

In the Council Chambers of the Showers City Hall on Wednesday, May 17, 2010 at 7:30 pm with Council President Isabel Piedmont-Smith presiding over a Special Session of the Common Council.

COMMON COUNCIL
SPECIAL SESSION
May 17, 2010

Roll Call: Mayer, Piedmont-Smith, Rollo, Ruff, Sandberg, Satterfield, Sturbaum, Volan, Wisler

ROLL CALL

Council President Piedmont-Smith gave the Agenda Summation

AGENDA SUMMATION

The minutes of Regular Sessions of January 20, 2010 and February 17, 2010 were approved by a voice vote.

APPROVAL OF MINUTES

It was moved and seconded to postpone the approval of minutes for April 7, 2010 until the June 2, 2010 meeting so that the statement by Councilmember Rollo could be amended. The motion was approved by a voice vote.

It was moved and seconded that Ordinance 10-06 be introduced and read by title and synopsis. Clerk Moore read the legislation and synopsis, giving the following information:

LEGISLATION FOR SECOND
READING

April 28, 2010 Committee Recommendation:
To Continue Discussion to May 12th: 6-1-1
May 12, 2010 Committee Recommendations:
Amendment #1 -- Do Pass: 2-1-5
Ordinance 10-06 -- Do Pass: 4-0-4

Ordinance 10-06 To Amend Title 9 of
the Bloomington Municipal Code
Entitled "Water" (Rate Adjustment)

It was moved and seconded that Ordinance 10-06 be adopted.

Patrick Murphy, Director of Utilities, noted that this ordinance and the next one regarded a rate increase to fund the expansion of the water treatment plant that would provide for the long term needs of the community while increasing capacity. He said that this had been in discussion for quite a while to protect the water supply and for increase in water services. He noted that many questions from the council had been answered but offered to answer any others.

Rollo asked if the parallel line from the lake would be pumping water simultaneously with the first line, and if so, would it take stress from the first line.

Mike Bengston, Assistant Director of Engineering, said they would be operating together. He affirmed Rollo's subsequent conjecture that the second line could take the entire capacity if need be.

Sturbaum asked if Murphy could summarize the proposal for Boy Scouts in attendance, and also for other viewers of this meeting. Murphy said that this was the third meeting on this issue that would increase rates to increase plant expansion. He said that currently the plant could provide 24 million gallons of water, but the capacity would, with this proposal, be increased to 30 million gallons. He said that the water line would be enhanced by a parallel line, an additional storage tank would be built and some additional improvements would be made to the water treatment plant. He noted that the ability to treat water and the ability to meet the Ten States Standards (Recommended Standards for Water Works) would be expanded by increasing filter capacity. He said pumps would be enlarged, both at the plant and in the field, with additional improvements in operations and maintenance.

Volan asked how much each improvement would cost. He specifically asked about the expansion, without the redundancy capacity. In the ensuing discussion it was determined that the cost of expansion was the majority of the total amount of the projected project, with the

redundancy factor alone a much smaller portion of the project. It was noted that some capital items would serve for both redundancy and expansion.

Rollo asked about the life span of the water line from Lake Monroe, referring to its current condition. Murphy said that the line was 43 years old, and that an analysis of the line was done in 2004 by Price Brothers of Dayton OH, the manufacturer of the pipe, who found it to be in excellent condition with no significant wear and tear.

Rollo asked what would happen if one of the lines would rupture in terms of a safeguard of distance between the lines. Bengston said that the lines had soil rather than asphalt paving over it making leaks easier to detect. He added that the pipes would be fifteen to twenty feet apart, and added that he thought it was a safe distance. Rollo said he understood the plant was sophisticated but wondered if a leak could be detected without actual visual inspection. Bengston said that if there was a rupture it would be noted through monitoring pumping data, and that valves would be used to isolate the affected area.

Volan asked how the costs of redundancy and expansion were split so evenly in some of the documents and information he had received. John Skomp, Financial Advisor with Crowe Horwath LLP, said that the report was put together in three phases. He said that 22% of the cost was attributed to the increase in the cost of operation and maintenance of the plant, that 13% was if the redundant line only was built, and that the additional 12% was the cost of the second line plus an expansion of the plant capacity. Volan asked for the thought process in putting together the proposal, wondering which phase came first. Skomp said that the total cost of the project was \$36.3 million (with total bonding at \$41 million). He said that \$24 million was targeted at the construction of the second line into the city, and he considered that redundancy, and that this cost could be viewed either way, as redundancy or expansion.

Piedmont-Smith asked about Exhibit J in the report, referring to the 47% rate increase and use of funds. Skomp said that Exhibit G in the report reflected the sources and uses for the line only project. Piedmont-Smith noted that the second water line costs were twice as much as the treatment plant expansion.

Piedmont-Smith asked about the amount of impermeable surface that would be built to expand the water treatment plant. Bengston said a building would be housing new filters and a settlement basin could be added but that he didn't know for sure. He said that his estimate would be a 25% increase in size.

Piedmont-Smith said she couldn't determine from the documents that she examined the intent to deal with additional storm water run off. Bengston said that the new Utilities building included a rain garden and assumed that the expansion would have something of that sort.

Piedmont-Smith noted that the Indiana Utilities Regulatory Commission (IURC) did not view rates that would increase with the usage of more water as cost-of-service based and would frown on such an inclined rate structure. She asked what their position might be if such a rate structure would actually prevent the necessity of an expansion in a water treatment plant.

Dave McGimpsey, Rate Attorney with Bingham McHale, said he believed it would be hard to sell that point to the Commission. He agreed with Piedmont-Smith's assertion that it probably had never been done before, and said that a study that would prove the point might help.

Rollo noted that the Sustainability Commission had submitted a statement for this deliberation.

Ordinance 10-06

It was moved and seconded that the Water Advisory Statement of the Commission on Sustainability* of April 23, 2010 be added to the minutes of this meeting as part of the record. The motion was approved by a voice vote. *This statement has been appended to these minutes.

Volan asked if there was information on the average water usage in the USA in the Whitman report. Skomp said that in larger communities in Indiana the average water usage was 5000 gallons. Skomp said that the Cost of Service classes he attended used the figure of 7500 gallons. He said that the average of 3516 gallons/month for a City of Bloomington Utilities customer was a conservative number.

It was moved and seconded that Amendment #1 to Ordinance 10-06 be adopted.

Piedmont-Smith read the synopsis and said the 54% increase would allow the Utilities to start paying on the principal right away with the result of saving a significant amount of money.

Mayer said that the USB was trying to schedule more regular rate increases. He asked if the proposed 54% rate increase would forego a rate increase in a two or three year cycle. Murphy deferred to Skomp who said he didn't think it would. He said the additional 7% (from 47% to 54%) would be used to elevate the level of the debt service payments so that the principal could be paid immediately. He said that the increase in the plant's operation and maintenance would still need to be evaluated on a more regular basis to see how the increase in those areas affected the ability of the rates to maintain that level of service.

Satterfield asked if there was a figure that would reflect a cost of operation increase in today's environment. Skomp said he didn't have that number. He explained that a 47% increase there would be about \$15 million in revenue of which approximately \$5.5 million would be in debt service. He said the fixed rate bonds would not change rates, and would not be subject to inflation. He said that operation and maintenance expenses would be about \$6 million and would be subject to inflation. He said that if inflation came to 3 to 4%, it didn't necessarily mean that there would be a 3 to 4% rate increase and that all of the components of service delivery should be taken into account as a whole in determining a potential rate increase in the future.

Satterfield noted that he was concerned about the future costs of delivering services and the potential need for another substantial rate increase. Skomp said that smaller increases on a more frequent basis would allow the revenue to cover operating expenses as well as capital improvements. He said that the annual rate increase of 2-3% would most likely reduce the need for a large increase for capital improvements.

Sturbaum asked if the savings was calculated in real dollars or inflated dollars and if we were really saving the \$9 million. Skomp said the number was determined by running two schedules in today's dollars.

Sturbaum asked the prospects of the IURC approving the larger rate increase. Skomp said he wouldn't hazard a guess. He said that the Commission would look at both the 47% and 54% increases in their deliberation, but that they would consider the pros and cons to both proposals.

Amendment #1 This amendment is sponsored by Council President Piedmont-Smith. It raises the water rates from a 47% to a 54% increase in order to save about \$9.5 million in debt service (interest) payments as recommended by the Utilities Service Board at its March 24, 2010 meeting.

Satterfield asked if there would be any negative ramifications if the IURC decided for the 47% increase. Skomp said he didn't see any.

Amendment #1 to Ordinance 10-06
(cont'd)

Rollo noted a memo that referred to a calculation of water conservation that would be necessary to offset an increase in rates, and clarified that the difference between the 47% and 54% increase would mean an increase of \$1.03 per month for a residential customer who used 4000 gallons per month. He made the point that since the average residential customer used less than that, the increase from 47% to 54% would be less than a dollar a month for that average customer. Skomp said that was correct. Rollo asked how the average residential consumption was calculated to which Skomp replied that it was the total consumption divided by the number of customer bills.

Rollo noted that Aurora, Colorado conserved a lot of water due to a drought there with their average citizen using about 3000 gallons of water per day. He noted that Bloomington was similar to that community that had been exemplary in their conservation.

Public Comment:

Larry Jacobs, Chamber of Commerce, said the Chamber supported the amendment and approved of the plan to pay down the interest as soon as possible.

Piedmont-Smith noted for those planning for future expenses that the rate increase would be phased in in two parts, something that the consultants and the IURC favor. She noted that there were mechanisms in place to help low income families with their water bills. She said it was fiscally prudent to start a significant payment on the principal of the bond right away in order to save the community almost \$10 million.

Volan noted that Utilities billed for water, stormwater and wastewater, but that the proposed increase in rate would be on the water rate. He said that the initial step in increasing the rate would be in January of 2011 and that the second step would follow, and he hoped that it would be as late as January of 2012.

Rollo said he had voted against this amendment during the Committee of the Whole meeting on the issue, but had changed his opinion based on the prudence of not burdening the future with greater debt service.

Amendment #1 to Ordinance 10-06 received a roll call vote of Ayes: 9, Nays: 0

It was moved and seconded that Amendment #2 to Ordinance 10-06 be adopted.

Rollo read the amendment synopsis and the actual "Whereas" clause. He said that there were actually eight strategies to explore according to the Peak Oil Task Force report, and mentioned expanding storage capacity, exploring hybrid energy generation, transitioning back up generators to renewable sources of energy such as biogas or biomass, and developing an emergency ration and education plan. He said that he understood that the Utilities Director looked upon this amendment as a favorable one. Murphy said he had no problem with the amendment as offered.

Amendment #2 This amendment is sponsored by Councilmember Rollo and adds a Whereas clause that reflects the commitment of the Utilities Department to explore the feasibility of implementing the *Mitigation Goals & Strategies* regarding water supply set forth in *Report of the Bloomington Peak Oil Task Force*.

Volan asked Rollo to put the amendment into perspective. Rollo said he looked at the rate increase and investment in the treatment plant and redundant line as water security. He said that the rate increase was for financial security, and the rest for physical infrastructure security. He

Amendment #2 to Ordinance 10-06
(cont'd)

said the Peak Oil Task Force reviewed a grid failure which was experienced in about a quarter of the country in 2003. He said that a liquid fuel shortage at the same time as something of this nature might not allow the use of generators. Volan said he wanted to know of a set of actions that might occur. Rollo said that the amendment would formalize the recognition of this vulnerability and committed to the feasibility of exploring the implementation. He said it was important to signal to the public that serious consideration was being given to these issues by Utilities, the administration and the council.

Public Comment:

Larry Jacobs, Chamber of Commerce, said the Chamber supported this amendment as a reasonable expectation of the USB and the Utilities Department. He said water security was important to all citizens and thanked Rollo for his concerns.

Matt Laherty, Vice Chair of Sustainability Commission, noted the support of the Commission for this amendment. He said they were looking forward to design strategies for sustainability in water security and said it was an important function of Utilities.

Ruff said he thought the amendment was in the same spirit as the redundant water line and was needed for emergency situations.

Volan said he would have liked to have seen a tangible product such as a list of recommendations resulting from this clause. He supported the amendment.

Piedmont-Smith said our community was very reliant on the electric grid for delivery of the essential service of water and was in favor of exploring a hybrid or alternative energy source. She said this was a good first step in looking at alternatives in running the water treatment and wastewater treatment plants.

Amendment #2 to Ordinance 10-06 received a roll call vote of Ayes: 9, Nays: 0

It was moved and seconded to adopt Ordinance 10-06 as amended.

FINAL VOTE on Ordinance 10-06 as amended.

Rollo referred to a list of Indiana communities and their water rates and asked if Bloomington was in the middle of this range. Murphy confirmed this.

Public Comment:

Jim Tolen said he supported the 54% increase without hesitancy. He noted that our water service was a bargain. He lauded visionaries who were taking care of our water, and noted that there were folks north of here who were interested in our water.

Larry Jacobs thanked the council and said they had been very thorough in studying this issue. He thanked the USB and Utilities employees, and the Mayor. He said that the Chamber was in support of this proposal.

Andy Davis, member of the sustainability commission said he was the dissenting vote on their statement to the council. He said that he believed that this was problem we could solve with conservation. He noted a conservation effort similar to Aurora (Colorado) could save about 15% of water usage. He also noted the Whitman study's cost of living rate increase and resulting demand drop as an example of needing something other than this ordinance. He said the choice was to allow

citizens to manage their water usage in a more conservative way or just raising rates. He said that money could be used for a conservation program which would result in the savings of the bond issuance – more than the savings alluded to in Amendment #1.

FINAL VOTE on Ordinance 10-06 as amended. (cont'd)

Mayor Mark Kruzan thanked council for scheduling this meeting on this date, and thanked the USB, noting it was a citizen board. He thanked those who provided information and support in this legislative process and noted that many citizens had been involved in reviewing this issue. He said that this proposal was the result of thorough study and the culmination of more than 2 years of work that consisted of countless hours of work, research, public and internal meetings, discussion and questioning that may not be evident to someone just watching the meeting. He said that the choice of the 54% increase was fiscally prudent and said that this was an investment in future services, some of which we may not yet be aware. He said that this was a community service that expanded on the work of preceding councils, and that the council could take great pride in their work and the manner in which it was done.

Sturbaum noted that there would be citizens who would not be happy with the increase in water rates. He said that the numbers had been crunched and that this was what water costs to come out of a tap. He said that the council trusted the consultants and their own investigation and apologized to those who would be paying more. He noted that this was being done for the future and that perhaps conservation could be used later.

Sandberg thanked the council for due diligence. She said she was appreciative of her time as a member of the Utilities Service Board and said that she came to appreciate the fact that the community was fortunate to have such professional oversight and management of this important service. She noted the conservation efforts and said it would take time to change human behaviors, but said she felt that the time to make this investment in the community was now.

Rollo said that the rate increase proposed for operations had to be done. He said that the additional line was needed in case of failure of the first line, and was prudent to do it now, as was noted by several speakers. He said he was skeptical at first of the expansion of the plant and explored possibilities of conservation so that the expansion would not be needed. He said that the plant tour had changed his mind as he saw many points of potential failure and learned that at points of maximum production there was no buffering capacity that existed for outages. He said that it would be irresponsible to not respond to this need. He said that a conservation program was necessary, however, and looked forward to working to put that into place. He reiterated that the proposal represented water security, but noted that energy failures were a real possibility in the future and that we should look to preparing for that.

Wisler noted that the council had done everything they could to find another way to cover this proposal without raising rates. He said that he and the council found that this was the only way to prepare the community to meet needs into the future, and was being done in a financially responsible way.

Satterfield said that in talking to citizens and explaining that their water bill would increase only by about \$7-8, some of their anxiety was allayed. He added that citizens were aware of the need for redundancy and upgrade of infrastructure. He thanked citizens for watching and reading and staying informed.

Mayer noted that the drug store was selling bottled water at \$0.20 per bottle. He said that at the proposed 54% rate increase, the cost per household would be about \$0.265 per day for water service, much cheaper than one bottle of water. He said that the history of Bloomington could be told through its efforts to bring water to residents citing Leonard Springs, Twin Lakes, Lake Griffey, and Lake Lemon. He said that now we were dealing with the future. He thanked the staff, consultants, the USB, council members and everyone who had been involved in what he called a discussion of many years.

FINAL VOTE on Ordinance 10-06 as amended. (cont'd)

Ruff said this issue was different from expansion in anticipation of future consumption, or doubts about the ability to conserve to avoid an expansion. He said that to look at the past as a projection of the future was the wrong approach, as the consumption of all resources and our very lifestyles would be different. He said he had been convinced that there was a need to provide security and reliability to the water delivery system and, in doing that, could obtain additional capacity that would provide benefits. He expressed concern about the undermining of motivation and incentive to be more careful, thoughtful and conservative about the consumption of water. He expressed concern about a conflict between the CBU policy about generating revenue and encouraging conservation. He said many months of careful considerations, discussions, deliberations, conversation, tours, and research had convinced him that this was the right way to proceed. He thanked Laherty for his tour and recognized the citizen USB members appointed by the council, Pedro Roman, Sam Frank, Jeff Ehman, as well as Tim Henke before them.

Volan said he had heard many reasons for the proposal including the growth of Bloomington, the growth of Monroe County, the peak capacity of the plant, and the many potential points of failure in the system. He said there was a little bit of truth in all the reasons, even though each of them were at one time advanced as the main reason for the project. He said that this proposal did not create a comprehensive, long term water policy. He added that if conservation alone would solve the problems, he would not approve this proposal, but had been convinced of its necessity. He said that Indiana's flat rate pricing structure was not progressive or one that encouraged conservation. He noted that the last rate increase was in 2005 and that we hadn't accounted for a cost of living increase since then, regretting the lack of action in that area since then. He said that this rate increase was not actually looking into the future, but was actually catching up to present best practices. He said looking to the future would be taking a lesson from this process, its timing and costs.

Piedmont-Smith said she agreed with Volan that the arguments had changed over the years, and added that she agreed with the arguments for this proposal today. She said that the council, city administration and Utilities Service Board members needed to follow up on the conservation plan rather than merely agree to the inclusion of the "whereas" clause in Amendment #2. She said she would like to see aggressive conservation measures implemented in the coming years. She noted that the rate increase would be hard on low income citizens and that made it more difficult for her to vote on the proposal. She said the waiver program help should be publicized more, along with the possible expansion of that program.

Piedmont-Smith said that the conservation rate structure should be considered, and that might mean that the City of Bloomington Utilities leave the Indiana Utilities Regulatory Commission purview. She said that higher rates for higher usage made sense conservation wise, and would be the best sustainability measure for use in our community.

She outlined the procedure that would follow the passage of this ordinance saying that the issue would go to the IURC where the Office of the Utilities Consumer Counselor would look out for the welfare of the rate payers. She said that the office had shown short-sightedness in some of their dealings with other bodies and noted the large rate increase requested by Duke Energy to fund a coal-fired power plant at Edwardsport, Indiana, with dubious application of untested technology which has already had huge cost overruns. She said that she hoped that the OUCC would realize that the rate increase would save the citizens a substantial amount of money in the long run. She extended thanks to all the utilities staff for answering numerous questions of the council; she thanked the council's appointments to the USB who met with the council members to help them understand the complex issues involved in the proposal.

FINAL VOTE on Ordinance 10-06 as amended. (cont'd)

Ordinance 10-06 as amended received a roll call vote of Ayes: 9, Nays: 0.

It was moved and seconded that Ordinance 10-07 be introduced and read by title and synopsis. Clerk Moore read the legislation and synopsis, giving the following information:

April 28, 2010 Committee Recommendation:
To Continue Discussion to May 12th: 7-1-0
Do Pass: 4-0-4

Ordinance 10-07 An Ordinance Concerning the Construction of Additions, Extensions and Improvements to the Waterworks of the City of Bloomington, Indiana, the Issuance of Revenue Bonds to Provide the Cost Thereof, the Collection, Segregation and Distribution of the Revenues of said Waterworks, the Safeguarding of the Interests of the Owners of said Revenue Bonds, Other Matters Connected Therewith, Including the Issuance of Notes in Anticipation of Bonds, and Repeal of Ordinances Inconsistent Herewith

It was moved and seconded that Ordinance 10-07 be adopted.

Patrick Murphy, Director of Utilities, noted that this ordinance was required in order for the bonds to be issued. He noted that Hans Steck, bond counsel from the firm Bingham McHale, was present to answer questions.

Volan asked Steck what questions he heard during the Committee of the Whole on May 12, 2010 that needed to be answered regarding the bond issuance. Steck said the rate increase change was worthy of mention since the rate change was increased by amendment. He said the question could be asked: if the ordinance as drafted would allow for a smooth issuance at the 54%. He said the ordinance would allow for either rate increase scenario. Volan said he was trying to establish if it was necessary for Steck to hear the changes in Ordinance 10-06 before Ordinance 10-07 was rewritten to accommodate the changes. Steck said that he had written Ordinance 10-07 to work with either rate. Steck's exchange with Volan about his presence being necessary brought Steck to say that the practice of submitting questions and allowing consultants to submit answers while allowing time for researching the answers was an excellent procedure.

Rollo wanted to know when the bond would be retired with consideration given to the 54% rate increase. Steck said that there was a 20 year maximum on the term. He said assuming the IURC approved the 54% rate increase, it was conceivable to retire the bond earlier as the projected data is based on the current interest and market rates.

There was no public comment on Ordinance 10-07.

Volan noted that the point he was trying to make earlier was that since Ordinance 10-07 was tied to Ordinance 10-06 that at least one consultant's time might have been saved from sitting through the discussion of Ordinance 10-06. He said he supported this ordinance.

Ordinance 10-07 received a roll call vote of Ayes: 9, Nays: 0.

The meeting was adjourned at 9:32 pm.

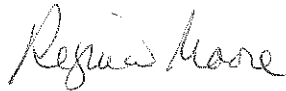
ADJOURNMENT

APPROVE:

ATTEST:



ANDY RUFF, Vice President
Isabel Piedmont-Smith PRESIDENT
Bloomington Common Council



Regina Moore, CLERK
City of Bloomington

ADDENDUM:

The Bloomington Commission on Sustainability
Water Advisory Statement, 4-23-10

In our ongoing efforts to monitor, report and recommend improved practices for a sustainable city, the Bloomington Commission on Sustainability has investigated the Bloomington Utilities water treatment facilities, transmission systems and operations practices.

We learned that the Bloomington Utilities is doing an excellent job providing clean water to customers despite processing and delivering it through an aging and undersized system. We learned that the system has regularly operated at maximum capacity during summer heat waves. At maximum throughput, the system lacks a buffer to cope with unplanned outages. Resilient systems must have enough capacity to ensure that routine and non-routine maintenance can be performed while meeting customer demand and storing enough water for fire protection. Resilient systems dictate redundant components to ensure non-stop operation. The existing water treatment plant and transmission system has multiple single points of failure and lacks spare capacity.

While the Bloomington Commission on Sustainability remains an active and leading voice in the cause of conservation, we recognize the time to conserve water to prevent this expansion has passed. This event presents us with an opportunity to engage the community in a constructive dialogue about water conservation for the future. Though our community has an abundance of self renewing fresh water, water treatment and distribution requires significant amounts of electricity—powered by coal. The Bloomington Commission on Sustainability will continue to promote water conservation and supports treatment facility expansion in order to meet current needs.

We recommend that the Bloomington City Council and Mayor approve the following:

1. Expand the existing Monroe treatment plant to at least 30 Million Gallons Per Day.
2. Enhance the existing processing infrastructure to meet industry recognized “10 state requirements”.
<http://10statesstandards.com/waterstandards.html>
3. Implement real-time energy monitoring and control so that plant operators can reduce monthly electric demand charges. Use this data to populate a real-time water plant conditions dashboard so that the community can actively participate in conservation whenever the system experiences high demand. The data can also be used to plan for future operations with renewable energy.
4. Add a second transmission pipe between Monroe Reservoir and Bloomington.
5. Develop and support an ongoing conservation program to postpone future expansion and conserve water and energy.