



MEMO FROM COUNCIL OFFICE:

To: Members of the Common Council

From: Stephen Lucas, Council Administrator/Attorney

Date: November 9, 2023

Re: Ordinance 23-29 - An Ordinance Authorizing the Acquisition, Construction and Installation by the City of Bloomington, Indiana, of Certain Extensions and Improvements to the City's Sewage Works Utility, the Issuance and Sale of Revenue Bonds to Provide Funds for the Payment of the Costs Thereof, and the Collection, Segregation and Distribution of the Revenues of Such Sewage Works and Other Related Matters

Synopsis

This ordinance authorizes the City of Bloomington to issue its Sewage Works Revenue Bonds of 2024 in the aggregate principal amount not to exceed \$55,000,000. The 2024 bonds will be issued to finance the second phase of modernizing the Dillman Road WWTP, the Blucher Pool Waste Water Treatment Plant, the Collection System Project, other projects, and to pay costs of issuance of the bonds.

Relevant Materials

- Ordinance 23-29
- Staff memo from Assistant City Attorney Chris Wheeler
- Utilities Service Board Resolution 2023-21
- Link to Winston Thomas Site Master Plan: <https://bton.in/VNvzu>

Summary

Ordinance 23-29 authorizes the construction of several major utilities projects and authorizes the issuance of revenue bonds to fund the costs of the projects.

Overview of Proposed Capital Improvements

The projects to be funded are listed in Exhibit A to the ordinance and include:

- Dillman Road Wastewater Treatment Plant Project – funding for an earlier phase of this project was funded through a bond issuance approved via [Ordinance 20-26](#);
- Blucher Pool Wastewater Treatment Plant Project –equipment replacements/upgrades/improvements and other various projects;
- Collection System Project; and
- Other projects – including a new Utilities Service Center, including but not limited to demolition of the existing buildings at the Winston Thomas property, design of a new Service Center and maintenance facility and any other costs or equipment related thereto.

Detailed cost estimates and preliminary design plans should be made available for public inspection ([pursuant to I.C. 36-1-5-4](#)) in the Office of the City Clerk. Members of the public wishing to view these files may contact the City Clerk's Office at 812-349-3408 or clerk@bloomington.in.gov.



General Overview of Bond Ordinances

Bond ordinances are long and very technical documents that set forth the procedures and the assurances necessary for the relevant financial interests to engage in these transactions involving as much as \$55 million. The following paragraphs categorize and highlight the provisions of the ordinance. In brief, the ordinance:

Amount and Purpose of the Bonds (with Accompanying Documents)

- Authorizes the City to sell a maximum of \$55 million in sewage works revenue bonds;
- Attaches Exhibit A, which provides a brief description of the projects to be funded with the bond revenues;
- Indicates that the *Cost Estimates and Preliminary Design Plans* for these improvements will be made available for public inspection in the Clerk's Office.

Kinds of Bonds, Limits on Interest and Maturity, Relationship with Outstanding Bonds, and Life Cycle of Bonds

- Authorizes bonds with a maximum interest rate of 7% per year and maximum maturity period of no more than 25 years;
- Authorizes the issuance of Bond Anticipation Notes (BANs provide money prior to sale of bonds) at an interest rate of no more than 7% and a maturity date, with extensions, of no more than 5 years after initial date of delivery of these financial instruments;
- Acknowledges outstanding bonds (See the table below) and provides for the new bonds to be issued in parity (on equal ground) with the outstanding ones;
- Authorize Municipal Bond Insurance (which may help lower rates);
- Sets forth procedures for issuing, holding, transferring, and redeeming the BANs and bonds.

Outstanding Wastewater Parity Bonds

Name	Original Date	Amended	Current aggregate principal amount outstanding (Nov 2023)
Amended Sewage Works Revenue of 2006, Series A-1	May 4, 2006	March 26, 2015	\$2,016,000
Sewage Works Refunding Revenue Bonds, Series 2013	May 17, 2013	N/A	\$2,320,000
Sewage Works Revenue Bonds of 2017	August 8, 2017	N/A	\$5,360,000
Sewage Works Refunding Revenue Bonds, Series 2019	November 6, 2019	N/A	\$3,380,000



Sewage Works Revenue Bonds of 2020	December 23, 2020	N/A	\$24,445,000
Sewage Works Revenue Refunding Bonds of 2021	December 21, 2021	N/A	\$5,105,000
Total			\$42,626,000

Safeguarding Bondholders

- Requires the separation of funds into various accounts and prescribes the uses and minimum balances of these accounts;
- Requires the utility to set reasonable, just, and equitable rates and charges sufficient to cover its operations as well as reserve amounts slightly in excess of annual debt service and related obligations;
 - o Note: CBU completed a rate case in 2022 for both wastewater and stormwater that contemplated the projects being funded by this bond issuance. According to the city’s financial advisor, Krohn & Associates, the “wastewater and stormwater rates the City adopted in 2022 will generate sufficient net revenues to repay the debt service on the proposed bonds.”
- Allows the bond holders to appoint a receiver in the event of default or other adverse actions on the part of the City;
- Allows for the issuance of further bonds and BANs on certain conditions;
- Prohibits the City from amending the ordinance in a manner that adversely affects bond holders without obtaining consent of owners of at least 66 2/3% of the principle;
- Requires the City to preserve the tax exempt status of the bonds by not using more than a small percentage of the funds for private purposes; and
- Repeals portions of any previous ordinances that are inconsistent with these provisions.

Contact

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