

MINUTES
HAMMOND SANITARY DISTRICT
BOARD OF COMMISSIONERS MEETING
OCTOBER 25, 2022
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The Board of Sanitary Commissioners of the Sanitary District of Hammond, Lake County, Indiana held a regular meeting at 4:04 p.m. in the Conference Room of the Administration Building located at 5143 Columbia Avenue, Hammond, Indiana.

President Dimopoulos called the meeting to order at 4:04 p.m. He stated that the Board held an Executive Session prior to the meeting to discuss personnel and litigation matters in accordance with Indiana Codes.

Commissioners Present: Dimopoulos, Hawkins, Miller

Commissioners Absent: Dye, Rubio

District Personnel Present: Marty Wielgos, Chief Executive Officer
Matthew Muta, Deputy District Manager
Rachel Montes, Business Manager
Joseph Allegretti, HSD Attorney
Jeffrey Massey, HSD
Dan Zander, HSD
Bob Szczudlo, HSD
Jack Smith, Sewer Department
Kaleigh Boyle, HSD
Jessie Amezcua, HSD

Others Present: Heather Garay, Leopardo
Jeremy Brown, Leopardo

Others Present via Zoom: Michael Hickey, MJHY

The meeting started with the Pledge of Allegiance.

President Dimopoulos stated that the first order of business is the consideration of the October 11, 2022 Board Meeting Minutes.

Hawkins **moved** and Miller **seconded** to approve the October 11, 2022 Board Meeting Minutes.

Ayes: Dimopoulos, Hawkins, Miller

Nays: None

Motion **carried** 3-0.

Chief Executive Officer's Report

Chief Executive Officer, Marty Wielgos, stated that he has good news to report. The Mayor religiously reads the Hammond Sanitary District's minutes from page front to page back. He knows this because he gets several sharpies from him based on what he sees in the minutes that

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he wants to communicate different things to him. For the very first time in the nine years that he has been running the District, he received a sharpie from him that was very complimentary to not only the staff here, but also to the Board. It was when he was reporting to the Board about their movement forward with the customer communities. He wrote a really nice sharpie complimenting the Board and staff about the movement forward with all that because he was really concerned about where the District was headed with the customer communities and was very excited. He just wanted to share that with all of them. Other than that, the Plant is running good. The rain that they have had all day today was much needed- it has been awfully dry. Other than that, he has nothing else to add.

PERSONNEL REPORT

There was no Personnel Report.

FINANCIAL REPORT

Business Manager, Rachel Montes, stated that she had nothing to highlight, but would take any questions.

CONSULTANT REPORTS

MJHY, LLC

Mike Hickey stated that he has been reporting at the last few meetings about the Post-Construction Compliance Monitoring Plan (PCCMP). He is happy to say that it has been completed. Jeff approved it. Max Kelln approved it, so they are just waiting on Marty's signature on the transmittal letter that they think they will get today and then they will send that to EPA and IDEM. Then, that will be another consent decree obligation met. Other than that, he would be happy to take any questions.

RESOLUTIONS

The Board considered Resolution No. 29-2022: RE: Resolution of the Board of Sanitary Commissioners of the Sanitary District of Hammond, Lake County, Indiana Authorizing the Negotiation and Execution of an Agreement Not to Exceed \$35 Million with Leopardo Energy for the Installation and Maintenance of Energy Savings Facilities.

Marty said that they do have representatives from Leopardo here today and he thinks this may be a good time for them to refresh the Board on what this Resolution is actually authorizing and to talk a little about the project.

Heather commented that she will tackle the Resolution and then pass off the project work talk to Jeremy. As Marty mentioned, they had come to the Board and spoke with a couple members and the administration about the idea of doing a not to exceed project approval that basically allows them to move this project a little faster on a financing aspect of it. As they all know interest rates have accelerated a little bit in the last several weeks and they are concerned that may happen again.

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In an effort to expedite the approval process, they are coming to the Board today to ask for the Resolution with a not to exceed amount. they are still working toward a self-funding project. There are some elements to it that they are waiting on- pricing facts, specifically the Nipsco component for the renewable natural gas. As they are waiting those final numbers, they are trying to build everything up so they are ready to go once that moment arrives. This helps protect the District from those risings costs by allowing them to do the approval process necessary in order to get the financing and final contract accomplished. The final contract will include all of the final numbers and savings numbers and guarantees on performance which will be reviewed with the legal counsel. She asked Jeremy to touch on the project a little bit and then they will be happy to answer any questions they may have.

Jeremy explained that they are basically just finalizing all of the numbers now. The scope of the project has not changed. They are looking at quite a few improvements throughout the Plant and also looking at opportunity to generate revenue through selling back renewable natural gas for the District. Right now, they are just finalizing all of the numbers. They went through design review with the Sanitary District team today. Everything looks good so far with what they see. Right now they are just trying to wrap things up within the next few weeks as quick as they can so they can get the projects in motion.

Commissioner Hawkins stated that he was fortunate enough to be at a meeting a couple weeks ago with President Dimopoulos where they were given opportunity to ask questions and were explained a lot of things, so he gained more knowledge on project and he is very interested. As they can see, he colored his copy of the Resolution because he wanted to make sure because this is an important project for the Hammond Sanitary District and he would guess Leopardo too. This has the potential of decreasing costs long term and allows them to claim part of the improvements for the consent decree activity with the Long-Term Control Plan. It has a lot of positives that are going to streamline their process with the Plant and look at the potential to sell gas to somebody like Nipsco or possibly somebody else. There are a lot of positives. It is his understanding from looking through this Resolution and he is not a lawyer, but did have the opportunity to talk to Joe today before meeting about a couple questions that he had. In his layman's lawyer's language, he asked if this allowed the process to go to the financial markets; correct. He asked if this is expediting the process to go to the financial markets because they know financing is going up. He was on a call earlier today about a project that he is working on as a consulting engineer and potential for rates to go up by the fed by the second of November. He asked if this timeline would mitigate that or would they end up paying x amount of the 75 basis points.

Heather answered that is the goal of this Resolution. There are timeframes that they cannot control. Once this is approved, they are going to be working with the District along with the financial advisor along with bond counsel to expedite the marketing of this deal just because of exactly what he is saying. A project of this size- 75 basis points could be in the millions of dollars range and that means if they are working within the constraints of a self-funding project, that is money that cannot go towards project work. These are approval steps that were going to be required regardless of the order they did them in. They are trying to do this part now because they are ready with

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everything else besides the Nipsco numbers and by expediting the financial marketing piece, they are hoping to mitigate the risk of interest rates affecting project scope they can do because of loss of money going to pay for interest.

Commissioner Hawkins commented that they are presented with a range and he understands why the range, but as a Board member, he has a fiduciary responsibility to the Hammond Sanitary District and he has a concern and this streamlined process may or may not allow the Board final contract approval. As a Board member, he has to say, the Board, in his opinion, needs final contract approval. That is their job. They have a fiduciary responsibility to the District, the users, the citizens, the taxpayers and everyone like that, so his concern is that. He wants the Board to be able to approve the final contract. It is their job to do that. If he looks at the timing of the accelerated schedule, it may miss the November meeting and they only have one meeting set in November. Meetings can be canceled or changed. It can be a week later. He thinks the Board has that responsibility. In addition, to his knowledge, this is a self-funding project. That is the goal; correct. Is there any way, that this is not a self-funding project and that the District has to kick in additional dollars. Say after the scope is finalized and everything is approved and they go forward, cost. Costs are wild now. It is difficult to get parts, difficult to buy machinery and costs keep rising with seeming no end to it right now. Say costs for machinery rise. What happens then after the contract is approved. Is the District going to be liable or who does that fall on.

Heather answered that would fall on Leopardo. Once the final contract is executed, those are the final numbers. By legislation, they are not allowed to come back and say pricing has changed, here is a change order for two million dollars because costs went up. It is all laid out within the legislation and that is the risk that Leopardo carries for this project.

Commissioner Hawkins said that in Indiana Code 36.1-12.5 it mentions guaranteed energy savings. Are those guaranteed for HSD.

Heather replied yes. That will be everything lined in the contract. As Jeremy mentioned he met with the team here. Jeff specifically today did the page turn of going through the design elements. Every guaranteed number and factor will be outlined within that contract and that is what will be measured and verified against the contract on an annual basis going forward.

Commissioner Hawkins questioned the attractiveness of this project for Leopardo. Is this a very solid project. How are they getting their funding from this project.

Heather answered that for this, they are acting as the general contractor so they are being paid a percentage to oversee and manage the entire project from implementation to the performance reviews down the road. They are very excited about this project. They watched this work very well for the Civil City. The renewable natural gas component is something that is very innovative, exciting on an energy savings basis, but also very exciting on a revenue generating basis for the District. As he pointed out earlier a lot of the scope work overlaps with the work that is going to be required of the District with the EPA in the consent decree. They have been very aware of those

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projects and working closely with Mike Hickey along with the Donohue engineering team who are familiar with those requirements. This is a way the District can accomplish some of those improvements without having to do a tax or rate-based bond issue. This is going to be money generated from the project itself to accomplish some of the tasks that would otherwise require outside bonding.

Commissioner Hawkins said that Leopardo with a signed contract and a project moving forward is the project coordinator. They are handling the project as much as a separate, outside firm doing a project would also manage a project. What, in Leopardo's experience, what are expected or identified problems with a project like this. He has wondered with Nipsco, he thinks that he understands that Nipsco more or less has to buy this by Indiana State law- the gas he is talking about. The gas that is produced and he does not know if Nipsco likes to do this willingly or not willingly, they have to do it. He knows they have a project in Munster that they buy the gas manufactured off of the landfill project. He asked if there are any anticipated problems with Nipsco and buying this gas.

Jeremy responded that he does not anticipate any problems in there. They are really just using their distribution system. So, the buyer who they are working with the District on identifying will be somebody beside Nipsco. Nipsco is more of a liaison to use their distribution. They are required to put that in and he does not have any concern with risks that they will not do it because they are required to do it. It is more of when they can get in sync with project to put equipment on the District's side and on their distribution system. It will take quite a bit of coordination for that.

Commissioner Hawkins questioned if the Hammond Sanitary District will physically have to construct a pipeline to enjoin the Nipsco pipeline. He asked if that is correct.

Jeremy replied there will be a small footprint of Nipsco equipment on the District's property. Everything after that will be under the responsibility of Nipsco.

Commissioner Hawkins asked if the potential is selling gas to Nipsco or could it be another energy producer.

Jeremy answered that it is possible. The base project right now is to use Nipsco's distribution system. They would have to put in some of their own equipment off site to get it into their distribution system at which other buyers will have the opportunity to buy that gas.

Commissioner Hawkins stated that is where Nipsco makes money- on the distribution side.

Jeremy answered that he honestly does not know how or if they make money, but it is something they have to cooperate with and do.

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President Dimopoulos commented that his concern is that they go ahead with this thing and they have a scope they have been talking about and if the numbers get very crazy, will they have to change the scope or are they locked into the scope once the contract is executed.

Jeremy responded that is really the whole purpose of this approach. They want to get ahead for the financing so they can start purchasing equipment sooner than their traditional process. They want to get POs cut right away so they can get equipment ordered because as soon as they get word back from subcontractors and vendors on equipment prices, there is an expiration date and that date is quicker than ever in his experience. That is really the whole point so they can get that process moving as quickly as possible.

Heather added that along those some lines with the equipment timelines and getting bids back, it is going to be the same as rates. It is going to be a shorter process than they typically give you. Normally, you are looking at holding rates for thirty days, that is not happening right now. The underwriters are saying they have about ten days to two weeks once they get to final terms sheets which is a very quick turnaround time to have everything done. That is why they are trying to get everything lined up in advance. Again, she understands the concern of the final contract being executed by the Board as it typically would be or she does not know if it is the norm for that authority to be delegated to Marty to do that on the Board's behalf, but if that is the direction the Board is choosing to go, she would ask that once those term sheets are released, the Board be willing to reconvene to make that approval within a very short window just because the rates will not be good for them by the time the next meeting arrives.

Commissioner Hawkins commented that he is not sure how the other two board members that are here today feel, but he feels they should approve that contract and if it takes a special meeting, so be it. He loves driving out to Hammond. It is one of his favorite things to do. Taking the scenic route down Columbia Avenue with the streets so smooth in Hammond. He thinks it is the Board's responsibility. He does not know how others feel, but he tends on supporting this today, but with the change or modification that the Board approve that final contract.

Marty stated that if they do move forward with the contract and they lock into whatever that rate may be that everyone is comfortable with, there is always a possibility in several years down the line to refinance and get a lower rate.

Heather said there could be of course, but they are going to base this self-funding option off of what the actual rates will be. This is not going to be something that is variable, it will be a fixed rate. If they are ever in a situation where interest rates are dropping again and that is something that wanted to be looked at, it could certainly be done.

Marty shared that he thinks they would definitely want to look at that because they have a whole litany of projects they have talked about and if the rates are dropping, why wouldn't they want to go because of the top dollar they are looking at so they can do more projects because of the fact they went and took advantage of a lower rate. He just wanted to make sure that was a possibility

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under the way this is being financed. Another good thing is that this does not affect their financing limit or capability. This is outside what the District can do which to him is amazing. If something happens in the Plant and he needs to do something right away and they do not have the cash sitting there depending on what the project may be they can always go and bond out. He does not want to, but if he had to and this project does not affect any of that at all.

Heather stated that is correct. She said that question was brought up during the work session and the repayment source that will be noted in the financial documents is solely a savings produced by the project itself. It won't include any dollar amount that is tied to rates or tax revenue in any way.

Attorney Allegretti noted that traditional bond issues have call provisions. He will talk to Heather and bond counsel about if there is some kind of possibility for that with this kind of financing. He cannot answer that now. They have refinanced bond issues in the past if anyone recalls that, but that is customary when interest rates go down. He will get a definitive answer for that question.

Heather said that she believes they did it with the Civil City on one of the phases because there was going to be an additional phase and the rates at the time were lower than the previous phase, so they were able to take advantage of that and do a refinancing that incorporated both phases altogether and the benefit of those savings went towards the Civil City's next phase of the project. She is sure they can include that within the negotiated terms with the bank.

Commissioner Miller commented that she is very pleased with Leopardo and would definitely be in favor of approving this Resolution. She would like to move forward and as Jeremy said in a couple weeks, they should have a solid plan lined out and they can go from there. She does think they should move forward with approving this Resolution.

Commissioner Hawkins asked Attorney Allegretti that if the Board wants to assure that the Board approves the final contract which is not exactly spelled out in this Resolution, he asked how they would affect this today.

Attorney Allegretti told him to include that in his motion to approve and authorize this. As he can see the last therefore clause states that this is fundamentally an agreement to make an agreement in the future. Unless they specifically authorize the CEO to do it, that responsibility falls on the Board. If he wants to qualify his motion to authorize execution of this agreement, do so.

Commissioner Hawkins replied that he fully trusts the CEO and the staff at the Hammond Sanitary District, but with a project of this size, it is the responsibility of the Board.

Attorney Allegretti commented that he thinks further action by the Board is implied. There is going to have to be some kind of assessment of the due diligence being performed and authorized by this Resolution and somebody is going to have to say yes or no. It seems to him a contract cannot be authorized without further action.

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Hawkins **moved** to approve Resolution No. 29-2022 with Leopardo and in addition to this he supports this project with Leopardo he would like to move that it be known that the Board reserve the right to approve any finalized contract that exist from this effort at a future or special meeting if that is what it takes to keep the project expedited and Miller **seconded**.

Ayes: Dimopoulos, Hawkins, Miller
Nays: None
Motion **carried** 3-0.

The Board considered the Bank Reconciliation Document dated September 30, 2022.

Miller **moved** and Hawkins **seconded** for the approval of the Bank Reconciliation Document dated September 30, 2022.

Ayes: Dimopoulos, Hawkins, Miller
Nays: None
Motion **carried** 3-0.

The Board considered the Claims Approval Docket 10-25-22.

Miller **moved** and Hawkins **seconded** for the approval of the Claims Approval Docket 10-25-22.

Ayes: Dimopoulos, Hawkins, Miller
Nays: None
Motion **carried** 3-0.

President Dimopoulos called for Old Business

There was no old business to discuss.

President Dimopoulos called for New Business

There was no new business to discuss.

President Dimopoulos called for Reports from Commissioners

Commissioner Hawkins wanted to thank the Hammond Sanitary District and in combination Dan Zander and Jeff Massey. They put a new fence up at the lift station on Fisher Street in Munster and it looks really nice. He had wondered sometime back when someone had painted the trim on this lift station blue and he wondered why blue, but he drove by and found out because the fence is blue. It looks nice and he really appreciates it. He thought there was maybe blue paint left over.

President Dimopoulos called for Public Expression

There was no Public Expression.

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President Dimopoulos called for a motion to adjourn the meeting

Hawkins **moved** and Miller **seconded** for adjournment.

Ayes: Dimopoulos, Hawkins, Miller

Nays: None

Motion **carried** 3-0. The meeting was adjourned at 4:32 p.m.

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Sam Dimopoulos, President

Michael Dye, Vice-President

Michael Hawkins, Sr., Member

Owana Miller, Member

Monica Rubio, Member

ATTEST: _____
Rachel Montes, Secretary
Kaleigh Boyle, Assistant Secretary

Board Minutes Prepared By: Kaleigh Boyle