

SPECIAL WATER BOARD MEETING

09/27/16

6:30 P.M.

The meeting was called to order by Board President, Chuck Storie.
The Pledge of Allegiance was recited.

Roll Call:

Present – Chuck Storie, Tony Higginbotham, Frank Massey & Iris Wilhoit

Absent - Robin Meyer

Minutes:**New Business:**

- 1. Rate Study** – John Julien, with Umbaugh, stated that he has had the pleasure to work with the City on many financial projects over the years and is here to go through a recommendation that they (Umbaugh) come up with based on the rate study that was done on the Greensburg Municipal Water Utility financial status. The Water Utility Rate Study Summary, dated 9/19/16, was passed out to Board members. Mr. Julien said his approach was going to be informal and encouraged the board to ask questions; the report is based on history for trending, by looking at today and protection for needs vs. current rates as cash is king.

Mr. Julien went through the report with the Board. He stated the financial plan is comprised of three key areas: O & M Expense, Capital Expense, and Debt Service. The total cash need of \$2,845,000 vs. current revenues of \$2,575,000, leaves a revenue gap of about \$270,000. Mr. Julien stated this City has had a long running practice that when adjusting rates it's done in increments, which he feels is a good management decision. Since we have a good cash position, the Utility is able to phase in increases.

Mr. Julien stated their recommendation to eliminate the \$270,000 gap is with a three step increase:

- Phase I 2017 3.9% across the board (Average Residential increase \$0.80)
- Phase II 2018 8.4% across the board (Average Residential increase \$1.75)
- Phase III 2019 7.7% across the board (Average Residential increase \$1.75)

Mr. Julien noted the 2019 increase will not be enough to fully fund the proposed \$13.9 million dollar Surface Water Plant. Additional increases will be needed in 2020 & 2021 to fully fund the project. The increases will be determined in 2019 but are estimated to be similar to the 2018 & 2019 increases.

The final part of the report shows a comparison of where the Water Company will stand with local and similar sized communities for all three increase phases: the first phase we are on the low end of the chart, and by the third we will be about in the middle. Mr. Julien emphasized that this is a comparison to other communities' rates of today as some rates will likely go up. John summarized by saying it is his recommendation to eliminate the \$270,000 gap by adopting the three step adjustment. Frank asked John if he feels that it is better to slowly increase rates with the new plant coming. John's response was that the three steps is beneficial to set the table for the bigger project coming up, it is something the community expects and is good from a financial and managerial standpoint. John stated the effective date is scheduled for January 1, 2017, so the timetable would work best if the Water Board was to accept Umbaugh's recommendation tonight if they wish so it could come before the Council at the October 3rd, 2016 meeting for their approval. With that being said, **Chuck made motion to accept Umbaugh's rate increase recommendation, Frank seconded, roll call all Ayes and the motion carried.**

