

LEBANON UTILITY SERVICE BOARD

Lebanon, Indiana

October 21, 2015

Utility Conference Center

4:00 P.M.

Present:

Board:

Dan Lamar, Chairman

Allen Woods, Vice Chairman

Jim Urban, Secretary

Neil Taylor, Member

Gary Ladd, Member

Staff:

Bob Waples

Pete Shepherd

Mike Whitman

Sandra Morgan

Guests: Tyler Wilson - Umbaugh

Legal Counsel: Jeff Jacob

1. Chairman Dan Lamar called the October 21st, 2015 meeting of the Lebanon Utility Service Board to order at 4:08 P.M. A Full Quorum was in attendance. Confirmation of appropriate notification was acknowledged.

Chairman Lamar mentioned that an executive session was held at 3:00 this same date. Confirmation of appropriate notification was acknowledged. No action was taken or decisions made in this session.

2. Pledge of Allegiance to the American Flag was observed.

3. Chairman Lamar requested comments or changes to the October 7, 2015 minutes. Member Neil Taylor made a motion to approve the minutes. Secretary Jim Urban seconded the motion. Motion carried.

4. Electric Operations Project Manager Mike Whitman asked the Board to approve Supplement No. 5 to the original Master Agreement with Ladd Engineering to include the construction phase of the Electric Operations Facility and Main Street Water Main. Vice Chairman Allen Woods verified that these changes and/or additions were requested by Lebanon Utilities. Board Member Gary Ladd recused himself from the approval process. Vice Chairman Allen Woods made a motion to approve Supplement No. 5 to the original Master Agreement with Ladd Engineering for an additional \$23,000 for a total not to exceed Agreement amount of \$70,400.00. The motion was seconded by Member Taylor. Motion carried.

5. Electric Operations Project Manager Mike Whitman asked for Board approval to remove an asset by the demolition of the old brick building on Klutz Street, across from the current electric garage. Manager Whitman pointed out the building is in such disrepair as to be very unsafe to those who may be near or entering the building. Member Ladd made a motion to declare the brick building on Klotz Street as unsafe and in dangerous condition, therefore authorizing Lebanon Utilities to proceed to remove this asset by demolishing the structure. Secretary Urban seconded the motion. Motion carried.

6. Electric Operations Project Manager Mike Whitman gave a report to the Board regarding the 360 Safety Program and gave an update on the Utilities Disaster Recovery Plan. A 360 decal will be placed on all vehicles to encourage drivers. Manager Whitman will be attending a Disaster Recovery Conference in Chicago tomorrow.

7. Legal Counsel Jeff Jacob asked the Board to consider the vacation of a blanket easement with Nelson Irrevocable trust and convey such in a defined easement part to Boone REMC and Lebanon Utilities. The Electric and Water Departments have verified the Utilities do not need or currently have utilities within this easement. Secretary Urban made a motion to vacate the blanket easement with Nelson Trust and

convey a defined easement with Nelson Trust and Lebanon Utilities. Vice Chairman Woods seconded the motion. Motion carried.

8. Legal Counsel Jeff Jacob and Tyler Wilson from Umbaugh and Associates presented the Board with Resolution 2015-04, Resolution of the Utility Service Board of the City of Lebanon, Indiana Recommending a New Schedule of Sewer/Wastewater Rates and Charges (attached for record). Vice Chairman Allen Woods recused himself from voting as a bond underwriter. Three alternatives will be presented to the City for consideration by this Resolution;

- Alternative #1- rates would increase by 32%, which would include no reduction in the Wastewater Utility's Payment in Lieu of Taxes to the City.
- Alternate #2 - rates would increase by 26% which includes a 5 year 100% reduction in the Wastewater Utility's Payment in Lieu of Taxes to the City.
- Alternate #3;
 - Phase I - 2016 21% increase includes a 100% reduction in PILOT
 - Phase II - 2017 5% increase includes a 75% reduction in PILOT
 - Phase III- 2018 1% increase includes a 50% reduction in PILOT
 - Phase IV - 2019 1% increase includes a 25% reduction in PILOT
 - Phase V - 2020 1% increase includes a 10% reduction in PILOT
 - Phase VI - 2021 0% increase includes a 0% reduction in PILOT

Chairman Lamar asked if there were any comments from the audience, no one responded. Member Ladd made a motion to provide no repayment to the Water loan thru the proposed Wastewater Utility rate increase (Alternative #1) thus reducing the need for an increase from 41% to 32%. This repayment will continue from Availability fees collected by the Wastewater Utility. Member Taylor seconded the motion. Motion carried.

Member Ladd made a second motion to approve Resolution 2015-04 that will provide a Resolution to the City requesting a Wastewater rate increase for 2016. Member Taylor seconded the motion. Motion carried. Chairman Lamar acknowledged Vice Chairman Woods had recused himself from voting.

9. Legal Counsel Jeff Jacob read Resolution 2015-05 recommending an annual review of rates and charges be brought before City Council by the end of the first quarter of each year based on prior year performance. Discussion was had as to whether a rate study was required before bringing a rate increase request to the City. Finance Manager Sandra Morgan stated by Statute a request for a rate increase must be just and fair. Manager Morgan will research this further. Manager McCoskey and Chairman Lamar both feel the Resolution will enable the Utilities to be proactive in keeping the financial needs before the public rather than being forced to come very rarely, and with a large increase requested to meet the current needs of each Utility. Secretary Urban made a motion to approve Resolution 2015-05 to provide an Annual Review of Rates and Charges to the City. Member Taylor seconded the motion. Motion carried.

10. Acting Electric Operations Manager Pete Shepherd shared with the Board the retirement of the last 4kv line in Lebanon. Lebanon is totally 12kv as of October 15th 2015. This is a true milestone for the Electric Utility.

11. Member Ladd made a motion to approve the claims dated October 21st, 2015 for \$2,040,598.91. Member Taylor seconded the motion. Motion carried.

12. Chairman Lamar asked for any other business that may be brought before the Board. General Manager Jay McCoskey mentioned that on Saturday, October 17th we lost power at the Central sub for 45 minutes to an hour due to a squirrel knocking out the 69 breaker.

On Saturday October 24th, 2015 we are providing tours of the Wastewater Plant. Tours begin at 1:00, 2:00 and 3:00pm.

13. Chairman Lamar opened the floor for public comment.

14. Hearing of no further business to be brought before the Board a motion was made to adjourn the meeting by Member Ladd. The motion was seconded by Member Taylor. Motion carried.

The meeting was adjourned at 5:10pm.

There is a Joint Executive Session with the City Council on Friday, October 23rd, 2015 at 12:00pm.

The next Utility Board meeting will be November 4th at 4:00pm., with an Executive Session at 1:30, followed by a Working Session at 3:00.

APPROVED THIS 4th DAY OF November, 2015

CHAIRMAN OF THE BOARD

ATTEST:

CLERK OF THE BOARD

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