



CAPITAL & CONSTRUCTION MEETING

Monday, March 2 at 4:30 p.m.

Memorandum

Mr. Pittman called the meeting to order at 4:35 p.m.

Members Present: Committee Chair Steve Pittman, members Eric Hand and Jeff Hill. Others in attendance were Board members Carl Mills, Jane Merrill and Michael McDonald, Legal Counsel Scott Wyatt and Anne Poindexter, Utility Director Andrew Williams, Engineering Manager Wes Merkle, Collections Superintendent Aaron Strong, Clark Byrum Jr., Clark Byrum Sr., Ed Bukovac, Tim Huston, Lauren Toppin and Todd Waller.

Public Comment

There was no public comment.

Dedications

Mr. Pittman recused himself from the discussion.

Mr. Hand made a motion recommending the acceptance of the sanitary sewer dedication for the Estates at Towne Meadow. Mr. Hill seconded the motion and a recommendation will be made to the Board of Trustees to accept the dedication.

Citizens-Byrum Sewer Service

Mr. Williams said the Board heard a proposal for service from Citizens-Byrum at their February meeting. Prior to this committee meeting Citizens/Byrum submitted an updated terms sheet that was included in the packet. He asked if the committee members had any questions regarding the updated terms.

Mr. Pittman suggested the Committee discuss the proposal and ask questions of Citizens/Byrum as needed. Mr. Pittman said it would be his preference to provide sanitary sewer service directly with the school.

Mr. Williams said TriCo has only one wholesale agreement, which is with the City of Carmel, for the treatment of flow sent to Carmel's plant from TriCo.

HSE had requested a wholesale agreement for properties at the northwest corner of 146th Street and 300 South in Zionsville. At that time TriCo's Board decided it did not want to be entangled in an additional wholesale agreement. The request from HSE was denied. The citizens in that area worked with the Town of Zionsville and HSE. The properties in that area ended up being granted to TriCo for service. Historically TriCo has released or added parcels for service by others or by TriCo depending on which utility could extend service more efficiently instead of entering into wholesale agreements.

Mr. Hand said that TriCo has no history, temporary or permanent, of providing service outside of its service area and asked Mr. Williams to confirm that was correct. Mr. Williams confirmed, in the fifteen years he has been the Utility Director that was correct.

Mr. Williams said the discussion to serve this property began four years ago. Different options have been discussed. Mr. Williams said the terms he and Mr. Merkle presented to the C&C Committee last December included an offer to provide service to the school for five years, and if Citizens did not get there within five years it would stay TriCo's service area. However, if Citizens did get there in five years Citizens would begin servicing the property. Staff felt that was a reasonable accommodation.

Mr. Pittman asked Citizens to explain why they would prefer their offer over TriCo's proposal.

Lauren Toppin, in house counsel Citizens Energy Group, said Citizens has worked hard to find a solution that benefits everyone involved. Citizen's proposal pays TriCo for the capacity required to service the school. TriCo would keep those fees. The proposal allows Citizens to keep the property in their service area and allows for more time to get service to the parcel. Citizens has decreased the time of the proposal from fifteen years to twelve years to better accommodate TriCo's time frame. If Citizens cannot provide service after that time the service territory would transfer to TriCo.

Mr. Pittman said TriCo has communicated that they are not favorable to a wholesale agreement, but they would like to help solve the problem for the Byrum's and the school. Mr. Pittman asked if Citizens has a problem with TriCo servicing the property directly with the school.

Ms. Toppin said Citizen's preference is to have a wholesale agreement. They are not fond of the idea of transferring over service territory. Citizens paid a lot of money to acquire the territory from the City of Westfield with the idea and expectation that Citizens is the service provider in that area. Citizens can serve the area now by extending their facilities to that area, it is however, cost prohibitive for the school.

Mr. Pittman asked if Citizens would have an issue with TriCo dealing with the school directly, not through a wholesale agreement, if TriCo and Citizens can agree on the number of years for the service agreement.

Ed Bukovac, Vice President of Citizens Wastewater, said Citizens can serve the property. The cost to extend service to the property would fall on the school or the Byrums. Citizens feels a wholesale agreement is a way to service the property with a give and take between the utilities and would be feasible for the school and Byrums.

Mr. Pittman asked Mr. Bukovac if Citizen's concern with TriCo temporarily servicing the school directly, then turning the property over to Citizens later, causes a bureaucratic issue with the IURC. Mr. Bukovac said no, he is concerned about the precedent it could

set, along with giving Citizens more control on how their infrastructure is built in the future. The cleanest way to do it would be to follow Citizens master plan and have the parcel serviced by Citizens, but they have tried to work with the Byrum's and the school because it would likely be cost prohibitive for them to extend service to that parcel at this time.

Mr. Hill asked for clarification on a term in the agreement that states, "at the end of the term, Citizens will upon TriCo's request work with TriCo to transfer the property to the TriCo service territory". He asked if Citizens will actually transfer the property to TriCo. The terms proposed by Citizens do not state clearly how that happens.

Mr. Bukovac said with the property being in Westfield, they have the right to transfer that territory. Ms. Toppin said the intent is that the territory would transfer to TriCo, but it would require approval from the City of Westfield. She said the language could be clarified in the agreement.

Mr. Hand asked Ms. Toppin if she is saying that approval of the transfer would need to be made by the City of Westfield to release or gain territory. Ms. Toppin said Westfield controls the provisions of water and wastewater service within its corporate boundaries and because this property has been annexed by Westfield and included in their corporate boundaries, permission would have to be obtained from the City of Westfield for TriCo to provide service within the corporate boundaries of Westfield.

Mr. Hand asked if that means Westfield will need to approve any wholesale agreement negotiated by Citizens and TriCo. Ms. Toppin said no, because Citizens of Westfield would be the retail service provider to the school under the wholesale agreement. Ms. Toppin said the proposal put forward is what Citizens has been authorized to present and it is her understanding that timing may be an issue for the school.

Mr. Pittman said TriCo's staff is very uncomfortable with a wholesale agreement. His preference would be not to do a wholesale agreement but possibly extend the timeframe instead. Mr. Pittman asked if that would be a reasonable consideration for Citizens and if TriCo's Staff would be comfortable with it.

Mr. Hand said he may be comfortable extending the terms to seven or ten years. Mr. Hand stated he is not in favor of the wholesale agreement as it is presented. Mr. Hand said it looks odd to him that Citizens will charge the customer their full retail rate but, TriCo is doing the treatment and getting its rate. Which leaves the property owner benefitting from the standpoint of selling their property, Citizens benefits because they are collecting their full retail rate while not providing the services, TriCo recoups it's costs for an undetermined period of time. While TriCo is a non-profit he fails to see what is in it for TriCo other than using capacity to service a property outside of our service area. TriCo might have opportunities to serve within its service area but will have committed to servicing this parcel outside its area. Where is the line drawn between an agreement with this property and others outside the area who request service? Citizens has not said this is the only property they would request service for, or that they will be able to service it in a specific amount of time.

Ms. Toppin said this is a unique situation. Citizens doesn't want to come back and do this for additional properties. Citizens would prefer to extend it themselves in accordance with their master plan. Citizens is motivated by the opportunity to help a school. Citizens doesn't see this as a money maker. Citizens must charge the property owner the amount within the IURC terms and conditions and does not have flexibility regarding their rate. In return Citizens would be paying TriCo it's retail rates. Typically, in wholesale agreements Citizens engages in, the wholesale treatment rate is cheaper than the retail rate. To Citizens this is a one-off situation.

Mr. Hand said he would need to see the numbers to understand how it would be more costly for Citizens to pay TriCo's rate versus serving the property themselves. What is the incentive for Citizens to get out and service the area if they are making revenue off property they are not servicing?

Mr. Bukovac said he believes TriCo charges around \$2.82/thousand gallons for a nonresidential rate. That would be Citizens treatment cost. Citizen's treatment cost would be much cheaper than that if the flow was to go to their own treatment plant.

Ms. Toppin said Citizens is incentivized to service the area and the revised term sheet addresses that. If Citizens doesn't get out there in the time allotted, they will have to for a short period pay a significant amount of money over and above the monthly charges, and then after that, lose the territory. Five years is too short, so what is proposed is a time Citizens feels they could get service to the property and it is their intent to do so.

Mr. Hand said he is uncomfortable with the language in Citizen's proposal that states "working with", instead of "the service area would automatically transfer to TriCo", "working with" could be an indefinite period. Mr. Bukovac said they could change the wording to make it definitive. Mr. Hill indicated strengthening the wording would be appreciated.

Ms. Toppin said the current proposal is a term sheet, a more definitive detailed wholesale agreement would be negotiated with TriCo if an agreement is reached. Mr. Bukovac said he could make the concession that the territory will transfer after twelve years if Citizens does not have service in that area.

Mr. Pittman said he is still struggling with TriCo's staff being uncomfortable with a wholesale agreement. He asked Mr. Bukovac if Citizens is firm on a wholesale agreement. Mr. Bukovac said if there is a counteroffer, they do not have authorization to accept a different agreement and Citizens feels uncomfortable transferring territory. If a temporary agreement is the counteroffer from TriCo they would take it back to their Board, but he doesn't feel it would be acceptable.

Ms. Toppin said they can take a counteroffer back to their Board, but she didn't know if that causes an issue for the Byrums or the school with their timing.

Mr. Pittman suggested Citizens and TriCo staff meet before the Board meeting on March 9, 2020 and bring a recommendation to the Board that is agreeable to both parties.

Mr. Bukovac said they would be open to discussions. He asked that TriCo provide them with firm details on what their preference would be. He feels like during this process Citizens has been giving and giving and giving.

Mr. Merkle asked Mr. Bukovac if he and Ms. Toppin have pushed this issue with their own Board to see what they are willing to give. Mr. Bukovac said they have, and they have agreed to shorten the timeframe. Mr. Merkle asked Mr. Bukovac if this has been a topic of discussion with Citizen's Board as it has been with TriCo's. Mr. Bukovac said it is touched on with their Board on a monthly basis.

Mr. Pittman recommended that Citizens take the following proposal back to their Board for consideration. There would be no wholesale agreement. TriCo would extend service to the property for ten years. If the Citizens Board will not agree to anything except a wholesale agreement Mr. Pittman asked Citizens to meet with TriCo's staff before TriCo's next Board meeting to see if they can get TriCo Staff comfortable with a wholesale agreement.

Mr. Williams said he is concerned about the precedent it would set for other properties. HSE has asked for wholesale agreements in the past and have been turned down by TriCo. How does TriCo set a wholesale rate? Citizens is proposing TriCo's standard nonresidential rate. There is concern about the difference between the amount TriCo would charge Citizens and the amount Citizens would be charging the property owner. Based off the eighteen EDU's they are requesting, TriCo's bill would be about \$580 per month and Citizens would charge the school \$1300 to \$1400 per month for TriCo's treatment. Which is a difference of over \$9,000 per year.

Mr. Williams said his other concerns are TriCo having authority to remediate if the school discharges something into the system it isn't supposed to. In addition, TriCo has spent four years and hundreds of staff and attorney hours on a parcel that isn't in TriCo's territory. Those hours could have been spent towards TriCo's own customer base instead of trying to fix Citizens inability to provide service to its own territory.

Mr. Pittman asked Mrs. Poindexter if she would sit in on a meeting with Citizens and Staff to try to work out an agreement. Mrs. Poindexter said she would. Mr. Pittman said staff raised a good point that they have already turned down a wholesale agreement with HSE and to enter one with another group might not look good. But, if the two parties can work out a wholesale agreement that staff would be comfortable with, the Board would consider it.

Citizens, TriCo staff and Mrs. Poindexter will try to meet to reach an agreement to present to TriCo's Board Monday, March 9, 2020.

Carmel Clay School Corporation Sewer Service Agreement

Mr. Pittman asked the committee members if they were comfortable recommending approval of the sewer service agreement with Carmel Clay School Corporation.

Mr. Hill asked if proposed sewer oversizing costs can be adjusted later based on actual construction costs. Mr. Merkle said provisions are written into the agreement in the event of changes during construction.

Mr. Hand asked if the school will be required to meet TriCo's FOG requirements, because there was a grease issue with a school previously. Mr. Merkle said they will need to meet TriCo FOG standards.

Capital Purchase: Bobcat 5600 Utility Work Machine

Mr. Pittman said Staff is recommending the purchase of a Bobcat 5600 Utility Work Machine in the amount of \$55,757.53 and asking the Board to direct staff to sell the skid steer and UTV through the state auction site.

Mr. Hand asked if the quotes were for three different identical Bobcat units or were any units like the Bobcat brand quoted. Mr. Merkle said staff requested this specific piece of machinery because it replaces two pieces of equipment currently used. The Committee will recommend approval of the Bobcat purchase as requested.

Capital Project Updates

Mr. Merkle provided the following updates. Haver Way Sewer System at 96th Street and Keystone is waiting on easements from Dreyer & Reinbold.

Plant Expansion - Work should begin shortly with relocation of a force main where the new office building will be located. Mr. Williams said there will be a groundbreaking ceremony and the date has yet to be determined.

Staff is working on value engineering for both the plant and office projects. So far on the plant project staff has identified over \$240,000 in savings with more to come. Savings will have to be documented by change order and approved by the Board. Mr. Merkle is waiting on more information from Alderson regarding the office savings.

Other Business

Mr. Merkle explained that the Lift Station 3 force main must be relocated because Carmel is building a roundabout at 116th Street and College Avenue. The force main is in right-of-way and conflicts with proposed improvements. The relocation must be complete by May so Carmel can move forward. TPI had the lowest bid of \$32,600.

Mr. Pittman asked the Committee if they were comfortable recommending awarding the contract to TPI in the amount of \$32,600. They will recommend award to the full Board.

Mr. Pittman said Staff and members of the Board met with the Zionsville Mayor and her staff. Mr. Williams said the Mayor indicated sewers are critical to the development of Zionsville.

Mr. Pittman said he spoke to a representative from Citizens Water who told him they plan to run a water main down State Road 32 from Westfield to Lebanon. However, she was not able to discuss wastewater service to Union Township which lies in between. Mr. Pittman encouraged staff to reach out and see if they can obtain any further information.

Mr. Williams said he met with John Duffy from the City of Carmel. Carmel is receiving a loan through the State for their \$16 million plant expansion which includes the treatment of phosphorus. TriCo will have to cover 25% of phosphorus-related improvement costs. Carmel is proposing an additional monthly fee based on a share of their debt service. Once the numbers are in it will be brought back to the Board.

Ms. Merrill asked for clarification on TriCo's issue with a wholesale agreement. Mr. Williams said the property remains Citizen's customer, but TriCo provides the service. Ms. Anderson was against wholesale agreements during her tenure on the Board. There is the concern that if Pandora's Box is opened how many more properties would TriCo be asked to serve in the same manner. There was a point when Citizens even asked how many more acres could TriCo serve. Mr. Williams said the proposal for the Byrum parcel has fluctuated from 60 EDUs to 2 EDUs to the 18 EDUs being requested for the school. Mr. Merkle said the school was brought to TriCo's attention in September 2019, but Citizens/Byrum are just now bringing it to TriCo for consideration for service they say is urgent.

Mr. Mills said he would be interested in recouping some of the administrative costs through fees if need be.

Mr. Pittman said Mr. Williams and Mr. Merkle can be flexible on an extension for time with Citizens, but they indicated to him they do not want to do a wholesale agreement. Mr. Pittman said he doesn't have a problem with a wholesale agreement if the terms can be seamless and agreeable to Staff.

Mr. Mills asked if any other property owner made a similar request could TriCo say no. Mrs. Poindexter said that was correct, but it must be documented why a request is being refused. Mrs. Poindexter said in a traditional wholesale agreement the purpose is to serve a larger area, not one parcel.

Mr. McDonald asked for clarification on the upfront fees. Mr. Williams said Citizens will pay the Interceptor and EDU fees up front and TriCo will keep those funds when the property is taken over by Citizens, or if the property is relinquished to TriCo. Mr. Merkle clarified it would be per Westfield's approval which was not mentioned before this meeting. He asked if Westfield's approval should be obtained before an agreement is reached.

Mr. Merkle said a wholesale agreement is a loss of operational control. As other development occurs there is another entity controlling sewer lines, maintenance or lack thereof, development, permitting and inspection. There are operational headaches that can follow this type of agreement. Mr. Hill asked if those issues can be written into an agreement so TriCo can gain back operational control of the system. Mrs. Poindexter said operational controls can be added into the agreement.

Mr. Hand asked what the status is for development in that area. Mr. Merkle said developments are already proposed for areas west of Towne Road and north of 146th Street, possibly a half mile from the Byrum property. It seems illogical that Citizens cannot extend sewer service in this area.

Mr. Hill said he believes the two concerns from Citizens are that they collect their rate fee from the customer, and they do not relinquish the territory to TriCo.

Mr. Merkle said there are four subdivisions that staff proposed extending low-pressure sewers to in 2020: Woodhaven, Timber Ridge, Williams Creek Farms and remaining parts of Lakewood Gardens. All four neighborhoods have reported failed septic systems and requests from homeowners for service. The total cost is expected to come in at the \$300,000 budgeted for 2020. Mr. Williams said staff will get proposals for design and bring it to the Board for approval.

Mr. Hand asked when the Country Wood neighborhood is scheduled to be serviced. Mr. Merkle said likely in 2021.

The meeting adjourned at 5:55 p.m.

Respectfully Submitted,



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Engineering Manager

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Clay Township Government Center

March 2, 2020

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