

# Board of Public Utilities

## Workshop Minutes

Monday, March 25, 2013  
4:00 p.m., DPW Conference Room, 1199 8<sup>th</sup> Avenue



### 1. Call to Order by Burr at 4:00 p.m.

### 2. Roll Call

Present: Burr, Henry, Stein (Ex-officio), Winkel  
Absent: Berry, Overhiser (Ex-officio), Rose (Ex-officio), Stickland

### 3. Board will be requested to review water, sewer, and electric rate adjustments for Fiscal Year 2013 – 2014 beginning on July 1, 2013.

The board posed questions regarding projected expenditures and Burr noted that the electric rates historically have not been increased until after the board meets with Indiana & Michigan, the city's provider, in May. Hochstedler explained the process of getting the rate increase before Council. The board had consensus on there being no need to raise the electric rates at this time.

Hochstedler noted that Dissette recommended that .5 per cent be considered on both water and sewer. After discussion, Burr inquired how much the water/sewer rate increase from last year increased the revenues and stated that if sewer rates have not been increased in the past three (3) or four (4) years, perhaps the board should increase sewer rates.

Hochstedler pointed out that based on funding depreciation the utilities will not break even; the half percent increase will not hurt anything. Burr noted that if the board agrees he would do a one or two percent increase on the sewer fund; the increase in operating expense (which has gone up about \$24,000) should be covered by a two percent increase. Stein agreed that operating expenses did go up on the sewer fund and when you look at retained earnings, we will have about \$60,000 more in investments and working capital. If those expenses will be covered by a sewer rate increase, Stein would rather keep the water rates flat. Burr agreed that a two percent increase of sewer rates would cover the increase in operating expenses.

Discussion ensued regarding the last page of the budget, which reflects a fourteen (14) percent increase; whether a half percent per cent or two percent there needs to be an increase to cover the increase in operating expenses. Burr noted that Chicago is basing their utility increase on the Consumer Price Index which Hochstedler pointed out is pretty close to two percent. Henry asked what sewer projects are in mind; Burr noted that the sewer is replaced whenever a streets project is done and Huff added that Kalamazoo Street

Phase 2 has been identified for sewer upgrade. Henry noted that knowing what dollar amount of improvements might be planned within the next three to five years would help him justify a rate increase. Burr noted that sewer could be increase .5%, 2% or 11.2%. Winkel asked for an explanation on the 11.2%. Hochstedler said that is based on what the budget is behind while the board was recommended to look at the proposed sewer budget figures and suggested a 5% increase would put the sewer fund in the black. Hochstedler explained the negative balance is due to not covering capital assets. The expense is taken out and put into a capital asset fund. For instance the Kalamazoo Street project, which cost \$225,000, will not show as an expense; capital costs have not been covered since 2009. Hochstedler noted that although capital replacement fees cover some capital related items, the budget is short \$303,000 just in this year.

Henry requested a reduced summarized version of this with some kind of forecasting of expenses and capital projects. The board discussed that the sewer projections are broken up by municipalities. Based on the quick breakdown on expenses Stein did, a five percent increase would be more reasonable than a half percent. Stein noted that a small increase every year is easier to sell than a bigger increase every few years.

Hochstedler reiterated that the utilities need to cover expenses. Stein noted that funded depreciation is used to fund depreciation expense; Hochstedler commented, "And use it to improve your system." Henry asked if the issue is that we aren't funding depreciation which Hochstedler agreed with. Stein asked when the Indian Grove study will wrap up; Hochstedler noted that it should wrap up this fiscal year. The City, according to Hochstedler, has been bearing some of the costs.

Burr recommends a two percent budget increase to cover operating expenses.

#### **4. Adjourn**

The workshop adjourned at 4:50 p.m.

RESPECTFULLY SUBMITTED,

Marsha Ransom  
Recording Secretary