

**Sewerage and Water Board Task Force**  
**November 14, 2018 1:30 pm**  
**Sewerage and Water Board Board Room, 625 St. Joseph St.**

Ramsey Green, Chair: Present  
Councilmember Banks, Vice Chair: Present  
Board of Liquidation, Poco Sloss: Present  
La Engineering Society, Dr. Emile Robichaux for David Gereighty: Present  
SWBNO, Admiral David Callahan for Ghassan Korban: Present  
New Orleans & Co, Cheryl Teamer: Present  
Business Council of New Orleans, Elisa Speranza: Present

Ramsey Green called the meeting to order and asked for approval of the October 31, 2018 minutes.

Motion to approve October 31, 2018 minutes by Cheryl Teamer, seconded by Councilmember Banks, minutes approved.

Ramsey Green: We have an outreach meeting scheduled in each Council district.

Tyler Antrup: November 26 is the first meeting. They are all at community centers or libraries. A quorum is not required. We will have five meetings.

Councilmember Banks: What's the plan to advertise? I'd like to make as much an effort as we can to let the public know what's going on. Not many people look on the city website.

Ramsey Green: Sarah McLaughlin can help with advertising.

Cheryl Teamer: can help with advertising.

Nathan Lott also offered help with advertising.

Presentation: Citizens Energy Acquisition of Indianapolis Water & wastewater utilities by Dan Considine.

Tyler Antrup: Dan will provide us with who Citizens Energy is, how they do what they do, and how the transaction worked - this system is recent (2011).

Dan Considine: Citizens Energy Group was founded in 1887 - was investor owned at the time as a gas utility. Standard oil of New Jersey was buying up natural gas across the country, civic leadership was concerned about putting things in the hands of partisan government.

The solution was to create a public trust, later a public charitable trust. They wanted the gas company to run like a private business, but retain to customer service focus of a public utility.

Today Citizens is operated and regulated as a municipal utility, but because of the trust is not subject to the control of city government; it is governed by a nonpartisan board of directors that has no financial interest in the company. Board of directors is appointed by a self-sustaining board of trustees which only exists to oversee, appoint, and remove directors.

It is a combination utility company, has grown quite significantly since acquisition in 2011.

The acquisition:

- Talk began when the Mayor of Indianapolis created an infrastructure advisory committee.

- The city's water and wastewater utilities were not integrated at the time - they were operated by outside operators.
- Both utilities were troubled financially.
- City entered into a consent decree with USEPA.
- City was wasting 5 billion gallons of clean drinking water.
- The water utility had amassed \$900 million of debt.
- Reached a crisis point in 2011 when they were told by financial community they couldn't borrow any more money.

Why acquire this troubled utility? They saw the acquisition as an opportunity to expand the mission of the trust. They believed they could operate these utilities better and it was the right thing to do for the community.

Assets were transferred to public trust. A campaign began- the campaign theme was better utilities for a better city. Felt it was important to stress that the utility would be under public ownership with a nonprofit business model.

The city was able to float a bond issue on the PILOT proceeds and used the \$425 million over the last eight years on mostly streets and sidewalks, some on abandoned homes.

Approval process:

Public support, political approval, and financing approval were the three keys. 75 public meetings were held. Had to go through the vote of City Council. Prior to the passing vote it received multiple endorsements from different groups and consistent media coverage. Indianapolis Star endorsed on the editorial page the transfer of the assets. The final step was approval by Indiana regulatory commission (IURC). Citizens assumed operations on August 26, 2011.

Integration process:

They began planning integrations process before approval was received. Put together team of 100 employees dedicated to planning to integration of the utilities into charitable trust. Workforce increased by 60% within the company. Capital budget went up well over \$250 million a year from pre-acquisition until now. When the utility was taken over the decision was made to terminate the contract of Veolia Water, but hired all union operations employees - executives were let go. Focused on lowering costs while enhancing customer service.

Benefits of utility transfer reviewed:

- 100% of water system costs are now financed through rates. 75% for waste water system.
- Both utilities are now on firm financial ground
- Deep tunnel system to be completed in next 7 years - first ten miles completed
- Despite rate increases, there is still solid customer satisfaction - though it has taken a hit.
- When they were just a power utility they won 3 JD power awards.
- Satisfaction went from high 80's to mid 70's - still solid.

Floor is open for questions.

Dr Robichaux: How is board of trustees formed?

Dan Considine: 9 member group, when someone leaves the Board of Trustees selects a new member. They meet 3 times a year and are paid \$50 per meeting. They appoint the Board of Directors. When the Board of Directors opening happens there is a requirement that the Mayor shall approve appointments to the Board of Directors.

The 9 member board of trustees is essentially the same group from the beginning.  
The two boards are a mixture of executives from for profit and not for profit organizations.

Ramsey Green: Who approves rate setting?

Dan Considine: Rates are approved by the board of directors but they are regulated by Indiana utility regulatory commission (IURC).

Cheryl Teamer: Who had ownership over the campaign?

Dan Considine: There was joint ownership. From the Mayor's Office - economic development, chief of staff, director of comms. PR consultants were brought on. Members of Citizens were involved. The message was that these assets would be in better hands with Citizens Energy Group. Citizens had a good reputation in the community so we made it the centerpiece along with local ownership and local control. People take great ownership in a water utility and giving up local control of a water utility is something communities resist.

Elisa Speranza: Is Citizens Energy subject to civil service?

Dan Considine: No, but we do have unions. When we acquired the utility we had two unions, but now we have one. All our field employees are union employees.

Elisa Speranza: I assume they were a partner with you.

Dan Considine: Yes they were. They were a supporter and were part of the integration process.

Elisa Speranza: Do you have an asset management system in place that was already in place before?

Dan Considine: We did, but we made it much larger.

Elisa Speranza: Do you know what your non-revenue water was in 2011 and what it is today?

Dan Considine: I don't know, but I can find out and send it to Tyler. I know it has gone down significantly

Cheryl Teamer: I want to follow up on the capital side. How do you work with the City in terms of repairs?

Dan Considine: This past summer we had a sewer main 3 blocks from downtown collapse. It was 16 feet below the city. Citizens was responsible but we coordinate with the Department of Public Works. Right now the city is doing a trial system project - that is requiring tearing up a number of streets and utility relocation, so they coordinate their work with us. We aren't tearing up streets twice, we respond to the City's projects and there is close coordination and communication.

Elisa Speranza: On rate increases, I'm sure that wasn't easy. Are there affordability programs?

Dan Considine: Yes there are. That's an area we are still very concerned about. Right now we have almost a third of our customer base living below the poverty level. On the gas side we created the universal service program. Essentially a very small surcharge on all bills which funds a discount program based on income. We have a rate case now before IURC and are proposing an identical program for wastewater customers. We also work with grant funds to try to fill some gaps - warm heart warm home.

Dr. Robichaux: A quick synopsis of board of directors?

Dan Considine: 9 members, primary requirement is being a resident of Marion County, age requirement 21-70.

Ramsey Green: When you paid the city the \$262 million - what's the source of that? And when you did that the government oversight went to the citizens. If a citizen wants to speak on water, when do they do that?

Dan Considine: It works much the same way it worked before - citizens can come to board meetings and there is always public comment available. Citizens operates under all open records laws. If customers want to provide comment they can. They can certainly call their City Councilor and we get calls from City Councilors. Our financials are open and posted online. We file quarterly reports.

The source of the \$262 million was 30 year municipal debt.

David Callahan: Can you describe the state of your water distribution and metering system?

Dan Considine: It's not modernized at all. More than 50% is over 50 years old. About 5% is over 100 years old. We have very little AMI on the water side, a little bit on the gas side. This would be considered a typical, fairly old water system.

David Callahan: From an infrastructure upgrade perspective, what are you looking at?

Dan Considine: On the water side our focus has really been on upgrading the distribution system and in particular our ability to move water across our system east to west. A big emerging area is water supply. We are not located on a major source of water. Citizens owns two large reservoirs, and the City has a flood control lake that we draw water out of. So one of our current projects is that we acquired an 88 acre quarry, we are going to convert that into a water reservoir and will hold several billion gallons of water. Our treatment plants have been modernized significantly.

Tyler Antrup: Any integration you have with the city's stormwater utility?

Dan Considine: In Marion County there's a combined sewer system and that's the portion of the system we own. There's also a separate stormwater system that the city owns. We manage the stormwater system, the city does capital improvements on it. We get a management fee, but the capital improvements that are done on the management system the city funds that - there's a stormwater fee on property tax bill.

Citizens is a tax payer, but receives no tax dollars.

Cheryl Teamer: This one-pager we received from Dr. Robichaux I just want to make sure this noted that it is a personal opinion this is being shared and not the opinion of the Task Force.

Poco Sloss: I don't see a meaningful difference between what we currently do and a not for profit model.

Ramsey Green: What was happening is that an entity was succeeding and so it took over. We don't have an equivalent.

Tyler Antrup: Made contact with the person who created the rate setting board in Philadelphia for the next meeting.

It is noted that the meeting after Thanksgiving comes after the first public meeting.

Ramsey Green: When we go to that public meeting we have to go in there with what work we've done. Tyler will work on a power point beforehand.

Public comment:

Lloyd Lazard:

Dates of public meetings, we need those as well as these locations. We are dealing with different soil than Indiana. The sewer - we have pipe sewers. We have a different water systems than they do. Once people see the need of rate increase they will push for one, even if they are elected officials.

Cheryl Teamer motions to adjourn, Poco Sloss seconds, all in favor, adjourned.