

UTILITIES SERVICE BOARD MEETING

9/3/2019

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, Jean Capler, Jim Sims, Terri Porter, and Sam Frank

Staff present: Vic Kelson, Laura Pettit, Holly McLauchlin, Tom Axsom, Brad Schroeder, James Hall, Mike Hicks, Brandon Prince, Nolan Hendon, Phil Peden, Liberty Flora, Chris Wheeler, Missy Waldon, Cindy Shaw, Jane Fleig, and Kevin White

Other individuals present: Dave Askins

MINUTES

Board member Sherman moved and board member Frank seconded the motion to approve the minutes of the August 19 meeting. Motion carried, 8 ayes. (1 member absent: Ehman).

CLAIMS

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

Vendor invoices submitted included \$208,454.57 from the Water Utility, \$169,875.96 from the Wastewater Utility, \$29,831.45 from Water Construction, \$750.00 from Water Sinking, and \$4,733.63 from the Stormwater Utility. Total Claims approved: **\$413,645.61.**

Motion carried, 8 ayes.

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

Utility invoices submitted included \$6,029.74 from the Water Utility, \$14,984.89 from the Wastewater Utility, and \$0.00 from the Stormwater Utility. Total Claims approved: **\$21,014.63.**

Motion carried, 8 ayes.

Sherman moved and Frank seconded the motion to approve the wire transfers, fees, and payroll for August in the amount of \$354,354.44.

Motion carried, 8 ayes.

Sherman moved and Frank seconded the motion to approve customer refunds as follows: Refunds submitted included \$42.92 from the Water Utility, \$3,922.46 from the Wastewater Utility, \$0.00 from the Stormwater Utility, and \$0.00 from Sanitation. Total Claims approved: **\$3,965.38**

Motion carried, 8 ayes.

APPROVAL OF CONSENT AGENDA

Director Kelson presented eight items recommended by staff for approval:

- Reed and Sons- **\$18,075** - Change Order 1 to Agreement for Old State Rd 37 Water Main Replacement Project
- Smith Brehob & Associates - **\$24,400** - Green Infrastructure Stormwater Improvements
- Layne Christensen Co. - **\$1,742** - Inspection of MWTP Transfer Pump #2 Motor
- Wessler Engineering - **\$20,500** - DRWWTP Disinfection System Improvements
- Alt & Witzig Engineering - **\$3,950** - Evaluation of Covered Outdoor Residuals Storage and Loading Facility at MWTP
- USA Technologies - Credit Card Processing for the South Bulk Water Station
- Terminix International - **\$10,000** - Pest Control at DRWWTP
- Terminix International - **\$1,392.40** - Pest Control at BPWWTP

As these weren't removed from consent agenda by the Board, agreements approved.

REQUEST APPROVAL OF CHANGE ORDER #8 WITH CRIDER & CRIDER

Sherman moved and Frank seconded the motion to approve the agreement.

Motion carried, 8 ayes.

Utilities Engineer Peden presented an amendment to the agreement with Crider & Crider for the IU Hospital Off Site Sanitary Sewer project. Specifically, this is for road repairs on Old State Road 37 near Cascades Park. This contract would have cost CBU more (\$100,700), but the company damaged the road and in turn, credited CBU. This contract is for Crider & Crider to repair the section of road that did not have the sewer line replacement; this was the northbound lane. Peden suggested there were many different layers of material in that section of the road, and it was in poor condition. After being credited, the total cost to repair this section of roadway is **\$88,417.00**

OLD BUSINESS: None.

NEW BUSINESS: None.

SUBCOMMITTEE REPORTS:

On 8/26, the Finance Subcommittee reviewed and recommended 2 items for approval:

1) REQUEST APPROVAL OF RESOLUTION 2019-9

Sherman moved and Frank seconded the motion to approve the resolution.

Motion carried, 8 ayes.

This resolution is related to the sewer rate review. Kelson reintroduced the cost of service study (CoSS), in which he discussed rate history as well as future plant modernization and capacity improvement projects at the wastewater treatment plants. Asst Director- Engineering Schroeder explained that modernization and efficiency are in the first phase, and the plants will be expanded in the second phase. The specific improvements were listed with cost per project as well as total cost over time. With the completion of these projects, the capacity at Dillman is expected to be nearly 20 million MGD, which is expected to be sufficient for 20 years after completion. The plans for digesters have been set aside for future discussion. These future improvements are the largest drivers of this CoSS, but inflation also plays a role.

Kelson presented the establishment of customer classes; this method has legislative precedence, for the method selected for the CoSS has been previously approved by the Indiana Utility Regulatory Commission (IURC). Kelson then introduced consultants from Crowe, Craig Lotz and Jennifer Wilson. These individuals introduced the financial analysis. As mentioned previously, the recommended increase in rates is 3% for all customers, and an additional 12% increase for customers outside city limits to accrue a 5% increase in annual revenue for sewer works. The rate change did not consider the bond refinancing that will be introduced in 2019-10.

Banach noticed 3.24 is used in the analysis of the bond rate, and asked what the consultants see in the bond market. Specifically, what might influence bond rate? In their analysis they included factor of increase, used current rates from last month, and used one basis point for what yield might be. The setup is such that in 2020, there will be a bond issue to pay for the first round of projects. There may be some increase in the bond rate, which is why Crowe used averages. Crowe suggests CBU bond sooner rather than later using the recommended \$10.4 million. \$10.3 million is the excess of the 2 months of O&M cost that the ordinance states CBU must hold (\$900,000). Kelson reiterated that CBU has a lot of cash because projects planned in 2016 were set back to make room for the expansion project. 2024 will be the next bond issue year to pay for next session of big projects; there will also be some bonds that retired at that time, which will allow CBU to have more bonding ability.

Sims asked what happens if people move into the city limits. Kelson suggested the analysis would be redone, ideally during future sewer review years. Capler noticed that the cost per customer is higher outside compared to inside, so when outside customers in a more dense area move in, it will inherently increase the rates for outside customers.

If a low density area moves into the city, the cost for outside customers goes down and the rates for customers inside city limits will go up. Kelson noted that the city's rates are divided against a larger population base, and they may not notice changes to their rates. This only accounts for current sewer customers.

2) REQUEST APPROVAL OF RESOLUTION 2019-10

Sherman moved and Frank seconded the motion to approve the resolution.

Motion carried, 8 ayes.

Asst Director- Finance Petit presented 2 SRF bonds that are eligible for refinancing: 2004b, 2006 b and 2006 c bonds. These will be replaced with a 2019 refunding bond. There will be premium bonds issued that will help buy down outstanding bond principle by \$600,000. There is currently \$589,000 in the debt service reserve fund, which is over the requirement. That money would also buy down the current bond principle that is outstanding. The proposed bond will mature 1/1/2027, the same date as the 3 individual bonds. The refinancing will save CBU approximately \$128,000 per year in debt service payments. The all-in interest true interest cost of the proposed bonds owed is 2.006%, translating to gross savings of \$450,000 with net present value of **\$386,541**.

STAFF REPORTS:

Kelson presented 2 staff reports:

- 1) The rate analysis, bond refunding, and the previous item regarding waivers for sewer connection fees will go to council for first reading on 9/4; the second reading will be held 9/11; the final action is scheduled for 9/18.
- 2) Mold testing at plants - everything is good! No elevated levels of mold (spore count inside was 3-5% of outside percent on average) were found. Kelson noted that there is water damage on some ceiling tiles 2 buildings at Blucher Poole; the ceiling tiles will be replaced after the roofs are replaced.

PETITIONS AND COMMUNICATIONS: None.

ADJOURNMENT: Sherman moved to adjourn; the meeting was adjourned at 6:05 p.m.

Julie Roberts, President

DATE