



## BUDGET & FINANCE COMMITTEE

Friday, May 4, 2018 at 7:30 A.M.

### Memorandum

Present: Committee Chair Jane Merrill, Committee Members Carl Mills and Michael McDonald, Board Members Marilyn Anderson and Michael Shaver. Others in attendance were Utility Director Drew Williams, Controller Cindy Sheeks, District Engineer Wes Merkle, Administrative Assistant Maggie Crediford and Public Rick Sharp

Ms. Merrill called the meeting to order at 7:40 a.m.

### **PUBLIC COMMENT**

Rick Sharp, Hamilton County Council Candidate addressed the Committee. He stated that he came to the meeting to campaign for the rate payers in the District. He questioned why the District is proposing a 5% per year rate increase. He stated that the City of Carmel had done the same thing in the past. He is concerned because Mayor Jim Brainard is a money machine and has his sights set on control of the District with the pending consolidation of Clay Township and the City of Carmel. He believes that the Mayor would like to have control of Clay Township Regional Waste District's revenue and cash surplus. He disagrees with the notion of building in an automatic yearly rate increase to the budget. He said that Clay Township Regional Waste District needs to investigate avenues to protect itself from acquisition by the Mayor of Carmel. He believes that the Mayor of Carmel looks to control the District rather than merge it with Carmel Utilities, enabling him to spend the cash reserves, raise the rates while distancing himself from the changes.

### **RATE ORDINANCE**

Mr. Williams stated that the proposed Rate Ordinance is based off projections and revenue from the past several years. The Committee had had concerns about dipping below \$2 million in cash reserves. It decided that small increments over time versus one large rate increase would be more beneficial to rate payers. The District has implemented mid-year rate increases because of the balanced billing system it uses. The customer's usage from the winter months is averaged and the new rate for the coming year is established. He presented a handout from District Engineer Wes Merkle that proposes an increase in EDU fees to be associated with the Rate Ordinance. The existing 10% Late Fee Ordinance has been incorporated into the proposed Rate Ordinance so that all fees will be in one ordinance, making fees easier to understand.

Mr. McDonald Stated that Clay Township Regional Waste District has the lowest rates in the area. Mr. Williams shared a chart that showed the District's rates compared to

the other utilities in our area. The District has lower rates than any of the other sewer providers in the local area.

Mr. Shaver questioned the usage of 5000 gallons versus the 7000 gallons the District had previously used for unmetered accounts.

Mr. Williams stated that a review the consumption records show that customers in the District average 4700 gallons. The use the 5000 gallons usage per month if a better comparison than the previously used 7000 gallons per month. Mr. Williams stated that the IURC's website also uses a 5000-gallon consumption rate when comparing rates.

Mr. Williams stated that the proposed Rate Ordinance calls for unmetered accounts to be billed a flat rate of \$33.51. Unmetered homes are older homes that most likely do not utilize high efficiency plumbing. There is no way to get their actual consumption rates and it would not be cost effective for property owners to install meters. It would take owners several years to recoup the costs associated with meter installation.

Mr. Williams stated that Ms. Sheeks contacted other utilities in the area to see what they charge nonmetered accounts, Westfield charges their nonmetered accounts a flat rate of \$86.00.

Mr. Mills stated that when he was appointed to the Board he would have proposed a 25% rate increase based on the rates and the capital needs at that time. The District is the only utility in the area that does not carry any debt. A 5% increase in rates moving forward allows for upgrades in infrastructure. He would be more concerned if money wasn't being spent on improvements to the system. The District pays for projects in cash and hasn't had to burden rate payers with the cost of acquiring a bond.

Ms. Merrill agreed that she is in favor of avoiding larger one-time increases, it is better for the customers to incur smaller increases over time rather than being burdened with a sudden large increase. She reiterated that the District is the only utility that carries no debt and pays for improvements with cash.

Ms. Anderson clarified that with the proposed \$20 million build-out at the plant the Board decided it would be more customer friendly to make smaller increases yearly.

Ms. Merrill emphasized that the goal of the Board was to be proactive to cover upcoming costs rather than reactively having to incur debt to cover improvements.

Mr. McDonald stated that he feels the District is a well-managed utility and implements rate increases that are in the best interest of the rate payers compared to other utilities such as the City of Westfield where customers are paying the highest rates in the area.

Ms. Anderson asked Mr. Williams to provide Mr. Sharp a copy of a chart that was included in the April CTRWD Newsletter that showed current rates at the District are as low as they were when the District was started. Being financially solid benefits the rate payers.

Mr. Williams stated that bonds were used to start the District and build the infrastructure. As the infrastructure ages it will need to be replaced. The fee structure is set up so that customers are paying for the consumption of the infrastructure they are using. The District is paying for new projects with cash and not borrowing any money. Money is needed for the build-out at the plant. The District is collecting that money incrementally through EDU fees to avoid shocking the consumers with a large increase.

Ms. Merrill emphasized that the approach is a proactive one versus a reactive one.

Mr. Shaver stated that he agrees it is beneficial to do projects and improvements without incurring any debt. He suggested that rate increases should be approved while the yearly budgets are approved. He has concerns that if the Mayor of Carmel acquires all the appointees to the Clay Township Regional Waste District's Board when the City of Carmel and Clay Township consolidate that the District could find itself in a similar situation as Westfield and Citizens when they were sold off to pay for other debts or forced property owners to make service connections to cover other debts.

Mr. Williams stated that the first reading of the proposed rate increase should go to the full Board at the May meeting. If the Board moves forward, there will be a public notice published and a public hearing held at the June meeting. After the second reading of the ordinance, the Board could for on the ordinance.

Mr. Mills said that it would make sense in the future to include rate ordinance increases in the budget and that they could be discussed and voted on in November but not take effect until the following July.

Ms. Merrill was also in favor of including rate ordinance increases in the budget discussions but having increases take effect in July to keep on track with the balanced billing.

Mr. McDonald made a motion to recommend approval of the proposed 5% rate increase to the Board of Trustees at the May 14, 2018 meeting stating that it is most fiscally responsible to keep rate increases low, as well as approval of the proposed increases in EDU fees. The motion was seconded by Carl Mills and approved unanimously.

**IT AUDIT**

Mr. McDonald passed out notes he had taken regarding the proposals for the 2018 IT Vulnerability Assessment. He supports the use of Rook Security to complete the assessment. However, he would like to start with the \$3000 snap shot and then come up with a scaled down version of the proposal that better fits the need of the District. There needs to be physical security and network security, but it needs to be on scaled appropriately.

Mr. Williams stated that he and Mr. Watkins also liked the proposal by Rook Security. He is also in favor of a scaled down scope of work. He would like to work with Mr. McDonald on what the actual needs of the District are.

Mr. McDonald proposed that the District move forward with the \$3000 snap shot, then provide Rook Security with a detailed plan of exactly what the needs are. He stated that Mrs. Poindexter needs to review the contract before anything is signed. He stated that the District needs a Disaster Recovery plan, Incident Response plan and forensic capabilities. The District can look over Rooks suggested best practices and choose the ones that will produce the outcome the District is looking for. After implementation there would need to be an annual review of what is needed to be done to increase protection or react to an incident.

Mr. McDonald made a motion to move forward with the \$3000 company snap shot phase of the IT Assessment pending Mrs. Poindexter's review of the contract. The motion was seconded by Mr. Mills and passed unanimously.

**BYRUM PARCEL SERVICE REQUEST**

Mr. Williams stated that Mr. Byrum's attorney reached out to Mrs. Poindexter to see if the District would reconsider a wholesale agreement with Citizens to service Mr. Byrum's parcel. In the IURC ruling it stated that the City of Carmel is willing to work out a wholesale agreement to provide water to the parcel but CTRWD is not willing to have such an agreement to provide sewer service. Nothing in the plan has changed since a wholesale agreement was considered and rejected previously.

Mr. Mills asked if the Board could be provided an outline for the proposed agreement by legal counsel for consideration.

Mr. Shaver stated that Mr. Byrum would be saving on infrastructure costs by being able to get service from the District. He asked if it would be possible to have Mr. Byrum come to a Committee meeting and speak about his needs.

Mr. Williams stated that he would ask Mrs. Poindexter to put together a summary of the proposal for the Board's review.

Mr. Mills asked Mr. Williams to reach out to Mr. Byrum and see if he could come to the Monday May 7, 2018 Capital and Construction Committee meeting. Mr. Williams said that he would make the request.

## FINANCIAL STATEMENTS AND INVESTMENTS

Ms. Sheeks stated that the Month to Date Budget is based off annual revenue. January, February and March will look low. They came in at 23% of the 25% income target. Mr. Williams and Ms. Sheeks looked back over the financials from the past four years in preparation for this meeting and historically January, February and March were the lowest income months for the previous years as well. Three developers paid their fees in April so that month will look better than the downward trend. Ms. Sheeks is comfortable that the budget will recover as the District moves into its busier construction months. There was also a month where there were three pay periods versus two. This happens twice a year.

Mr. Mills stated that going forward he would like the budget projections to reflect the downturn in the months of January, February and March rather than being split equally over the entire 12-month period. Mrs. Sheeks stated that she could make that adjustment in the next year's budget proposal.

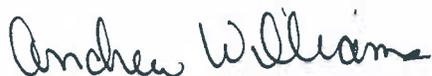
Ms. Merrill stated that she would like to see the budget reflect a more accurate income rate per month.

Mr. Merkel gave a brief update on the proposed plant expansion. The plant is expected to reach full capacity in the year 2022. The expansion is proposed to be a 13-million-dollar project. He will have more details to present next month after he hears back from the engineering firm. The final phase is anticipated to be complete between 2025 and 2026. The District could relieve reliance on Carmel with the plant expansion and with VLR additions. Mr. Williams stated that the staff is looking into what the cost savings would be if the District could eliminate flow from Basin 2 to Carmel.

Ms. Merrill made a motion to adjourn the meeting. The motion was seconded by Mr. Mills.

The meeting adjourned at 8:50 a.m.

Respectfully submitted,



Andrew Williams  
Utility Director