

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF EAST CHICAGO

LAKE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
09/05/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Valeriano Gomez	01-01-23 to 12-31-24
Mayor	Anthony Copeland	01-01-23 to 12-31-24
President of the Board of Public Works	Valeriano Gomez	01-01-23 to 12-31-24
President of the Common Council	Monica G. Gonzalez Lenny Franciski	01-01-23 to 12-31-23 01-01-24 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE CITY OF EAST CHICAGO, LAKE COUNTY, INDIANA

This report is supplemental to the audit report of the City of East Chicago (City), for the period from January 1, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

August 19, 2024

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CITY CONTROLLER
CITY OF EAST CHICAGO

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

PENSION FUND PAYMENTS

Condition and Context

Internal controls were insufficient due to a lack of oversight and monitoring of the 1937 Fire Pension Fund. The City did not have internal controls in place to verify the existence and eligibility of pensioners, such as reviewing and monitoring obituaries on a periodic basis or developing some other method to verify proof of life. The City was relying on families to self-report pensioners and beneficiaries who passed away and when they passed away.

As reported in two prior special investigation reports (84489I and 83603I) issued on April 11, 2024, the City continued electronically depositing pension benefits of deceased pensioners and their deceased beneficiaries into the pensioners bank accounts that were held in the names of the pensioners, their beneficiaries, and the children of the pensioners and/or beneficiaries. On July 11, 2024, the City received notice of a third instance of pension payments being deposited to a deceased pensioner's bank account that was shared with the pensioner's child. The City disbursed an additional \$54,550 in 2023 and 2024 in overpayment of pension benefits from the Fire Pension Fund. As of the date of this report, the City has not established effective internal controls for verification of proof of life.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Overdrawn Cash Balances
- Temporary Transfer of Funds

These internal control deficiencies are further detailed in the comments below.

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B57222, B59658, and B61683.

Condition and Context

The financial statement included the following funds with an overdrawn cash balance as of December 31, 2023.

Fund	Amount Overdrawn
Water Utility Operating	\$ (238,194)
Communications Revolving	(11,503)
Gasoline Revolving	(79,874)
Police Pension	(140,796)

In addition, the Water Utility Operating fund's cash balance on January 1, 2023, and December 31, 2023, contained outstanding temporary loans owed to other funds. Without these temporary loans, the cash balance of the Water Utility Operating fund would have been overdrawn as follows:

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

Water Utility Operating Fund	January 1, 2023	December 31, 2023
Cash Balance	\$ 84,017	(238,194)
Outstanding Temporary Loans Owed to Other Funds	5,000,000	5,000,000
Cash Balance without Outstanding Temporary Loans	\$ (4,915,983)	\$ (5,238,194)

The deficit cash balances in the Water Utility Operating and Police Pension funds increased by \$322,211 and \$131,160, respectively, from January to December 2023.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TEMPORARY TRANSFER OF FUNDS

The same comment also appeared in the prior Report B61683.

Condition and Context

A temporary transfer between the General fund and Water Utility Operating fund was made and not repaid within the time frame permitted by statute. The Common Council approved ordinances in 2021 for the temporary transfer of \$2,000,000 from the General fund to Water Utility Operating fund, which was not repaid by December 31, 2021, as required, nor was an emergency declared to extend the repayment to the next year. The \$2,000,000 owed to the General fund from the Water Utility Operating fund remained unpaid at December 31, 2023.

Criteria

Indiana Code 36-1-8-4 states in part:

"(a) . . .

(3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.

(4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

CITY CONTROLLER
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."



City of East Chicago
Law Department

4525 INDIANAPOLIS BLVD.
EAST CHICAGO, INDIANA 46312
219-391-8291

Anthony Copeland
MAYOR

August 28, 2024

JOSEPH ALLEGRETTI
CORPORATION COUNSEL

State Board of Accounts
302 West Washington Street Room E 418
Indianapolis, IN 46204-2765

Official Response City of East Chicago Controller and City of East Chicago Water Utility

Period Examined 01/01/23-12/31/23

Results and Comments

A. Temporary Transfer of Funds

"A temporary transfer between the General fund and Water Utility Operating fund was made and not repaid within the time frame permitted by statute. The Common Council approved ordinances in 2021 for the temporary transfer of \$2,000,000 million from the General fund to Water Utility Operating fund, which was not repaid by December 31, 2021, as required, nor was an emergency declared to extend the repayment to the next year. The \$2,000,000 owed to the General fund from the Water Utility Operating fund remained unpaid at December 31, 2023."

Official Response to the report

On July 24, 2024, the East Chicago Common Council adopted Resolution 24-0011 (copy attached) approving a Memorandum of Understanding between the Board of Directors of the Department of Waterworks of the City of East Chicago and the City of East Chicago (copy attached) that provided:

- a. The General Fund Expenditures were expenditures that were made for necessary and appropriate capital expenditures needed to maintain the Waterworks. The City finds that (a) the General Fund Expenditures made by the Waterworks from the amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and (b) it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount.

b. Based on the City's findings in Section 1 hereof, the City hereby forgives any obligation that the District and the Waterworks may have to repay the City for the transfer of \$2,000,000 by the City to the Waterworks from the General Fund. Such obligation shall be deemed to be extinguished as of the date of this Memorandum of Understanding.

B. Overdrawn Cash Balances

<u>Fund</u>	<u>Amount Overdrawn</u>
Water Utility Operating	\$(238,194)
Communications Revolving	\$(11,503)
Gasoline Revolving	\$(79,874)
Police Pension	\$(140,796)

Official Response to the report

a. Water Utility Operating \$(238,194) overdrawn

As mentioned in the Supplemental Compliance Report B61683 (p. 12) dated June 21, 2023, the rates and charges at that time were inadequate to operate and maintain the Waterworks. The Water Utility, under the terms of the Indiana Utility Regulatory Commission's (IURC) approved Order in Cause No. 45827 dated August 16, 2023, stipulated that the Water Utility could adjust its rates and charges over a three-phase period. Phase I increase of 41.79% effective October 1, 2023, over current rates and charges. Phase II increase of 28.60% effective September 1, 2024, over Phase I. And finally, a Phase III increase of 10.9% effective September 1, 2025.

In addition, on December 22, 2023, the Water Utility requested a transfer totaling \$524,310.71 (letter attached to this response) from The Bank of New York Trust Co., N.A.(BONY), trustee of the funds that the Water Utility uses to service its outstanding debt with the Indiana Finance Authority along with funding a debt service reserve, as required by the Financial Assistance Agreement dated June 22, 2018. Overtime these accounts had become overfunded. These funds were not transferred by BONY to the Water Utility's general operating fund until January 12, 2024. If these funds had been received before the close of 2023, the operating fund would have had a positive cash balance at the end of the year.

b. Police Pension \$(140,796) overdrawn

The 2023 police payments to beneficiaries in 2023 totaled \$3,693,720.51. Although the Pension Relief payment for 2023 increased by \$416,766.41 from the previous year, the amount received was only \$3,537,693.11 creating the deficit cash balance cited. Attached is correspondence from the Indiana Public Retirement System (INPRS) dated

June 17, 2024, advising that the payments to the pension fund for calendar year 2024, in two installments before July 1, 2024, and October 2, 2024, will total \$3,954,459.51. Based on analysis of current obligations to beneficiaries, this will eliminate the deficit cash balance in the police pension fund. It is believed that this payment along with future distributions from the Public Employees' Retirement Fund will be based on the city's pension payment obligation rather than actuarial analysis, which will eliminate the risk of deficit cash balances in the future.

c. Communications Revolving \$(11,503) overdrawn

Gasoline Revolving \$(79,874) overdrawn

These are revolving funds. The deficit cash balances were the result of accounts receivable payments arriving after the end of the year. The city is exploring the solution of creating and funding a liability account to cover the deficit cash balances created by the timing of the account receivable collections.

Sincerely,

City of East Chicago



Joe Allegretti
Corporation Counsel

Sponsor: Mayor Anthony Copeland

RESOLUTION NO. 24-0011

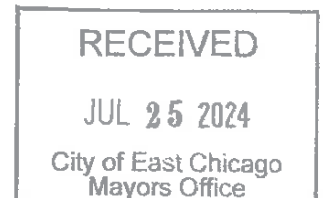
**RESOLUTION OF THE COMMON COUNCIL OF THE CITY OF
EAST CHICAGO, INDIANA, APPROVING CERTAIN MATTERS
RELATED TO CERTAIN TRANSFERS PREVIOUSLY MADE
TO THE CITY'S WATERWORKS
AND OTHER MATTERS CONNECTED THEREWITH**

WHEREAS, the City of East Chicago, Indiana (the "City") has heretofore established and constructed and currently owns and operates a waterworks (the "Waterworks") by and through the Board of Directors of the Department of Waterworks of the City of East Chicago, Indiana (the "Board"), which is the governing body of the Waterworks District of the City of East Chicago, Indiana (the "District"), for the provision of public water supply to the City and its inhabitants, in accordance with the provisions of Indiana Code 8-1.5-4, as amended, and other applicable laws; and

WHEREAS, on August 13, 2023, the Indiana Utility Regulatory Commission adopted its Order (the "IURC Order") authorizing and approving, among other things, an additional, increased rate within the District for a payment in lieu of taxes (the "PILOT"); and

WHEREAS, pursuant to resolutions previously adopted by the Common Council of the City (the "Common Council"), the City has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the City's General Fund (the "General Fund"), which amount was expended for certain necessary and appropriate capital expenditures needed to maintain the Waterworks (the "General Fund Expenditures"); and

WHEREAS, the City has determined that the General Fund Expenditures made by the Waterworks from such amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and



WHEREAS, to the extent that such amount of \$2,000,000 from the General Fund represents an interfund loan required to be repaid, the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount; and

WHEREAS, the Board of Storm Water Commissioners of the City (the "Stormwater Utility") has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the Storm Water Utility Operating Fund (the "Stormwater Fund"); and

WHEREAS, to the extent that such amount of \$2,000,000 from the Stormwater Fund represents an interfund loan required to be repaid (any such obligation shall be hereinafter referred to as the "Stormwater Reimbursement Obligation"), the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to assume the Stormwater Reimbursement Obligation; and

WHEREAS, as consideration of such assumption by the City of the Stormwater Reimbursement Obligation, and to provide funds for the payment by the City of the Stormwater Reimbursement Obligation, the District and the Waterworks have, pursuant to the IURC Order, obtained an additional, increased rate for the purposes of paying a PILOT (the "Increased PILOT Payments"); and

WHEREAS, the City desires to enter into a Memorandum of Understanding with the Board, for and on behalf of the District, to memorialize the agreements set forth in this Resolution; and

WHEREAS, there has been prepared and submitted to this meeting a substantially final form of Memorandum of Understanding between the City and the Board, for and on behalf of the District; and

WHEREAS, the Common Council now desires to approve the Memorandum of Understanding in substantially the form presented to the Common Council at this meeting;

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of East Chicago, Indiana, as follows:

1. To the extent that the transferred amount of \$2,000,000 from the General Fund described above represents an interfund loan required to be repaid, the Common Council approves of the forgiveness by the City of such amount, as more particularly described in the Memorandum of Understanding.

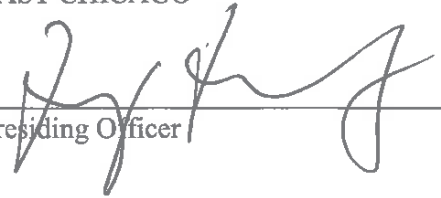
2. To the extent that the Stormwater Reimbursement Obligation represents an interfund loan required to be repaid, the Common Council approves of the assumption by the City of such Stormwater Reimbursement Obligation, based upon the consideration of the Increased PILOT Payments.

3. The Memorandum of Understanding is hereby approved in substantially the form of the Memorandum of Understanding presented to the Common Council at this meeting. The Mayor and the Controller of the City are each individually authorized to execute the Memorandum of Understanding, with such changes as the Mayor or the Controller of the City deem necessary or appropriate with said officers' execution thereof to be conclusive evidence of their approval of such changes.

4. This Resolution shall be effective upon its passage by the Common Council, in accordance with procedures as required by law.

Adopted this 24 day of July, 2024.

COMMON COUNCIL, CITY OF
EAST CHICAGO




Presiding Officer

Attest:


City Clerk

July Presented by me to the Mayor of the City of East Chicago, Indiana, on the 25th day of _____, 2024, at the hour of _____:_____ m.



City Clerk

This Resolution approved and signed by me, the Mayor of the City of East Chicago, Indiana, on the 26th day of July, 2024, at the hour of _____:_____ m.



Mayor

FILED IN CLERK'S OFFICE

JUL 26 2024

Clerk, East Chicago Common Council

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding, dated as of the 15th day of August, 2024, made and entered into by and between (i) the Board of Directors of the Department of Waterworks of the City of East Chicago, Indiana (the "Board"), for and on behalf of the Waterworks District of the City of East Chicago, Indiana (the "District"), and (ii) the City of East Chicago, Indiana (the "City"),

WITNESSETH:

WHEREAS, the City has heretofore established and constructed and currently owns and operates a waterworks (the "Waterworks") by and through the Board, which is the governing body of the District, for the provision of public water supply to the City and its inhabitants, in accordance with the provisions of Indiana Code 8-1.5-4, as amended, and other applicable laws; and

WHEREAS, on August 13, 2023, the Indiana Utility Regulatory Commission adopted its Order (the "IURC Order") authorizing and approving, among other things, an additional, increased rate for a payment in lieu of taxes (the "PILOT"); and

WHEREAS, the City has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the City's General Fund (the "General Fund"), which amount was expended for certain necessary and appropriate capital expenditures needed to maintain the Waterworks (the "General Fund Expenditures"); and

WHEREAS, the City has determined that the General Fund Expenditures made by the Waterworks from such amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and

WHEREAS, to the extent that such amount of \$2,000,000 from the General Fund represents an interfund loan required to be repaid, the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount; and

WHEREAS, the Board of Storm Water Commissioners of the City (the "Stormwater Utility") has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the Storm Water Utility Operating Fund (the "Stormwater Fund"); and

WHEREAS, to the extent that such amount of \$2,000,000 from the Stormwater Fund represents an interfund loan required to be repaid (any such obligation shall be hereinafter referred to as the "Stormwater Reimbursement Obligation"), the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to assume the Stormwater Reimbursement Obligation; and

WHEREAS, the Board, for and on behalf of the District, and the City have determined to enter into this Memorandum of Understanding to set forth the respective agreements of such parties;

NOW, THEREFORE, the parties hereto hereby agree and represent as follows:

Section 1. The Board represents to the City that the General Fund Expenditures were expenditures that were made for necessary and appropriate capital expenditures needed to maintain the Waterworks. The City finds that (a) the General Fund Expenditures made by the Waterworks from the amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and (b) it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount.

Section 2. Based on the City's findings in Section 1 hereof, the City hereby forgives any obligation that the District and the Waterworks may have to repay the City for the transfer of \$2,000,000 by the City to the Waterworks from the General Fund. Such obligation shall be deemed to extinguished as of the date of this Memorandum of Understanding.

Section 3. The City finds that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to assume the Stormwater Reimbursement Obligation.

Section 4. The City hereby agrees to assume the Stormwater Reimbursement Obligation, to the extent that the District and the Waterworks have such an obligation to the Stormwater Utility.

Section 5. As consideration of such assumption by the City of the Stormwater Reimbursement Obligation, and to provide funds for the payment by the City of the Stormwater Reimbursement Obligation, the District and the Waterworks have, pursuant to the IURC Order, obtained an additional, increased rate for the purposes of paying a PILOT (the "Increased PILOT Payments").

Section 6. Subject to the satisfaction of any conditions that may be placed on the transfer of revenues generated from the PILOT pursuant to the provisions in any bond documents related to bonds issued by the District, such Increased PILOT Payments will be available to be used by the City to pay the Stormwater Reimbursement Obligation. It is expected that the City will repay the Stormwater Reimbursement Obligation over the fiscal years 2025 through 2027, as described in Exhibit A attached hereto.

Section 7. Attached hereto as Exhibit B is a signed acknowledgment by the Stormwater Utility, evidencing that the Stormwater Utility has (a) received the Memorandum of Understanding, (b) acknowledges the assumption by the City of the Stormwater Reimbursement

Obligation, and (c) acknowledges that any obligation that the District and the Waterworks has with respect to the Stormwater Reimbursement Obligation has been extinguished and canceled.

Section 8. This Memorandum of Understanding may be executed in counterparts.

* * * * *

IN WITNESS WHEREOF, we have hereunto set our hand as of the date first written above.

**BOARD OF DIRECTORS OF THE
DEPARTMENT OF THE
CITY OF EAST CHICAGO, INDIANA,
for and on behalf of the Waterworks District
of the City of East Chicago, Indiana**

By: 
Joseph Ochoa, President

CITY OF EAST CHICAGO, INDIANA

By: 
Anthony Copeland, Mayor

By: 
Valeriano Gomez, Controller


Steve Flowers, President
East Chicago Storm Water Board


Date

(Signature Page to Memorandum of Understanding)

Exhibit A begins on next page

EAST CHICAGO (INDIANA) DEPARTMENT OF WATERWORKS

SCHEDULE A

SCHEDULE OF ESTIMATED UNREIMBURSED STORMWATER TRANSFER PAYBACK

Unreimbursed Stormwater Transfer*		\$2,000,000
Annual Estimated PILOT (2024)	\$530,000	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Change in PILOT (2024)**	<u>(\$70,000)</u>	
Remaining Unreimbursed Stormwater Transfer as of 12/31/2024		2,000,000
Annual Estimated PILOT (2025)	\$1,414,100	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Increase to PILOT (2025)	<u>814,100</u>	
Assumed Incremental Increase Applied to Payback (2025)		<u>(400,000)</u>
Remaining Unreimbursed Stormwater Transfer as of 12/31/2025		1,600,000
Annual Estimated PILOT (2026)	1,788,900	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Increase to PILOT (2026)	<u>1,188,900</u>	
Assumed Incremental Increase Applied to Payback (2026)		<u>(800,000)</u>
Remaining Unreimbursed Stormwater Transfer as of 12/31/2026		800,000
Annual Estimated PILOT (2027)	1,788,900	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Increase to PILOT (2027)	<u>1,188,900</u>	
Assumed Incremental Increase Applied to Payback (2027)		<u>(800,000)</u>
Remaining Unreimbursed Stormwater Transfer as of 12/31/2027		<u>\$ -</u>

*The Water Department currently has outstanding a transfer due to the Stormwater Utility for \$2 million and anticipates paying this back over a three year period by applying excess PILOT towards the unreimbursed transfer balance.

**The estimated PILOT for 2024 is less than the historical PILOT, therefore no PILOT is anticipated to be applied in 2024 towards the stormwater balance.

Note: Approved PILOT per IURC Order in Cause No. 45827 is as follows:

Phase I (beginning September 2023)	\$450,000
Phase II (beginning September 2024)	\$1,105,000
Phase III (beginning September 2025)	\$1,788,900

Each phase of IURC approved PILOT has been adjusted to align with a traditional calendar year.

(For Discussion Purposes Only)
(Preliminary, Subject to Change)

EXHIBIT B TO MEMORANDUM OF UNDERSTANDING

Acknowledgement

The undersigned, the President of the Board of Storm Water Commissioners of the City of East Chicago, Indiana (the "Board"), for and on behalf of the Board, hereby certifies, in connection with the previous transfer by the Board to the Waterworks District of the City of East Chicago, Indiana (the "District") of an amount of \$2,000,000 from the Storm Water Utility Operating Fund (the "Stormwater Fund"), as follows:

1. The Board has received the Memorandum of Understanding dated August 15, 2024 (the "Memorandum of Understanding"), between the City of East Chicago, Indiana (the "City") and the Board of Directors of the Department of Waterworks of the City of East Chicago, Indiana, for and on behalf of the District.
2. The Board acknowledges and understands that, pursuant to the Memorandum of Understanding, the City has assumed any obligation by the District to repay such amount of \$2,000,000 previously transferred by the Board.
3. The Board further acknowledges that, pursuant to the Memorandum of Understanding, any repayment obligation that the District and the Waterworks has with respect to the Stormwater Fund has been extinguished and canceled.

Dated this 15th day of August, 2024.

BOARD OF STORM WATER
COMMISSIONERS OF THE
CITY OF EAST CHICAGO, INDIANA

By:  8-15-24
Steve Flowers, President



City of East Chicago
Administrative Services Division
4525 Indianapolis Blvd., East Chicago, Indiana 46312
Phone: (219) 391-8220 Fax: (219) 391-8223

Anthony Copeland
Mayor

December 22, 2023

Mr. Derick Rush
The Bank of New York Trust Co., N.A.
Client Service Manager
55 Monument Circle, Suite 1200C
Indianapolis, IN 46204
derick.rush@bnymellon.com

Re: East Chicago (Indiana) Department of Waterworks SRF Bonds
Waterworks Bond and Interest Fund – Acct #142965 - \$191,632.73
Waterworks Bond and Interest Fund – Acct #610040 - \$172,534.33
Waterworks Debt Service Reserve Fund – Acct #610041 - \$160,143.65

Dear Mr. Rush:

This letter is being sent to respectfully request a reimbursement of funds which were made to the above regarded accounts by the East Chicago Department of Waterworks (the “Department”) Operating Fund.

The Department has been following schedules that were prepared as part of the Financial Assistance Agreement dated June 22, 2018, which show the dates and amounts of deposits that are to be made by the Department. The bond and interest account and debt service reserve account have been overfunded over the years by the Department. The extra disbursements have put a burden on our operating account. (Please see the attached exhibits that have been prepared by Baker Tilly for explanation.)

If further information is needed or if you have questions, please let me know.

Thank you in advance for your consideration!

Sincerely,

Mr. Valeriano Gomez
Controller

EAST CHICAGO (INDIANA) DEPARTMENT OF WATERWORKS

SCHEDULE OF COMBINED BOND AMORTIZATION

Payment Date	2006 Bonds	2009 Bonds (1)	2017 Bonds	2018A Bonds	2018B Bonds	Gross Total	Gross Bond Year Total	Adjustment from Gaming Fund	Net Bond Year Total
1/1/2024	\$1,176,898.00	\$1,733,591.00	\$54,222.50	\$47,951.40	\$176,206.25	\$3,188,869.15	\$3,188,869.15	(\$1,733,591.00)	\$1,455,278.15
7/1/2024	78,033.00	121,251.50	43,098.75	5,869.50	20,904.00	269,156.75			
1/1/2025	1,198,033.00	1,751,251.50	58,098.75	47,869.50	175,904.00	3,231,156.75	3,500,313.50	(1,872,503.00)	1,627,810.50
7/1/2025	53,169.00	98,350.00	42,930.00	5,787.60	20,601.75	220,838.35			
1/1/2026	1,223,169.00	1,773,350.00	57,930.00	47,787.60	175,601.75	3,277,838.35	3,498,676.70	(1,871,700.00)	1,626,976.70
7/1/2026	27,195.00	74,816.25	42,761.25	5,705.70	20,299.50	170,777.70			
1/1/2027	1,252,195.00	1,799,816.25	57,761.25	47,705.70	173,299.50	3,330,777.70	3,501,555.40	(1,874,632.50)	1,626,922.90
7/1/2027		50,580.00	42,592.50	5,623.80	20,001.15	118,797.45			
1/1/2028		1,825,580.00	386,592.50	246,623.80	926,001.15	3,384,797.45	3,503,594.90	(1,876,160.00)	1,627,434.90
7/1/2028		25,641.25	38,722.50	5,153.85	18,234.45	87,752.05			
1/1/2029		1,850,641.25	390,722.50	247,153.85	927,234.45	3,415,752.05	3,503,504.10	(1,876,282.50)	1,627,221.60
7/1/2029			34,762.50	4,681.95	16,461.90	55,906.35			
1/1/2030			394,762.50	247,681.95	929,461.90	1,571,906.35	1,627,812.70	-	1,627,812.70
7/1/2030			30,712.50	4,208.10	14,681.55	49,602.15			
1/1/2031			398,712.50	248,208.10	930,681.55	1,577,602.15	1,627,204.30	-	1,627,204.30
7/1/2031			26,572.50	3,732.30	12,895.35	43,200.15			
1/1/2032			400,572.50	248,732.30	934,895.35	1,584,200.15	1,627,400.30	-	1,627,400.30
7/1/2032			22,365.00	3,254.55	11,097.45	36,717.00			
1/1/2033			405,365.00	249,254.55	937,097.45	1,591,717.00	1,628,434.00	-	1,628,434.00 (1)
7/1/2033			18,056.25	2,774.85	9,291.75	30,122.85			
1/1/2034			407,056.25	250,774.85	940,291.75	1,598,122.85	1,628,245.70	-	1,628,245.70
7/1/2034			13,680.00	2,291.25	7,476.30	23,447.55			
1/1/2035			410,680.00	252,291.25	941,476.30	1,604,447.55	1,627,895.10	-	1,627,895.10
7/1/2035			9,213.75	1,803.75	5,655.00	16,672.50			
1/1/2036			415,213.75	253,803.75	942,655.00	1,611,672.50	1,628,345.00	-	1,628,345.00
7/1/2036			4,646.25	1,312.35	3,827.85	9,786.45			
1/1/2037			417,646.25	258,312.35	941,827.85	1,617,786.45	1,627,572.90	-	1,627,572.90
7/1/2037				811.20	1,998.75	2,809.95			
1/1/2038				416,811.20	1,026,998.75	1,443,809.95	1,446,619.90	-	1,446,619.90
Totals	\$5,008,692.00	\$11,104,869.00	\$4,625,450.00	\$3,163,972.90	\$11,263,059.75	\$35,166,043.65	\$35,166,043.65	(\$11,104,869.00)	\$24,061,174.65

(1) Maturity dates are 1/15 and 7/15 and debt service is paid from City gaming fund dollars for the 2009 Bonds.

(2) Maximum annual debt service.

EAST CHICAGO (INDIANA) DEPARTMENT OF WATERWORKS

COMPARISON OF DSR AND B&I FUND BALANCES
WITH MINIMUM BALANCE REQUIRED

Debt Service Reserve Account - A balance equal to the maximum annual debt service on the outstanding bonds.

Current balance in DSR (as of November 30, 2023)	\$1,788,577.65
Less current debt service requirement (See Exhibit A) (1)	<u>(1,628,434.00)</u>
Reimbursement to the City's Department of Waterworks	<u>\$160,143.65</u>

Bond and Interest Account - Requires monthly transfers to this account equal to at least 1/6 of the interest and 1/12 of the principal payable on the next succeeding principal and interest payment date.

<u>Account</u> [REDACTED] (2):	
Current balance in B&I (as of November 30, 2023)	\$1,925,223.73
Less payment due January 15, 2024	<u>(1,733,591.00)</u>
Reimbursement to the City's Department of Waterworks	<u>\$191,632.73</u>
<u>Account</u> [REDACTED] (2):	
Current balance in B&I (as of November 30, 2023)	\$1,492,182.77
Less current B&I requirement (as of November 30, 2023) (3)	<u>(1,319,648.44)</u>
Reimbursement to the City's Department of Waterworks	<u>\$172,534.33</u>

The City requests that the excess balances shown above be reimbursed using the wiring instructions below:

Bank Name:	First Merchants Bank
Bank Location:	Muncie, IN
Account Name:	City of East Chicago Indiana
Account Number:	[REDACTED]
Routing Number:	[REDACTED]

- (1) Per the requirement included in the Financial Assistance Agreement dated June 22, 2018.
- (2) Account [REDACTED] is for debt service related to the outstanding 2009 bond issuance only.
Account [REDACTED] is for all other outstanding bond issuances.
- (3) Per the schedules of monthly transfers to the Bond and Interest Account provided in the Financial Assistance Agreement dated June 22, 2018.



June 17, 2024

Submission Unit # 7735100
Submission Unit Name: CITY OF EAST CHICAGO POLICE

RE: 2024 Pension Relief Payments

In accordance with IC 5-10.3-11, the Public Employees' Retirement Fund will distribute Pension Relief payments to units of local government for calendar year 2024 in two installments before July 1, 2024 and October 2, 2024.

Based on the information provided by the CITY OF EAST CHICAGO POLICE, your pension relief payment for 2024 will be as follows:

Payment Date	Amount
By July 1, 2024	\$1,977,229.76
By October 2, 2024	\$1,977,229.75
Total	\$3,954,459.51

Payments received by the CITY OF EAST CHICAGO POLICE may be used only for pension payments from a pension fund as described in IC 5-10.3-11-3.

If your organization has changed their bank account information since the last Pension Relief distribution was received, please print, complete and return the Pension Relief Distribution Banking Information form available on our website at <http://www.in.gov/inprs/files/PensionReliefDistributionBankInfoSheet.pdf>. You can either fax the form to (317) 234-6692 or mail to:

INPRS
ATTN: EPPA
One North Capitol, Suite 001
Indianapolis, IN 46204

If you have questions or concerns in regards to your Pension Relief distribution, please feel free to contact our office at (888) 876-2707 Monday - Friday 8:30am-4:30pm Eastern Standard Time, or by email at eppa@inprs.in.gov.

Sincerely,

Employer Pension Plans' Administration
Indiana Public Retirement System

CITY CONTROLLER
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on August 19, 2024, with Valeriano Gomez, City Controller.

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WATER UTILITY
CITY OF EAST CHICAGO

WATER UTILITY
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Overdrawn Cash Balances
- Temporary Transfer of Funds

These internal control deficiencies are further detailed in the comments below.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B57222 and B59658, and B61683.

Condition and Context

Internal controls were not in place to ensure that the City complied with laws and regulations. Internal control deficiencies resulted in noncompliance with overdrawn cash balances requirements

The Water Utility Operating fund's cash balance on January 1, 2023, and December 31, 2023, contained outstanding temporary loans owed to other funds. Without these temporary loans, the cash balance of the Water Utility Operating fund would have been overdrawn as follows:

WATER UTILITY
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Water Utility Operating Fund</u>	<u>January 1, 2023</u>	<u>December 31, 2023</u>
Cash Balance	\$ 84,017	(238,194)
Outstanding Temporary Loans Owed to Other Funds	<u>5,000,000</u>	<u>5,000,000</u>
Cash Balance without Outstanding Temporary Loans	<u>\$ (4,915,983)</u>	<u>\$ (5,238,194)</u>

The deficit cash balance in the fund increased by \$322,211 from January to December 2023.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TEMPORARY TRANSFER OF FUNDS

The same comment also appeared in the prior Report B61683.

Condition and Context

A temporary transfer between the General fund and Water Utility Operating fund was made and not repaid within the time frame permitted by statute. The Common Council approved ordinances in 2021 for the temporary transfer of \$2,000,000 from the General fund to Water Utility Operating fund, which was not repaid by December 31, 2021, as required, nor was an emergency declared to extend the repayment to the next year. The \$2,000,000 owed to the General fund from the Water Utility Operating fund remained unpaid at December 31, 2023.

Criteria

Indiana Code 36-1-8-4 states in part:

"(a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.

WATER UTILITY
CITY OF EAST CHICAGO
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .
- (b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:
- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
 - (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."



City of East Chicago
Law Department

4525 INDIANAPOLIS BLVD.
EAST CHICAGO, INDIANA 46312
219-391-8291

Anthony Copeland
MAYOR

August 28, 2024

JOSEPH ALLEGRETTI
CORPORATION COUNSEL

State Board of Accounts
302 West Washington Street Room E 418
Indianapolis, IN 46204-2765

Official Response City of East Chicago Controller and City of East Chicago Water Utility

Period Examined 01/01/23-12/31/23

Results and Comments

A. Temporary Transfer of Funds

"A temporary transfer between the General fund and Water Utility Operating fund was made and not repaid within the time frame permitted by statute. The Common Council approved ordinances in 2021 for the temporary transfer of \$2,000,000 million from the General fund to Water Utility Operating fund, which was not repaid by December 31, 2021, as required, nor was an emergency declared to extend the repayment to the next year. The \$2,000,000 owed to the General fund from the Water Utility Operating fund remained unpaid at December 31, 2023."

Official Response to the report

On July 24, 2024, the East Chicago Common Council adopted Resolution 24-0011 (copy attached) approving a Memorandum of Understanding between the Board of Directors of the Department of Waterworks of the City of East Chicago and the City of East Chicago (copy attached) that provided:

a. The General Fund Expenditures were expenditures that were made for necessary and appropriate capital expenditures needed to maintain the Waterworks. The City finds that (a) the General Fund Expenditures made by the Waterworks from the amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and (b) it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount.

b. Based on the City's findings in Section 1 hereof, the City hereby forgives any obligation that the District and the Waterworks may have to repay the City for the transfer of \$2,000,000 by the City to the Waterworks from the General Fund. Such obligation shall be deemed to be extinguished as of the date of this Memorandum of Understanding.

B. Overdrawn Cash Balances

<u>Fund</u>	<u>Amount Overdrawn</u>
Water Utility Operating	\$(238,194)
Communications Revolving	\$(11,503)
Gasoline Revolving	\$(79,874)
Police Pension	\$(140,796)

Official Response to the report

a. Water Utility Operating \$(238,194) overdrawn

As mentioned in the Supplemental Compliance Report B61683 (p. 12) dated June 21, 2023, the rates and charges at that time were inadequate to operate and maintain the Waterworks. The Water Utility, under the terms of the Indiana Utility Regulatory Commission's (IURC) approved Order in Cause No. 45827 dated August 16, 2023, stipulated that the Water Utility could adjust its rates and charges over a three-phase period. Phase I increase of 41.79% effective October 1, 2023, over current rates and charges. Phase II increase of 28.60% effective September 1, 2024, over Phase I. And finally, a Phase III increase of 10.9% effective September 1, 2025.

In addition, on December 22, 2023, the Water Utility requested a transfer totaling \$524,310.71 (letter attached to this response) from The Bank of New York Trust Co., N.A.(BONY), trustee of the funds that the Water Utility uses to service its outstanding debt with the Indiana Finance Authority along with funding a debt service reserve, as required by the Financial Assistance Agreement dated June 22, 2018. Overtime these accounts had become overfunded. These funds were not transferred by BONY to the Water Utility's general operating fund until January 12, 2024. If these funds had been received before the close of 2023, the operating fund would have had a positive cash balance at the end of the year.

b. Police Pension \$(140,796) overdrawn

The 2023 police payments to beneficiaries in 2023 totaled \$3,693,720.51. Although the Pension Relief payment for 2023 increased by \$416,766.41 from the previous year, the amount received was only \$3,537,693.11 creating the deficit cash balance cited. Attached is correspondence from the Indiana Public Retirement System (INPRS) dated

June 17, 2024, advising that the payments to the pension fund for calendar year 2024, in two installments before July 1, 2024, and October 2, 2024, will total \$3,954,459.51. Based on analysis of current obligations to beneficiaries, this will eliminate the deficit cash balance in the police pension fund. It is believed that this payment along with future distributions from the Public Employees' Retirement Fund will be based on the city's pension payment obligation rather than actuarial analysis, which will eliminate the risk of deficit cash balances in the future.

c. Communications Revolving \$(11,503) overdrawn
 Gasoline Revolving \$(79,874) overdrawn

These are revolving funds. The deficit cash balances were the result of accounts receivable payments arriving after the end of the year. The city is exploring the solution of creating and funding a liability account to cover the deficit cash balances created by the timing of the account receivable collections.

Sincerely,

City of East Chicago



Joe Allegretti
Corporation Counsel

Sponsor: Mayor Anthony Copeland

RESOLUTION NO. 24-0011

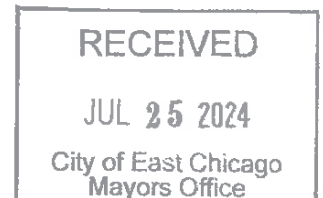
**RESOLUTION OF THE COMMON COUNCIL OF THE CITY OF
EAST CHICAGO, INDIANA, APPROVING CERTAIN MATTERS
RELATED TO CERTAIN TRANSFERS PREVIOUSLY MADE
TO THE CITY'S WATERWORKS
AND OTHER MATTERS CONNECTED THEREWITH**

WHEREAS, the City of East Chicago, Indiana (the "City") has heretofore established and constructed and currently owns and operates a waterworks (the "Waterworks") by and through the Board of Directors of the Department of Waterworks of the City of East Chicago, Indiana (the "Board"), which is the governing body of the Waterworks District of the City of East Chicago, Indiana (the "District"), for the provision of public water supply to the City and its inhabitants, in accordance with the provisions of Indiana Code 8-1.5-4, as amended, and other applicable laws; and

WHEREAS, on August 13, 2023, the Indiana Utility Regulatory Commission adopted its Order (the "IURC Order") authorizing and approving, among other things, an additional, increased rate within the District for a payment in lieu of taxes (the "PILOT"); and

WHEREAS, pursuant to resolutions previously adopted by the Common Council of the City (the "Common Council"), the City has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the City's General Fund (the "General Fund"), which amount was expended for certain necessary and appropriate capital expenditures needed to maintain the Waterworks (the "General Fund Expenditures"); and

WHEREAS, the City has determined that the General Fund Expenditures made by the Waterworks from such amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and



WHEREAS, to the extent that such amount of \$2,000,000 from the General Fund represents an interfund loan required to be repaid, the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount; and

WHEREAS, the Board of Storm Water Commissioners of the City (the "Stormwater Utility") has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the Storm Water Utility Operating Fund (the "Stormwater Fund"); and

WHEREAS, to the extent that such amount of \$2,000,000 from the Stormwater Fund represents an interfund loan required to be repaid (any such obligation shall be hereinafter referred to as the "Stormwater Reimbursement Obligation"), the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to assume the Stormwater Reimbursement Obligation; and

WHEREAS, as consideration of such assumption by the City of the Stormwater Reimbursement Obligation, and to provide funds for the payment by the City of the Stormwater Reimbursement Obligation, the District and the Waterworks have, pursuant to the IURC Order, obtained an additional, increased rate for the purposes of paying a PILOT (the "Increased PILOT Payments"); and

WHEREAS, the City desires to enter into a Memorandum of Understanding with the Board, for and on behalf of the District, to memorialize the agreements set forth in this Resolution; and

WHEREAS, there has been prepared and submitted to this meeting a substantially final form of Memorandum of Understanding between the City and the Board, for and on behalf of the District; and

WHEREAS, the Common Council now desires to approve the Memorandum of Understanding in substantially the form presented to the Common Council at this meeting;

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of East Chicago, Indiana, as follows:

1. To the extent that the transferred amount of \$2,000,000 from the General Fund described above represents an interfund loan required to be repaid, the Common Council approves of the forgiveness by the City of such amount, as more particularly described in the Memorandum of Understanding.

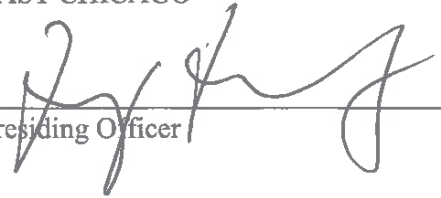
2. To the extent that the Stormwater Reimbursement Obligation represents an interfund loan required to be repaid, the Common Council approves of the assumption by the City of such Stormwater Reimbursement Obligation, based upon the consideration of the Increased PILOT Payments.

3. The Memorandum of Understanding is hereby approved in substantially the form of the Memorandum of Understanding presented to the Common Council at this meeting. The Mayor and the Controller of the City are each individually authorized to execute the Memorandum of Understanding, with such changes as the Mayor or the Controller of the City deem necessary or appropriate with said officers' execution thereof to be conclusive evidence of their approval of such changes.

4. This Resolution shall be effective upon its passage by the Common Council, in accordance with procedures as required by law.

Adopted this 24 day of July, 2024.

COMMON COUNCIL, CITY OF
EAST CHICAGO




Presiding Officer

Attest:


City Clerk

July Presented by me to the Mayor of the City of East Chicago, Indiana, on the 25th day of _____, 2024, at the hour of _____:_____ m.



City Clerk

This Resolution approved and signed by me, the Mayor of the City of East Chicago, Indiana, on the 26th day of July, 2024, at the hour of _____:_____ m.



Mayor

FILED IN CLERK'S OFFICE

JUL 26 2024

Clerk, East Chicago Common Council

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding, dated as of the 15th day of August, 2024, made and entered into by and between (i) the Board of Directors of the Department of Waterworks of the City of East Chicago, Indiana (the "Board"), for and on behalf of the Waterworks District of the City of East Chicago, Indiana (the "District"), and (ii) the City of East Chicago, Indiana (the "City"),

WITNESSETH:

WHEREAS, the City has heretofore established and constructed and currently owns and operates a waterworks (the "Waterworks") by and through the Board, which is the governing body of the District, for the provision of public water supply to the City and its inhabitants, in accordance with the provisions of Indiana Code 8-1.5-4, as amended, and other applicable laws; and

WHEREAS, on August 13, 2023, the Indiana Utility Regulatory Commission adopted its Order (the "IURC Order") authorizing and approving, among other things, an additional, increased rate for a payment in lieu of taxes (the "PILOT"); and

WHEREAS, the City has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the City's General Fund (the "General Fund"), which amount was expended for certain necessary and appropriate capital expenditures needed to maintain the Waterworks (the "General Fund Expenditures"); and

WHEREAS, the City has determined that the General Fund Expenditures made by the Waterworks from such amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and

WHEREAS, to the extent that such amount of \$2,000,000 from the General Fund represents an interfund loan required to be repaid, the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount; and

WHEREAS, the Board of Storm Water Commissioners of the City (the "Stormwater Utility") has heretofore caused to be transferred to the Waterworks an amount of \$2,000,000 from the Storm Water Utility Operating Fund (the "Stormwater Fund"); and

WHEREAS, to the extent that such amount of \$2,000,000 from the Stormwater Fund represents an interfund loan required to be repaid (any such obligation shall be hereinafter referred to as the "Stormwater Reimbursement Obligation"), the City has determined that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to assume the Stormwater Reimbursement Obligation; and

WHEREAS, the Board, for and on behalf of the District, and the City have determined to enter into this Memorandum of Understanding to set forth the respective agreements of such parties;

NOW, THEREFORE, the parties hereto hereby agree and represent as follows:

Section 1. The Board represents to the City that the General Fund Expenditures were expenditures that were made for necessary and appropriate capital expenditures needed to maintain the Waterworks. The City finds that (a) the General Fund Expenditures made by the Waterworks from the amount of \$2,000,000 transferred from the General Fund are expenditures that, absent such transfer, were legally permissible expenditures to have been made directly from the General Fund; and (b) it is in the best interest of the City, the Waterworks and the citizens of the City for the City to forgive such amount.

Section 2. Based on the City's findings in Section 1 hereof, the City hereby forgives any obligation that the District and the Waterworks may have to repay the City for the transfer of \$2,000,000 by the City to the Waterworks from the General Fund. Such obligation shall be deemed to extinguished as of the date of this Memorandum of Understanding.

Section 3. The City finds that it is in the best interest of the City, the Waterworks and the citizens of the City for the City to assume the Stormwater Reimbursement Obligation.

Section 4. The City hereby agrees to assume the Stormwater Reimbursement Obligation, to the extent that the District and the Waterworks have such an obligation to the Stormwater Utility.

Section 5. As consideration of such assumption by the City of the Stormwater Reimbursement Obligation, and to provide funds for the payment by the City of the Stormwater Reimbursement Obligation, the District and the Waterworks have, pursuant to the IURC Order, obtained an additional, increased rate for the purposes of paying a PILOT (the "Increased PILOT Payments").

Section 6. Subject to the satisfaction of any conditions that may be placed on the transfer of revenues generated from the PILOT pursuant to the provisions in any bond documents related to bonds issued by the District, such Increased PILOT Payments will be available to be used by the City to pay the Stormwater Reimbursement Obligation. It is expected that the City will repay the Stormwater Reimbursement Obligation over the fiscal years 2025 through 2027, as described in Exhibit A attached hereto.

Section 7. Attached hereto as Exhibit B is a signed acknowledgment by the Stormwater Utility, evidencing that the Stormwater Utility has (a) received the Memorandum of Understanding, (b) acknowledges the assumption by the City of the Stormwater Reimbursement

Obligation, and (c) acknowledges that any obligation that the District and the Waterworks has with respect to the Stormwater Reimbursement Obligation has been extinguished and canceled.

Section 8. This Memorandum of Understanding may be executed in counterparts.

* * * * *

IN WITNESS WHEREOF, we have hereunto set our hand as of the date first written above.

**BOARD OF DIRECTORS OF THE
DEPARTMENT OF THE
CITY OF EAST CHICAGO, INDIANA,
for and on behalf of the Waterworks District
of the City of East Chicago, Indiana**

By: 
Joseph Ochoa, President

CITY OF EAST CHICAGO, INDIANA

By: 
Anthony Copeland, Mayor

By: 
Valeriano Gomez, Controller


Steve Flowers, President
East Chicago Storm Water Board


Date

(Signature Page to Memorandum of Understanding)

Exhibit A begins on next page

EAST CHICAGO (INDIANA) DEPARTMENT OF WATERWORKS

SCHEDULE A

SCHEDULE OF ESTIMATED UNREIMBURSED STORMWATER TRANSFER PAYBACK

Unreimbursed Stormwater Transfer*		\$2,000,000
Annual Estimated PILOT (2024)	\$530,000	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Change in PILOT (2024)**	<u>(\$70,000)</u>	
Remaining Unreimbursed Stormwater Transfer as of 12/31/2024		2,000,000
Annual Estimated PILOT (2025)	\$1,414,100	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Increase to PILOT (2025)	<u>814,100</u>	
Assumed Incremental Increase Applied to Payback (2025)		<u>(400,000)</u>
Remaining Unreimbursed Stormwater Transfer as of 12/31/2025		1,600,000
Annual Estimated PILOT (2026)	1,788,900	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Increase to PILOT (2026)	<u>1,188,900</u>	
Assumed Incremental Increase Applied to Payback (2026)		<u>(800,000)</u>
Remaining Unreimbursed Stormwater Transfer as of 12/31/2026		800,000
Annual Estimated PILOT (2027)	1,788,900	
Less Annual Historical PILOT Per the Order	<u>(600,000)</u>	
Annual Incremental Increase to PILOT (2027)	<u>1,188,900</u>	
Assumed Incremental Increase Applied to Payback (2027)		<u>(800,000)</u>
Remaining Unreimbursed Stormwater Transfer as of 12/31/2027		<u>\$ -</u>

*The Water Department currently has outstanding a transfer due to the Stormwater Utility for \$2 million and anticipates paying this back over a three year period by applying excess PILOT towards the unreimbursed transfer balance.

**The estimated PILOT for 2024 is less than the historical PILOT, therefore no PILOT is anticipated to be applied in 2024 towards the stormwater balance.

Note: Approved PILOT per IURC Order in Cause No. 45827 is as follows:

Phase I (beginning September 2023)	\$450,000
Phase II (beginning September 2024)	\$1,105,000
Phase III (beginning September 2025)	\$1,788,900

Each phase of IURC approved PILOT has been adjusted to align with a traditional calendar year.

(For Discussion Purposes Only)
(Preliminary, Subject to Change)

EXHIBIT B TO MEMORANDUM OF UNDERSTANDING

Acknowledgement

The undersigned, the President of the Board of Storm Water Commissioners of the City of East Chicago, Indiana (the "Board"), for and on behalf of the Board, hereby certifies, in connection with the previous transfer by the Board to the Waterworks District of the City of East Chicago, Indiana (the "District") of an amount of \$2,000,000 from the Storm Water Utility Operating Fund (the "Stormwater Fund"), as follows:

1. The Board has received the Memorandum of Understanding dated August 15, 2024 (the "Memorandum of Understanding"), between the City of East Chicago, Indiana (the "City") and the Board of Directors of the Department of Waterworks of the City of East Chicago, Indiana, for and on behalf of the District.
2. The Board acknowledges and understands that, pursuant to the Memorandum of Understanding, the City has assumed any obligation by the District to repay such amount of \$2,000,000 previously transferred by the Board.
3. The Board further acknowledges that, pursuant to the Memorandum of Understanding, any repayment obligation that the District and the Waterworks has with respect to the Stormwater Fund has been extinguished and canceled.

Dated this 15th day of August, 2024.

BOARD OF STORM WATER
COMMISSIONERS OF THE
CITY OF EAST CHICAGO, INDIANA

By:  8-15-24
Steve Flowers, President



City of East Chicago
Administrative Services Division
4525 Indianapolis Blvd., East Chicago, Indiana 46312
Phone: (219) 391-8220 Fax: (219) 391-8223

Anthony Copeland
Mayor

December 22, 2023

Mr. Derick Rush
The Bank of New York Trust Co., N.A.
Client Service Manager
55 Monument Circle, Suite 1200C
Indianapolis, IN 46204
derick.rush@bnymellon.com

Re: East Chicago (Indiana) Department of Waterworks SRF Bonds
Waterworks Bond and Interest Fund – Acct #142965 - \$191,632.73
Waterworks Bond and Interest Fund – Acct #610040 - \$172,534.33
Waterworks Debt Service Reserve Fund – Acct #610041 - \$160,143.65

Dear Mr. Rush:

This letter is being sent to respectfully request a reimbursement of funds which were made to the above regarded accounts by the East Chicago Department of Waterworks (the “Department”) Operating Fund.

The Department has been following schedules that were prepared as part of the Financial Assistance Agreement dated June 22, 2018, which show the dates and amounts of deposits that are to be made by the Department. The bond and interest account and debt service reserve account have been overfunded over the years by the Department. The extra disbursements have put a burden on our operating account. (Please see the attached exhibits that have been prepared by Baker Tilly for explanation.)

If further information is needed or if you have questions, please let me know.

Thank you in advance for your consideration!

Sincerely,

Mr. Valeriano Gomez
Controller

EAST CHICAGO (INDIANA) DEPARTMENT OF WATERWORKS

SCHEDULE OF COMBINED BOND AMORTIZATION

Payment Date	2006 Bonds	2009 Bonds (1)	2017 Bonds	2018A Bonds	2018B Bonds	Gross Total	Gross Bond Year Total	Adjustment from Gaming Fund	Net Bond Year Total
1/1/2024	\$1,176,898.00	\$1,733,591.00	\$54,222.50	\$47,951.40	\$176,206.25	\$3,188,869.15	\$3,188,869.15	(\$1,733,591.00)	\$1,455,278.15
7/1/2024	78,033.00	121,251.50	43,098.75	5,869.50	20,904.00	269,156.75			
1/1/2025	1,198,033.00	1,751,251.50	58,098.75	47,869.50	175,904.00	3,231,156.75	3,500,313.50	(1,872,503.00)	1,627,810.50
7/1/2025	53,169.00	98,350.00	42,930.00	5,787.60	20,601.75	220,838.35			
1/1/2026	1,223,169.00	1,773,350.00	57,930.00	47,787.60	175,601.75	3,277,838.35	3,498,676.70	(1,871,700.00)	1,626,976.70
7/1/2026	27,195.00	74,816.25	42,761.25	5,705.70	20,299.50	170,777.70			
1/1/2027	1,252,195.00	1,799,816.25	57,761.25	47,705.70	173,299.50	3,330,777.70	3,501,555.40	(1,874,632.50)	1,626,922.90
7/1/2027		50,580.00	42,592.50	5,623.80	20,001.15	118,797.45			
1/1/2028		1,825,580.00	386,592.50	246,623.80	926,001.15	3,384,797.45	3,503,594.90	(1,876,160.00)	1,627,434.90
7/1/2028		25,641.25	38,722.50	5,153.85	18,234.45	87,752.05			
1/1/2029		1,850,641.25	390,722.50	247,153.85	927,234.45	3,415,752.05	3,503,504.10	(1,876,282.50)	1,627,221.60
7/1/2029			34,762.50	4,681.95	16,461.90	55,906.35			
1/1/2030			394,762.50	247,681.95	929,461.90	1,571,906.35	1,627,812.70	-	1,627,812.70
7/1/2030			30,712.50	4,208.10	14,681.55	49,602.15			
1/1/2031			398,712.50	248,208.10	930,681.55	1,577,602.15	1,627,204.30	-	1,627,204.30
7/1/2031			26,572.50	3,732.30	12,895.35	43,200.15			
1/1/2032			400,572.50	248,732.30	934,895.35	1,584,200.15	1,627,400.30	-	1,627,400.30
7/1/2032			22,365.00	3,254.55	11,097.45	36,717.00			
1/1/2033			405,365.00	249,254.55	937,097.45	1,591,717.00	1,628,434.00	-	1,628,434.00 (1)
7/1/2033			18,056.25	2,774.85	9,291.75	30,122.85			
1/1/2034			407,056.25	250,774.85	940,291.75	1,598,122.85	1,628,245.70	-	1,628,245.70
7/1/2034			13,680.00	2,291.25	7,476.30	23,447.55			
1/1/2035			410,680.00	252,291.25	941,476.30	1,604,447.55	1,627,895.10	-	1,627,895.10
7/1/2035			9,213.75	1,803.75	5,655.00	16,672.50			
1/1/2036			415,213.75	253,803.75	942,655.00	1,611,672.50	1,628,345.00	-	1,628,345.00
7/1/2036			4,646.25	1,312.35	3,827.85	9,786.45			
1/1/2037			417,646.25	258,312.35	941,827.85	1,617,786.45	1,627,572.90	-	1,627,572.90
7/1/2037				811.20	1,998.75	2,809.95			
1/1/2038				416,811.20	1,026,998.75	1,443,809.95	1,446,619.90	-	1,446,619.90
Totals	\$5,008,692.00	\$11,104,869.00	\$4,625,450.00	\$3,163,972.90	\$11,263,059.75	\$35,166,043.65	\$35,166,043.65	(\$11,104,869.00)	\$24,061,174.65

(1) Maturity dates are 1/15 and 7/15 and debt service is paid from City gaming fund dollars for the 2009 Bonds.

(2) Maximum annual debt service.

EAST CHICAGO (INDIANA) DEPARTMENT OF WATERWORKS

**COMPARISON OF DSR AND B&I FUND BALANCES
WITH MINIMUM BALANCE REQUIRED**

Debt Service Reserve Account - A balance equal to the maximum annual debt service on the outstanding bonds.

Current balance in DSR (as of November 30, 2023)	\$1,788,577.65
Less current debt service requirement (See Exhibit A) (1)	<u>(1,628,434.00)</u>
Reimbursement to the City's Department of Waterworks	<u>\$160,143.65</u>

Bond and Interest Account - Requires monthly transfers to this account equal to at least 1/6 of the interest and 1/12 of the principal payable on the next succeeding principal and interest payment date.

<u>Account [REDACTED] (2):</u>	
Current balance in B&I (as of November 30, 2023)	\$1,925,223.73
Less payment due January 15, 2024	<u>(1,733,591.00)</u>
Reimbursement to the City's Department of Waterworks	<u>\$191,632.73</u>
<u>Account [REDACTED] (2):</u>	
Current balance in B&I (as of November 30, 2023)	\$1,492,182.77
Less current B&I requirement (as of November 30, 2023) (3)	<u>(1,319,648.44)</u>
Reimbursement to the City's Department of Waterworks	<u>\$172,534.33</u>

The City requests that the excess balances shown above be reimbursed using the wiring instructions below:

Bank Name:	First Merchants Bank
Bank Location:	Muncie, IN
Account Name:	City of East Chicago Indiana
Account Number:	[REDACTED]
Routing Number:	[REDACTED]

- (1) Per the requirement included in the Financial Assistance Agreement dated June 22, 2018.
- (2) Account [REDACTED] is for debt service related to the outstanding 2009 bond issuance only.
Account [REDACTED] is for all other outstanding bond issuances.
- (3) Per the schedules of monthly transfers to the Bond and Interest Account provided in the Financial Assistance Agreement dated June 22, 2018.



June 17, 2024

Submission Unit # 7735100
Submission Unit Name: CITY OF EAST CHICAGO POLICE

RE: 2024 Pension Relief Payments

In accordance with IC 5-10.3-11, the Public Employees' Retirement Fund will distribute Pension Relief payments to units of local government for calendar year 2024 in two installments before July 1, 2024 and October 2, 2024.

Based on the information provided by the CITY OF EAST CHICAGO POLICE, your pension relief payment for 2024 will be as follows:

Payment Date	Amount
By July 1, 2024	\$1,977,229.76
By October 2, 2024	\$1,977,229.75
Total	\$3,954,459.51

Payments received by the CITY OF EAST CHICAGO POLICE may be used only for pension payments from a pension fund as described in IC 5-10.3-11-3.

If your organization has changed their bank account information since the last Pension Relief distribution was received, please print, complete and return the Pension Relief Distribution Banking Information form available on our website at <http://www.in.gov/inprs/files/PensionReliefDistributionBankInfoSheet.pdf>. You can either fax the form to (317) 234-6692 or mail to:

INPRS
ATTN: EPPA
One North Capitol, Suite 001
Indianapolis, IN 46204

If you have questions or concerns in regards to your Pension Relief distribution, please feel free to contact our office at (888) 876-2707 Monday - Friday 8:30am-4:30pm Eastern Standard Time, or by email at eppa@inprs.in.gov.

Sincerely,

Employer Pension Plans' Administration
Indiana Public Retirement System

WATER UTILTY
CITY OF EAST CHICAGO
EXIT CONFERENCE

The contents of this report were discussed on August 19, 2024, with Valeriano Gomez, City Controller; Joseph Allegretti, Attorney; Esteban Hernandez, Water Board member; and Raymond Lopez, Water Board member.