

## UTILITIES SERVICE BOARD MEETING

February 22, 2016

*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 Frank 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: Sam Frank, Jeff Ehman, Amanda Burnham, Jim Sherman, and Tim Mayer, Ex-Officio. Staff members present: Efrat Feferman, John Langley, Tom Axsom, Nolan Hendon, Kim Alexander, Chris Wheeler, Jon Callahan, Phil Peden, Jane Fleig, Missy Waldon, Rachel Atz.

Other: Chris Downs, John Skomp

### MINUTES

*Board Member Ehman moved and Board Member Burnham seconded the motion to approve the minutes of the February 8<sup>th</sup> meeting. Motion carried, 4 ayes, 3 members absent, (Roberts, Banach, Sims).*

### CLAIMS

*Board Member Ehman moved and Board Member Burnham seconded the motion to approve the claims as follows:*

*Vendor invoices submitted to the Controller's Office on February 17 included \$78,253.78 from the Water Utility; \$110,310.34 from the Wastewater Utility; and \$4,905.45 from the Stormwater Utility. Total Claims approved, \$193,469.57.*

*Motion carried, 4 ayes, 3 members absent, (Roberts, Banach, Sims).*

*Board Member Ehman moved and Board Member Burnham seconded the motion to approve the ACH payment as follows:*

*Vendor invoices that will be submitted to the Controller's Office on February 16th included \$200,720.81 from the Water Utility; \$0.00 from the Wastewater Utility; and \$0.00 from the Stormwater Utility. Total Claims approved, \$200,720.81.*

*Motion carried, 4 ayes, 3 members absent, (Roberts, Banach, Sims).*

*Board Member Ehman moved and Board Member Burnham seconded the motion to approve the utility claims as follows:*

*Utility invoices submitted to the Controller's Office on February 10 included \$90,946.73 from the Water Utility; \$73,791.57 from the Wastewater Utility; and \$0.00 from the Stormwater Utility. Total Claims approved, \$164,738.30.*

*Motion carried, 4 ayes, 3 members absent, (Roberts, Banach, Sims).*

**Wire transfers and fees for the month of February:**

**Board Member Ehman moved and Board Member Burnham seconded the motion to approve the wire transfers and fees for the month of February in the amount of \$316,671.40.**

**Motion carried, 4 ayes, 3 members absent, (Roberts, Banach, Sims).**

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

**Customer refunds submitted to the Controller's Office on February 16 included \$0.00 from the Water Utility; \$71.02 from the Wastewater Utility; and \$0.00 from the Stormwater Utility. Total Claims approved, \$71.02.**

**Motion carried, 4 ayes, 3 members absent, (Roberts, Banach, Sims).**

**REQUEST FOR APPROVAL OF MASTER SERVICES AGREEMENT AND WATER AND WASTEWATER RATE AND FINANCING ANALYSIS WITH CROWE HORWATH LLP**

**Board Member Ehman moved and Board Member Burnham seconded the motion to approve the Master Services Agreement and Water and Wastewater Rate and Financing Analysis as follows:**

**Motion carried, 4 ayes, 3 members absent, (Roberts, Banach, Sims).**

Efrat Feferman, Assistant Director of Finance, introduced John Skomp of Crowe Horwath. She stated that the Master Services Agreement is an update of what was referred to in the past as the General Services Agreement. The agreement is maintained with Crowe Horwath as the financial consultant for CBU. It is a four year agreement. The two scopes of work for sewer and water rate analyses mirror each other, and the process would proceed simultaneously.

Mr. Skomp described the process for the rate cases for water and sewer. The first step would be to do the field work by examining financial statements and determine future revenue requirements. Once the pro forma requirements are ascertained, they are compared to the current revenues for the purpose of determining what the rate increase should be going forward. Any type of adjustment would be done on an across-the-board manner, meaning that each customer category would pay the same percentage rate increase.

After these financial needs are assessed, the reports will be delivered to the Board with recommendations on rate adjustments and possible debt financing on capital projects. Capital projects can be financed two ways: pay-as-you-go or debt financing. Once these recommendations are made to the Board, the Board would decide on whether to move forward or not. If so, the Board would pass a resolution, with all adjustments needing to go before the Common Council to make the final determination. The sewer utility is controlled by the City, with no state control regarding rates (except for operational input from the Indiana Department of Environmental Management). The sewer would require a public hearing and passing by the council, and the rate could be implemented fairly quickly.

The water, on the other hand, does have jurisdiction attached from the Indiana Utilities Regulatory Commission (IURC). The Office of Utility Consumer Council also reviews the water rate proposal.

This has a 300 day timeline (10 months) from filing. Any water rate adjustment would be over one year from today to go into effect.

Board Member Sherman asked about implementing a ladder increase based upon the fact that the process takes so long. Mr. Skomp replied that it would be more practical to do that on the sewer side rather than the water side because of regulations. He cautioned that the courts have held that a utility really needs to pass the rate schedule for three years for it to be acceptable. However, if it is tied to the Consumer Price Index or is a percentage increase, then each year it is necessary to develop a schedule and pass it by ordinance annually. It is difficult to forecast the future, and the case becomes more likely to be rejected with the outcome of starting over again. He also noted that it would not be practical on the water side due to possible changing regulations.

Mr. Sherman also asked about including conservation measures in the rate case and how that would affect the calculations (i.e., less water used equates to higher rates). Mr. Skomp replied that that would not be taken into account with the type of analysis being done here. This is an across-the-board rate increase and while that may have immediate conservation, Crowe's experience is that volume usually bumps back up. There was a discussion of conservation. Mr. Skomp stated that CBU does have volume based pricing currently, and it is flat; i.e., CBU charges the same for each gallon of usage. He noted that most utilities in the state of Indiana charge less if you use more (cost based rates). Conservation rates are policy based. The more you use, the more you are going to pay. Mr. Skomp noted that rates must be very punitive to have any effect.

Board Member Ehman asked Mr. Skomp to review the history of Crowe's analyses of CBU regarding cost of service analysis. Mr. Skomp noted the irrigation case which resulted in a lawsuit that lasted for about two years. He did not advise doing a cost of service analysis simultaneously with a rate increase. Mr. Ehman suggested a plan going forward that would increase rates more frequently rather than in one big chunk every four years, and combine that with a cost-of-service study. He is very interested in seeing a cost of service study being done. Mr. Ehman asked how often a cost of service study is done for sewer. Mr. Skomp replied it is not done as frequently.

Ms. Feferman noted in closing that she has asked Mr. Skomp to review miscellaneous and credit card fees for possible adjustment. She also noted that she will be coordinating a working group for input on the rate cases.

Board Member Sherman asked about credit card fees and Ms. Feferman explained that we will be trying to recover those costs for customers paying by credit card.

Board Member Mayer thanked the Board for going forward with this agreement. He reminded the Board that upgrading and/or replacement of the storm sewer should be addressed in the future.

**OLD BUSINESS:**

N/A

**NEW BUSINESS:**

N/A

**SUBCOMMITTEE REPORTS:**

N/A

**STAFF REPORTS:**

Rachel Atz, Water Quality Coordinator, presented details of the Lead and Copper Program.

Interim Director John Langley reported that the Indiana Department of Environmental Management (IDEM) did not grant approval to move the chlorination point downstream, and is requesting additional data. He anticipates updating the Board again around April 1. Board Member Ehman asked if the goal is to get a different process in place before the months in which we get the elevated DBPs and what the options are. Mr. Langley replied that either IDEM will approve once they receive the additional data or not; if not a decision will be made at that point in time. Mr. Ehman asked how long the process takes if IDEM approves. Mr. Langley responded that is a fairly short timeframe. He estimated less than 30 days.

Mr. Langley also reported on the inadvertent minor chlorine discharge at the Dillman treatment plant that occurred Wednesday, February 17.

The final item Mr. Langley presented was on CBU's Pretreatment Program. A pretreatment program is required by the Federal Clean Water Act and is intended to protect treatment plant systems. CBU has a federally approved pretreatment program, and as part of that he will be back to the Board later this year when the EPA approves CBU's ordinance changes which were required two years ago by the last NDPES permit. Mr. Langley also announced that Tamara Roberts, Pretreatment Coordinator, will be leaving CBU for a job in Indianapolis as a safety and health specialist. Her last day will be Friday, February 26.

President Frank thanked the CBU staff for attending the USB meetings. He commended the staff for their dedication and noted that it adds value for the Board and for the public. Mr. Frank also thanked Tamara Roberts for her service to the city.

**PETITIONS AND COMMUNICATIONS:**

N/A

**ADJOURNMENT:**

The meeting was adjourned at 6:01 p.m.

---

**Samuel K. Frank, President**