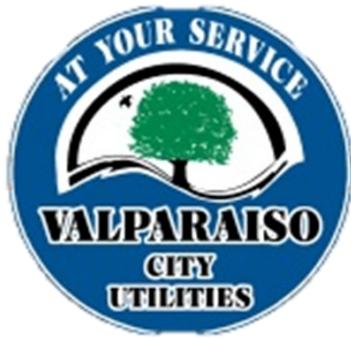


Valparaiso City Utilities



“Water is our most valuable resource”

VCU NEWS

2013 At a Glance



2013 Highlights

Water Source Study & Recommendation

Utilities leadership along with a variety of experts spent one year to reach the final recommendation. ARCADIS from Indianapolis developed the initial study and CDM Smith from Chicago value engineered the ARCADIS engineering analysis for both the ground water and lake water evaluations. This information was shared with Indiana American (IA) as we worked closely with the IA business development team, engineers and operations specialists. The rate model was developed by the financial consultant (Umbaugh & Associates) based upon the engineering studies. This was a collaboration of many professionals to reach the final recommendation for our community.

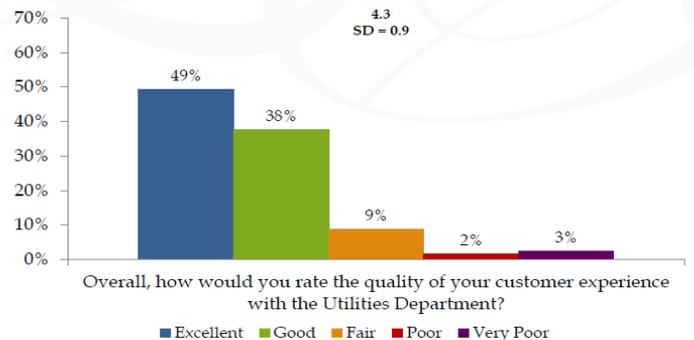
Water & Sewer Integration (Sewer Collections, Water Distribution and Plant Maintenance)

The integration of the Collections and Distribution divisions is now complete. 25 VCU employees now have the ability to work on both sides of the field divisions for the utilities. This allows for the reduction of staff through attrition and the sharing of equipment and rolling stock which has and will continue to result in future capital savings.

The construction of the new Public Works & Utilities campus will allow for future integration and savings for the City.

Customer Service Audit

Overall Quality of Customer Experience



Answered on a 5-point scale: 1 = Very Poor to 5 = Excellent. Mean is reported along with standard deviation, a measure of the average variability of scores from the mean.

87% of Customers rated their experience with VCU either excellent or good.

Valparaiso City Utilities Business Office Reorganization

The business office was reorganized with the intent to increase customer service satisfaction, protect the utilities interests and to utilize technology for efficiency and customer satisfaction.

- Workforce flexibility between customer service and metering divisions
- Quality control telephone recordings
- Outsourcing of Billing (Savings of \$25,000/annually)
- Reduction of 1 FTE (Savings of \$35,000/annually)

Water, Sewer & Storm Water Projects Status

- Chautauqua Park Sewer Separation — Completed
- Harrington & Willows Storm Sewer—Completed
- Bicentennial Park Pond Outlet—Completed
- LaPorte Avenue Water Main—Completed
- Vale Park Roundabout Water Main— Completed
- Axe Avenue Sewer Main —Completed
- Sturdy & Horseprairie Lift Station Study— Completed
- CoDigestion Study—Completed
- Water Source Study— Completed & Presented
- WRD Treatment Plant Lift Station Study— 90% Complete
- Test Well for Well Field— 60% Complete
- Village Station Storm Sewer— Design 50% Complete
- Water Treatment Design—5% Complete

Economic Development—Pratt Industries



Valparaiso City Utilities worked 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. As of September 17, 2013 a memorandum of understating was executed between the City of Valparaiso and Pratt Industries. Pratt has committed in locating their paper recycling facility in the City of Valparaiso and starting their operations sometime in July of 2015. The total investment to the City would be \$260 million dollars in building and equipment and 120 direct jobs. Pratt is a major user of water at 1 million gallons per day and wastewater discharger at 600,000 gallons per day. Sewer and water revenues would be estimated at 1.5 million per year. Due to this major investment, sewer and water rates will directly benefit our rate payers as a matter of cost of service to our community.

RDA Grant - \$200,000

Valparaiso City Utilities successfully seized an opportunity to receive a grant from the RDA to assist with upgrading sewer lift station infrastructure to help accommodate the growth within the HWY 30 corridor. Forty percent of the project will be funded due to the availability of these grant funds.

Valparaiso City Utilities

Financial Performance as of December, 2013

| | |
|-----------------------------------|--------------------|
| Total End of Year Water Revenue: | -0.89% (\$ 57,280) |
| Total End of Year Water Expenses: | -5.87% (\$273,314) |
| Total End of Year WRD Revenue: | +4.54% (\$307,095) |
| Total End of Year WRD Expenses: | -0.15% (\$ 7,242) |

Water & Sewer Refunding

Being creatively frugal is one of our City's core values. VCU took a hard look at the existing debt for the Utilities. Due to the market climate, it was determined that the existing 2000 WRD bonds and 2002 WD bonds would be eligible for refunding at a lower rate. The pricing of these bonds has proven successful as the Utilities will saving approximately **1 million dollars** in interest payment over the remaining term of these bonds.

Water & Sewer Rate Case



Valparaiso City Utilities performed a detailed rate analysis for the fiscal health of the Utilities. The phased increases as approved by the Board of Directors and subsequently by the City Common Council on November 25, 2013 will allow the VCU to improve service, invest in a new well field, expand and improve water and wastewater facilities, stabilize cash flows, invest in aging infrastructure and accommodate future economic development for the City. This rate increase was the most publicized rate increase in the Utilities history. VCU utilized the press, social media, billing inserts and the web site to educate and inform rate payers. The Utilities was able to proceed with the rate increase with very little push back from stakeholders and/or the public.

Compliance

VCU's treatment plants are recognized as leaders within the region when dealing with daily operations and Utility challenges and have an excellent compliance history. All three treatment plants continue to be operated and maintained at a high level.