

UTILITIES SERVICE BOARD MEETING

December 22, 2009

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 Department Administrative Building in Bloomington, Indiana.

Board members present: Tom Swafford, Sam Frank, Pedro Roman, Jeff Ehman, Jason Banach and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, John Langley, Michael Horstman, Missy Walden, Jane Fleig, Mike Bengtson, Vickie Renfrow and Mike Hicks. Others present: Dennis Otten representing Bose, McKinney & Evans and Sue Mayer.

MINUTES

Board member Ehman moved and Board member Roman seconded the motion to approve the minutes of the December 8th meeting. Motion carried, 5 ayes, 2 members absent, (Roberts and Whikehart).

CLAIMS

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

Claims 0991596 through 0991674 including \$172,256.80 from the Water Operations & Maintenance fund, \$315.00 from the Water Sinking fund and \$100.00 for water hydrant meter rental for a total of \$172,256.80 from the Water Utility; Claims 0930934 through 0930993 including \$152,791.49 from the Wastewater Operations & Maintenance fund for a total of \$151,791.49 from the Wastewater Utility; and claims 0970098 through 0970103 for a total of \$146,593.40 from the Wastewater/Storm Water Utility and \$3,500.00 from the Wastewater/Storm Water Construction fund for a total of \$150,093.40 from the Wastewater/Storm Water Utility. Total claims approved – \$475,556.69.

Board member Ehman asked about the claim for Symbiont which is for the development of local limits. Utilities Deputy Director Langley said the new NPDES permit for the Dillman Road WWTP requires Utilities to re-evaluate the Utilities' ability to determine what capacity there is for treatment of certain substances and to what extent they can be removed. At Dillman road the removal of heavy metals is at the 98 to 99% level. This study looks at who the pre-treatment dischargers are and whether or not Utilities has the ability to remove the substances from the water. This is prescribed by the EPA. There will be a second claim in about two weeks for approximately \$45,000. Symbiont will have the first draft of the report available shortly after the first of the year.

Motion carried, 5 ayes, 2 members absent, (Roberts and Whikehart).

At this time Board President Swafford said he would like to move the sub-committee report up to this place in the agenda because item two and six relate to the subcommittee meeting. He asked Board Member Frank, who is the Chair of the Finance Subcommittee, to give a report on the meeting of the Finance Subcommittee.

SUBCOMMITTEE MEETINGS:

Board member Frank said the first of the two items on the sub-committee agenda was the consideration of documents to authorize the re-funding of the 1999 sewage works bonds. Controller Trexler had attended the meeting to explain how the City looks at re-financing bonds and Attorney Renfrow explained the legal process. The Finance Subcommittee recommended approval.

This will not create any cash out or extend the term of the bond it just continues the terms of the existing bond at lower interest rates. It is similar to re-financing a mortgage with a lower rate. This will save the City about \$340,000 at a rate of about \$20,000 a year which is a saving of 5.2% over the term of the bonds.

The second item was the consideration of the renewal of the CAP Water/Wastewater Assistance program. This is a program that has been successful so CAP would like to continue it for another year. The program assists eligible low income households with payments for their Utility bills. The South Central Community Action program administers the program. When someone requests assistance they determine whether they are eligible. This was also recommended for approval.

RESOLUTION FOR RECOMMENDATION TO THE COMMON COUNCIL FOR REFUNDING OF THE SEWAGE WORKS REVENUE BONDS OF 1999:

City Controller Trexler said this is a bond refinancing designed to help save a little money in the wastewater utility. The total saving is around \$330,000 to \$340,000 which is about \$28,000 in annual savings. The City has been doing this with several bonds over the last year due to the favorable market conditions. Four bonds were re-financed earlier this year for the Civil City and the Parks District for savings of about \$2.4 million. Another bond for Parks will be re-financed at the same time the wastewater one is. The current savings in relation to the principal is about 5% of the total remaining principal amount. The Controller's Office recommends approval of this.

City Attorney Renfrow said these were revenue bonds that had originally been sold in 1999 and the original issuance was \$8.2 million with a 30 year term. The money was mostly used for big storm water projects such as "the big dig", the Second and Washington St. project and others as well as improvements to Dillman Road and Blucher Poole WWTPs and collection system rehabilitation. The bonds will be refunded, then the proceeds will be used to pay off the existing bonds. The rate is lower on the bonds being sold so money is saved. The bonds are not cashed out so there is no new money. The cost of issuance is covered since the savings realized take into consideration that cost so it is a net savings and is reduced to present value. The money will be saved over the next 20 years.

Ms. Renfrow said there is a long exhibit along with the resolution which is the bond ordinance the Common Council will consider on January 6th & 20th. The bond ordinance authorizes not-to-exceed \$7 million in bonds. That is just an upper limit. What is actually sold will be enough to pay off the old bonds and cover the cost of issuance. There are a lot of things that influence the timing of actions such as these. It is necessary to stay under the \$30 million dollar limit of issuance for 2009. There were 4 re-fundings last spring. Waiting until 2010 allows the bonds to be sold as bank qualified bonds which lowers the interest rate a little bit. Since that time the rate on longer term debt, which is what this is much more about, have dropped. Even if there wasn't the ceiling issue this last spring it is much better time for going forward with these bonds since the rates will be better.

Ms. Renfrow continued to explain that after the USB makes their recommendation this will go to the Common Council and the final vote will be on January 20th. That only puts things in a position where they are ready to do a refund if the conditions warrant. It doesn't commit that it happen immediately.

The financial advisor, underwriter and bond council and the City's financial people will determine if and when the refunding will actually happen depending on the conditions of the market.

Ms. Renfrow introduced Bond Councilor Dennis Otten from Bose, McKinney & Evans.

Board member Banach asked if the deal could be summarized as a 20 year term at a fixed rate. Ms. Renfrow said that with bonds there is not just one loan with one rate. A bond is like a thousand dollars so it's as if thousands of thousand dollar loans are being made and they each have their individual rate. A weighted average of what the average rate might be can be arrived at if they are all put together. Ms. Renfrow asked Mr. Otten to compare what the rates would be if the bonds weren't refinanced or refunded or if they are.

Mr. Otten said Ms. Renfrow is right; when this bond issue is done it is no different than any other bond issues the City has done for its sewage works. They are fixed rate bonds. Each year's maturity amount will have a different interest rate that will escalate depending on the bonds price out. In the current schedule from the underwriter, Hilliard Lyons, their estimate is, for example, a 2011 maturity which would have a coupon rate of 1.3%. Going to final maturity in 2029 they expect a 4.7% rate. The longer the debt interest is outstanding the higher the interest rate is going to be. A comparison to the current debt rates which are 4.75% for 2011, going to 5.2% for 2029.

Board member Banach asked if there is a pre-payment penalty for retiring the first bond. Mr. Otten said there will be a 1% call premium. That is in addition to the longer rates that will be incurred. If the City had considered this refunding last year the call premium would have been 2%. By putting it off until now it will save the City an extra \$64,000. Mr. Banach asked if the \$300,000 in savings that will be realized over a period of time also considers this. Mr. Otten said it does. The savings is the net after all costs including the premium and the underwriting fees.

Board member Roman seconded the recommendation from the Finance Committee. Motion carried, 6 ayes, 1 member absent, (Roberts).

REQUEST FOR APPROVAL OF THE CONTRACT FOR WATER MAIN INSTALLATION CREDIT, STELLA RIDGE, PHASES I, II, III, IV:

Assistant Director of Engineering Bengtson said Section 18 of the Rules of Service allows for payment of water main installation credits. Section 18 allows for an initial contract for a portion of the development to be given installation credits then they can follow up at a later date as the lots are occupied to recover the last 40%. In this case there was an initial contract for Stella Ridge which is off S. Smith Rd. Mr. Bengtson pointed out the location on a map. He said this is a contract to recover that last 40%. There are stipulations in the Rule that state Utilities cannot give a refund that exceeds the value of the infrastructure. In this case that would have occurred by about \$1,470 but the payment had to be reduced by about \$1,400. If any bill is owed to the Utilities it is taken off the refund amount prior to the issuance of the remainder.

Board member Roman moved and board member Ehman seconded the motion to approve the contract for Water Main Installation Credit, Stella Ridge, Phases I, II, III and IV. Motion carried, 6 ayes, 1 member absent, (Roberts).

REQUEST FOR RENEWAL OF THE CAP WATER/WASTEWATER ASSISTANCE PROGRAM CONTRACT FOR 2010:

Assistant Director of Finance Horstman said the USB originally approved a contract for the Community Action Program in April, 2007, in the amount of \$20,000. The current contract expired on

December 31st 2009. There are about \$700 or \$800 left of the original \$20,000. Mr. Horstman asked the USB to renew this contract for another year for an additional \$20,000. The average benefit for the current contract is approximately \$99.40 per household and 165 households have been served. The way the process works is when people cannot pay their bills they are referred to CAP by Utilities Customer Service. CAP also has people who come to them directly. They screen the applicants then send them to Utilities if they are qualified. Their account is credited directly with the money. The program is positive for Utilities since it gets people's bills paid if they qualify.

Board member Ehman seconded the recommendation of the Finance Subcommittee. Motion carried, 6 ayes, 1 member absent, (Roberts).

OLD BUSINESS:

Utilities Director Murphy told the USB that John Skomp of Crowe Horwath is still working on further data with respect to rates that have been requested.

Mr. Murphy reminded the USB that they will need to elect officers for 2010.

Mr. Murphy also said he had provided the USB with a request that had been sent to him by the Heritage Woods Neighborhood Association.

NEW BUSINESS:

Utilities Director Murphy said there had been a big main break.

SUBCOMMITTEE REPORTS:

Board President Swafford said board member Whikehart, who is the Chair of the Administrative Subcommittee, is working on the officers for next year. They will be nominated at the first USB meeting in January.

STAFF REPORTS:

Assistant Director of Engineering Bengtson said the main break had been a big enough event that he had stayed with the crews through out the day and evening. The maintenance crews performed extremely well. It took about five hours to get it dug out and to a point where the valves that isolate the pipe could be found. They had to dig out below the main to create a sump area so the water could be pumped out. The break was in a 20' length of 16" pipe that was installed in 1974. A valve was brought from Indianapolis but the remainder of the needed parts were on hand.

Mr. Bengtson said it was a very well orchestrated event and he had been proud to be a part of it. The hole was being filled back in around 9:00 p.m. Then the main had to be re-engaged and flushed to clear all the air out. The crews didn't leave until about 11:30 p.m. There was a business at 17th St. and Dunn that had no water. The meter services people shut off his meter then hooked his business to his residential water using a hose that is rated for consumables. This allowed the business to continue. The owner was very grateful.

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Assistant Director of Engineering Bengtson gave an update on the Linnemier project. The old building was demolished allowing Utilities enlarge the storm tunnel that was underneath. The project had a pre-bid estimate of about \$240,000. The Weddle Brothers bid came in at about \$162,000. This has been the case with a lot of projects during this time of economic downturn. After the bid the architect for the new building, who had thought the building could span the tunnel without actually resting on it, discovered there wasn't enough clearance to do beams that were deep enough in dimension to actually carry the load. They decided to coat the rebar in the top of the tunnel with epoxy to increase the longevity of the tunnel. That required a change order of about \$14,000 which the private developer agreed to pay for. Including the change order the new contract value was about \$175,000. At this time about \$144,000 of that has been paid. One more payment of about \$14,000 is expected. A final inspection of the project was done this week. There is some little stuff that needs to be redone then the project will be finished.

PETITIONS AND COMMUNICATIONS:

There were no petitions or communications.

Board President Swafford, on behalf of the USB, thanked Utilities' staff for a year of outstanding excellence.

ADJOURNMENT:

The meeting was adjourned at 5:34 p.m

L. Thomas Swafford, President