

**MEETING OF THE SEWER BOARD OF THE CIVIL CITY OF NEW ALBANY,
INDIANA, WILL BE HELD IN THE THIRD FLOOR ASSEMBLY ROOM OF THE
CITY-COUNTY BUILDING ON THURSDAY, February 4, 2010 AT 12:30 p.m.**

Present: Mr. Harbison, Mr. Brinkworth, Mr. Wilkinson, Mr. Christmas Mrs. Garry, Mr. Fifer and Ms. Wisman

Mr. Harbison called the meeting to order at 12:33, and asked Mr. John Skump to come forward and give them highlights of the Rates Report.

Mr. Skomp reviewed the preliminary rate report and stated that they really only have one option at the time to correct the financial problems with the sewer utility. He discussed page 24 regarding the revenue requirements and the fact that the utility needs to bring in enough money to cover operational and maintenance expenses which amounts to about \$6.2M a year. He stated that another big part of this is the debt service payments which are \$4.7M a year and they are only bringing in about \$9.1M a year so just with the basic costs of running the utility they are not able to cover the expenses. He discussed the operating fund balances and explained that by the bond ordinance they are required to carry two months in the operating maintenance fund balance and pointed out the list of unpaid claims on page 10 of the report as well as four months that the months that the monthly transfer had not been made to the bond and interest fund. He stated that at this point in time instead of having a little over \$1M in the fund like they are required to they are short \$1.6M so they will need to make up this balance to make up for the deficit in this fund. He stated that they believe that if the utility can bring in \$900,000.00 they will be caught up in three years. He discussed the bond anticipation note funding and stated that it has been outstanding for a period of time as shown on page 18 and explained that they can no longer roll that note forward and it will have to be paid with cash because they will not be able to go out and roll this into a new bond or finance any further debt because of the downgrade from their bonds, lack of operating funds, and lack of debt services as detailed on page 9. He explained that they have had some follow up conversations with the SRF representative and they have been told to keep them up to date on what is going on with this situation as well as conversations with state representatives who have asked if there is anything they can do. He addressed the hardship requirement with SRF and stated that they are well under the hardship level even with the 70% rate increase. He explained that their assured bond provider has made contact with them and wants to know what is going on so he asks that they approve Crowe Horwath to discuss these issues with them on behalf of the city because they can't afford to have anyone calling in these

bonds because they aren't responsive or not compliant. He went over the capital improvement plan on page 23 and discussed EPA requirements going forward and what that would cost the city.

Mr. Wilkinson stated that at the last meeting Mr. Skump explained that they would not be able to do a phase in of the increase and wanted to be sure that is still the case.

Mr. Skomp reiterated that there was no way they could phase this in because of the amount of debt and the EPA requirements that these projects get finish. He explained that there are immediate needs for the additional \$500,000 per month for both the operating fund and the debt services.

Mr. Harbison asked how soon they could start these projects once the increase is put into effect.

Mr. Skomp stated that they may be able to start some of the smaller projects but first they need to pay off the outstanding bills. He explained that when you pay for projects "pay as you go" you need to have the total amount on hand when the

Mrs. Garry pointed out that there is a small change that needs to be made on page 7 where it shows that a loan was made to the general fund; that was not a loan it was a transfer that was made from one bank to another when the city took over the sewer billing.

Mr. Brinkworth asked if the EDIT funds were available at this time.

Mrs. Garry report that the full amount was not available, but she may be able to do it in two different payments because she receives those funds on a monthly basis.

Mr. Wilkinson asked about including a CPI increase.

Mr. Skomp informed him that most communities do not do this and there is not a standard for including a CPI in the rates.

There was a lengthy discussion regarding the fact that the majority of the utilities cash flow was spent on emergency projects over the past couple of years.

Mr. Bill Utz stated that he noticed that they have listed on their Capital Improvement Projects list Basin 14 and he was wondering if that means that until that project is done is all development out on the Grant Line and Charlestown Road corridors is on hold.

Wes Christmas stated that the EPA has directly expressed concern and explained that there hasn't been any overflow caused by basin 14 or anything in that regards but they have been monitoring flow levels at the request of the EPA and during some of the rain events the capacity was reaching at or just above 90% of the design capacity and there is some concern with this number and would not find favorably of any development going to that station until it was addressed.

There was a lengthy discussion regarding the listed projects and the ability to move forward with any of them.

Mrs. Garry asked the board to give Mr. Skomp the authority to speak with the FIDGIT

Mr. Brinkworth moved to give that authority to Mr. Skump, Mr. Wilkinson second, all voted in favor.

Mr. Fifer stated that their next step at some point will be to make a recommendation to the City Council on how to proceed. He stated that they only variable that he has identified is how much the capital improvement projects are funded out of operating revenue. He explained that he hasn't been back long enough to get a feel for the EPA relationship today but he doesn't think the projects identified for 2010 and 2010 are required and there might be some dispute between the two but they might be resolved by the pilot program. He stated that he drafted the resolution and they can make any changed that they want.

Mr. Skomp stated that they do need to call FIDGIT right away so he will go ahead and do that.

Mr. Harbison stated that they need to understand that on the capital improvement projects, this is the very minimum that they can get by with every year.

ADJOURN:

There being no further business before the board, the meeting adjourned at 1:26 p.m.

Roger Harbison, President

Marcey Wisman, City Clerk