried, 7 ayes, no members absent.

APPROVAL OF 2015 INTERDEPARTMENTAL AGREEMENT WITH THE CITY OF BLOOMINGTON

Vice President Roberts moved and Board Member Ehman seconded the motion to approve the 2015 Interdepartmental Agreement as follows:

Motion carried, 7 ayes, no members absent.

Efrat Feferman, Assistant Director of Finance, and Jeff Underwood, City Controller, presented the 2015 Interdepartmental Agreement. This is our agreement with the Civil City for shared services as well as payment in lieu of taxes (PILOT). Ms. Feferman presented Exhibit A which showed the trends for the past five years. She thanked Mr. Underwood for his work on the Agreement. Ms. Feferman noted highlights and changes of the Agreement. The portion "in lieu of taxes" is authorized by state statute for municipal utilities to pay the Civil City for the taxes they would receive if CBU were a private utility. It is based on fixed assets within the city, within the corporate limits; CBU has many fixed assets outside of the city. The plants are all outside the city; however, there is a significant amount of infrastructure within. As infrastructure is put on the books, it is reflected in these rates. In 2015 about \$3.5 million was added to fixed assets on the water side within city limits, most notably the dam improvements at Lake Griffy and the completion of the southeast water system section improvements project. As a result, the increase on the water portion is about 16.5%; the wastewater portion has increased minimally.

Ms. Feferman reported that the fleet payment is up slightly which bucks the trends of years past. This year's payment appears to reflect the positive effect of our vehicle replacement program in the last year or two. The controller's office has said that for 2016 there is an anticipated decrease of over 9% on that payment. The health insurance trust payment is based on a per capita rate per employee and this year it was \$12,480 per person for health insurance plus \$233 per person for other services (flexible spending administration, basic life insurance and long term disability).

The General Services portion reflects CBU's usage of these city departments, and in theory services that would have to be procured or staffed were if not using the city departments. The major change in this category is the level of allocation assigned for ITS services. Initially it was allocated at 25%, which reflected usage of transitioning to a new financial management system in 2011-12. This allocation has been changed to 22% to reflect a lower level of usage since that time (which translates to \$46,000 less than what was paid previously). Ms. Feferman also noted that the General Services

amounts are based on budgeted amounts for city departments which are typically equal to the actual amounts. Given there were staff vacancies in the ITS department, Jeff Underwood, City Controller suggested analyzing the past five years for budgeted versus actual numbers. She noted that the spreadsheet was emailed to Board members, and thanked Board Member Frank for bringing to her attention an error. Due to this correction, CBU will be receiving a credit of \$437,720 from the city, which will be an average of \$87,544 over five years.

Mr. Underwood explained to the Board that the controller's office is in the process of reviewing all processes and agreements since he came back to the office. What he is proposing is to give CBU an annual credit for the next five years in the amount of \$87,544. In addition, he will have a look back every year. In preparation for the 2016 agreement, he will do the same calculation. Should a credit be necessary, it will be added to the \$87,544 as an offset against the payment.

This fall the controller's office will do another time study on the other departments, and will make any adjustments that might be necessary based upon that for 2016 and going forward. Every three to four years the controller's office analyzes the percentages, and will refresh those numbers. If there are any major changes in that interim time period, then obviously those will be reviewed.

APPROVAL OF GEA BLOOMINGTON PRODUCTION OPERATIONS, LLC PRETREATMENT PERMIT

Vice President Roberts moved and Board Member Banach seconded the motion to continue the approval of the permit to the next meeting.

Motion carried, 7 ayes, no members absent.

John Langley, Deputy Director, presented the Pretreatment Permit for GEA Bloomington Production Operations, LLC. He requested approval for the name change only on the General Electric pretreatment permit from General Electric Company to GEA Bloomington Production Operations, LLC. This is being done at the request of the legal department at General Electric. There are no other changes to the permit. The expiration date of the permit remains the same (January 17, 2016).

Board Member Banach asked why GE wanted to make this change. Mr. Langley was unsure of the exact reason. Mr. Banach was concerned that we will not have recourse to the assets of the new entity if the permit is violated. He asked Mr. Langley if this name change is innocuous, and if he was comfortable with it. Mr. Langley responded that he was, because the company on record is, by accepting this permit, responsible. Board Member Banach wished to express his hesitation on record. He is hesitant because if GEA has no assets, then we have no recourse. Mr. Banach asked if city legal had reviewed the permit. Mr. Langley answered that they had not. He offered to pull the 10-Q in order to review the assets. Mr. Banach stated that if staff is comfortable with it, then he is satisfied. Mr. Langley asked what he would like in the way of providing assurance that the new entity would be financially viable. Vice President Roberts asked if we had had instances like this one previously. Mr. Langley could not recall a similar instance. She asked if there would be a problem with postponing the vote on this until legal can review it for the risk. Mr. Langley stated that if the Board was not comfortable, legal will review it. Board Member Sims asked if the entire company changed its name, or only the Bloomington operations. Mr. Langley stated that we refer to them as General Electric Company in all the permits he has ever worked on for GE. The operation from the outside looks exactly the same as it did 3-4 years ago. Vice President Roberts stated that her concern is that it has been in the news that General Electric is divesting itself of everything that is not their core mission, and if this plant is one of those units they are getting rid of, that could cause a problem. Mr. Langley stated that the news he had read about them indicated they were working on a deal with Electrolux Corporation, but this permit is not transferable to any other entity. He directed the group to Page 1 of

the permit whereby it states "This permit cannot be transferred to any other owner, tenant, successor or assign." The Board voted to continue this item to the next meeting on June 29 after a review by the city's legal department. The Board did not approve the permit.

APPROVAL OF ISOLUX CORSAN, LLC UTILITY REIMBURSEMENT AGREEMENT FOR I-69 SECTION 5, PHASE 1

Vice President Roberts moved and Board Member Ehman seconded the motion to approve the ISOLUX CORSAN, LLC Utility Reimbursement Agreement for I-69 Section 5, Phase 1 as follows:

Motion carried, 7 ayes, no members absent.

Jane Fleig, Utilities Engineer, requested approval for an Agreement with ISOLUX CORSAN, LLC, the development team doing the I-69 project, Section 5. Mike Bengston came before the May 4th Board meeting and gave an explanation of what to expect regarding these agreements. This Agreement is actually a reimbursement agreement; i.e., the company is to reimburse CBU for the utilities relocation work. Because this is an interstate project, and State Road 37 is being converted to an interstate, CBU is allowed to be reimbursed for expenses associated with that. This Agreement is only for the first phase of the reimbursement which includes the Fullerton Pike intersection with State Road 37 and the Tapp Road intersection. As part of this Agreement, ISOLUX has developed relocation plans which CBU's engineering department has been reviewing. Ms. Fleig stated that they have gone through six iterations of review comments. The engineering department has not issued a final acceptance of the plans. There are two minor issues outstanding that should not affect the Board's vote. She noted that the final plans are attached to the Board packet, although they are difficult to read. Ms. Fleig noted that in addition to engineering's review, the firm of GRW has also reviewed the plans. The Agreement has been reviewed and approved by Greg Small in the city legal department. She also indicated that Dave Hayward, GRW utility coordinator; Adrian Reid with Aztec who is doing the design work; and Sandra Flum with INDOT were present.

Board Member Ehman asked about the \$75,000 reimbursement figure and what that includes. Ms. Fleig responded that CBU engineering has been keeping track of all of their time by person and by activity. For the sake of simplicity, city attorneys negotiated with ISOLUX to determine an hourly rate of \$46.25 that is being used in the Agreement. The \$75,000 is an estimate, and she believes this is more than what the final amount will be. Board Member Ehman asked how this work will affect the department's workload. Ms. Fleig noted that they are relying on GRW to assist, but they want to be involved with this project due to the large scope. It is taking a large portion of Ms. Fleig's time. The rate of \$46.25 includes fringe benefits. Ms. Fleig stated that she will come forward at a future date with agreements for additional locations.

REQUEST FOR APPROVAL TO AWARD CONSTRUCTION CONTRACT FOR THE DILLMAN ROAD WWTP EQUALIZATION BASIN REHABILITATION PROJECT

Vice President Roberts moved and Board Member Ehman seconded the motion to award the construction contract for the Dillman Road WWTP Equalization Basin Rehabilitation project to Mitchell & Stark Construction Co. as follows:

Motion carried, 7 ayes, no members absent.

Mike Hicks, Capital Projects Manager, requested approval to award the construction contract for the Dillman Road WWTP Equalization Basin Rehabilitation project to Mitchell & Stark. He noted that at the last meeting a bid was opened for this project, and now he would like approval to award that

contract. Keith Bryant of United Consulting prepared a memo of recommendation which was included in the Board's packet. Mr. Bryant addressed the Board regarding the process for reviewing the bid from Mitchell & Stark Construction Co., Inc. He commented on the fact that one bid is undesirable, and recapped the process United went through to generate bids. Mr. Bryant also talked about possible options in light of the fact there was only one bid. He was not optimistic about re-bidding. Since the last meeting, United has also reviewed the project with Mitchell & Stark, and Mr. Bryant believes the company has a clear understanding of the project scope and requirements. They have also reviewed their experience and stated that Mitchell & Stark is a well-known contractor that does wastewater plant work in the state with fifty plus years of experience in the field. References were checked.

Board Member Burnham asked if staff was comfortable with the recommendation of the base bid. Mr. Hicks replied yes.

Board Member Ehman asked if United has had any direct experience working with this company. Mr. Bryant replied that they have, and that they are a very good contractor. They have a very good reputation, and United's personal experience with them has been excellent. Mr. Ehman also asked about the concrete on the south face. Mr. Bryant recommended not doing that because of the high cost; it would have to last 100 years to justify the price. He didn't think it made any financial sense. Director Murphy added that we do not have the funds in any case. President Swafford asked if the time frame for the completion was in the contract, and Mr. Hicks and Mr. Bryant responded that it was.

Board Member Banach wanted confirmation from staff that doing this now versus next spring was absolutely essential. Mr. Hicks said that it was his opinion that it would not be prudent to wait until next spring. A failure would be an environmental matter which CBU cannot risk.

OLD BUSINESS:

N/A

NEW BUSINESS:

N/A

SUBCOMMITTEE REPORTS:

Board Member Frank, president of the Finance Subcommittee, reported on the meeting that was held at 4:30 pm prior to the regular meeting. The committee discussed and reviewed the 2015 Interdepartmental Agreement, and recommended that it be approved by the whole Board. He thanked Mr. Underwood again for taking a look at the actual numbers and making the adjustments that were advantageous to CBU.

STAFF REPORTS:

Director Murphy reported that Ms. Feferman is working on the budget and will probably have it finished by June 19. The Crowe Horwath rate study is nearly finished. He noted that the test year has been moved from January 1, 2014 – December 31, 2014 to April 14, 2014 - March 31, 2015. He has asked Crowe to do additional work beyond what they are contractually obligated to do (\$8,000). Mr. Murphy has that amendment and he thinks it is reasonable. It has been reviewed by Greg Small, and he will bring it forward at the next meeting. The Water Modeling Contract in partnership with Indiana

University will be presented to the Board in the near future. Bids have also been solicited for a water quality project specifically addressing the issue of disinfectant by-products. Mr. Murphy also mentioned the Weimar Dam which he and Phil Peden have discussed with Parks and Recreation. An RFP is being created. He learned that if hypothetically the dam is breached, one may find a plethora of invasive species. This issue is being discussed.

PETITIONS AND COMMUNICATIONS:

N/A

ADJOURNMENT:

The meeting was adjourned at 5:56 p.m.

L. Thomas Swafford, President