CITY OF WEST LAFAYETTE WASTEWATER UTILITY
PROJECTED BUDGET FOR 2010

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Honorable John Dennis, Mayor and
Members of the Board of Public Works and Safety
City of West Lafayette
City Hall
609 W. Navajo
West Lafayette, Indiana 47906

At your request, we have compiled the accompanying limited financial information for the City of West Lafayette Wastewater Utility. The information includes a comparison of 2010 budgeted operations with the 2009 budgeted operations. The accompanying schedules were prepared for internal use only for distribution to the appropriate City Officials. The use of these schedules should be limited to those that are familiar with the accounting and financial reporting practices for the City.

Page I – III West Lafayette Wastewater Utility – Key Budget Assumptions – 2010

Schedule 1 Projected Revenues and Expenses
Schedule 2 Projected Operation and Maintenance Expenses
Schedule 3 Projected Capital Expenditures
Schedule 4 Projected Cash Flows

The assumptions are based upon information provided to us by management of the City of West Lafayette. In preparation of these schedules, assumptions were made as noted regarding certain future events. As is the case with such assumptions regarding future events and transactions, some or all may not occur as expected and the resulting differences could be material. We have not examined the underlying assumptions; consequently, we express no opinion or assurance thereon.

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CITY OF WEST LAFAYETTE WASTEWATER UTILITY
KEY BUDGET ASSUMPTIONS – 2010

REVENUES

- Wastewater Fees — - based upon projected sales for 2009 which had a 9.6% decrease in Purdue volume and 3.3% increase for all other customers; adjusted other classes 3% for growth in 2010.
- Penalties — - .7% of budgeted sales
- Trash Fees and Other Sanitation Revenues — - budgeted amounts are based upon 2009 sales; potential fee increases are under study but due to uncertainty of timing and amount, no adjustment has been included.
- FOG Fees — - based upon management estimates of new revenue from treatment of fats, oil and grease (FOG) waste brought to the plant.
- Storm Water Fees — - assumes an initial monthly storm water charge of $3.00 per ERU is adopted and in place for six months of 2010.
- Interest — - based upon projected 2009 cash balances and earnings at about .85%; market rates on overnight funds have decreased from a year ago.

DEPARTMENTAL EXPENSES — - Wages for each department were based upon actual staffing and wage rates per 2010 salary ordinance; no additional positions or rate increases were included, however, the 2010 budget does include the 27th pay period in wages.

- Administration — - City Administrative wages and benefits had a net reduction due to the reclassification of the assistant City engineer to pollution prevention systems because of that position's responsibilities for storm water system maintenance. Consulting costs exceeded budget expectations in 2009 due to storm water studies and other engineering needs. 2010 budget reflects management's expectation for ongoing engineering needs and financial consulting services. Service contracts include utility share of egov website fees.

DEPARTMENTAL EXPENSES
(Continued)

- Laboratory — - budget held flat overall for 2010.

- Collection System — - reduction in CSO monitors reflects EDS flow meter contract cost; adjustments were made to other non personnel expense categories to align more closely with actual experience in 2009.

- Plant Operation — - as with other departments, wages are based on actual staffing and wage rates per 2010 salary ordinance; plant includes 11 FTE's and provisions for overtime and shift differential. Insurance and benefits are approximately 33% of wages.
  - electric and gas utilities are expected to decrease due to efficiencies from the new combined heat and power system.
  - largest budget increase was for land application which exceeded budget expectations in 2009 due to weather related issues; proposed increase is still less than current year costs.

- Plant Maintenance — - budget reductions for gasoline and repairs were based on actual experience in 2009; fuel costs declined notably from the period when the last budget was developed.

- Billing — - wage costs held down through turnover and staffing realignments; other billing expense increases are consistent with 2009 actual experience as described further below.
  - increase in supplies and postage reflects true cost of bill mailing, some of which had previously been paid by Clerk Treasurer office; also includes additional mailings for enhanced collection activities.
  - billing contracts provides $16,800 for processing bills and the remainder for online payment systems, software maintenance and updates as well as disaster recovery.
  - lien fees and other includes $12,000 for credit card fees and $8,000 lien charges.
  - potential cost increases for storm water and sanitation billing not adjusted due to uncertainty about any new program requirements at this time.

DEPARTMENTAL EXPENSES
(Continued)

- Sanitation Solid Waste Removal - trash removal services became part of the Utility in 2009. Budget includes wages for the same 7.25 employees (drivers/collectors/processors) for 2010; provision for overtime and part time; insurance and benefits based on 2009 coverage and estimated new premium levels. Supplies and other services budgets were reduced mainly due to lower fuel costs and actual land fill contractual service expenditures.

- Pollution Prevention System Maintenance - services include street sweeping, leaf pickup and maintenance of storm drains which also became part of the Utility in 2009. Budget includes wages for 3.5 FTE's, overtime; insurance and benefits based on 2009 coverage and estimated new premium levels. The increase relates to the reclassification of the assistant City engineer.

OTHER EXPENSES

- Undistributed - property & liability insurance budget was increased by 10% due to the increase in appraised insurance values of the utility's assets. Workers compensation will have a new carrier and a 20% provision was included for the expected premium increase.

- PILT - based upon 2010 general fund budget requirement.

- Interest - includes scheduled interest payments on the 1994, 1998, 2001 and 2006 Bonds; interest on 2004 SRF Loan assumes that the remaining $2.6 million of available draws will take place during 2010.

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

PROJECTED REVENUES AND EXPENSES
FOR THE TWELVE MONTHS ENDING DECEMBER 31

	2010 BUDGET	2009 BUDGET
OPERATING REVENUES:		
WASTEWATER USER FEES	$ 8,600,000	$ 8,675,000
PENALTIES	60,000	78,000
SANITATION TRASH FEES	520,000	512,000
RECYCLING GRANT	41,500	41,500
RECYCLABLE SALES	45,000	80,000
TOTERS AND BINS	4,000	4,000
FOG	150,000	-
STORM WATER FEES	250,000	-
TOTAL OPERATING REVENUES	9,670,500	9,390,500
OPERATING EXPENSES:		
ADMINISTRATIVE AND GENERAL	1,108,596	1,041,637
LABORATORY	125,796	127,222
COLLECTION SYSTEM	428,344	462,924
PLANT OPERATION	1,347,069	1,326,070
PLANT MAINTENANCE	62,000	78,000
BILLING EXPENSE	211,771	180,100
SANITATION SOLID WASTE REMOVAL	713,289	769,535
POLLUTION PREVENTION SYSTEM MAINTENANCE	274,884	189,113
UNDISTRIBUTED	93,400	83,973
SUB-TOTAL	4,365,149	4,258,574
DEPRECIATION	1,486,978	1,429,989
NET OPERATING REVENUES	3,818,373	3,701,937
NON-OPERATING REVENUES (EXPENSES):		
INTEREST INCOME	130,000	130,000
TAP/CONNECTION FEES	115,000	115,000
PAYMENT IN LIEU OF TAXES	(505,500)	(428,400)
INTEREST ON SRF LOANS	(1,229,999)	(1,173,226)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,490,499)	(1,356,626)
NET INCOME	$2,327,874	$2,345,311

SCHEDULE 1

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

PROJECTED OPERATION AND MAINTENANCE EXPENSES
FOR THE TWELVE MONTHS ENDING DECEMBER 31

	2010 BUDGET	2009 BUDGET
ADMINISTRATION - GENERAL		
UTILITY ADMINISTRATION WAGES	$ 339,039	$ 336,696
UTILITY ADMINISTRATION INSURANCE	47,100	37,445
UTILITY ADMINISTRATION BENEFITS	48,822	40,859
CITY ADMINISTRATION WAGES	313,750	351,495
CITY ADMINISTRATION INSURANCE	74,740	58,918
CITY ADMINISTRATION BENEFITS	45,865	48,434
SUPPLIES	10,000	16,000
PUBLIC RELATIONS	1,280	1,280
CONSULTING	150,000	80,000
LEGAL	16,000	16,000
PRINTING & ADVERTISING	6,000	6,000
EDUCATION & TRAVEL	2,500	2,500
SUBSCRIPTIONS & DUES	2,000	1,300
POSTAGE	1,000	4,000
TELEPHONE	10,000	8,000
SERVICE CONTRACTS	12,900	7,610
OFFICE EQUIP/REPAIR	8,000	5,500
LIENS & AUDITS	5,600	5,600
PERMIT & FEES	14,000	14,000
SUBTOTAL	1,108,596	1,041,637
LABORATORY		
WAGES	72,385	79,500
INSURANCE	5,091	5,500
EMPLOYEE BENEFITS	8,820	8,672
SUPPLIES	23,000	20,000
EQUIPMENT	2,000	2,000
SERVICE CONTRACTS	4,000	4,000
CONSULTING	7,000	6,000
MISCELLANEOUS	500	500
EQUIPMENT REPAIR	3,000	1,050
SUBTOTAL	125,796	127,222
COLLECTION SYSTEM		
WAGES	202,923	207,345
INSURANCE	46,771	38,969
EMPLOYEE BENEFITS	32,110	30,186
SUPPLIES & MATERIALS	50,000	50,000
MACHINERY & TOOLS	540	540
VEHICLE MAINTENANCE	10,000	15,000
CSO MONITORS	20,000	50,000
CONTRACTUAL	50,000	45,884
LIFT STATIONS	15,000	24,000
EQUIPMENT-LEASE	1,000	1,000
SUBTOTAL	428,344	462,924

SCHEDULE 2A

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

PROJECTED OPERATION AND MAINTENANCE EXPENSES
FOR THE TWELVE MONTHS ENDING DECEMBER 31

	2010 BUDGET	2009 BUDGET
PLANT OPERATION		
WAGES	423,509	425,925
INSURANCE	79,475	89,352
EMPLOYEE BENEFITS	60,985	57,283
UTILITIES	350,000	374,300
SAFETY	5,500	5,310
UNIFORMS	14,600	14,600
SUPPLIES	11,000	11,000
CHEMICALS	65,000	60,000
POLYMER	4,000	4,000
TRAINING	28,000	28,000
SERVICE CONTRACTS	28,000	30,000
LANDFILL	20,000	20,000
LAND APPLICATION	250,000	200,000
EMERGENCY CONTRACTUAL	6,000	3,100
MACHINERY & TOOLS	1,000	3,200
SUBTOTAL	1,347,069	1,326,070
PLANT MAINTENANCE		
SUPPLIES & MATERIALS	20,000	20,000
GASOLINE	22,000	27,000
LUBRICANTS	1,000	1,000
EQUIPMENT REPAIR (FIXED)	15,000	26,000
MACHINERY & TOOLS	4,000	4,000
SUBTOTAL	62,000	78,000
BILLING EXPENSE		
WAGES	86,919	101,592
INSURANCE	21,716	26,691
EMPLOYEE BENEFITS	12,516	12,317
SUPPLIES & POSTAGE	40,470	24,000
BILLING AND SERVICE CONTRACTS	24,150	4,100
BAD DEBT	4,000	5,000
TRAINING	1,500	1,500
OFFICE EQUIPMENT REPAIRS	500	500
LIEN FEES AND OTHER	20,000	4,400
SUBTOTAL	211,771	180,100
SANITATION SOLID WASTE REMOVAL		
WAGES	292,707	283,966
INSURANCE	49,586	58,861
EMPLOYEE BENEFITS	42,826	40,613
SUPPLIES	92,580	128,055
SERVICES	235,590	258,040
SUBTOTAL	713,289	769,535

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

PROJECTED OPERATION AND MAINTENANCE EXPENSES
FOR THE TWELVE MONTHS ENDING DECEMBER 31

	2010 BUDGET	2009 BUDGET
POLLUTION PREVENTION SYSTEM MAINTENANCE		
WAGES	178,336	113,346
INSURANCE	33,092	22,828
EMPLOYEE BENEFITS	27,568	17,051
SUPPLIES	25,088	25,088
SERVICES	10,800	10,800
SUBTOTAL	274,884	189,113
UNDISTRIBUTED EXPENSE		
INSURANCE	69,000	62,778
INJURIES & DAMAGES	5,150	5,150
WORKERS' COMP INSURANCE	19,250	16,045
SUBTOTAL	93,400	83,973
TOTAL OPERATION AND MAINTENANCE EXPENSE	$ 4,365,149	$ 4,258,574

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

CAPITAL EXPENDITURE BUDGET

	2010 BUDGET
LIFT STATION	
North Side Regional Lift Station (PRP)	$ 1,800,000
COLLECTION SYSTEM IMPROVEMENTS	
PRP Main Extensions (approx. 17,350 LF)	1,540,000
North River Rd. Interceptor (net of grant funds)	326,500
TREATMENT PLANT IMPROVEMENTS	
Facility Improvement Plan	62,000
Wet Weather Facility Improvements	500,000
Microturbine #3 Installation (APE grant for equipment cost)	150,000
EQUIPMENT	75,000
SANITATION	
Garbage Truck - 2007 Final Payment	31,280
Hook Truck - 2009 First Two Payments	46,810
Recycling Truck - 2010 First Payment	38,445
Recycling Equipment Shelters (3)	55,500
POLLUTION PREVENTION	
Dump Truck - 2008 Two Payments (50%)	14,142
Street Sweeper - 2010 First Two Payments	75,614
TOTAL CAPITAL EXPENDITURES	$ 4,715,291

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

PROJECTED CASH FLOWS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2010

	2010 BUDGET
CASH OPERATING REVENUES	$ 9,670,500
CASH OPERATING EXPENSES	4,365,149
NET OPERATING REVENUES	5,305,351
NON-OPERATING REVENUES (EXPENSES):	
INTEREST INCOME	130,000
TAP/CONNECTION FEES	115,000
PAYMENT IN LIEU OF TAXES	(505,500)
DEBT SERVICE:	
1994 BONDS [Treatment Plant Upgrade/Expansion]	(1,324,300)
1998 BONDS [North River Rd. Int./Lift St.; Digestor Project]	(603,268)
2001 BONDS [Wet Weather Treatment Facility]	(460,070)
2004 BONDS [Western Interceptor]	(408,312)
2006 BONDS [Digestor Project]	(304,049)
AVAILABLE FOR CAPITAL EXPENDITURES AND RESERVES	1,944,852
PROJECTED CAPITAL BUDGET	(4,715,291)
NET INCREASE (DECREASE) IN CASH	(2,770,439)
PROJECTED BEGINNING CASH BALANCE	15,467,349
PROJECTED ENDING CASH BALANCE	$ 12,696,910

SCHEDULE 4