

INTRODUCTION

The City of Valparaiso has conducted many land planning and economic development studies to determine the growth of lands adjacent to Valparaiso City Limits. These studies typically identify the need for water and sewer infrastructure to serve these lands and attract future development. The Valparaiso City Utilities (VCU) Master Plan that was approved by the VCU Board of Directors in 2017 consolidated many of these studies, identified the gaps, and evaluated current capacity and the capital needs to provide utility services to these planning areas in the future.

The blue outline within **Exhibit A** provides the proposed water and sewer service boundaries for the future. US HWY 6 is currently being served by the Damon Run Conservancy District (DR). As of today, the DR serves over 460 residential homes in select areas within the district not including Porter Regional Hospital and other commercial establishments.

The City of Valparaiso through its utility, Valparaiso City Utilities, has entered into an asset transfer agreement with the DR for the purchase of the sanitary sewer assets. There are 3 distinct reasons why the VCU is interested in this opportunity:

1. The DR service territory falls in line with the future projected service area within the VCU Utilities Master Plan.
2. VCU believes that purchasing the sanitary sewers within the DR and US HWY 6 corridor will provide future growth.
3. The DR customers will see material up front financial relief in the taxes that support the current debt of the DR and future stability in their rates and charges.

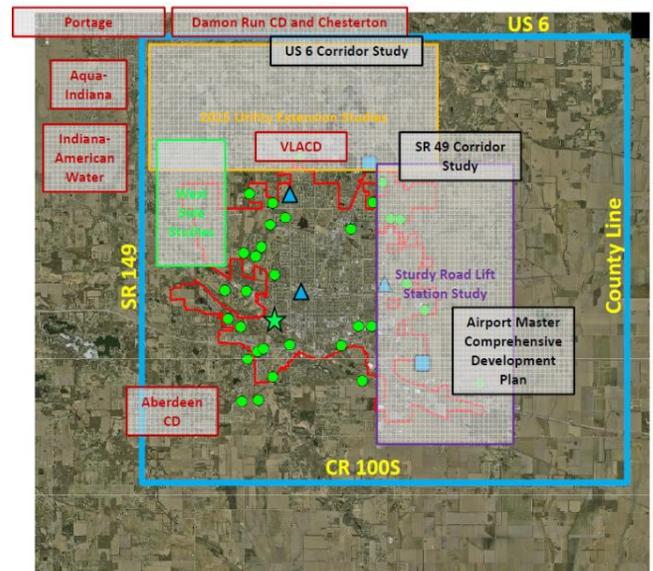


EXHIBIT A

This fact sheet has been prepared in conjunction with the public presentation to assist Damon Run customers with the following frequently asked questions:

Q: What is the City of Valparaiso purchasing?

A: The sanitary sewer assets of the DR which includes 12 miles of sanitary sewer pipe and 5 sewage pumping stations.

Q: What will my monthly Valparaiso Sewer Bill pay for?

A: Wastewater Treatment by the City of Portage; Repairs and Maintenance of the Sanitary Sewer System; Purchased Power; Chemicals; Insurance; Customer Service; Billing; Engineering; Legal; Accounting; Debt Service; Capital Needs

Q: How will my bill change and save me money?

A: Indiana American Water Company (IAWC) will continue to operate the water utility for the DR; therefore, IAWC’s portion of the water bill will not change (you will still receive a direct bill from IAWC). However, because VCU is taking over the administrative responsibility for the DR, the Water Administrative charge of \$12.00 per month will be eliminated creating savings to you.

When VCU purchases the DR sewer assets, VCU will be issuing sewer revenue bonds. These bonds will be paid from sewer bills the DR customers will pay. When you receive your monthly sewer bill, it will come from VCU directly and it will be made up of two parts; the first part will include the bill for most of the day-to-day operations funded from a charge of \$7.77 for every 1000 gallons of water consumed and the second is a base charge for funding fixed costs of \$60.78 per month. This base charge is mostly used to retire the sewer debt VCU sold to purchase the DR sanitary sewer assets.

With the addition of the portion of the sewer bill being used to facilitate payment of the new sewer bonds, the new sewer bill will be higher than the sewer bill you currently pay. Importantly however, the decrease on the monthly water bill and your tax bill will more than offset the sewer increase and actually produce an estimated net reduction in overall utility costs of approximately 37% per year to you as a customer.

The table below provides a summary of the proposed “net” savings for a residential customer within the Damon Run assuming that the average customer consumes 5000 gallons of water per month. It is estimated in the first 11 years (2020-2030), the average residential connection will pay in total \$17,790.96 LESS in TAXES and \$6,036.36 more in sewer bills for a total net savings of \$11,754.60 or 37%.

**Residential Rates Comparison Summary
 VCU Annual Savings versus DRCD 2020 -2030**

	DRCD	VCU	Variance
Sewer (1)	\$502.80	\$1,195.56	(\$692.76)
Water (2)	<u>144.00</u>	-----	<u>144.00</u>
Total Utilities	646.80	1,195.56	(548.76)
Tax Bill (3)	<u>2,253.11</u>	<u>635.76</u>	<u>1,617.36</u>
Total	\$2,899.92	\$1,831.32	\$1,068.60

Projected Residential Savings 2020 – 2030

\$11,754.60 or 37%

- (1) VCU Fixed Rate @\$60.78 per EDU + \$38.85 for 5000 gal/month @ \$7.77/1000 gal
- (2) DR \$12 per month Fee is Eliminated
- (3) Estimated monthly cost per EDU for Refinanced Water Debt- Tax Bill Decreases

Due to VCU's size, skills and experience of its workforce, in the future we expect the day-to-day operations portion of the bill to remain lower and more stable than if the DR continued to own the utility and contract out operations.

Q: Will my VCU sewer rate ever increase in the future?

A: Your sewage is and will continue to be treated by the City of Portage; therefore, any increase in sewer rates by the City of Portage will be passed on to Damon Run Customers. Additionally, the cost of doing business increases every year due to inflation (power, chemicals, labor, fuel). However, these increases may be softened in the future by controlling the day-to-day operating expenses and by growing the customer base.

Q: Will someone from the Damon Run profit or receive a commission as part of this transaction?

A: No. All the money Damon Run receives from the purchase of sewer assets by VCU will be used to pay off the sewer portion of DR's outstanding debt. All the proceeds from the bond issue VCU sells will be used for the purchase of DR's sewer assets, the payment of professional fees related to the Asset Transfer transaction and for funding needed for capital projects in the DR service area.

Q: What happens to my VCU bill after the water debt is satisfied in 2030?

A: Nothing changes to your VCU bill, but your DR tax bill that funds the pay-off of the DR bonds will go away. However, you will continue to pay the VCU sewer bill you were previously paying. After 2040, the fixed fee of \$60.68 is scheduled to be reduced because the bonds VCU sold to purchase the DR sewer assets will be paid off.

PERIOD	CUMULATIVE SAVINGS WITH VCU
2020 – 2030 (a)	\$11,754.60
2031 – 2039 (b)	(\$6,234.84)
Cumulative	\$5,519.76
2040 ©	Sewer Debt Satisfied

Q: When will the transaction be completed?

A: It is anticipated that all approvals will be finalized by the end of October 2019 and bonds will be sold by the end of November 2019. The transition from Damon Run to Valparaiso is scheduled for January of 2020.

All contracts, resolutions and ordinances are subject to the final approval of the Damon Run Board of Directors and Valparaiso City Council.

QUESTIONS:

EMAIL

Steve C. Poulos

Valparaiso Utilities Director

spoulos@valpo.us

END OF DOCUMENT