

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
JULY 27, 2016**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on Wednesday, July 27, 2016. The meeting was called to order by Mr. Akers at 4:00 p.m. pursuant to notice as required by law. The following Board members were present: S. Akers, M. Costin, G. Ward, and J. Edwards. Others present: J. Pandey, L. Starkey, B. Tillett, B. Zartman, J. Beisiegel, J. Chance and J. Languell-City Council Liaison.

1.) APPROVAL OF BOARD MINUTES OF JULY 13, 2016:

Ms. Costin moved to accept the Board minutes of July 13, 2013, meeting as mailed. The motion was seconded by Mrs. Edwards. The motion carried.

2.) PAYMENT OF CLAIMS:

A motion was made by Ms. Costin to approve the claims as presented, seconded by Mr. Ward. The motion carried.

3.) NEXT REGULAR MEETING:

The next regular meeting will be held Wednesday, August 10, 2016, at 4:00 p.m. in the Utility Service Boardroom.

4.) OLD BUSINESS: None

5.) NEW BUSINESS:

A.) APPROVAL OF BOARD RESOLUTION 3-2016, ADOPTING UNIFORM INTERNAL CONTROL STANDARDS:

Mr. Pandey reported that municipal utilities, effective July 1, 2016, are required by law, to put in place a Board resolution for adopting uniform internal control standards. The policy is a collaborative effort between Mrs. Starkey and Attorney Roberts. The policy states that management is responsible for establishing and implementing systems of accountability in financial reporting for prevention of theft, and losses or shortages. Materiality is defined as \$5,000 per occurrence, and must be reported to the State Board of Accounts; it also defines ghost employment and requires reporting of same to the General Manager for determination of discipline.

Mr. Akers inquired about the date Peru Common Council had adopted the same control standards; Peru Common Council adopted Ordinance 18, 2016, at their July 5th, Peru Common Council meeting. Mr. Roberts summarized the resolution to the Board; noting that the difference between Peru Utilities and the city/county is the threshold requirement; the law provides that our threshold be greater because we have specialized equipment, along with the amount of cash we have on hand. Mrs. Edwards questioned if the \$5,000 threshold amount is standard and whether there is any benefit to setting the threshold at a lower or higher amount. Attorney Roberts explained that if you decrease the threshold amount, you will have to report more often to the State Board of Accounts.

Mr. Ward made a motion to adopt Resolution 3-2016, Uniform Internal Control Standards. Mrs. Edwards seconded the motion and the vote was unanimous.

B.) APPROVAL OF BID SELECTION FOR WASTEWATER SLUDGE APPLICATION FOR 2016-2018:

Mr. Pandy stated that two competitive bids were received and reviewed for consideration, Merrell Brothers, and Wealing Brothers, for sludge application services for 2016-2018. Mr. Pandy stated that Mr. Beisiegel is recommending that Wealing Brothers be awarded the contract for this work based on the overall cost per unit. It was noted that Wealing Brother’s cost within the service area is .03 cents per gallon, and .049 cents per gallon beyond eight miles of our location, a little less than Merrell Brothers bid.

	Year	2016	2017	2018
Wealing Brothers	Adjacent Fields	.0300	.0315	.0339
	8 mile Fields	.0419	.0435	.0452
	Sampling, Bio-solids Analysis, Disposal Sheets: \$650.00/year Soil			
	Sampling & Analysis-No Charge			
Merrell Brothers	Adjacent Fields	.0349	.0367	.0384
	10 mile Fields	.0449	.0473	.0498
	Sampling, Bio-solids Analysis, Disposal Sheets: \$675.00/test			
	Soil Sampling & Analysis \$5.00/acre/year			

Mr. Beisiegel said that saving a few cents per gallon isn’t much, but when you land apply thousands of gallons of sludge; the savings makes a difference. He had contacted other municipals that currently use Wealing Brother’s services; they have a positive work history.

Mr. Ward made a motion to enter into an arrangement with Wealing Brothers for sludge hauling services for 2016-2018. Ms. Costin seconded the motion and the motion carried unanimously.

C.) CONSIDERATION OF VOIP SYSTEM PROPOSALS:

Mr. Pandy reported that our current phone system by Toshiba is twenty years old and needs to be replaced. We received two quotes for the proposed VoIP phone system upgrade.

Taylorred Systems, Carmel, IN – (current phone provider)

Zultys MX 250 System	\$40,155.00 (5 yr warranty all system comp.)
Routine Maintenance Call	\$240 (\$120 trip charge, \$120 hr maint.)
Emergency Maintenance Call	\$425+\$120/hr after 1 hr

Instrasect Technologies, Wabash, IN – (current internet provider)

Shortel System	\$43,073.89 (Incl *5 hrs maint/yr/5yrs)
Routine maintenance call after *5 hrs	\$130 per hour labor (No trip fee)
Emergency maintenance call:	\$195 per hour

It was noted that we spend \$5,000 annually for service calls for the phone system. Mr. Pandy said that staff consisting of Mrs. Starkey, Mrs. Orpurt, and Mr. Zartman recommended the Instrasect proposal at \$43,079.89, slightly higher than the Taylorred bid. There will be savings on service calls by a lower charge for service, per hour, and also the closer proximately to Wabash.

Mr. Ward inquired what the life expectancy of the new phone system will be. Mr. Zartman stated that besides the phones there is no other physical devices or infrastructure; it is on our virtual network. It comes with a five-year warranty; after that, we will do the upkeep, we expect at least twenty years. Mr. Akers asked why we had received just only two bids. Mr. Zartman explained that we reached out only to a few bidders; it is felt that we would have a better response time if the vendor is located close by.

Mr. Ward made a motion to accept the bid from Instrasect for the phone upgrade for the amount of \$43,073.89. Mrs. Edwards seconded the motion and the motion carried.

D.) CONSIDERATION OF PHASE II WATER RATE INCREASE:

Mr. Pandy reported on the two capital projects associated with the Phase II Water Rate increase.

PERU HIGH SCHOOL WATER MAIN RELOCATION PROJECT UPDATE:

He noted that Crawford Murphy and Tilly’s estimate to remove the existing 16” water main, which crosses under Peru High School and re-route the 16” water main around the school property had increased to over a \$1,000,000; the previous estimate was \$400,000. The limestone dome located beneath the high school; adds an additional \$500,000 worth of rock excavation and along with additional

backfill costs. It was noted that staff is working to find an alternate route to lower the project cost. This is a priority project; the water main is partially shut down now because of other problems. Attorney Roberts noted that we should review our past records to find out the boring technique that was used for the boring that was done some time ago beneath U. S. 24, at Eel Cemetery Road.

Mr. Akers inquired how long it will take to finish the project. Mr. Beisiegel reported that it will be a two-month summer project affecting traffic along Broadway and Daniel Street. This should not pose a problem with access to the high school. He said that any attachments that we make to the existing water line will be done live while the water is still flowing. He explained that we can save money if we perform soil borings through the route in order to determine exactly where the rock is located.

PERU RIVER CROSSING PROJECT UPDATE:

Mr. Pandy reported that the two estimates for the two river crossings; Broadway and Wayne Street, are close to the estimate for the anticipated \$4,000,000 bond issue. If we combine both projects at the same time, Strand and Associates Engineering is offering us \$10,000 in savings.

Tasks	Fees
Project Preliminary Engineering Phase	\$12,000/\$18,000
Project Design Phase	\$19,500/\$33,000
Project Bidding Phase	\$7,500

Mr. Pandy distributed a Peru Water Utility Five-Year Projection to the Board, noting that the Phase II Water Rate Study had indicated that we should have revenues above \$2,000,000. After Phase I was implemented in February 2015, revenues were \$1,682,000. The forecast for this year is \$1,700,000. The current year, including the full year of the Phase I Water Rates, we have \$439,000 less revenue than the rate study forecast. We have a shortfall of \$92,000 in revenue for 2016.

Our Phase II revenues forecast is \$2,139,000. Mr. Shives has calculated that the revenue will be \$2,056,000; again we will be \$100,000 short; we are in the red for the next five years. It was noted that Mrs. Starkey is assuming that there will be 2% in wage increases for 2017, and Mr. Beisiegel has requested two additional employees in order to maintain the water /wastewater system. The costs for two additional employees with benefits is \$140,000/annually. Mr. Pandy stated that if you compare us with surrounding communities that are all upwards to \$40.00, we are less than \$20.00. Since municipal water has to be treated, pumped and piped; he felt there is there is no logical reason we should be able to perform the same services as similar communities for half the price.

Mr. Pandy then summarized the Water Rate Alternatives and the impact on the average customer per month.

He explained that Phase II was never implemented, Alternative “A” includes debt service for \$4,000,000 SRF loan, “B” includes debt service for \$5,000,000 SRF loan and “C” includes debt service for \$5,000,000 SRF loan and two additional employees. He asked the Board to consider “C” Phase II, he explained noting that the new rate would go into effect only after the city council approves it.

It was noted that the Drinking Water State Revolving Fund (where we borrow money at a lower interest rate for our projects) interest rates for Tier III, average incomes under \$38,990/annually is 2%.

WATER RATE ALTERNATIVES

	-A-	-B-	-C-
	Phase I	Phase II	Phase II
BASIS	O & M/No Debt	Borrow \$4 MM	Borrow \$5 MM
(Average User)			
First 1 MM Gallons	\$2.71	\$3.24	\$3.37
5/8” – 3/4” Meter	\$8.13	\$9.72	\$10.12
Fire Protection	\$6.75	\$8.11	\$8.44
Total	\$17.59	\$21.07	\$21.93
<i>Average Monthly Increase</i>		\$3.44 (+20%)	\$4.30 (+24%)
			\$6.06 (+26%)

Mr. Pandy stated that he was not aware of the Water Division financial needs when attending the June Peru Common Council meeting to inform them that the annual CPI adjustment that is performed annually was going to have an increased rate of six cents per month/per customer, and at the same time our Quarterly Electric Tracker was giving a rate reduction of \$4.75/month to our customers. But, because of the very hot weather customers have experienced higher bills. He said that if the Peru Water Rates are increased by \$6.00, we are still below \$25.00/month. By choosing Alternative C-II, the water cost increase would be only slightly more than the Electric Tracker decrease.

He explained that the water utility is not in strong financial condition; we urgently need to borrow money for capital improvements and have an adequate workforce for maintenance and operations. The Division of Water Management is short three employees since 2013, and the system gets older every year while maintenance increases. Mr. Pandy stated that as part of his job is to avert any crisis such as Flint, Michigan had experienced with drinking water contamination; we have already experienced trouble with the river crossing, by not having the pipes embedded in the river bottom and the problem still exists at the high school.

There was a discussion and Mr. Akers inquired why the numbers for the Peru Phase I Water Adjustment is not correct. Mrs. Starkey explained that all the employees in the Division of Water Management are crossed trained and used where needed. She said that the study information that was provided to Umbaugh to calculate the new rates, the Peru Water employees were used a lot in other departments. Currently, there is an \$80,000 variance in payroll charges to Peru Water, as opposed to 2013. Because are expenses were understated we did not meet what the rate study had predicted. Mr. Akers asked if there is any way to forecast such information. Mrs. Starkey said that it is based on a full year of data; Umbaugh felt like a 12-month history is a good sampling; money is allocated where the employees work.

Mr. Akers and Mrs. Edwards inquired whether or not the new alternatives will be enough preventative measure to ensure that it will not happen again in the next rate case. Mrs. Starkey explained that she now has better data and reports in place to identify such issues. It was noted that future regulations cannot be predicted.

It was noted that in order to procure the loan from the State Revolving Fund, we need to hire Umbaugh to recalculate the last rate to support borrowing. This could cost \$30,000, to be paid from the bond proceeds. Mrs. Languell suggested that Mr. Pandey explains to the Peru Common Council in advance the necessity and urgency of the new rate study and what the water utility's financial needs are. The Board agreed in moving forward and meeting with the Mayor and the Peru Common Council members in advance to explain the new water rate adjustment prior to introducing it at a city council meeting. It is hoped that whatever rate is approved it can be implemented later in 2016 or early 2017.

Mr. Ward made a motion to accept the C-Phase II Water Rate Alternative.

Mr. Roberts explained that the financial study will need to be performed first before acting upon Phase II since we do not know what the administrative expenses will be. Mr. Roberts felt that the rate should be increased to \$25.00, so we have some additional money. Mrs. Edwards inquired as to what had changed from the last meeting. Mr. Pandey said that he and Mrs. Starkey had completed a non-third party review of the current study, which is subject to critique as opposed to a professional calculating those costs. Mr. Pandey explained that it will expedite the process if we have a professional such as Umbaugh revise the current water rate study as part of our supporting documents to present to the Peru Common Council, prior to borrowing from the State Revolving Fund.

Mr. Ward moved to amend his motion to hire Umbaugh to update the Peru Water Cost of Service Study that was calculated two years ago, and to direct Umbaugh to calculate costs for borrowing C-Phase II, at least \$5,000,000, plus two

additional employees. Mrs. Edwards seconded the motion and the motion carried unanimously.

We will not begin to pay interest until we began drawing the funds and that the 2% interest rate is for the life of the loan. It is hoped that Umbaugh can revise the rates within a couple of months.

There was a discussion of the money needed to meet the needs of the water utility, and while the State Revolving Fund interest rates are at 2%, Mr. Pandy felt it would be best to increase the rate from \$23.65 to \$25.00. With the Board's permission, he will direct Umbaugh to factor in borrowing \$6,000,000 (increase the C-Phase II \$5,000,000 to \$6,000,000), plus two additional employees. The new information will be presented to the Board when Umbaugh has finalized the revised rate study. It was agreed by the Board.

6.) MANAGER'S REPORT:

WATER MAIN BREAK INSURANCE MATTER:

Mr. Pandy shared a letter with Board from the County insurance company, One Beacon, who has denied our claim regarding the damage to the water line at Wayne Street crossing. The letter is dated May 16, 2016, and is addressed to our wastewater treatment plant at 221 West Riverside Drive. We never received the letter. Mr. Pandy had solicited Mr. Berkshire's legal counsel on the matter. Mr. Berkshire's legal advice is for Saine Summer's underwriter Cincinnati Insurance, pursue the matter for us. They have lawyers who specialize in such matters. We believe the county is responsible. The Board concurred.

GOLF COURSE IRRIGATION:

Mr. Ward had inquired if water could be used for irrigation of the municipal golf course. Mr. Pandy researched the matter and indicated that the Federal Water Pollution Control Act of 1972, had provided funding for it, but funds are no longer available. He reviewed the 2015 posting on funding programs and could not find any grant monies available.

MIAMI COUNTY EDA GROUNDBREAKING:

Mr. Pandy and Mr. Ward had attended the groundbreaking on July 20th for the 56,000 square foot shell building that is being constructed at Grissom Aeroplex, adjacent to U.S. 31. The builder is confident that he can get a tenant for it after completion. The new construction is within our water/electric service territory and will be a new source of revenue for us when occupied.

REQUEST FOR POWER PLANT DEMOLITION:

It was noted that a company from Kokomo, Indiana, that is interested in purchasing the power plant equipment, had toured the power plant facility last week with that Mr. Pandy and Mr. Chance.

Mr. Pandy stated that Mr. Chance had prepared a Request for Proposal for bids for the power plant demolition. Demolition cost will probably be \$5,000,000 from the electric funds. He noted that in 2015, Environmental Resource Management had estimated that we should receive \$2,000,000 in value from scrap metal; our net cost will then be \$3,000,000 from the electric utility funds. We have money set aside for the project and it is hoped to be enough.

Mr. Pandy inquired if the Board wanted demolition of the proposed structures and components to at least (1) foot deep, (3) feet deep, or demolition and full excavation of all structures and components. The highest cost option will be to excavate the site completely. The other option that Mr. Chance had identified is to offer the power plant site for sale.

Mr. Pandy asked the Board's permission to advertise for Request for Proposals for the demolition of the power plant. There was a discussion and Mr. Ward recalled that the Board had felt that the site would be better as a green site and that they were not in favor of selling the power plant site. Mr. Chance recalled that they had also discussed the highest cost option, and were not in favor of that option. Mr. Chance noted that the RFP contained the three different bid options, so we can get cost comparisons. He said that the ground water samples came back clean; we are below IDEM levels. He noted the contaminants present in the topsoil. Mr. Chance stated that it will be the contractor's cost to dispose of any contaminants that are excavated; it is a site to grave. The Board felt that knowing all the costs up front is a good idea.

PERU UTILITIES SELF-FUNDED HEALTH PLAN:

Mr. Pandy summarized the renewed insurance increases for next year for our self-funded health plan. The new plan year begins on August 1st. It was noted that is minor adjustments to annual deductibles and co-pays. Mr. Pandy summarized the increased amounts. He said that the monthly payroll deduction for an Employee Only member remains at \$75, Employee +1 is \$140, and Family deduction is \$215.

7.) ADJOURNMENT:

There being no further business to bring before the Board, Mr. Ward made a motion to adjourn. Ms. Costin seconded the motion. The meeting adjourned by unanimous consent.

Geoff Ward, Secretary Peru Utilities Service Board