

OFFICIAL
EXHIBITS

IURC
PETITIONER'S
EXHIBIT NO. 15
DATE 3-30-20 REPORTER AT

Petitioners' Exhibit 15



now joined with
Springsted and Umbaugh

Baker Tilly Municipal Advisors, LLC
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September 18, 2019

Mr. Steve C. Poulos, Utilities Director
City of Valparaiso
205 Billings Street
Valparaiso, Indiana 46383

Re: Valparaiso (Indiana) Municipal Utilities – Damon Run Customer Rate Proposals

Dear Steve:

The attached schedules (listed below) present unaudited and limited information for the purpose of discussion and comparison of the current and proposed utility rates of the Damon Run Conservancy District customers by the appropriate officers, officials, and advisors of the City. The use of these schedules should be restricted to this purpose, for internal use only, as the information is subject to future revision and final report.

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Mr. Steve C. Poulos

Re: Valparaiso (Indiana) Municipal Utilities – Damon Run Customer Rate Proposals

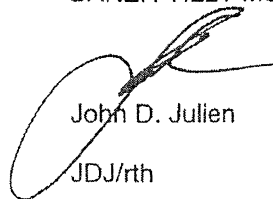
September 18, 2019

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We would appreciate your questions or comments on this information and would provide additional information upon request.

Very truly yours,

BAKER TILLY MUNICIPAL ADVISORS, LLC



John D. Julien

JDJ/rth

DAMON RUN CONSERVANCY DISTRICT
Porter County, Indiana

**COMPARATIVE SCHEDULE OF SELECTED FINANCIAL
INFORMATION ARISING FROM CASH TRANSACTIONS**

	As of		
	12/31/2016	12/31/2017	12/31/2018
<u>Cash and Cash Equivalents:</u>			
<i>Sewer Funds:</i>			
Operation and Maintenance Fund	\$107,134	\$97,422	\$38,498
Permit Fund	36,477	117,175	149,280
Total Sewer Funds	<u>\$143,611</u>	<u>\$214,597</u>	<u>\$187,778</u>
<i>Water Funds:</i>			
Operation and Maintenance Fund	\$317,022	\$112,648	\$54,898
Permit Fund	17,055	31,555	55
Total Water Funds	<u>\$334,077</u>	<u>\$144,203</u>	<u>\$54,953</u>
<i>Debt Service Funds:</i>			
Conservancy District Bond Fund	\$219,826	\$211,879	\$135,322
Reserve Account	22,674	169,432	17,405
Total Debt Service Funds	<u>\$242,500</u>	<u>\$381,311</u>	<u>\$152,727</u>
<u>Investment Balances:</u>			
<i>Debt Service Funds:</i>			
Reserve Account	<u>\$1,230,000</u>	<u>\$1,155,000</u>	<u>\$1,325,000</u>
Total Cash and Investment Balances	<u>\$1,950,188</u>	<u>\$1,895,111</u>	<u>\$1,720,458</u>
<u>Bonded Indebtedness:</u>			
Ad Valorem Special Benefits Property Tax Bonds of 2010, Series A Interest Rate - 4.250% to 6.500% Final Maturity - July 1, 2030	\$10,105,000	\$9,585,000	\$9,040,000
Ad Valorem Special Benefits Property Tax Bonds of 2010, Series B Interest Rate - 5.000% to 6.125% Final Maturity - July 1, 2030	<u>1,685,000</u>	<u>1,600,000</u>	<u>1,510,000</u>
Total Bonded Indebtedness	<u>\$11,790,000</u>	<u>\$11,185,000</u>	<u>\$10,550,000</u>

(Subject to the attached letter dated September 18, 2019)
(Preliminary - Subject to Change)
(Internal Use Only)

DAMON RUN CONSERVANCY DISTRICT
Porter County, Indiana

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
(SEWER FUNDS)

	For the Calendar Years Ended		
	12/31/2016	12/31/2017	12/31/2018
Operating Receipts:			
Sewer collections:			
Residential	\$232,178	\$196,780	\$177,341
Hospital	327,404	271,340	230,673
School	22,579	12,906	6,353
Total operating receipts	<u>582,161</u>	<u>481,026</u>	<u>414,367</u>
Operating Disbursements:			
Purchased treatment	213,460	223,708	256,745
Repairs and maintenance	105,522	115,611	46,590
Purchased power	24,224	25,705	26,249
Locates	10,017	10,959	16,398
Management services	81,337	86,963	40,392
Legal	26,627	25,288	12,505
Accounting	21,150	36,329	14,468
Engineering	14,315	8,260	872
Billing	14,745	17,942	17,010
Insurance	3,906	3,916	3,068
Telephone	3,396	3,310	3,250
Miscellaneous office expense	2,363	1,839	2,423
Payoff of Nardo/Timberland accounts payable	5,000	12,600	57,337
Total operating disbursements	<u>526,062</u>	<u>572,430</u>	<u>497,307</u>
Net operating receipts	<u>56,099</u>	<u>(91,404)</u>	<u>(82,940)</u>
Non-Operating Receipts:			
Connection fees - sewer	62,462	156,398	63,930
Miscellaneous	252	198	7,372
Transfers from debt service fund	5,344	11,191	3,069
Transfers from water fund	-	70,000	20,000
Total non-operating receipts	<u>68,058</u>	<u>237,787</u>	<u>94,371</u>
Non-Operating Disbursements:			
Portage sewer connection fees	33,360	75,700	31,800
Bond fees	-	525	-
Transfers to debt service fund	71,581	-	-
Capital improvements	35,924	-	-
Total non-operating disbursements	<u>140,865</u>	<u>76,225</u>	<u>31,800</u>
Increase (decrease) in cash	(16,708)	70,158	(20,369)
Prior period adjustment	175 (1)	828 (2)	(6,450) (3)
Beginning cash balance	<u>160,144</u>	<u>143,611</u>	<u>214,597</u>
Ending cash balance	<u>\$143,611</u>	<u>\$214,597</u>	<u>\$187,778</u>

- (1) Related to adjusting journal entry to move \$175 of bond fees from water to sewer in 2015 that was not made by the District.
(2) Related to adjusting journal entry to move \$828 of bond fees from water to sewer in 2016 that was not made by the District.
(3) Related to adjusting journal entries to move accounts payable payoffs from sewer to water and collections from water to sewer in 2017 that were not made by the District.

(Subject to the attached letter dated September 18, 2019)
(Preliminary - Subject to Change)
(Internal Use Only)

DAMON RUN CONSERVANCY DISTRICT
Porter County, Indiana

SCHEDULE OF PROJECTED SEWER OPERATING DISBURSEMENTS
(Assumes Valparaiso Purchases Damon Run Sewer Assets)

Projected Operating Disbursements:*

Purchased treatment (1)	\$269,200
Repairs and maintenance (2)	75,000
Purchased power (3)	27,000
Locates (3)	16,900
Insurance (2)	3,700
Estimated VCU administrative charge (4)	<u>47,325</u>

Total operating disbursements	<u><u>\$439,125</u></u>
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(1) Based upon total flow treated in 2018 plus anticipated new customer flow from the 21 homes projected to become customers of the District in 2019 adjusted to reflect a 3% increase in the treatment rate from Portage.

(2) Based on the District's 2019 budgeted repairs and maintenance.

(3) Based upon 2018 actual disbursements plus a 3% inflationary allowance.

(4) Calculated as Follows:

Current customers	431
Plus: customers anticipated to connect in 2019	2
Times: 12 months	<u>12</u>
Annual Bills	5,196
Cost per Unit served	<u>\$7.92</u>
Administrative costs	41,152
Adjustment for Inflation (increase 3% annually)	<u>115%</u>
Estimated VCU Administrative charge	<u><u>\$47,325</u></u>

* These projected operating disbursements assume that disbursements for management services, legal, accounting, engineering, billing, telephone, miscellaneous office expenses and payoff of outstanding accounts payable will be eliminated if Valparaiso takes over operations.

(Subject to the attached letter dated September 18, 2019)
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DAMON RUN CONSERVANCY DISTRICT
Porter County, Indiana

CALCULATION OF ESTIMATED DAMON RUN SEWAGE WORKS ASSET PURCHASE PRICE

Allocation of Debt Service:

Sewer	57%
Water	43%
Total	<u>100%</u>

Outstanding principal balances as of December 31, 2017:

Conservancy District Ad Valorem Special Benefits Property Tax Bonds of 2010, Series A	\$8,760,000
Conservancy District Ad Valorem Special Benefits Property Tax Bonds of 2010, Series B	<u>1,465,000</u>
Subtotal	10,225,000
Times: sewer allocation of debt service	<u>57%</u>

Principal portion of remaining Damon Run debt allocable to sewer \$5,828,250

Interest accrued through bond closing (December 2nd):

Series A Bonds interest payments	\$272,643
Series B Bonds interest payments	<u>44,303</u>
Subtotal	316,946
Times: sewer allocation of debt service	<u>57%</u>

Interest portion of remaining Damon Run debt allocable to sewer 180,659

Damon Run debt service reserve fund	\$1,360,247
Damon Run debt service fund	<u>69,349</u>
Subtotal	1,429,596
Times: sewer allocation of debt service	<u>57%</u>

Debt service funds credit	(814,870)
Damon Run sewer operating fund credit estimated for 12/1/2019	(70,098)
Damon Run sewer permit fund credit as of 6/30/19 *	(185,024)

December 2019 levy (1)	\$509,134
Times: sewer allocation of debt service levy	<u>57%</u>

December 2019 levy credit (290,206)

Estimated Sewage Works Asset Purchase Price \$4,648,711

* This credit will need to be trued up closer to bond closing to account for any liability owed by Damon Run to Portage.

(1) Based on the 2019 certified levy (\$999,971) less the Spring property tax distribution (\$490,837).

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VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

CALCULATION OF ESTIMATED DAMON RUN REFUNDING BONDS

2019 Damon Run Refunding Bonds:

Estimated Sources of Funds

Payment from Valparaiso	\$4,648,711
Debt service reserve fund	1,360,247
Debt service fund	69,349
Sewer operating fund	70,098
Sewer permit fund	185,024
Water operating fund	288,136
Water permit fund	6,055
2019 Damon Run refunding bonds	<u>4,230,000</u>
Total Estimated Sources of Funds	<u><u>\$10,857,620</u></u>

Estimated Uses of Funds

Escrow for 2010A & B Bonds (1)	\$10,541,946
Cost of issuance (includes rounding)	159,762
Deposit to water operating reserves	134,762
Underwriters discount (.5%)	<u>21,150</u>
Total Estimated Uses of Funds	<u><u>\$10,857,620</u></u>

(1) Principal Outstanding:

Series A Bonds	\$8,760,000
Series B Bonds	1,465,000
Interest (assumes December 2nd closing and 30 day call period)	<u>316,946</u>
Escrow for 2010 A & B Bonds	<u><u>\$10,541,946</u></u>

(Subject to the attached letter dated September 18, 2019)

(Preliminary - Subject to Change)

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VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

SCHEDULE OF ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds

Valparaiso Sewage Works Revenue Bonds of 2019	<u>\$5,620,000</u>
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Estimated Uses of Funds

Sewage Works Asset Purchase	\$4,648,711
Allowance for Underwriter's Discount (.5%)	28,100
Debt Service Reserve Funding	377,130
Damon Run Sewer Asset Repairs	250,000
Cost of Issuance and Rounding	<u>316,059</u>
Total Estimated Uses of Funds	<u>\$5,620,000</u>

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VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

SCHEDULE OF AMORTIZATION OF \$5,620,000 PROPOSED PRINCIPAL

AMOUNT OF SEWAGE WORKS REVENUE BONDS OF 2019

Principal and Interest Payable Semiannually, February 1st and August 1st.

Interest rates as indicated.

Assumes Bonds dated December 2, 2019

Payment Date	Principal Balance	Principal	Interest Rates	Interest	Total	Bond Year Total
	(---In \$1,000's---)		(%)	(-----In Dollars-----)		
2/1/2020	\$5,620	\$40	1.50%	\$23,343.92	\$63,343.92	
8/1/2020	5,580	115	1.55%	70,918.75	185,918.75	\$249,262.67
2/1/2021	5,465	115	1.60%	70,027.50	185,027.50	
8/1/2021	5,350	120	1.60%	69,107.50	189,107.50	374,135.00
2/1/2022	5,230	120	1.65%	68,147.50	188,147.50	
8/1/2022	5,110	120	1.65%	67,157.50	187,157.50	375,305.00
2/1/2023	4,990	120	1.70%	66,167.50	186,167.50	
8/1/2023	4,870	120	1.70%	65,147.50	185,147.50	371,315.00
2/1/2024	4,750	125	1.80%	64,127.50	189,127.50	
8/1/2024	4,625	125	1.80%	63,002.50	188,002.50	377,130.00
2/1/2025	4,500	125	2.00%	61,877.50	186,877.50	
8/1/2025	4,375	125	2.00%	60,627.50	185,627.50	372,505.00
2/1/2026	4,250	125	2.10%	59,377.50	184,377.50	
8/1/2026	4,125	130	2.10%	58,065.00	188,065.00	372,442.50
2/1/2027	3,995	130	2.20%	56,700.00	186,700.00	
8/1/2027	3,865	130	2.20%	55,270.00	185,270.00	371,970.00
2/1/2028	3,735	135	2.30%	53,840.00	188,840.00	
8/1/2028	3,600	135	2.30%	52,287.50	187,287.50	376,127.50
2/1/2029	3,465	135	2.40%	50,735.00	185,735.00	
8/1/2029	3,330	140	2.40%	49,115.00	189,115.00	374,850.00
2/1/2030	3,190	140	2.50%	47,435.00	187,435.00	
8/1/2030	3,050	140	2.50%	45,685.00	185,685.00	373,120.00
2/1/2031	2,910	145	2.60%	43,935.00	188,935.00	
8/1/2031	2,765	145	2.60%	42,050.00	187,050.00	375,985.00
2/1/2032	2,620	145	2.70%	40,165.00	185,165.00	
8/1/2032	2,475	150	2.70%	38,207.50	188,207.50	373,372.50
2/1/2033	2,325	150	2.80%	36,182.50	186,182.50	
8/1/2033	2,175	155	2.80%	34,082.50	189,082.50	375,265.00
2/1/2034	2,020	155	2.90%	31,912.50	186,912.50	
8/1/2034	1,865	155	2.90%	29,665.00	184,665.00	371,577.50
2/1/2035	1,710	160	3.00%	27,417.50	187,417.50	
8/1/2035	1,550	160	3.00%	25,017.50	185,017.50	372,435.00
2/1/2036	1,390	165	3.10%	22,617.50	187,617.50	
8/1/2036	1,225	165	3.10%	20,060.00	185,060.00	372,677.50
2/1/2037	1,060	170	3.20%	17,502.50	187,502.50	
8/1/2037	890	170	3.20%	14,782.50	184,782.50	372,285.00
2/1/2038	720	175	3.30%	12,062.50	187,062.50	
8/1/2038	545	180	3.30%	9,175.00	189,175.00	376,237.50
2/1/2039	365	180	3.40%	6,205.00	186,205.00	
8/1/2039	185	185	3.40%	3,145.00	188,145.00	374,350.00
Totals		<u>\$5,620</u>		<u>\$1,732,347.67</u>	<u>\$7,352,347.67</u>	<u>\$7,352,347.67</u>

Average annual debt service for the 19 bond years ending August 1, 2039

\$373,846.58

(Subject to the attached letter dated September 18, 2019)

(Preliminary - Subject to Change)

(Internal Use Only)

VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

ESTIMATED VALPARAISO ANNUAL REVENUE REQUIREMENTS

(Rounded to nearest \$100)

<u>Revenue Requirements:</u>	<u>Total</u>	<u>Variable</u>	<u>Fixed</u>
Operating Disbursements (page 4)	\$439,100	\$418,500	\$20,600
Debt Service (page 8)	373,800		373,800
Replacements	50,000		50,000
Total Net Revenue Requirements	<u>\$862,900</u>	<u>\$418,500</u>	<u>\$444,400</u>

(Subject to the attached letter dated September 18, 2019)

(Preliminary - Subject to Change)

(Internal Use Only)

VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

ASSUMED DAMON RUN CONSERVANCY DISTRICT ANNUAL
COSTS AND IMPACT PER EDU

Annual Costs

Refunding bonds - principal amount (page 6)	\$4,225,000	
Term (in years):	11	
Estimated average annual payment		\$408,636
Plus: estimated annual operating costs		<u>15,000</u>
Estimated annual costs		<u><u>\$423,636</u></u>

Annual District Costs per EDU

Estimated annual costs		\$423,636
Estimated 2019 EDUs:		
In District	454.38	
School	14.94	
Hospital	<u>197.03</u>	
Estimated monthly EDUs	666.35	
Annualized	<u>12</u>	
Annual EDUs		<u>7,996.20</u>
Estimated monthly cost per EDU		<u><u>\$52.98</u></u>

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VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

VALPARAISO SEWAGE WORKS PROPOSED RATES

Fixed Revenue Requirements (Page 9) \$444,400

Current EDU's:

In District	454.38
School	14.94
Hospital - current	197.03
Less: VCU hospital adjustment	<u>(57.03)</u>
Subtotal	609.32
Annualized	<u>12</u>

Annual EDU's 7,311.84

Monthly Fixed Rate per EDU \$60.78

Variable Revenue Requirements \$418,500

Annual Billed Flow: (in 1,000 gallons)

In District	29,895
School	1,691
Hospital	<u>22,294</u>

Annual Flow 53,880

Proposed Flow Rate (per 1,000 gallons) \$7.77

(Subject to the attached letter dated September 18, 2019)

(Preliminary - Subject to Change)

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VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

BILLING COMPARISON

Annual hospital billing - current DRCD rates:

Current District sewer charge (\$12 x 197.03 x 12)		\$28,372.32
Current District water charge (\$12 x 197.03 x 12)		28,372.32
Current hospital flow (in 1,000 gallons)	22,294	
Times: DRCD flow rate	<u>\$5.22</u>	
Hospital flow charges		116,374.68
Annual debt service (197.03 x \$2,253.11)		<u>443,930.26</u>
Total annual hospital billing - current DRCD rates		<u>\$617,049.58</u>

Proposed annual hospital billing - VCU rates:

Current hospital monthly EDU's	197.03	
Proposed reduction	<u>(57.03)</u>	
Adjusted EDU's	140.00	
Times: 12 months	12	
Times: proposed fixed rate per EDU (page 11)	<u>\$60.78</u>	
Hospital sewer debt service surcharge		\$102,110.40
Current hospital flow (in 1,000 gallons)	22,294	
Times: proposed flow rate	<u>\$7.77</u>	
Hospital flow charges		173,224.38
Assumed debt service - Damon Run (197.03 x 12 x \$52.98) (page 10)		<u>125,263.79</u>
Total annual hospital billing - proposed VCU rates		<u>\$400,598.57</u>

Annual school billing - current DRCD rates:

Current District sewer charge (\$12 x 14.94 x 12)		\$2,151.36
Current District water charge (\$12 x 14.94 x 12)		2,151.36
Current school flow (in 1,000 gallons)	1,691	
Times: DRCD flow rate	<u>\$5.22</u>	
School flow charges		8,827.02
Annual debt service (14.94 x \$2,253.11)		<u>33,661.46</u>
Total annual school billing - current DRCD rates		<u>\$46,791.20</u>

Annual proposed school billing - VCU rates:

Current school monthly EDU's	14.94	
Times: 12 months	12	
Times: proposed fixed rate per EDU (page 11)	<u>\$60.78</u>	
School sewer debt service surcharge		\$10,896.64
Current school flow (in 1,000 gallons)	1,691	
Times: proposed flow rate	<u>\$7.77</u>	
School flow charges		13,139.07
Assumed debt service - Damon Run (14.94 x 12 x \$52.98) (page 10)		<u>9,498.25</u>
Total annual school billing - proposed VCU rates		<u>\$33,533.96</u>

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(Preliminary - Subject to Change)

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VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

(cont'd)

BILLING COMPARISONMonthly residential billing - current DRCD rates:

Monthly fee per EDU for sewer		\$12.00
Monthly fee per EDU for water		12.00

Sewage treatment charge per 1,000 gallons	\$5.98	
Times: 5,000 gallons	<u>5</u>	
Monthly flow charge		29.90

Average residential tax bill (pay 2019)	\$2,253.11	
Divided by: 12 months	<u>12</u>	
Monthly debt service charge		187.76

Total monthly residential billing - current DRCD rates		<u>\$241.66</u>
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Monthly residential billing - VCU rates:

Monthly fee per EDU		\$60.78
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Flow rate per 1,000 gallons	\$7.77	
Times: 5,000 gallons	<u>5</u>	
Residential flow charge		38.85

Assumed debt service - Damon Run (page 10)		<u>52.98</u>
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Proposed monthly residential bill		<u>\$152.61</u>
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VALPARAISO (INDIANA) WATER RECLAMATION DEPARTMENT

SUMMARY OF CHANGES TO UTILITY COSTS

	Month	Annual
<u>Average Residential Customer:</u>		
Increase on sewer bill	\$57.73	\$692.76
Savings on water bill	(12.00)	(144.00)
Savings on tax bill	(134.78)	(1,617.36)
Estimated savings per household	<u>(\$89.05)</u>	<u>(\$1,068.60)</u>
 <u>Hospital</u>		
Increase on sewer bill	\$2,373.12	\$28,477.38
Savings on water bill	(2,364.36)	(28,372.32)
Savings on debt service costs	(18,046.34)	(216,556.07)
Estimated savings for hospital	<u>(\$18,037.58)</u>	<u>(\$216,451.01)</u>
 <u>School</u>		
Increase on sewer bill	\$180.06	\$2,160.69
Savings on water bill	(179.28)	(2,151.36)
Savings on debt service costs	(1,105.55)	(13,266.57)
Estimated savings for hospital	<u>(\$1,104.77)</u>	<u>(\$13,257.24)</u>

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