

RESOLUTION NO. 2015-04

**RESOLUTION OF THE UTILITY SERVICE BOARD
OF THE CITY OF LEBANON, INDIANA**

RECOMMENDING A NEW SCHEDULE OF SEWER/WASTEWATER RATES AND CHARGES

WHEREAS, the City of Lebanon, Indiana owns and operates through its Utility Service Board (“Board”) a municipal sewage works utility known as Lebanon Utilities (“Utility”) for the purpose of collecting and disposing of the sewage/wastewater of the City in an efficient, sanitary and reliable manner; and

WHEREAS, the Board desires to continue to provide adequate and efficient sewage/wastewater service to its customers for the protection of the health, wellbeing and property of the City of Lebanon and its sewage customers; and

WHEREAS, the financial health of the Utility is a necessary component to enable the Utility to provide adequate and efficient sewage/wastewater service; and

WHEREAS, the rates and charges made by the Utility must be nondiscriminatory, reasonable and just; and

WHEREAS, the revenue requirement elements comprising “just and equitable fees and for the services rendered by the sewage works” are set forth in IC §36-9-23-25 and the intent of the statute is that the “fees required to maintain the sewage works in the sound and physical and financial condition necessary to render adequate and efficient service;” and

WHEREAS, the existing schedule of rates and charges for sewer/wastewater sewage provided by City of Lebanon Utilities was adopted in 2005 following approval of the Common Council of the City of Lebanon; and

WHEREAS, the Board engaged utility rate consultant H. J. Umbaugh & Associates, Certified Public Accountants, LLP (“Umbaugh”) to prepare a rate analysis for the Utility and to determine the annual revenue requirements for the Utility under IC §36-9-23-25; and

WHEREAS, based upon results of the rate analysis showing a need for an increase in the income from rates and charges for services, Utility Management has held Board working sessions, public meetings, and a joint meeting with the City Council considering and analyzing a new schedule of reasonable and just rates and charges for services and to pay for certain capital projects, subject to approval of the Common Council of the City of Lebanon; and

WHEREAS, the rate analysis has been completed as requested by the Board on behalf of the City; and

WHEREAS, the rate analysis indicates that the Utility requires an sewage/wastewater rate increase in order to have reasonable and just rates and charges for services within the meaning of IC § 36-9-23-25; and

WHEREAS, Utility Management has recommended certain changes to the existing schedule of rates and charges of the Utility to bring them more in line with the results of the cost of service analysis; and

WHEREAS, the Board specifically finds in its recommendation that the rate increase should be effective not later than January 1, 2016 and further that a graduated or incremental increase in the rates would not effectively address the financial needs of the Utility and could therefore have a detrimental impact on service and future capital improvements;

WHEREAS, the amount of the proposed rate increases, revenue allocations among the customer and rate changes have been recommended for approval to the Board by its consultants and Utility Management; and

WHEREAS, in order to mitigate larger percentage rate increases in the future, the Board is directing Management to provide the City Council before the end of the first quarter of each year an update on the rates and charges for the sewer utility. This shall include a general analysis of the financial status of the sewer utility, proposed capital improvement projects, and recommendations/projections for future rate increases.

ALTERNATIVE #1

NOW, THEREFORE, BE IT RESOLVED that the Lebanon Utility Service Board recommends to the Common Council of the City of Lebanon, Indiana, that the Utility's annual operating revenues from sewer/wastewater rates and charges be increased by thirty-two percent (32%) which would include no reduction in the Wastewater Utility's Payment In Lieu of Taxes ("PILOT") to the City (City Resolution 2010-07); constituting a rate increase amendment to Section 2 of Ordinance 05-09 reflecting the percentage increase to the monthly user rates; or

ALTERNATIVE #2

NOW, THEREFORE, BE IT RESOLVED, IN THE ALTERNATIVE that the Lebanon Utility Service Board recommends to the Common Council of the City of Lebanon, Indiana, that the Utility's annual operating revenues from sewer/wastewater rates and charges be increased by twenty-six percent (26%) which includes a five (5) year, one hundred percent (100%) reduction in the Wastewater Utility's Payment In Lieu of Taxes ("PILOT") to the City (City Resolution 2010-07); constituting a rate increase amendment to Section 2 of Ordinance 05-09 reflecting the percentage increase to the monthly user rates and nullifying City Resolution 2010-07; or

ALTERNATIVE #3

NOW, THEREFORE, BE IT RESOLVED, IN THE ALTERNATIVE that the Lebanon Utility Service Board recommends to the Common Council of the City of Lebanon, Indiana, that the Utility's annual operating revenues from sewer/wastewater rates and charges be increased:

- January 1, 2016 by twenty-one percent (21%) from the current rates and charges which includes a one hundred percent (100%) reduction in the Wastewater Utility's "PILOT" to the City payable in 2016; thereafter,
- January 1, 2017 by five percent (5%) from the previous years' rates charges which includes a seventy-five percent (75%) reduction in the Wastewater Utility's "PILOT" to the City payable in 2017; thereafter,
- January 1, 2018 by one percent (1%) from the previous years' rates and charges which includes a seventy-five percent (50%) reduction in the Wastewater Utility's "PILOT" to the City payable in 2018; thereafter,
- January 1, 2019 by one percent (1%) from the previous years' rates and charges which includes a fifty percent (25%) reduction in the Wastewater Utility's "PILOT" to the City payable in 2019; thereafter,
- January 1, 2020 by one percent (1%) from the previous years' rates and charges which includes a twenty-five percent (10%) reduction in the Wastewater Utility's "PILOT" to the City payable in 2020; thereafter,
- January 1, 2021 by zero percent (0%) from the previous years' rates and charges which includes a zero percent (0%) reduction in the Wastewater Utility's "PILOT" to the City payable in 2021.

Constituting a rate increase amendment to Section 2 of Ordinance 05-09 reflecting the percentage increase to the monthly user rates and an amendment to City Resolution 2010-07;

BE IT FURTHER RESOLVED that the results of the foregoing recommendations are reflected in the attached proposed new schedule of rates and charges for sewer/waste water service (Exhibits "A", "B", "C"), which are recommended to the Common Council for its approval in accordance with IC §36-9-23-25; and

BE IT FURTHER RESOLVED that said recommendation and a copy of this Resolution shall be delivered to the Mayor of the City of Lebanon for distribution and discussion by the Common Council of the City of Lebanon.

Adopted by the City of Lebanon Utility Service Board this ____ day of October, 2015.

Dan Lamar, Chairman of the Board

Attest: _____

Jim Urban
Secretary of the Board