

UTILITIES SERVICE BOARD MEETING

November 26, 2018

Utilities Service Board meetings are recorded electronically and are available during regular business hours in the office of the Director of Utilities.

Board 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 Service Center, 600 East Miller Drive, Bloomington, Indiana.

Board members present: Julie Roberts, Jim Sherman, Jason Banach, Amanda Burnham (arrived at agenda item III), Jean Capler, Sam Frank, and ex-officio Jim Sims.

Staff members present: Tom Axsom, Kevin White, Nolan Hendon, Cindy Shaw, Phil Peden, Mike Hicks, Brad Schroeder, Michelle Waldon, James Hall, Brandon Prince, Chris Wheeler, Holly McLaughlin, Laura Pettit, and Vic Kelson.

MINUTES

Board Vice President Sherman moved and Board Member Frank seconded the motion to approve the minutes of the November 13th meeting. Motion carried, 5 ayes (2 members absent: Ehman and Burnham).

CLAIMS

Sherman moved and Frank seconded the motion to approve standard claims as follows:

Vendor invoices submitted included \$517,505.36 from the Water Utility, \$406,576.96 from the Wastewater Utility, and \$13,156.57 from the Stormwater Utility. Total Claims approved: \$937,238.89.

Motion carried, 6 ayes (1 member absent: Ehman).

Roberts asked how many miles of Arlington Road were asphalted with the invoice for \$395,000.00. CBU Assistant Director - Engineering Schroeder said that that was an invoice for the water main replacement project, not just the asphalt. Roberts also asked why it was billed under "construction" instead of "maintenance" and Schroeder said that was how Engineering classified the projects in the water main replacement program. Roberts also asked about the \$19,000 spent in "meters and parts" at 301 Curry Pike; CBU Engineer Peden said that was the address of a large industrial user- Cook Inc.

Sherman moved and Frank seconded the motion to approve the utility claims as follows:

Utility invoices submitted included \$6,855.09 from the Water Utility and \$10,058.85 from the Wastewater Utility. Total Claims approved: \$16,913.94.

Motion carried, 6 ayes (1 member absent: Ehman).

Sherman moved and Frank seconded the motion to approve the wire transfers and fees in the amount of \$352,172.72 Motion carried, 6 ayes (1 member absent: Ehman).

Sherman moved and Frank seconded the motion to approve customer refunds as follows:

Vendor invoices submitted were \$434.78 from the Wastewater Utility. Total Claims approved: \$434.78.

Motion carried, 6 ayes (1 member absent: Ehman).

APPROVAL OF CONSENT AGENDA

Staff recommended approval of the following items: B L Anderson Co., Inc. - \$12,000.00 - On Call Services, Wylie's Floor - \$15,000.00 - On Call Services, Harrell-Fish - 909.38 - Make-Up Air Units in Press Building at DRWWTP. Nothing removed by Board. Board member Burnham asked if the Controller's Office was closer to coming up with a system for CBU to approve small contracts without bringing them to the Board. CBU Director Kelson said the consent agenda was the final system.

REQUEST FOR APPROVAL OF AGREEMENT WITH MADDOX INDUSTRIAL GROUP INC FOR THE DILLMAN ROAD WASTEWATER TREATMENT PLANT CLARIFIER LAUNDER IMPROVEMENTS PROJECT

Sherman moved and Frank seconded the motion to approve agreement. Motion carried, 6 ayes (1 member absent: Ehman).

CBU Capital Projects Manager Hicks presented an agreement with Maddox for the Dillman Road Wastewater Treatment Plant Clarifier Launder Improvements Project. Bids were opened and a resolution to award bid at previous Board meetings. The agreement amount is \$246,840.00.

OLD BUSINESS: None.

NEW BUSINESS: Kelson asked Board to approve Resolution 2018-8 to show support of the Advanced Metering Infrastructure project lease-purchase method. The AMI project was accounted for in the 2016 water rate increase, but the purpose of this type of funding is to speed up execution of the project and complete installation in one year instead of five. City Council will consider this proposal and plan to vote on it in December. Roberts asked why it is "new business" instead of an agenda item; Kelson said CBU only learned today of Council's request for a resolution showing USB approval of this method. Ex-Officio Sims asked why there were contingency funds and how leftover money would be used: Kelson answered that the amount of the agreement would cover any surprises discovered in the field during the project and any of the money from this agreement will need USB approval to be spent, but not Council approval. Board member Banach expressed concern that there are no business terms in the document signed by the USB and asked for reassurance that the project would stay within the \$9mil budget and be completed by the stated date of March 1, 2020. Kelson said that those numbers were correct and the Controller's office and City Legal negotiated terms.

Sherman moved and Frank seconded the motion to approve Resolution 2018-8. Motion carried, 6 ayes (1 member absent: Ehman).

SUBCOMMITTEE REPORTS: Sherman said the Finance subcommittee met just before tonight's regular meeting. The AMI lease-purchase was discussed. Also, a storm rate increase was discussed and the subcommittee's recommendation is that the USB support an increase. There has been no increase in over 20 years' time and there are new projects involving culverts in the campus and downtown areas. Sherman reminded the group about the temporary, emergency fix at Lincoln and 3rd. Sherman said the increase will mean \$2.45 more per month for the residential rate. An increase of 2% over the past 20 years would be around the same number. Kelson mentioned phasing in the rate over a 2-year period. The escalation would be built-in so neighborhood stormwater projects could grow over time. Kelson said CBU has the 2nd lowest stormwater rate in the state currently; most communities are around \$5. A rate of \$5.15 would make CBU equal with Ft. Wayne as the 9th highest rate in Indiana. Engineering is currently looking at the Jordan/Sparkers culverts plans to cost around \$10-11mil and possibly go to bid in the 4th quarter of 2019. Sherman asked how the loss of revenue from phasing in the rate would affect those projects. Kelson said the bond payment wouldn't start until 2020 so a phase-in approach would not be detrimental. Sherman clarified that the USB must choose an approach-phase in or not- as part of their recommendation to City Council. Sims asked what the Director's office recommends, to which Kelson replied not phasing in the rate, but it was brought up at the subcommittee meeting and Kelson says CBU is not opposed to it. Roberts is concerned that CBU has a bad habit over the last 20 years of not reviewing the rate often enough leading to high rate increases, customer shock, and negative media. Although the dollar amount only \$2.45, that is nearly double the current rate. Roberts would like to see a mechanism to ensure that the rate will be reviewed regularly, like an automatic 2% raise each year 1-2 years after this rate goes into effect. She would also like to see advance notice to the media about the rate increase because the public needs to see where the money is going as most of CBU's work is underground and not visible. Banach brought up that politics is involved as no one wants to increase fees. Banach also pointed out that 2% is arbitrary; any increase needs to be substantiated.

Kelson said that the 2% number in this conversation is based on inflation from the last several years. Kelson says a rate review should happen every 2-4 years and the adjustment should be based on actual figures. Wheeler with City Legal agreed that rate increases must match cost of service. Sherman asked the Board to consider the two topics separately: does the USB want to recommend the rate increase as presented and the question of the general policy of slow increases over time will be discussed at a later date. Wheeler asked the Board if they had seen the language that would be presented to Council. They had not. Copies were made for Board.

Burnham asked about the timeline of this rate increase and water and sewer increases. Kelson said the sewer rate adjustment was delayed while CBU explored opportunities to work with other departments, especially on organic wastes. It will be 3rd or 4th quarter of 2019 before the sewer rate adjustment is on the USB agenda. If a rate increase is needed for sewer, that would be in 2020 and water is up for review for a possible 2021 increase. Burnham clarified that if this storm rate increase passes it would be the only increase in the CBU bill in 2019 and Kelson said yes and reiterated that a goal is to make incremental increases instead of big jumps.

Banach asked if there was a reason the USB had to make a decision today. Wheeler said the City Council had a first reading of this proposal on 12/5/18, and he recommended that the USB support would be helpful before that date because Council may not proceed with first reading if Board doesn't recommend it. Kelson added that getting items on the Council calendar can be difficult. Sims agreed that many big items were coming up on the City Council agenda. Kelson said a delay would not likely affect project schedules.

Banach stated that he was not comfortable at this point to make a recommendation. He asked if the largest customers had communications about this. Kelson said they had talked about a possible increase but did not have a number to share until recently.

Sims agreed that he would like to be very "clean" and transparent on details before bringing it to City Council so that it will be clear for tax payers and constituents as well. He says he thinks the increase is justified by the cost of infrastructure work, but not to "catch up" or have a comparable rate to other cities. Sims also would like to see a commitment that regular reviews are in the rotation and to see continued education.

Banach confirmed that between the first reading on the 12/5/18, USB can amend what is presented to the Council at the hearing on 12/12/18. Kelson and Wheeler confirmed that the USB or Council can make changes up until it is approved, which it is currently scheduled for a City Council vote on 12/19/18.

Banach moved and Sherman seconded the motion to table discussion until 12/10/18 meeting. Motion carried, 6 ayes (1 member absent: Ehman).

Frank asked for additional information to be provided before the next USB meeting so that USB members could understand exactly how the rate was calculated.

Board member Capler said she supported moving along as quickly as the Board responsibly can.

STAFF REPORTS: Kelson shared that the 36" water main project at Fullerton Pike is complete and pressure testing is done. Disinfection and bacteria testing could be done as early as Thursday.

PETITIONS AND COMMUNICATIONS: None.

ADJOURNMENT: Sherman moved to adjourn the meeting at 5:49 p.m.

Julie Roberts, President