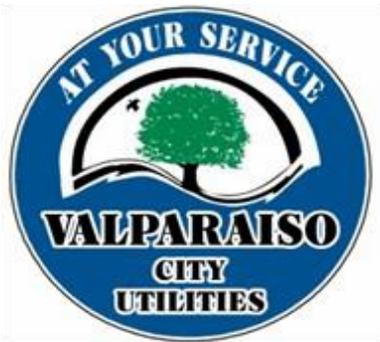


Valparaiso City Utilities



2010—2015 VCU Strategic Plan aligns priorities with new vision

In 2010, the VCU leadership team developed a plan to chart the organization's direction for the next five years. The 2010-2015 Strategic Plan focuses the organization on greater service to our customers, efficiencies, compliance and environmental stewardship.

The full five year plan can be downloaded online at www.valparaiso.in.us

VCU NEWS

2013 2nd Quarter Report (April—June)



Mayor Jon Costas
Bill Oeding, City Administrator

Valparaiso City Utilities Board of Directors 2013

David Bengs
Mike Sur
Lori Ferngren
Mark Thiros
Kurt Minko

VCU Leadership Team 2013

Steve Poulos, Utilities Director
Edward Pilarski, Environmental Compliance Administrator
Peggy Busse, Administrative Assistant
Richard Freeman, Financial Controller
Chuck McIntire, Collections & Distribution Manager
Cathy Fejer, Administrative Assistant
Shaun Shifflett, Customer Service Manager
Frank McGinley, WD & WRD Maintenance Manager
Paul Scott, WRD Operations Manager
Shihua Chen, WD Operations Manager
Mark Geskey, Assistant Distribution Manager
Mike Steege, Assistant Sewer Superintendent
Adam McAlpine, Deputy City Engineer

Co-Digestion

The leadership team continues to investigate the feasibility of generating and harnessing more methane gas at the wastewater treatment plant. The goal is to find a cost effective mechanism that can generate enough gas to produce electricity and possibly compressed natural gas for vehicles. More to come.

Water, Sewer & Storm Projects

- Chautauqua Park Separation— 65 % Complete
- Village Station Storm Sewer—Design 50% Complete
- Harring. & Willows Storm Sewer—Under Construction
- Bicentennial Park Pond Outlet - Completed
- Vale Park Roundabout Water Main—Phase 3 In Progress
- Laporte Avenue Water Main—Bid Awarded
- Sewer Main Lincolnway & Axe — Design Complete
- WRD Treatment Plant Lift Station Study— In Progress
- Sturdy & Horseprairie Lift Station Study—80% Complete
- CoDigestion Study— In Progress
- Water Source Study—Completed

Combined Sewer Overflows/Disinfection Facility

A 2010 bond issue of 1.6 million and utility cash reserves have completed the construction and successful operation of a CSO disinfection facility that will satisfy the City's Long Term Control Plan requirements which involved strategic sewer separation projects and disinfecting combined sewer overflows. The City has invested over \$50 million on capital improvement projects for CSO control. Investments in plant expansion and sewer separation projects have further reduced basement backups, CSO volumes and CSO events. The City did not suffer a CSO overflow event for almost 16 months until April 2013. Details of Valparaiso CSOs are outlined on the next page.

VALPO "CSOMETER" 2013

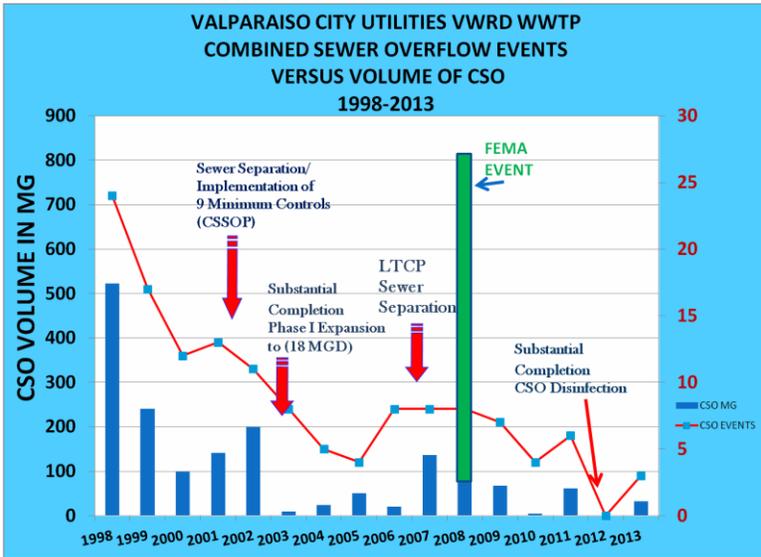
The number of CSO events which the wastewater treatment plant has experienced in 2013 through June 30th is as follows:

Total Number of **CSO Events**: 3

Total Volume **Overflowed**: 32.5 Million Gallons

Dates of CSO Overflows:

April 18/June 12/June 26



The City continues to realize the benefits of an effective storm water plan as CSO events and volumes have significantly decreased over time as illustrated in the graph. Additionally, as of April 2012 all CSO events have been successfully treated and disinfected as Valparaiso is meeting the required water quality standards.

Water Source Study—Sewer & Water Rates

Valparaiso City Utilities has finalized the details of its water source study that will determine the feasibility of bringing Lake Michigan water to the community versus the investment in the current ground well system. Meetings are on-going with stakeholders that discuss the study, recommendation and how these upcoming projects will affect sewer and water rates for our customers. A formal presentation is planned for the public sometime in the early fall.

Valparaiso City Utilities

Financial Performance as of June 30, 2013

Total Year to Date Water Revenue: -5.12% (\$160,484)

Total Year to Date Water Expenses: -9.49% (\$222,378)

Total Year to Date WRD Revenue: +1.86% \$62,100

Total Year to Date WRD Expenses: -3.48% (\$84,641)

Water Revenue down due to cooler weather

Economic Development—Prospects

Valparaiso City Utilities is working in conjunction with the Economic Development and the Redevelopment Commissions to foster a deal that would bring a paper recycling facility to the City of Valparaiso. The total investment to the City would be \$225 million dollars in building and equipment and 120 direct jobs. The prospect is a major user of water at 1.1 million gallons per day and wastewater discharger at 600,000 gallons per day. Sewer and water revenues would be estimated at \$1.8 million per year. VCU in conjunction with the Redevelopment Commission have joined forces to implement a study that will assist the VCU in accommodating the industrial waste at the Valparaiso wastewater treatment plant. Once confirmed, the details of the project will be discussed in a more formal fashion with the Board of Directors. We are very close.

Unidirectional Flushing of Distribution System

The Department of Water Works has been in the process of flushing the distribution system along the southern zone of Valparaiso. This includes all of the water service territory south of Evans Street. Unidirectional flushing improves overall water quality, fire hydrant operations and water flow within water mains. Additionally, this process saves time and money as less water and manpower is required to properly flush the system. The north and south zones are rotated every other year.

Awards

The Water Reclamation Department has received its fourth consecutive Silver Peak Award from the National Association of Clean Water Agency (NACWA) in recognition for outstanding compliance with its National Pollutant Discharge Monitoring Permit. Congratulations to VCU and the WRD staff.