

**PERU UTILITIES  
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF  
OCTOBER 12, 2016**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on Wednesday, October 12, 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, and Dr. J. Crawshaw. Absent: G. Ward and J. Edwards. Others present: J. Pandy, B. Tillett, L. Starkey, L. France, S. Chittum-Miami County Chamber of Commerce, B. Yankey-Peru Tribune, J. Languell-City Council Liaison, P. Blakely and N. Mazarenko.

**1.) APPROVAL OF BOARD MINUTES OF SEPTEMBER 28, 2016:**

*Dr. Crawshaw moved to accept the Board minutes of September 28, 2016, meeting as mailed. The motion was seconded by Ms. Costin. The motion carried.*

**2.) PAYMENT OF CLAIMS:**

*A motion was made by Ms. Costin to approve the claims as presented. Dr. Crawshaw seconded the motion and the motion carried.*

**3.) NEXT REGULAR MEETING:**

The next regular meeting will be held Wednesday, October 26, 2016, at 4:00 p.m. in the Utility Service Boardroom.

**4.) OLD BUSINESS:**

**A.) Miami County Chamber of Commerce – President Sandy Chittum:**

Mrs. Chittum thanked the Peru Utility Service Board for their Gold membership status. She passed out packets of information to each Board member which explained the benefits of Chamber membership; noting the Chambers' focus was on the community, businesses and its employees. Mr. Akers inquired of the Chamber's relationship with MCEDA. Mrs. Chittum reported that even though MCEDA is a separate entity; the Chamber works closely with community businesses, citizens and economic development for any of their needs.

It was noted that because of Ms. Costin's concern about the Chamber Gold Membership cost, Mr. Pandy had looked for savings. By eliminating the following newspaper subscriptions; Wall Street Journal, Kokomo Tribune, Pharos-Tribune, plus the additional Peru Tribune subscription we will save \$795.49/year. He noted that the canceled newspaper subscriptions had little or no effect on Peru Utilities day-to-day operations.

**5.) NEW BUSINESS:**

**A.) SITE LEASE AGREEMENT PERU UTILITIES WATER TOWER:**

Mr. Pandy reviewed a request from Tower Point Capital, Atlanta, Georgia, who is interested in leasing the Gallahan water tower, north on U.S. 31. They purchase tower sites with a lump sum payment; the water towers provide an

existing structure for placement of their antennas, repeaters, and equipment. If we sell our lease to Tower Point Capital or another company, we receive cash up front. Since we have seven other water towers he felt we should lease all of them, especially since cell phone coverage is spotty in this area; plus, it is a revenue source. If we can lease to a national broker such as Tower Point Capital it could attract not only T-Mobile but AT&T, Century Link and others who provide cellular coverage; we would be cashed out of managing a lease. The current lease includes five-year renewals to 2033; if the lease remains the same we will receive \$1,700/month until 2033. The current market rate is \$2,000/month; our lease payment escalates every five years by a factor of inflation. It will take a while before we receive \$2,000/month. The cellular antenna revenues would be added to the Water Utility and be beneficial in possibly reducing the amount of borrowing that we need for our water system. Mr. Akers inquired about liability issues. Mr. Pandy explained we would want to perform our due diligence and negotiate; there would be limitations on liability issues within the agreement. We will also reserve space for the City, County, and EMS to have access to their equipment. We will structurally take care of the water towers to ensure that they are strong and painted and fenced. The Lessee will need a small amount of space on the ground for their control building; they erect cables upwards to the antenna on the tower; they are not interfering with the use of the water tower. The Lessee will not have the right for any signage or advertising on the water tower; only communication equipment.

*Dr. Crawshaw made the motion to allow Mr. Pandy to request competitive bids for the Peru Utility water towers; the motion was seconded by Ms. Costin and the motion carried.*

**B.) APPROVAL OF EMPLOYEE SENIORITY POLICY:**

Mr. Pandy reported that it was past practice to give a \$10.00 seniority award to every employee beginning at their five-year anniversary of service. We have no of formal document that specifies that. Dr. Crawshaw felt rewarding employees is crucial in any business; he noted that Peru Utilities’ employees are the “gold standard”, a large collection of skilled employees, and fortunate to have. Mr. Pandy recommended the Board approve Policy 1-2016, Service Award Policy.

*Dr. Crawshaw made a motion to accept Policy 1-2016, Service Award Policy. Ms. Costin seconded motion and the motion carried.*

**6.) CITY ADMINISTRATION UPDATE:**

Mrs. Languell reported that there will be a Public Hearing at 5:45 p.m. on November 7<sup>th</sup>, in the Common Council Chambers at 35 South Broadway in regards to the Peru Water Rate Increase. She emphasized that surrounding communities are paying much higher water bills than the City of Peru. It was noted that we are the same as other

cities in the fact that we have the same costs to produce water, but we are way below in rates.

7.) **CITY ATTORNEY'S UPDATE:**

Attorney Roberts reported he is currently working on the water bond issuance.

8.) **MANAGER'S REPORT:**

**WATER RATE INCREASE:**

Mr. Pandy reviewed a handout with the Board for the new proposed increase for water rates and charges; noting the new revenue requirements and proposed debt service used to develop the new rate structure. He noted the construction cost of the 16" main under Peru High School is the main driver adding \$1,000,000, plus debt service for \$7,000,000 at (2.5%) adds \$200,000. Periodic maintenance has not been performed on the water valves since 1997. He summarized why maintenance of the water valves annually is of paramount importance; the valves turn the water on and off, isolate main breaks, and open and restore areas that have a main broken.

Other drivers of the cost are: we added two additional employees \$120,000, Umbaugh assumed 3% annual inflation for the past three years and we allocated some personnel to manage the upcoming projects. These things account for within \$20,000 of what Umbaugh said is a needed for an increase. Our revenue for eight months is \$1,163,074; 12 months' revenue projection is \$1,744,611. Umbaugh reported that our revenue in 2014 should have been \$2,186,013; we are at 20% less in the year 2016. Since the recommended Phase II increase in 2014 was never implemented, but was well publicized in the newspaper and recorded we are short an additional 19.5%. The 2017 additional revenue required per Umbaugh 2014-2017 is 18.3%.

Mr. Pandy summarized the historical data of Capital projects for the past nine years. We have spent an average of \$107,000/year on a utility with an infrastructure worth \$11,000,000. This equates to a 1% expenditure annually over the past nine years. The standard utility depreciation practice is 3% per year; we should be spending \$300,000 annually. In the meantime, we have transferred \$2.2 million from Depreciation (which is supposed to fund infrastructure) to Operations just to meet our monthly expenses. This doesn't include the 19.5% of revenue never received because the Phase II Rate Increase was not implemented.

Mr. Pandy said he is available to answer any questions that City Council may have. It was noted that 57.8% sounds like a lot of money, it is only \$8.69/per month for the average customer. It comes out to 29¢ per day in an average 30-day month. We are asking customers to pay 29¢ additional per day to ensure that the water is safe so that we don't become the next Flint Michigan and also to have adequate fire protection. Included in the capital money is a change out of water 1-2-inch water lines; the small lines affect the water flow and pressure causing greater pressure drops in these neighborhoods. The standard pipe installed now is 6 inches in diameter. Mr. Pandy stated that the Water Utility has been in serious financial condition for a number of

years and the infrastructure really needs improvements; we need to do these projects. Dr. Crawshaw noted the number of years that Peru’s water infrastructure had been ignored and the age of some of the pipes; although he is compassionate about protecting the ratepayers and customers with limited incomes. He felt it was either borrow now or borrow later on down the road in phases, which will increase borrowing costs. Mr. Pandey encouraged all interested parties to attend the Public Hearing on November 7th; we need to make the case, our Water Management Team, and Union will be attending, they will tell you first-hand what they see when they go to repair broken mains and hydrants that need service and valves that cannot be operated properly. Mr. Pandey will get the current information out to the Common Council beforehand; he will let them know that he is available to answer any questions.

**IMPA 2017 IMPA RATE STUDY:**

Mr. Pandey reported that IMPA projects a reduction in their wholesale rate for 2017; averaging (1.05%) for all members to 7.53¢ per kilowatt hour. Our cost is already 7.78¢ per kilowatt hour because of our bad load factor; we don’t have the energy to match the demand. An average customer pays \$75 out of every \$100 of their bill for wholesale power (IMPA). Our power bill for the last month was the highest in our history, over \$2.2 million for one month. He referenced a graph to Board that explained Peru’s Energy Purchases; Billed Demand and Monthly Load Factor. He noted that customers think that their power increased, but in reality, their usage increased. Our electric revenues decreased this year by (\$300,000), but Power Costs increased by \$577,000. The Electric Utility is a negative margin of \$1,000,000; it is clear that we will not recover by the end of the year. The staff is reviewing the number; there is a 45 to 60-day lag between when we receive the IMPA bill and customer payments are received. Our power costs have increased 3.4% because of our bad load factor. Last year our losses last year were 5.8%; this year 7%. The difference between our revenue and what we pay IMPA was \$3.8 million in 2015 and \$2.9 million this year. Power cost is now 82% of our revenue, for every \$100, we make, \$82 goes to IMPA, leaving \$18 to operate our business. He has asked IMPA to check the metering; our staff has already reviewed the tracker, and it was found that some of the administrative and general costs have not been recovered; we will fix the tracker on the retail side. We will also reduce our loads with a load tap changer at the substations; this will reduce Peak Demand relative to the energy, at about 5%. We have to stay within the National Standard.

In our newsletter to customers, we will communicate a campaign called “Wait Until 8:00 p.m.”; which will explain to our customers that they can lower their power costs and save money by reducing their electric usage during peak hours and shifting their heaviest usage to the off-peak hours. Mr. Pandey reported that of 75% of all IMPA member’s revenue goes to IMPA; which is higher than the national average. There was a discussion and it was noted Smithfield Foods is 16% of our electric load, Miami Correctional Facility is 5.9% and Schneider Electric is 2.4%.

**MIAMI COUNTY CHAMBER OF COMMERCE CITIZEN OF THE YEAR AWARD:**

Mr. Pandy reports that Mr. Akers was nominated for Citizen of the Year; Mr. Akers has a long record of service to the community in many venues.

**AUGUST 2016 FINANCIAL REPORTS:**

The August power bill was \$2,028,138; \$252,000 over budget. Because of the higher usage this summer; everyone received higher electric bills.

**MCEDA:**

Mr. Pandy had attended the Elected Officials Council Meeting on Monday, October 10, 2016. Mr. Pandy had suggested that they form a group called “Peru 22” (five years out) to bring together private citizens to help elected officials to focus on areas that need attention and to improve the quality of life in Peru. He felt that community members should meet once a month to reach out to the committee to prioritize and to develop an action plan. The Council meets the 2<sup>nd</sup> Monday of every month. Mr. Pandy felt it important to help our community to be more pro-active.

**9.) ADJOURNMENT:**

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

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Geoff Ward, Secretary Peru Utilities Service Board