

2-19-13

The Mooresville Town Council met in Executive Session on Tuesday, February 19, 2013 at 5:30 P. M. at the Mooresville Government Center.

Council members present: Mark Mathis, Virginia Perry, Tony Langley, and Jeff Cook
George Watkins was absent.

Town attorney Tim Currens was present and Attorney Chris Janak. Clerk-Treasurer Sandra Perry was present.

Purpose: Discussion of purchase or lease of real property by the governing body up to the time a contract or option to purchase or lease is executed by the parties. IC5-14-1.5-6.1(b) and For discussion of strategy with respect to initiation of litigation or litigation that is either pending or has been threatened specifically in writing. IC5-14-1.5-6.1(B)(2).



George Watkins Council President

ATTEST:



Sandra R. Perry, Clerk-Treasurer

2-19-13

The Mooresville Town Council met in regular session on Tuesday, February 19, 2013, at 6:30 P. M. at the Mooresville Government Center.

Council members present were: Vice-President Mark Mathis, Virginia Perry, Tony Langley, and Jeff Cook. President George Watkins was absent. Town attorney Tim Currens was present.

Pastor Jerry Zehr, First Christian Church, gave the invocation.

A motion was made by Councilwoman Perry with a second by Councilman Cook to approve minutes of February 5, 2013. Motion carried 4-0.

Next, Councilman Langley had Scott Miller and John Seiver from Umbaugh give an update of the water utility if Town of Mooresville takes over the water company using the current rate structure.

Report:

**TOWN OF MOORESVILLE, INDIANA
INDIANA AMERICAN WATER OPERATING UNIT**

CALCULATION OF ESTIMATED ANNUAL REVENUES

| | Revenue at Prior Rates (1) | Pro Forma at Current Rates (2) | Change | Pro Forma at Tier 1 Rates (3) | Change |
|---|-------------------------------|-----------------------------------|-----------------|----------------------------------|----------------------------|
| Revenues: | | | | | |
| Residential Revenues | \$1,095,115 | \$1,314,138 | 20% | \$1,458,693 | 11% |
| Commercial/Public Authority Revenues | 364,980 | 463,525 | 27% | 523,783 | 13% |
| Industrial Revenues | 76,561 | 108,717 | 42% | 131,548 | 21% |
| Fire Protection Revenues | 168,588 | 182,075 | 8% | 182,075 | 0% |
| Other Revenues | 32,855 | 32,855 | 0% | 32,855 | 0% |
| Total Operating Revenues | \$1,738,099 | \$2,101,310 | <i>in Total</i> | \$2,328,954 | |
| Total Incremental Change in Revenues | | 21% | | 11% | <i>additional increase</i> |

each class got different rates -

- (1) As presented in Exhibit GMV-7 of Indiana-American Water's IURC Cause No. 44022 in the Adjusted Present Revenue column.
- (2) As presented in Exhibit GMV-7 of Indiana-American Water's IURC Cause No. 44022 in the Adjusted Present Revenue column, adjusted for approximate average rate increases by class as ordered on June 6, 2012. Estimated revenues include the 2.12% increase to the Distribution System Improvement Charge, (Cause No. 42351 DSIC-7) approved by the IURC on December 27, 2012.
- (3) Additional average incremental change over pro forma current rates to reach the current tier 1 rates as approved June 6, 2012.

**TOWN OF MOORESVILLE, INDIANA
INDIANA AMERICAN WATER OPERATING UNIT**

CALCULATION OF ESTIMATED ANNUAL EXPENSES

| | Indiana-American Pro Forma (1) | Adjustments | Municipally Owned Pro Forma |
|------------------------------------|-----------------------------------|------------------------------|--------------------------------|
| Operation and Maintenance Expenses | | | |
| Labor | \$253,485 | | \$253,485 |
| Purchased Power | 59,230 | | 59,230 |
| Chemicals | 34,639 | <i>reduced Corp exp.</i> | 34,639 |
| Support Services | 248,958 | (\$124,479) | 124,479 |
| Group Insurance | 77,012 | | 77,012 |
| Pensions | 34,259 | | 34,259 |
| Regulatory Expense | 7,152 | (7,152) | - |
| Other Insurance | 16,968 | | 16,968 |
| Customer Accounting | 47,476 | | 47,476 |
| Rents | 16,018 | | 16,018 |
| General Office Expense | 27,806 | | 27,806 |
| Miscellaneous | 72,643 | | 72,643 |
| Maintenance Expense | 50,901 | | 50,901 |
| Total O&M Expenses | 946,547 | (131,631) | 814,916 |

- (1) As presented in Exhibit GMV-2 of Indiana-American Water's IURC Cause No. 44022 in the Pro Forma Present Rates column.
- (2) To provide an allowance for the Indiana Department of Revenue 1.4% Utility Receipts Tax.
- (3) To provide an allowance for payment-in-lieu of tax transfers to the general fund at assumed historical property tax rates.

(Subject to the attached letter dated February 19, 2012)
(Preliminary – Subject to Change)
(Internal Use Only)

**TOWN OF MOORESVILLE, INDIANA
INDIANA AMERICAN WATER OPERATING UNIT**

ESTIMATED PROJECT COSTS AND FUNDING

| | <u>3.5% Net Interest Cost</u> | <u>4.5% Net Interest Cost</u> | <u>5.5% Net Interest Cost</u> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| PROJECT COSTS: | | | |
| Offered Utility Purchase Price | \$6,500,000 | \$6,500,000 | \$6,500,000 |
| Allowance for Legal Counsel, Financial Advisor, Other Transaction Costs and Project Contingency (25%) | <u>1,650,000</u> | <u>1,650,000</u> | <u>1,650,000</u> |
| Estimated Project Costs | <u>\$8,150,000</u> | <u>\$8,150,000</u> | <u>\$8,150,000</u> |
| PROJECT FUNDING: | | | |
| Proposed Waterworks Revenue Bond Issue | <u>\$8,150,000</u> | <u>\$8,150,000</u> | <u>\$8,150,000</u> |
| Approximate Annual Debt Service at Assumed Net Interest Cost (Assumed bond issue for 20 years level debt service) | <u>\$573,000</u> | <u>\$627,000</u> | <u>\$682,000</u> |

**TOWN OF MOORESVILLE, INDIANA
INDIANA AMERICAN WATER OPERATING UNIT**

ESTIMATED ANNUAL REVENUES AND REVENUE REQUIREMENTS

| | <u>3.5% Net Interest Cost</u> | <u>4.5% Net Interest Cost</u> | <u>5.5% Net Interest Cost</u> |
|-------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Estimated Annual Revenues (1) | \$2,101,310 | \$2,101,310 | \$2,101,310 |
| Less: | | | |
| Estimated Annual Expenses (2) | (900,097) | (900,097) | (900,097) |

Councilman Langley prepared a news release that is about the report given this evening.
 A motion was made by Councilwoman Virginia Perry to approve the news release.
 Councilman Cook gave the second. Motion carried 4-0. (Included in the minutes.)

FOR IMMEDIATE RELEASE

Contact: George Watkins
 President, Mooresville Town Council
 (317) 831-1608

**MOORESVILLE TOWN COUNCIL FINANCIAL CONSULTANT STATES WATER ACQUISITION
 WILL SAVE CUSTOMERS MONEY**

(Mooresville, Indiana) February 19, 2013 – The Mooresville Town Council listened to a presentation from representatives of financial consultant, H.J. Umbaugh & Associates at its Council Meeting this evening. The presentation focused on the financial aspects associated with the planned utility acquisition of Indiana-American Water Company's Mooresville Operation. Umbaugh explained how the costs associated with this purchase could be absorbed into a future municipal bond issuance to be paid back with future revenue generated by the water operation under its current rate structure.

Due to the excess profits now being taken out of the Mooresville community by Indiana-American and additional tax savings available to municipal operators, Umbaugh concluded that the Town will have sufficient funding to make the utility acquisition without the fear of raising water rates anywhere near the single-tariff pricing rate that Indiana-American Water Company is seeking for Mooresville water customers.

An Indiana-American Water Company witness had earlier provided testimony to the Indiana Utility Regulatory Commission stating "The goal in a future rate case would be to combine these two rate groups into one and thereby implement full STP (single tariff pricing)." Mooresville customers currently pay a separate water rate (Area 2), however, the Company has begun taking steps to consolidate this water rate into a much higher water rate group (Area 1).

The Mooresville Town Council has stated its opposition to this anticipated action by Indiana-American which would cause future significant rate increases similar to the one implemented in June of 2012. The average homeowners saw a 17% increase while some businesses and local industrial customers were left to deal with increases up to 40%, in the 2012 rate increase.

While the Town Council has stated its concerns of Mooresville residents subsidizing the funding needs of other Indiana communities, through this consolidated rate plan, Indiana-American Water has yet to deny, or give indication that it is moving away from its plan to continue implementing single-tariff pricing, and thus much higher water rates in Mooresville.

Mooresville Town Councilor, Anthony Langley stated, "We don't have any problems with the local staff and how they manage the local operation, however, the corporate offices of Indiana-American that file these rate increases for Mooresville customers are seeking to continue the implementation of a rate strategy that simply is not in the best interests of Mooresville water customers. The Mooresville Town Council has the legal right to protect its citizens from these unnecessary rate increases, and have begun taking steps to do so."

The next regular scheduled meeting of the Mooresville Town Council is Tuesday, March 5, 2013, at 6:30 P. M. at the Mooresville Government Center.


George Watkins, President

ATTEST:


Sandra R. Perry, Clerk-Treasurer

March 5, 2013

The Mooresville Town Council met in regular session Tuesday, March 5, 2013, at 6:30 P. M. at the Mooresville Government Center.

Council members present were: President George Watkins, Tony Langley, Virginia Perry, and Jeff Cook. Mark Mathis was absent. Attorney Tim Currens was present.

George Watkins gave the invocation.

A motion was made by Councilman Langley with a second by Councilman Cook to approve minutes from February 19, 2013 meeting. Motion carried 3-0 with one abstention by George Watkins.

A motion was made by Councilwoman Perry with a second by Councilman Langley to table salary amendments. Motion carried 4-0.

Councilwoman Perry brought up department head meetings. Her comments are included in the minutes. She commented the receiving of information is in violation of the open door law.

Attorney Currens reported there had not been any more department head meetings since they found out the meetings were not compliant.

Councilwoman Perry made a motion to discontinue assignments of liaisons to departments and to publish department head meetings. Council President Watkins and Attorney Currens thought there should be two separate motions because two issues. Councilman Langley wanted more information on what can and cannot be discussed at the department meetings. Attorney Currens said the purpose of department head meetings was to gather information and that is what is happening. Council President Watkins commented the meetings had generated a camaraderie between departments that had not been there before and thousands of tax payer dollars have been saved just by sitting and conversing. Also, some of the departments have expressed the need to not make meetings public in case they are discussing HR issues. Councilwoman Perry said she still wanted her motion stand as one motion as made previously. Councilman Cook seconded the motion. Motion carried 3-1 Council President Watkins opposed.

A motion was made by Councilwoman Perry with a second by Councilman Langley to