

CITY UTILITIES

200 E Berry Street, Suite 270
Fort Wayne, IN 46802



UTILITY ADVISORY GROUP MEETING – Meeting Notes

Wednesday, December 6, 2017 – 5:30 p.m.

The meeting was called to order at 5:35 PM by Rod Vargo. City Utilities' new attorney Brandon Almas was introduced.

Attending

Rod Vargo, Northwest Area Partnership
Pone Vongphachanh, Upstate Association of Realtors
Bryan McMillan, Southwest Area Partnership
Beulah Matzak, Southwest Area Partnership
Justin Brugger, Deputy Director/CFO
Matthew Wirtz, Deputy Director for Engineering, City Utilities
Brandon Almas, City Utilities' Legal Counsel
Mary Jane Slaton, Program Manager, City Utilities

City Utilities' 2018 Budget

Justin Brugger provided a brief overview of the proposed budget for City Utilities that will be presented to the Board of Public Works on December 13, 2017.

Justin explained that expenses such as cost of living for employees (2% increase for 2018), health insurance costs and Utilities Payment in Lieu of Taxes (PILOT) are outside the control of City Utilities. If it were not for these required increases, City Utilities' budget for 2018 would go down by 0.1% -- essentially a flat budget. When cost of living, health insurance and PILOT are included, the overall budget will increase by 4.8%.

The operating budget will increase from \$68.5 million in 2017 to \$71.8 million in 2018. Capital spending for 2018 is expected to be approximately \$150 million – approximately double the capital spending in 2017 – and includes the tunnel program work and work to be done with proceeds from a stormwater bond.

Justin discussed a recent sewer bond refinance which is allowing the sewer utility to save approximately \$2 million in interest. The bond was originally issued in 2010 and is being refinanced prior to the end of 2017 as a result in anticipated change in refinance law. Interest rate on the bond will be reduced from about 4.5% to 2.5%.

In response to questions:

- Does this go to City Council with the City budget?
Although City Council must approve rates for the water, sewer and stormwater utilities, and approves contracts and purchases if they are over \$100,000, budgets for City Utilities do not require Council approval.



- Have we ever considered selling bonds directly to residents: We have not seen this before – until a few weeks ago, when we learned Lawrence, KS is encouraging its residents to invest to support its utility. It is selling notes in denomination of \$1,000 to residents to finance storm projects. Municipal revenue bonds are typically sold in \$5,000 increments.
- What are our debt ratios? City Utilities’ ratio of debt to income is about 50%. This is typical for municipal utilities. For private utilities, the percentage is about 60%.
- Are we asking too much of the employees and burning them out? A strategic priority for City Utilities is employee and workforce development. City Utilities continues to do more with fewer employees, adding more miles of pipe and more customers without large increase in number of employees. City Utilities benchmarks against other utilities for number of employees per mile of pipe and number of employees per customer. CU ratios are going up, but CU is using more and more technology to assist employees and to deliver expected levels of service.
- CU is working with Springsted on an employee compensation survey to ensure employees are fairly compensated and that compensation is in line with other municipal utilities.

2018 Capital Improvement Plan Update

Matthew Wirtz, P.E., Deputy Director for Engineering, gave an overview of City Utilities infrastructure program. Capital investment in 2018 will total over \$150 million.

Investment in Tunnel Works will be great over the first two years of the project. Matthew described the tunnel work being done to build the working shaft at the Water Pollution Control Plant (WPCP). This is where the tunnel boring machine will enter the ground when it arrives in spring 2018. At the working shaft site, two shafts are being grouted and will be excavated with an underground chamber linking the two. The chamber is where the TBM will be assembled. Grouting is expected to be complete in February and controlled blasting will be used to assist with excavation. Matthew described the precautions that will be used to help ensure that blasting is done in a very controlled way so that it does not cause damage to any surrounding structures.

Matthew used a map showing the top 30 priority stormwater drainage projects and also described upcoming sewer and water projects. City Utilities and Public Works coordinate closely so that utility improvements can be accomplished along with neighborhood street, alley, curb and sidewalk projects. Sometimes that means that CU priorities must be tweaked to accommodate Public Works projects.

In response to questions:

- Matthew explained that the State Boulevard project will involve some stormwater drainage work.
- 2018’s largest water project will involve main replacements in Glenwood Park.
- The stormwater utility will be working on improvements to the Fairfield Ditch in the Belle Vista neighborhood including shoring up banks upstream of the new bridge and work is being planned on flood control at Thieme and Berry.
- On the sewer side, in addition to Tunnel Works, sewer is looking at doing more proactive work to protect and improve where necessary critical infrastructure such as that service hospitals, public safety, etc.
- With limited dollars in the water utility, it is focused on water main replacements to address mains in residential areas with high numbers of main breaks.
- Matthew described the improvements at WPC Plant which have increased capacity from 65 to 100 million gallons per day. Thus far in 2017, about 1.3 billion gallons of sewage has been stored at the



Plant during wet weather events and then directed back to the Plant for full treatment after the end of wet weather. This has reduced discharges to the rivers by that amount.

- In 2018 CU will receive bids and begin work to improve the Morton Street Pump station and will add a force main to connect the pump station directly to the wet weather stormwater ponds at WPCP – to reduce combined sewage pumped from Morton Street to the river in wet weather. The project represents an investment of more than \$10 million.
- CU is conducting a study – in cooperation with the County Surveyor’s Office – of the Bullerman Drain. Challenge is to make planned improvements cost effective with the understanding that projects are not intended to remove homes from flood plains where they were built.
- The sewer pump station that serves the US 30 corridor/Sweetwater Sound is at capacity. A project is being planned to increase that stations’ capacity to allow for more growth and development.

Departmental and Project Updates

On behalf of Mike Kiester and heads of operational departments, Mary Jane Slaton gave abbreviated reports:

- As the year is winding down, the amount of capital investment under contract is down. On Sept. 6, 2017 CU had \$55.8 million in projects under contract (excluding tunnel). Today the total amount is \$39.3. Open Project report is attached.
- Water work has dropped from \$6.4 million under contract in September to \$1.5 million today, but storm work has doubled from \$1.1 million in September to \$2.5 million today.
- Mary Jane highlighted accomplishments from operational departments provided by department heads:
 - Sewer Maintenance has again well exceeded goals in the proactive cleaning and televising programs. For 2017 to date: televising: 310,490 linear feet against a goal of 135,000; catch basin and inlet cleaning: 9,406 structures against a goal of 5,600; Derooting: 441,790 linear feet against a goal of 210,000 lf.
 - Water maintenance has taken on a record number of requests for utility locates with no increase in staff and for the first time has 2 meter cycles with 0 estimated reads. This furthers CU’s goal of billing customers accurately and fairly for the water and sewer services they actually used.
 - WPC Plan is now able to treat over 100 million gallons per day. During a plant tour on November 18 (extreme wet weather day) the Plant was treating 102 MGD.

Meeting Schedule for 2018

Members selected the following dates for Utility Advisory Group meetings in 2018: March 7, June 6, September 5, December 5. Meetings will begin at 5:30 PM at Citizens Square.

Adjournment

The meeting was adjourned at 6:40 PM

Next Meeting: Wednesday, March 7, 2018 at 5:30 PM, Room 255, Citizens Square, 200 E. Berry Street

(Please contact Karen Salge at 427-5065 or at karen.salge@cityoffortwayne.org if you are unable to attend. Thank you!)

