

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
APRIL 5, 2017**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on Wednesday, April 5, 2017. Mr. Akers called the meeting to order at 4:00 p.m. pursuant to notice as required by law. The following Board members were present: S. Akers, M. Costin, and G. Ward. Absent: J. Crawshaw MD, and J. Edwards. Others present: D. Kern, Esq., J. Pandy, B. Tillett, J. Beisiegel, and A. Lombardi, Peru Tribune.

1.) APPROVAL OF BOARD MINUTES OF MARCH 15, 2017:

Mr. Ward made a motion to accept the Board minutes of March 15, 2017, as mailed. Ms. Ward seconded the motion and the motion passed.

2.) PAYMENT OF CLAIMS:

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

3.) NEXT REGULAR MEETING:

The next regular meeting will be held Wednesday, April 19, 2017, at 4:00 p.m. in the Utility Service Boardroom.

4.) PUBLIC COMMENT: No public comments were made.

5.) OLD BUSINESS: None

6.) AMEND AGENDA:

Ms. Costin moved to amend the agenda and add Item "B"- Recommend to the Peru Common Council an Amendment to Ordinance 9-2011. Mr. Ward seconded the motion, the motion carried.

7.) NEW BUSINESS:

A.) AUTHORIZE THE GENERAL MANAGER AND THE ATTORNEY TO CONTINUE DUE DILIGENCE WITH RESPECT TO POTENTIAL AGREEMENT WITH SBA FOR LEASING TOWER SITES:

Mr. Pandy asked for Board authorization for the General Manager and the Attorney to continue due diligence before entering into an agreement with SBA Communications for leasing two of our tower sites. He reported SBA Communications rebid is for a 25-year buyout for \$337,000 for the Northwest tower site adjacent to US 31, and \$100,000, 50-year buyout for a stand-alone cell tower site SBA owns and constructed on Peru Utilities' property south of the Wastewater Treatment Plant. There will be 3-4 months due diligence period between the attorneys prior to the closing of a signed agreement. In conversations with other potential bidding parties during the rebid timeline, Mr. Pandy stated that we would be receiving a multiple exceeding fifteen times the rent. The other interested parties replied in surprise to this amount as it was felt that it was an amount that most would not pay. Attorney Kerns had reviewed SBA's contract, he noted it is standard boilerplate documents that are acceptable. Mr. Pandy stated that SBA accesses their tower through a gate on our property; we prefer

their access point be outside of our fenced property. We have provided SBA with a redline sketch that proposes the access drive be constructed close to the edge of our property. There was discussion and it was noted that we would construct a gravel access road, which will be at our cost.

Ms. Costin made the motion to authorize Mr. Akers to sign the Easement Agreement for Site ID: IN08787, and for the General Manager and the Attorney to Continue Due Diligence with Respect to Potential Agreement with SBA for Leasing Tower Sites. Mr. Ward seconded the motion and the motion carried.

B.) RECOMMEND TO THE PERU COMMON COUNCIL AN AMENDMENT TO ORDINANCE 9-2011:

Mr. Pandy said the Peru Common Council had unanimously approved the Bond Ordinance, along with Approval of second Quarter Electric Rates 2017-Tracker Adjustment at their April 3 meeting. He informed the Board that President Krauskopf had concerns how the tracker adjustment would affect the average customer who uses 750-kilowatt hours; it is a \$5.44 per month increase. Last fall the tracker decreased the average customer’s bill \$4.75 per month. Mr. Krauskopf inquired why the big discrepancy in the tracker each quarter. Mr. Pandy explained the tracker is unbalanced; the average adjustment should be less than a dollar per month. Mr. Krauskopf inquired why we did not change the ordinance; our current ordinance states, “*Rates and charges for water and electric utilities shall be developed by an independent firm*”. Mr. Krauskopf pointed out that Umbaugh charges us \$50,000-\$70,000 every time they perform a rate study. Mr. Pandy said that we need to recalculate our current rate and change it because it is unclear as to whether businesses are subsidizing residents or vice versa. He said if Peru Utility staff would perform our own cost studies, we would save the money otherwise paid to Umbaugh; also, we will shorten the justification report to 2-3 pages instead of Umbaugh’s 71 pages in length. If Council disputes our cost study, they could hire an accountant review the numbers. Mr. Pandy said the city council is willing to give it consideration. He referenced the Draft Ordinance No. 9, 2011, noting that the only significant change would be “*Rates and charges for water and electric utilities shall be developed by Peru Utility staff*”, other corrections are dates and names. The amended ordinance should clarify that it applies to all the electric and water utilities owned by the City of Peru (Peru and Grissom).

It was not Mr. Pandy’s intention to bring forth the issue at this time, but since the Peru Common Council is ready to make a consideration, we will move forward. He asked for Board authorization to present amended Ordinance 9, 2011, at the May 1 Peru City Council meeting for the first reading; second reading, and approval during the June 5 Peru City Council Meeting. If adopted we will recalculate the electric rates. Mr. Ward recalled the opposition that the public had expressed during withdrawal from the I.U.R.C.; Mr. Pandy would inform the public as to our motives to increase our accountability.

Mr. Ward made a motion to authorize Mr. Pandy to present the amended Ordinance 9, 2011, at the May 1 Peru Common Council Meeting. Ms. Costin seconded the motion and the motion carried.

8.) CITY ADMINISTRATION UPDATE: None

9.) CITY ATTORNEY'S UPDATE:

Attorney Kerns reported Mike Walsh had given him a copy of two new invoices from the Norfolk & Southern Railroad at the old rate of \$485/crossing; not their new rate of \$2,475/crossing. There are five crossings, which we are under contract with Norfolk & Southern Railroad. Attorney Kerns is waiting to hear back from Norfolk & Southern Railroad to negotiate an agreement, he asked that we wait to pay the recent invoices until he receives word back from them. He will get in touch with Norfolk & Southern Railroad tomorrow.

10.) MANAGER'S REPORT:

a.) IMPA WHOLESALE RATES:

Mr. Pandy and Mr. Chance will meet with Mr. Alvey and Mr. Rao tomorrow at IMPA in regards to their power rates. Mr. Pandy had attended IMPA's annual meeting March 24, at which they proposed an Economic Development Rider. He referenced IMPA's Economic Development Rider explaining the rate incentive schedule and as to why IMPA had implemented the Rider.

b.) INDIANA PACKERS:

Mr. Pandy gave an update and passed out maps of the new Feed Facility for Indiana Packer's Op Nutrition to the Board members. They will have 810, 000 of kilowatt-hours of energy and 1,500 KWD and they will load their transformer at 60%; they will have two transformers that they will buy and own. They will keep a spare transformer on hand at their Delphi facility, which takes some of the cost away from us. An estimate of their annual bills was reviewed

ORDINANCE 12, 2011:

Mr. Pandy gave Board members a copy of Peru Utility Ordinance 12, 2011, Peru Utility Economic Development Rider. The ordinance currently states that we can only charge a customer for wholesale energy, meaning there is no financial payment for Peru Utilities. The Board needs to review the current Economic Development Rider and adjust it before Indiana Packers comes online; we cannot be in the distribution of the electricity business by buying from IMPA and then selling at our cost. Mr. Pandy suggested that the Board consider the repeal of Ordinance 12, 2011, at the April 19 meeting.

c.) UMBAUGH PRESS RELEASE:

Mr. Pandy shared a press release with the Board, which said that H. J. Umbaugh and Associates is ranked at the 6th most active municipal financial advisor in the Nation; Umbaugh ranked second most active among Municipal Financial Advisors in the Midwest Region. Umbaugh also ranked first overall in the Indiana Rankings of Municipal Financial Advisors.

d.) WATER SYSTEMS IMPROVEMENTS PROJECT:

Mr. Pandy reported that the Mayor had received a letter from the State Revolving Loan Fund (SRF) announcing that they have approved our Preliminary Engineering Report (PER), and the Preliminary Decision of Categorical Exclusion is final. The letter states the State Revolving Fund will finance the water systems improvements for Peru. The State Revolving Fund (SRF) Loan Program schedule states Peru Utilities ranks 11 out of 18. Wessler Engineering had informed Mr. Pandy that some of the cities ahead of Peru Utilities could drop off because they may not have their rate increase in place or design ready. OCRA will receive Peru's full report Friday, they work closely with the State Revolving Fund (SRF), and if we receive grant money, it will help with our securing a loan. If we are not funded by July of this year, the State Revolving Fund (SRF) will hold the money until December 31, 2017. On January 1, 2018, the State Revolving Fund will review the list to see what cities are ready to close; we could be funded in January. Mr. Pandy said that Wessler would schedule a meeting with the manager of the State Revolving Loan Fund as soon possible to find out what our options are; our engineers can prove that we are ready to proceed.

e.) WABASH AVENUE STORM SEPARATION PROJECT:

Mr. Beisiegel reported there is a 4" gas line that the gas company has to relocate prior to work beginning on Wabash and East Riverside. Work will be delayed in that area until the end of May.

11.) ADJOURNMENT:

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

Geoff Ward, Secretary Peru Utilities Service Board