

CITY OF HOBART SANITARY DISTRICT BOARD OF COMMISSIONERS
Resolution No. 2013-01

**A Resolution Authorizing Payment and Payment Plan to Gary Sanitary District of
Previously Outstanding Capital Charges**

WHEREAS, the Board of Commissioners ("Board") of the City of Hobart Sanitary District ("District") by motion duly made and seconded, authorized the payment of certain amounts due to the Gary Sanitary District ("GSD") for 2003 through 2009 capital charges allocated to the District by GSD, in the amount of \$567,714.22, to be paid in three (3) annual installments, the initial two (2) installments of \$200,000.00 each due on or before December 31, 2010 and 2011, and the third installment due on or before December 31, 2013 in the amount of \$167,714.22, together with interest accrued on the unpaid balance at the rate of 2.9 % *per annum*, all as documented in item No. 3 in the letter from Anthony DeBonis, Jr., Hobart City Attorney and Counsel to the Board to GSD Counsel, David N. Gilyan dated December 7, 2010; and attached hereto as Exhibit "A;" and

WHEREAS, the GSD, acting by and through its financial advisor, Karl J. Cender, by letter dated December 14, 2010, accepted such proposed plan of payment, said letter being attached hereto as Exhibit "B;" and

WHEREAS, the initial payment of \$200,000.00 was timely made by the District to GSD, but the payment due by December 31, 2012 in the amount of \$200,000.00 was inadvertently not made, and the Board now wishes to authorize that the entire balance due on such amounts due in 2012 and 2013 be amortized by monthly installments for a period of 24 months commencing in June 2013 at the previously approved and agreed interest rate of 2.9% *per annum*; and

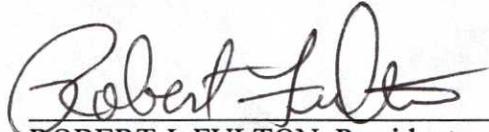
WHEREAS, after consultation with the Clerk-Treasurer of the City and the District's Financial Advisor, H.J. Umbaugh & Associates Certified Public Accountants, LLC "Umbaugh"), the Board desires to authorize such twenty-four month amortization of the balance due through this resolution.

THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Hobart Sanitary District that:

a. The amount remaining due to the Gary Sanitary District as stated in item no. 3 on page two of the above-referenced letter of the Board's attorney dated December 7, 2010, the same consisting of the 2012 payment of \$200,000.00 and the 2013 payment due by December 31, 2013 in the amount of \$167,714.22, together with accrued interest at the rate of 2.9% *per annum* through May 8, 2013 in the amount of \$25,118.97 for a total of \$392, 833.19 as of May 8, 2013 shall be paid to Gary Sanitary District in twenty four (24) monthly installments with interest at the annual rate of 2.9% on the unpaid balance in accord with the amortization schedule prepared by Umbaugh which is attached hereto as Exhibit "C."

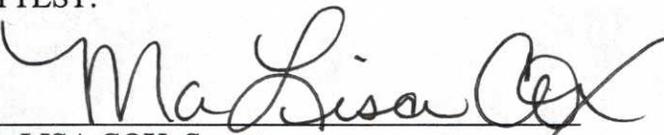
b. Such payments shall commence upon the approval of the payment plan provided for herein by the GSD Board of Commissioners. If such approval is received, the first payment shall be made on June 1, 2013. No payment shall be made until such approval is received.

ALL OF WHICH is adopted as the Resolution of the Board of Commissioners of the Hobart Sanitary District on this 8th day of May, 2013.



ROBERT J. FULTON, President

ATTEST:



Ma LISA COX, Secretary

SD **Smith & DeBonis, LLC**
ATTORNEYS AT LAW

9696 Gordon Drive • Highland, Indiana 46322 • (219) 922-1700 FAX (219) 922-1600
www.SmithAndDeBonis.com

ATTORNEYS AT LAW
Terrence L. Smith Ph.D.
Of Counsel
Anthony DeBonis, Jr.
Devin F. Smith (1035-1007)
Mark P.C. Kurtz
John P. Smith

December 7, 2010

VIA E-MAIL David@ngilyan.net and U.S. MAIL

Also Licensed in Illinois
Bridges Certified in
Civil Trial Advocacy

David N. Gilyan
Attorney at Law
Legal Counsel,
Gary Sanitary District
1459 South Lake Park Avenue
Hobart, IN 46342

Re: Proposal for Payment of Outstanding Balance Due
On Draft 2008 and 2009 True-Up Report, 2010 Payment
For Hobart Share of GSD Capital Charges for Projects Prior to 2000
And for Capital Charges Relating to Projects Funded from the 2000 SRF
Bond Issue, and For Other Unpaid Capital Charges from 2003 to 2009

Dear Mr. Gilyan:

For myself and Bob Allen, President of the Board of Commissioners of the Hobart Sanitary District (HSD), I thank you for the opportunity to meet with you, Richard Comer, President of the Board of Commissioners of the Gary Sanitary District (GSD), GSD Director Rinzer Williams, III and your Financial Advisor, Karl Cender, CPA to discuss resolution of the outstanding issues with respect to payments due to GSD from the HSD for the above-referenced items. As a result of our discussion, I believe we have reached agreement in principal on payment of these items and, for the purpose of documenting that agreement and moving it forward to approval, please permit me to summarize our understanding of it as follows:

The City of Hobart Sanitary District will pay to the Gary Sanitary District, on or before December 31, 2010, the following sums:

1. **2008-2009 True Up.** Seventy (70%) percent of the outstanding balance shown due in the draft 2008 and 2009 True-up Reports (70% of \$234,006) which amounts to \$163,804.00. This payment resolves open questions related to the 2003 and 2009 preliminary draft report.
2. **2010 Installment of HSD share of GSD's debt** consisting of \$195,727.93 for the capital charges relating to projects prior to 2000 and \$105,814.27 for Capital charges relating to projects funded from the 2000 SRF bond issue for a total of \$301,542.20.



EXHIBIT "A"



David N. Gilyan
Attorney at Law
December 7, 2010
Page 2 of 2

3. Total of outstanding Capital charges for the years 2003 through 2009 inclusive total \$567,714.22. The HSD has proposed, and you have agreed in principal, that this sum will be paid in three installments, the first in the amount of \$200,000 on or before December 31, 2010, the second in the amount of \$200,000 on or before December 31, 2011, and the balance on or before December 31, 2012. The unpaid balance of this sum shall bear interest at the rate of 2.9 % per annum commencing January 1, 2011. (Note: This amount assumes that the half year interest adjustment for pay 2010 be changed from \$496 to (\$496), that the \$81,756 expended for the 32nd and Alley 1 project was not accounted for within any of the expense accounts used in the 2004, 2005 and 2006 True-Up Reports, and that the correct denominator for the calculation of the allocation percentage used to assign Hobart's share of that project (32nd & Alley 1 East) be 80 mgd, not 60 mgd.

The total of all payments due on or before December 31, 2010 under the foregoing proposal totals \$665,346.20.

HSD has authorized me to also propose a broader agreement which would resolve other issues now outstanding between GSD and HSD other than the payments described above. That proposal is contained in a separate letter which you will receive in a day or two. In the event that GSD accepts that proposal, paragraphs 2 and 3 of the foregoing proposal will be modified in accordance with that second proposal.

Please let me know whether this statement of our proposal for the payment of those items above is acceptable to you so that we can prepare a memorandum of agreement in time to make the payments by the end of the year.

Thank you again for your assistance in reaching this resolution.

Yours very truly,

SMITH & DeBONIS, P.C.

ANTHONY DeBONIS, JR.

ADJ/djin

pc: Brian K. Snedecor, Mayor

Bob Allen, President, Bob Fulton, Member, Peter Kohut, P.E., Member HSD

Board of Commissioners

John Julien, CPA, H. J. Umbaugh & Associates

Cender & Company LLC

December 14, 2010

The Honorable Brian Snedecor
Mayor of Hobart
City of Hobart
414 Main Street
Hobart, IN 46342

RE: True-Up Rate Calculations for 2008 and 2009 for Hobart Sanitary District

Dear Mayor Snedecor:

We have been having discussions with your financial advisor, John Julien, relative to the True-Up Rate Calculations for 2008 and 2009 between the Gary Sanitary District ("GSD") and the Hobart Sanitary District ("HSD"). Based on these discussions we have jointly agreed to settle the 2008 and 2009 amounts at 70% of the total amounts due for operation, maintenance and replacement costs and resolved all outstanding issues related to those years relative to operation, maintenance and replacement costs. We understand that all three contract customers (Merrillville Conservancy District, Hobart Sanitary District and Lake Station Sanitary District) have agreed to this settlement as well as GSD.

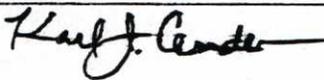
The true-up amounts originally due from HSD for operations, maintenance and replacement costs are \$18,482 for 2008 and \$215,524 for 2009 totaling \$234,006. As part of the discussions, GSD and HSD have agreed that 70% of the total amount be paid on or before December 31, 2010 and the amount is \$163,804 ($\$234,006 \times 70\%$). This letter serves as final billing for the 2008 and 2009 balances due for operation, maintenance and replacement costs.

In addition, we understand that HSD has proposed a payment plan for the capital costs payments due to GSD pursuant to terms outlined in Mr. Anthony DeBonis, Jr.'s letter dated December 7, 2010. The total outstanding capital charges due GSD through December 31, 2009 are \$568,706.22, including payments in installments and the unpaid balance of this sum shall bear interest at a rate of 2.9% per annum commencing January 1, 2011. Enclosed is the revised Capital Cost Report for Hobart Sanitary District dated, December 14, 2010.

Beginning January 1, 2011, HSD will be billed using the 2009 composite user rates as presented in the 2009 Recalculation Report Based on Actual Costs, dated June 4, 2010, with a true-up for 2010 to be completed by April 1, 2011.

If you should have any questions, please do not hesitate to call me.

Very truly yours,



Karl J. Cender

Enclosure

EXHIBIT "B"

The Honorable Brian Snedecor
Mayor of Hobart
December 14, 2010
Page 2

cc: ✓ Mr. Robert Allen, Hobart Sanitary District
Mr. Anthony DeBonis, Attorney at Law
Ms. Karen Erler, City of Hobart
Mr. John Julien, H.J. Umbaugh & Associates, Inc.
Mr. Guido J. Borgnini, HNTB
The Honorable Rudy Clay, Mayor of Gary
Mr. Rinzer Williams III, District Director
Mr. Richard Comer, District Board Chairman
Gary Sanitary District Board of Commissioners
Mrs. Vern White, District Finance Manager
Ms. Norma Walls, Gary Sanitary District
Mr. David Gilyan, Attorney at Law
Mr. Paul Vogel, Greeley & Hansen
Mr. Don Smales, Greeley & Hansen

GARY SANITARY DISTRICT

Capital Costs Billing Summary
Charged to Hobart Sanitary District
Through December 31, 2009

Year	DF 528 Capital Charges Prior to 2000 (1)	2000 SRF Bond Issue Capital Charges Exhibit C	Additional Capital Non-Bond Issue Charges Exhibit D	Total Capital Charges	Total Payments	Balance Due
1998	\$ 195,727.93			\$ 195,727.93	\$ 195,728.00	\$ (0.07)
1999	195,727.93			195,727.93	195,727.93	(0.07)
2000	195,727.93			195,727.93	195,727.93	(0.07)
2001	195,727.93			195,727.93	195,727.93	(0.07)
2002	195,727.93			195,727.93	195,728.00 (2)	(0.14)
2003	195,727.93	(a) to be pd in 3 installments \$ 16,890.53		212,618.46	195,728.00	16,890.32
2004	195,727.93	37,893.70	2010-2012	233,621.63	195,728.00	54,783.95
2005	195,727.93	87,667.13	\$ 5,187.00	288,582.06	195,727.93	147,638.09
2006	195,727.93	102,470.66	5,699.00	303,897.59	195,727.93	255,807.74
2007	195,727.93	103,039.16	3,781.00	302,548.09	195,727.93	362,627.90
2008	195,727.93	103,039.16	(496)	298,767.09	195,727.93	465,667.06
2009	195,727.93	103,039.16		298,767.09	195,727.93	568,706.22
2010	pd 12-28-10 → 195,727.93	12-28-10 pd 104,822.27	105,318.27 see exhibit C	300,550.20		
2011	pd 1-9-11 195,727.93	10618		301,046.20		
2012	pd 12-20-11 195,727.93	11022		301,046.20		
2013	195,727.93	105,318.27		301,046.20		
2014	195,727.93	105,318.27		301,046.20		
2015	195,727.93	105,318.27		301,046.20		
2016	169,795.81	105,318.27		275,114.08		
2017		105,318.27		105,318.27		
2018		105,318.27		105,318.27		
2019		105,318.27		105,318.27		
2020		105,318.27		105,318.27		
2021		105,318.27		105,318.27		
2022		105,318.27		105,318.27		
2023		81,518.39		81,518.39		
2024		63,501.56		63,501.56		
2025		4,889.13		4,889.13		
Totals Through 2016	<u>\$ 3,692,898.55</u>	<u>\$ 2,072,590.03</u>	<u>\$ 14,667.00</u>	<u>\$ 5,780,155.58</u>	<u>\$ 2,348,735.44</u>	<u>\$ 3,431,420.14</u>

(1) The capital costs charges are allocated portions from GSD bond issues. See the Updated Capital Costs Allocation Report dated October 20, 1996.

(2) Includes payment of \$195,728 for 2002 received by GSD in January of 2003.

(a) pd 200,000 on 12-28-10 w/ 7499; 7200,000 to be due by 12-31-11 & bal to be due by 12-31-12
installments due in 2011 & 2012 will be interest @ 2.9%, beginning 1-1-11

606,010.20

2.9% x 400

HOBART SANITARY DISTRICT

Repayment Schedule of Balance Due GSD from 2010

Interest rate of 2.9%

Beginning Balance \$392,833

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/01/2013	16,130.00	2.900%	727.83	16,857.83
07/01/2013	15,947.00	2.900%	910.37	16,857.37
08/01/2013	15,986.00	2.900%	871.83	16,857.83
09/01/2013	16,024.00	2.900%	833.19	16,857.19
10/01/2013	16,063.00	2.900%	794.47	16,857.47
11/01/2013	16,102.00	2.900%	755.65	16,857.65
12/01/2013	16,141.00	2.900%	716.74	16,857.74
01/01/2014	16,180.00	2.900%	677.73	16,857.73
02/01/2014	16,219.00	2.900%	638.63	16,857.63
03/01/2014	16,258.00	2.900%	599.43	16,857.43
04/01/2014	16,298.00	2.900%	560.14	16,858.14
05/01/2014	16,337.00	2.900%	520.76	16,857.76
06/01/2014	16,376.00	2.900%	481.27	16,857.27
07/01/2014	16,416.00	2.900%	441.70	16,857.70
08/01/2014	16,456.00	2.900%	402.03	16,858.03
09/01/2014	16,495.00	2.900%	362.26	16,857.26
10/01/2014	16,535.00	2.900%	322.40	16,857.40
11/01/2014	16,575.00	2.900%	282.44	16,857.44
12/01/2014	16,615.00	2.900%	242.38	16,857.38
01/01/2015	16,655.00	2.900%	202.23	16,857.23
02/01/2015	16,696.00	2.900%	161.98	16,857.98
03/01/2015	16,736.00	2.900%	121.63	16,857.63
04/01/2015	16,776.00	2.900%	81.18	16,857.18
05/01/2015	16,817.00	2.900%	40.64	16,857.64
06/01/2015	-	2.900%	-	-
Total	\$392,833.00	-	\$11,748.91	\$404,581.91

Yield Statistics

Bond Year Dollars	\$405.13
Average Life	1.031 Years
Average Coupon	2.9000048%
Net Interest Cost (NIC)	2.9000048%
True Interest Cost (TIC)	2.9176343%
Bond Yield for Arbitrage Purposes	2.9176343%
All Inclusive Cost (AIC)	2.9176343%

IRS Form 8038

Net Interest Cost	2.9000048%
Weighted Average Maturity	1.031 Years

EXHIBIT "C"