

Board Minutes for the Board of Sanitary Commissioners Meeting of September 18, 2024

THE BOARD OF SANITARY COMMISSIONERS conducted a regularly scheduled meeting.

Board members present; Stephen Brand, President; Adam Leach, Vice President; David Smith, Board Member; and Aaron Clark, Board Member. Excused Absences: Tim Overton, Board Secretary.

**Department managers and staff present;** Rick Conrad, District Administrator; Joe Rhetts, Legal Counsel; Chuck Jones; BWQ Director; Thom Noble, Director of Engineering; John Anderson, District Engineer; Deana Cox, Financial Manager; Jason Ingram, WPCF Superintendent; Tim Stover, IT Administrator; Melanie Lanich, Insurance; Jason Donati, Sanitation Superintendent; and Maggie Bales, Executive Office Manager.

**Public present:** None.

**Public Comments:** None.

**Consideration of Minutes:** Mr. Brand entertained a motion to approve the minutes as presented. Mr. Clark moved to approve the Board Meeting Minutes as submitted for the meeting of September 4, 2024. Mr. Smith seconded the motion. The motion was passed (3-1).

**Consideration of Claims:** Mr. Brand entertained a motion to consider the register of claims totaling \$492,101.19. Mr. Clark stated a claim on page eight for a tech support agreement from Kirby Risk. He stated that this is a Rockwell Automation Tech Connect for processing equipment at the Water Pollution Control Facility that is heavily automated. Mr. Clark stated there is a Rockwell Bradley platform used to allow technicians to call in for a year's time to get tech support on PLC's. He stated that the claim totals \$5,587.00. Mr. Brand stated a claim on page three to East Central Recycling for disposal fees totaling \$75,180.75. He stated that is for household disposal. Mr. Brand stated a claim on page six to East Central Recycling for street sweeper dumps. He stated that each lane mile is required to be swept twice per year as part of the MS4 agreement. Mr. Brand stated this claim totals \$3,765.97. He stated on page eight to Randolph Farms for tipping fees from the Water Pollution Control Facility totaling \$10,540.39. Mr. Brand stated a claim on page nine to Boyce Computrol for billing services in the amount \$20,374.83. Mr. Leach moved to approve the consideration of claims. Mr. Clark provided second. Motion passed (4-0).

**District Administrator Update** – Mr. Conrad stated there is one traffic alteration that limits traffic near Burlington and five points. He stated that it is currently a partial closure but will go to a full closure. Mr. Conrad stated for the benefit of district personnel that we are still working on some amendments to the personnel policies handbook. He stated those edits are planned to be completed by the October 2<sup>nd</sup> meeting. Mr. Conrad stated due to the dry weather we have saved on mowing and mowing costs. He stated that the environmental assessment that was approved will help complete work for the levee tie-back. Mr. Conrad stated there are two goals with the levee tie-back, the first being approval from the Army Corps of Engineers to begin, and the second goal is to help a park project so they can retain some federal funding. He stated that the environmental assessment is on track to be completed by October 7<sup>th</sup> and will give the Army Corps of Engineers enough time to review and approve our plan. Mr. Clark asked for clarification on the closure of Burlington and five points. Mr. Conrad stated that this week it is a partial closure and next week there will be a three-day full closure at Burlington and Koontz. Mr. Brand stated that it is good management on the mowing. He stated that previously it was discussed to reconsider the amount of mowing we do on the levee. Mr. Brand stated that we currently mow eighty acres and are considering reducing twenty acres of that. Mr. Conrad stated that sixty of those eighty acres are under the jurisdiction of the Army Corps of Engineers where it is required to be mowed. He stated the other twenty acres have some leeway for it to potentially grow a little taller and have some options to reduce the cost of

mowing. Mr. Brand mentioned that we have a three-year contract with Coops that will be up at the end of next year.

**Department Head Update – Jason Donati, Superintendent of Sanitation and Recycling.** Mr. Donati stated that the 17th Annual White River Cleanup has been completed and it was a success. He stated we were not able to do the fifteen miles of river that we typically do because of low water, the river is pretty low. Mr. Donati stated it is under four feet in some areas, so we did have to cancel some of our canoe routes, but that did not keep volunteers from showing up. He stated that there were 252 volunteers. Mr. Donati stated that there was a huge showing from Ball State students, which is always good to see. He stated that thirty-two tires were pulled out thirty-two tires, and then our estimates are 1.56 tons, so 3120 pounds. Mr. Donati stated that the poundage is lower, which is a good thing. He stated that we were able to get some of our western boundary in the Minnetrista bluff area. Mr. Donati stated that the fall neighborhood cleanups were a good success as well. He stated that quite a bit of material was pulled out with that. Mr. Donati stated that he does not have the numbers for that yet. He stated that typically what we tend to do is give those weights to the Neighborhood IDEA Conference, and they give out awards for the neighborhoods that get the most debris removed. Mr. Donati stated Old West End industry, South Central Thomas Park, Avondale, Whiteley, McKinley, and Forest Park, where the neighborhoods did the fall cleanup. He gave a shout out and thanks to all volunteers in the neighborhood and our MSD crews that worked and helped that be a success. Mr. Donati stated that we are gearing up for Fire Up Downtown that is this Saturday. He stated that Sanitation will be delivering ninety toters, providing the banner for some power for some different activities, and also helping with some of the metal fencing and barriers and things like that. Mr. Donati shared that he went to Indianapolis yesterday where we received a 2024 Governor's Environmental Excellence Award for the recycling program. He stated that there were seven recipients total throughout the state. Mr. Donati stated that MSD received the award for the recycling and reuse category. He stated that it was an honor, and thanks to everybody, the board, and your support, all of our team, our recycling drivers and everything, because we could not do this without all that and all our partners. Mr. Donati stated that we will go back to get a picture with Governor Holcomb in October. He stated that we received a plaque and a flag.

**Old Business: None.**

**New Business:**

**1. Introduction of Resolution 2024-14 Schedule of Sewage Rates – Jessica Lynch.** Jessica Lynch, a director with Baker Tilly stated that the board hired our firm to conduct a cost-of-service study on the existing rates for the sewage works, and also look at the current rate of structure. She stated that the purpose of a cost-of-service study, it allocates cost of operations to customer classes based on usage characteristics and help develop a rate structure that recovers the costs that are fair and equitable. Ms. Lynch stated there is a specific methodology that is followed that was issued by WEP in a manual that is the water environment Federation. She stated the steps that we take to complete that cost-of-service study, we first do a consumer analysis, so we take all of the billings for the customers that are served by the district for a full year. Ms. Lynch stated that for this cost-of-service study, we used calendar year 2023 look at all those bills, usages, the strength loadings, also the wholesale users, customer contracts, and analyze and tie out all of those current bills to make sure that we have a full set of data, then we will develop revenue

requirements. She stated that is the annual operating expenses of the sewage works, along with any outstanding bond payments so their debt service requirements and leases that they are making payments on, if there's a debt service reserve requirement, still that over the first five years of any bond, there's usually a funding of that reserve requirement, and then any replacements and improvements or capital projects that'll be annually funded through rates. Ms. Lynch stated then for this specific cost of service study, we phased in requirements over four periods to help smooth out that rate increase in the burden to customers over a four-year time period. She stated then we take those revenue requirements, we allocate it to the different causation factors, to the different departments of the sewage works, collection, pumping, treatment, billing, and then customer accounts and admin costs. Ms. Lynch stated then we, after we've gotten determined into those different buckets, we allocate it to the different customer classes, so the district currently has residential, commercial, industrial, institutional, governmental, and then the two wholesale users, Delaware County Regional Waste district and Liberty Regional Waste District, and then also some excessive strength surcharges, BOD and suspended solids. She stated then any inflow and infiltration we also allocate so that they can recover those costs. Ms. Lynch stated the rate design, we determine how to recover the appropriate levels of cost from each customer class, so we see what is costing each class to be able to treat their sewage and apply those costs to those customer classes to ensure full cost recovery and fairness and allocation She stated that we are trying to avoid interclass subsidies. Ms. Lynch over time, the current rate structure, initially, a cost-of-service study was probably done to set it up and over time, as your rate classes and customer base changes, there starts to be some subsidizing going on between that rate structure. She stated this helps to determine where those different subsidies occur, and better allocating it to the different customer classes. Ms. Lynch stated then we also looked at the current contracts, their specific methodology for both Delaware County and Liberty Regional Waste Districts, and following the methodology required for those contracts. She stated it is just a graphical narrative of what I went through, but developing, again, the revenue requirements, functionalizing those costs to the different departments, then allocating those based on flow and capacity INI and the bills, and then allocating to the customer classes. Ms. Lynch stated the main objectives when you are setting the rates, is revenue, stability, fairness and equity, cost-based customers' ability to pay the feasibility and then any legal and regulatory constraints. She stated the main objectives of the Sanitary District was just to maintain and be able to operate their current sewage works facility. Ms. Lynch stated the last rate increase was effective in 2019 but it was based on 2016 financial information, so it has been eight years since they have looked at the financial information for rate increase and then also to maintain your cash balances, as there's minimum required levels on the outstanding bonds that need to be maintained in those different accounts, building up capital reserves for the capital improvements that are needed to do, be done annually, and to help fund those capital reserves, there's a mix of both bond funding and rate funding those capital improvements. She stated that any long-term financing to help fund those long-term capital improvements the district is currently on in a long-term control plan, schedule with items, so looking at that schedule and trying to best meet that plan, and then we also reevaluated the current rate structure. Ms. Lynch stated previously there were minimum charges and a flow charge, and we are replacing that with a base charge to better cover those fixed costs, and then still maintaining that volume, volumetric rate for each customer class, but before they were lumped together, there was residential, commercial and institutional and governmental and industrial were separate. She stated that we have broken out, so each customer class has their

own flow rate. Ms. Lynch stated we are doing a recommendation for a bond anticipation note that would be in the amount of \$49.9 million to start those projects, a number of different CSO separation projects, and then also plant improvements, and then in 2027 taking out those bond anticipation notes, along with the remaining costs for some of those CSO separation projects to about \$104 million bond issue, this also incorporates that item would extend the current local long term control plan. She stated that right now the item has that the district needs to complete all the projects by 2030 so we're expanding those out beyond 2030 so these are just the projects through 2030 and just taking those to the ban and then the bond our assumptions, 6% interest rate on the band, and then five and a half percent interest rate on the bonds due to market fluctuations and when those each actually get issued. Ms. Lynch stated a three-year maturity for the ban, and then a 20-year maturity for the long-term financing, financing, which is pretty standard for utility revenue bonds, the estimated rate impact. She stated that the first phase was a cost of service development, so the percentage rate increase will be different among the customer classes due to analyzing the amount of costs that will be allocated to each class, but the operating expenses you can see on that first line about \$15.5 million just for the annual operating expenses, and then that increasing 3% every year through the phases to get to almost the \$17 million in operating costs, also payment in lieu of taxes, which is just a the district transferring money to the city if they were it's a illegally, illegally recommended way for the district, if they paid property taxes, what they would be paying their property taxes on their utility planning service to the city. Ms. Lynch stated the debt service is based on the currently outstanding debt in phase one, and then phases two, three and four, incorporate those bands, and then the bond long term bond issue that we discussed on the previous pages, and then funding that debt service reserve requirement on the bond issue in phases three and four, and then the annual allowance for capital projects, replacements and improvements to be funded through rates annually. She stated in the first phase, it is based on the cost-of-service study, but then phases two, three and four is a 17% and then 10% and 10% rate increases. Ms. Lynch stated that this shows what will be in the rate resolution, so showing that that first section is the minimum charges that are presently in place, and removing that minimum charge and now having the second section, which is the base charge, broken out by customer class, and then the volumetric rate below that, so you see where before the residential, commercial and institutional customers were all the same flow rate, and then the governmental, industrial were the same flow rate. Ms. Lynch stated now they each have a little bit different flow rate based on their customer class and what it costs to treat the flow that are sent to the treatment plant for their class, still keeping the unmetered users in block in there and allocating but allocated to them based on the flow for an average residential user. She stated then the excessive strength surcharges, we included it on the bottom here, but those will not be changing. Ms. Lynch stated that if an across-the-board rate recovery would have been done, they to get \$25,141,600 from our revenue requirements, so the current rate structure that is just showing your minimum charges, because that is somewhat of a fixed level of recovery, along with your unmetered users. She stated it's more variable, because who hits the minimum usage is going to be different from year to year, so that's based on your 2023 users that paid the minimum charge under the new structure, showing that from that phase charge, and then the unneeded users would get about \$6.6 million from that where, under the old structure to recover your fixed cost, would only get about \$4.5 million, and then the remaining from your flow rate. Ms. Lynch stated the next page just compares comparison of your allocated cost of service with revenue under the adjusted rates, so showing here the different classes, and then the wholesale users, what was allocable to them, based on our cost-of-service study, to be recovered through their

rates. She stated that you will see that the amount of increase there, what would have been recovered under the existing rates is in the middle column, and then what the revenue that is being recovered under the adjusted cost of service rate, so you can see where the residential is only increasing. She stated then about \$8,800 but then institutional or commercial is increasing a lot more. Ms. Lynch stated it shows kind of where those customer classes were subsidizing each other, and you can see that more on the next page. She stated that the typical residential user, usually it is about five hundred cubic feet per month, so that is a fourth line down; a percentage increase across the board is about 24% for them. Ms. Lynch stated then you will see kind of those middle users for the commercial that is a typical usage, their increase is more around the 40% level. She stated institutional customers more around the 10% or maybe depending on if they are using a lot of treated flow. Ms. Lynch stated the industrial customers around 35% increase, and then the governmental customers around 30% increase. She stated this is showing that historically the residential and institutional customers have been subsidizing the cost for the industrial and governmental customers, so evening that out with our cost-of-service study and shifting these costs to proportionately allocate them to the customer classes. She stated the top large users of the district and their rate impact we have both the first phase and then also compared to the final phase, after all four phases have been implemented there, and then rate comparison graphs your monthly residential bill to other Indiana communities of similar size. Ms. Lynch stated currently, a monthly residential user for 533 cubic feet, the bill is \$41.36 so in phase one, that will increase about \$9 to \$50.27 but showing kind of in the middle of the back the graph of all the different Indiana communities with that same level of usage per resident. She stated the next couple slides show the average monthly bill for the all the different customer classes for currently versus the final phase. Ms. Lynch stated that's phase four, so we have the residential is based on the 533 cubic feet is \$41.36 by the final phase, which is expected to be implemented in 2028 is \$71.19, and then commercial goes from the \$240.42 to \$355.88, the increase in institution from 518.68 to 959.77, increase in industrial from \$1,420.47 to 2,822.14, and governmental from \$6,456.74 to \$15,004.48. Mr. Leach stated that Baker Tilly does this work all over for government consulting. He asked what the trend was in Indiana for rates. Ms. Lynch stated that it is a game of leapfrog because everyone is looking at rate increases. She stated that rate studies are being done all across the state to accommodate increasing costs of aging infrastructure and project costs. Mr. Leach asked for the recommended best practice for rate studies. Ms. Lynch stated that phasing out three to five years to help relieve the burden on the customer, and then looking every couple year to analyze the rates and revenues. Mr. Leach asked what the erosion in buying power since 2019 in comparison to 2024, overall inflation. Ms. Lynch stated that we look at the consumer price index. She stated that prior to COVID we would use an inflationary percent of 3%, in 2020 and 2021 it was much higher than that; upwards of 7 to 8 percent. Mr. Smith asked if doing this will put us on track for our 2030 deadline. Ms. Lynch stated that is in anticipation that IDEM gives an extension on the time of the current projects. She stated that Baker Tilly is assisting with the financial capability analysis to present to IDEM, in that analysis it is assumed that all the projects be done by the 2030 delaine which adds another \$60 million. Mr. Brand stated that we are eliminating our minimum fee and moving to a base rate charge that covers our fixed costs. Ms. Lynch stated for items such as, you know, salaries and insurance that you will still have to pay, even if you are not treating anything. Mr. Brand stated that is correct, and then the actual use would be the supplemental charge there. He stated that Mr. Leach brought up the question from Mr. Overton where he did a little bit of investigating, not clear back to 2019 but since 2021 inflation's up like 16.7% as a general

statement, and we have seen, when you when you compare our claims month over month and year over year, we've seen inflationary impacts of more than that in some based on some purchases that we make, and maybe not as much in others. Mr. Clark clarified to what was mentioned on slide fifteen, the current minimum charge is \$23.28 for all customers. He stated that this phase one base charge per month would be \$12.75 for each residential customer and then rating from a volumetric standpoint for one hundred cubic feet. Ms. Lynch stated that is correct, the minimum charge was \$23.28 but if they used above that, then it would just go through the current structure, it would go through that volumetric rate, the \$7.76. She stated that they would not get charged the \$23.28 plus the volumetric rate. She stated in phase one, the way the base charge works is that a residential user will be charged at \$12.75 plus whatever their flow is that is treated by the plant, the \$7.04 will for whatever flow per one hundred cubic feet. Ms. Lynch stated if they use fifty cubic feet, it would be the 7.04 time 0.5. Mr. Clark clarified that our flow is monitored through Indiana American Water. Mr. Brand stated that is correct. Mr. Leach stated that one hundred cubic feet is equivalent to 748.02 gallons. Mr. Clark stated on slide twelve, the interest rates for the BAN on the open market is the current rate, right now, and the 2027 bond is that just an assumption of it could be five and a half percent, not knowing what the economy could do. Ms. Lynch stated that is correct. She stated that is an assumption that we typically see in long term revenue bond is around that five and a half percent, but varying market fluctuations and meetings from that OMC, not knowing where that would go. Ms. Lynch stated it is just an assumption right now, the 6% we have seen that on some bans, so we are being conservative, assuming the 6% we have seen less than that on those short-term financing when rates were historically lower. Mr. Clark asked what the open bond market that you saw on average. Ms. Lynch stated there were some cases where we have seen communities be able to issue debt on the open market and get a lower interest rate than they could through SRF if they had a favorable bond rating, which the district does, she believes the district is at A minus with Standard and Poor's, so if you are able to maintain a good bond rating through Standard and Poor's, that gives you more leverage and better interest rates for your long term debt. Mr. Brand stated that the last money we secured was 3% or less for both a BOT and Bond 2021. He stated that those watching at home, might have a hard time reading that, but the purpose of this slide is to show Muncie Sanitary District in comparison with other communities that we are similar to or would be familiar to, so Anderson, Columbus, Bloomington, Terre Haute, Greensburg, South Bend, Jeffersonville, Indianapolis, Fort Wayne, Newcastle, Evansville, Chesterfield. Mr. Brand stated that right now the president is the first green bar that you see third from your left shows us very competitive on our on our rates, and possibly behind times, and we see that in our finances we're burning down cash pretty quickly, but still proposed phase one puts us in about the middle of the pack there. Ms. Lynch stated that is correct. She stated that this slide is also where when it was mentioned it's kind of a leapfrog game when she was answering one of Mr. Leach's questions with a lot of those communities that are at the lower end of this graph are going through rate studies right now, and so they'll probably be moving up in this graph as we go through the year and next year. Mr. Smith stated slide fifteen with the proposed rate that is going forward, it is possible that some residents could see a reduction in their monthly bill. Ms. Lynch stated that is correct depending on the volumetric rating. Mr. Clark stated the slide fourteen, just for the public to understand that our operating expenses are not increasing much over the four years into the future, and heavily on the debt service from these mandates that we have this stormwater separation project. He stated so possibly after the fact once things have paid down 2025, years to link to the to the customers and maybe revenues have increased more than we

need, or the rate interest rates are lower than we could readdress rates. Ms. Lynch stated that looking at rates again at that point and seeing if you are bringing in the revenues that were anticipated, if operating expenses found some savings somewhere on cost for operating expenses, but also that is when you issue that debt. She stated if you get a lower interest rate than that, assume 6% on the BAN or five and a half percent on a long-term bond, that the amount that is allocated here would be something less than that. Mr. Brand stated that is an introduction, and we will also be making a notice to the newspaper today. He stated our next meeting, two weeks, October 2, there will be a public hearing, to be held before our standard board meeting is open to the public. Mr. Brand stated once we close that meeting, the regular board meeting will begin, and in that board meeting we will consider adopting this this rate proposal on October 16, two weeks later, we have to consider our budget for the Muncie Sanitary District, and then on November 4<sup>th</sup> a portion of our budget goes to the city council, which is Sanitation. He stated concurrently with that, we discussed Mr. Leach starting to put this out for bid, for design quote, and then we would have to go to the market for bonding. We have not decided yet whether we are going to go SRF or open right. Ms. Lynch stated the long-term bond issue, right for the BAN that is required to go through open market, or you can do either competitive sale or negotiated with local banks. Mr. Brand entertained a motion to introduce resolution 2024-14. Mr. Leach moved to approve. Mr. Clark provided second. Motion passed (4-0).

**Additional Board Topics:**

1. Mr. Leach gave a shout out to Tim and Dustin, keeping the wheels on. He stated they are a small group, and we get them tasked with several they are always tasked with several new projects. Mr. Leach stated that we appreciate Mr. Stover and the limited staff.

2. Mr. Brand stated a thank you to Rick and all the department heads and their staff. He stated that we just got done talking about a cost-of-service study and a rate study, but the work that's being done on a regular basis for continuous improvement activities, there are 40 items on this list that we're looking at for getting more effective and efficient with the services that we provide and the costs that are associated with those fees. He stated that some of the things that we have already done, we eliminated the credit card fees here, managing the mowing, doing the self-performed stuff Mr. Brand stated we have three construction crews now, and we are self-performing those things and doing a good job in doing so. He stated we are avoiding profit markups by contractors, project management fees, those types of things, so still looking to maybe put in a fourth crew. Mr. Brand stated that we might start taking a look at going deeper and doing better projects from design all the way to completion. He stated that's when people know we are not just considering raising rates, inflation is up, and rising costs cannot be ignored, and you cannot ignore cash flow statements.

**Public Comments:** None.

**Adjourn:** Mr. Brand stated our next regularly scheduled meeting will be held on Wednesday, October 2, 2024, at 11:30 a.m. in the City Hall Auditorium. Mr. Brand stated he would accept a motion to adjourn. Mr. Leach made a motion to adjourn the meeting for September 18, 2024. Mr. Smith seconded the motion. Motion passed (4-0).


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Respectfully Submitted,

  
Maggie Bales, Executive Office Manager


*Approved by the Board of Sanitary Commissioners  
Muncie Sanitary District*

  
Stephen Brand, President

  
Adam Leach, Vice President

  
Aaron Clark, Board Member

  
Tim Overton, Secretary

  
David Smith, Board Member