

City of West Lafayette, Indiana  
Board of Public Works and Safety  
MINUTES

JANUARY 31, 2011  
8:30 a.m.  
City Hall Council Chambers

Members present were Sana G. Booker, Bradley W. Marley, Elizabeth M. Stull, and Mayor John R. Dennis, who presided. Member Jonathan C. Speaker was absent.

1. APPROVAL OF MINUTES

a. January 24, 2011, Meeting

Mr. Marley moved to accept the minutes of the January 24, 2011, Board of Works meeting. Ms. Stull seconded the motion. The motion was adopted.

2. NEW BUSINESS

a. Bid Acceptance: Reynolds Inliner, LLC – North River Road Interceptor Sewer Rehabilitation Project – WWTU

Wastewater Utility Director Henderson stated that the contract with Reynolds Inliner, LLC for this project is under review. He asked the Board to approve acceptance of the bid. Bids for the North River Road Interceptor Sewer Rehabilitation Project were opened at the December 13, 2010, meeting, and Reynolds Inliner was the low bidder. Mr. Henderson reported that Joe Teusch reviewed the bids, and IDEM has okayed proceeding.

Ms. Booker moved that the bids be accepted. Mr. Marley seconded the motion. The motion was adopted.

b. Approval of Bid Specifications and Advertising Dates – Street and Sanitation

Mayor Dennis remarked that the Board had received the bid specifications at last week's Board meeting. The items for which we are soliciting bids are for two street trucks with snowplows and one refuse/recycling truck.

Ms. Stull moved that the request to approve the bid specifications and advertising dates be approved. Mr. Marley seconded the motion. The motion was adopted.

Clerk-Treasurer Rhodes stated that advertising dates are February 1 and February 8, with bids are due on Friday, February 18, at 4:00. They will be opened February 22, 2011, at the Board of Works meeting.

c. New Hire: Probationary Patrol Dispatcher – Jordan Glick – Police

Police Chief Dombkowski explained that this is a full-time position that has been open since the first of the year. He requested that the Board hire Jordan Glick as a probationary dispatcher, effective February 15, 2011, with a biweekly rate of \$1,242.61.

Ms. Stull moved that Jordan Glick be hired as a full-time probationary patrol dispatcher. Mr. Marley seconded the motion. The motion was adopted.

d. Approval of 2011 Utility Budget – WWTU

Mr. Jim Treat of O.W. Krohn & Associates reviewed the 2011 Wastewater budget with the Board. He apologized for the delay, but they were holding off because the biggest 2011 project is the Western Sanitary Sewer Interceptor-Division IV Project. That project will be done in conjunction with INDOT's US231 Relocation Project, and the bid opening at INDOT was pushed back to last week. INDOT will not provide the line-item detail until it has awarded the bids. At this time, it is not known what the WWTU amount of the project will be.

Mr. Treat mentioned that prior budgets have focused on operation and maintenance expenses for the next year, and the capital plan and cash flows that result. For 2011, in addition to that information, there are projections of revenue and expenses for the next five years, in addition to projects that Wastewater Utility Director Henderson believes will occur in the next five years.

Mr. Treat referred the Board to the notes in the report, and highlighted the proposed 2011 operating expenses, where Mr. Henderson is holding the line on expenditures. The proposed budget is a \$1,100 decrease from 2010. Overall employee insurance costs increased only 1.3%. The 2010 WWTU financials are just now available, so there has been no time to analyze budget to actual, but the expectation is that the 2010 expenses will be close to or lower than budget. The analysis will be reviewed with the Board when it is complete.

Schedule II, 5-year operating revenues and expenses, shows 2011 revenue that is similar to 2010 with these exceptions: Wastewater billings will be reduced by \$100,000, primarily due to Purdue leveling off usage since 2008. The other area adjusted is the fats, oil, and grease (FOG) processing charge to \$70,000 per year. The 2011 revenue budget is \$9,240,500. The 2011 expense budget reflects only inflation factors of 2% to 5% per year, as noted.

Schedule III reflects large projects in 2011 and 2012. The \$3.9 million for the Western Interceptor-Division IV Project in 2011 is the engineer's estimate. That number should be reduced when INDOT releases the line-item bid in February. Mr. Treat said that he had the project details for each of the categories by year, if the Board wants to see them. In 2012, there is a \$3 million capacity expansion for the Wastewater Utility Plant. The Plant has been at 90% capacity for a while. An engineering study is in process now, looking at cost-effective ways to make the changes at the plant, so that additional flows can be handled. When that analysis is complete, a more accurate number will replace the \$3 million, a preliminary engineering estimate. Remaining bond proceeds from the 2004 SRF Loan will be used to pay for a significant portion of the Western Interceptor-Division IV Project. At this time, there is no plan for additional new bonds. Five-year capital projects total about \$13 million now, but there will likely be things that come up that we cannot forecast today.

Schedule IV illustrates projected cash flows, with the revenues and expenditures shown from earlier schedules. This schedule shows the impact of capital expenses on cash balance in the Improvement Fund if no additional bonds are issued. At the end of the five-year period, if all the projects are done and no bonds are issued, approximately \$8.1 million would remain. Of that, nearly \$3.2 million is debt service reserve, because the City must have a year's worth of bond payments available. Additionally, about \$1 million must accumulate each year for the semi-annual bond payment. That leaves just under

\$4 million available as unrestricted. Of the unrestricted funds, the Clerk-Treasurer usually keeps a minimum of \$800,000 in the WWTU Operating Fund, because, by ordinance, at least two months of annual expenses are to be held. At the end of the five years, if there were no bond issue, about \$3.1 million would remain in the Improvement Fund. It is a management decision as to how much of a balance there is in that fund, since it is for emergencies in the Wastewater Utility, cash flow, and unforeseen projects. Most guidelines for replacements and unknown capital are based upon a percentage of capital assets, generally 2%, or what the annual depreciation expense provision is. For West Lafayette, that is about \$1.4 million per year. The other thing that the City uses these funds for is to temporarily loan to other funds, when tax draws lag. Otherwise, the City would have to borrow from a bank and pay interest. Having a balance available for temporary loans in the Improvement Fund is the only option, as reserve funds cannot be loaned. It is desirable to have \$2 million to \$2.5 million available for temporary loans.

Mr. Treat stated that the City needs to watch these balances, and every time there is a bid for a new project, to reassess what will be done and when. The decision to issue bonds should be reviewed regularly. Now interest rates are low, but no time is a good time to incur debt if you don't have to. The cash balances are strong. At the end of 2010, the cash balances increased a small amount. The bond coverage measure, the measure of pledged net revenues to debt service, will be over 160% in 2011. Even with inflation and no rate increases, it will probably still be 150% or close. The standard for that is 125%, so that is also strong.

Mayor Dennis thanked Mr. Treat and Wastewater Utility Director Henderson.

Mr. Marley moved that the request be approved. Ms. Stull seconded the motion.

Mr. Marley asked when a balance sheet would be provided. Mr. Treat answered that it would be provided when the 2010 report is complete. Mr. Marley said he was looking for the cash balances. Mr. Treat said the cash balance is about \$15.7 million, with both restricted and unrestricted funds.

Mr. Marley asked about annual debt service. Mr. Treat responded that the loan that is not completely drawn down was closed in 2004, and the WWTU has started principal payments on that. The interest is downsized to the outstanding loan balance. Mr. Marley noted that the debt service stays fairly level. Mr. Treat answered that that is so, and that there was wrapping of some of the later bonds. There will be some payoff, but there will not be much change. The oldest bond pays off in the next five years.

Mr. Marley asked if the bond underwriters have a covenant compliance certificate, which the City needs to complete, to make certain the City is in compliance. Mr. Treat answered that the WWTU compliance certificate is on continuing disclosure, and it requires a calculation of the coverage calculation. Mr. Marley asked if the goal is 125%. Mr. Treat answered that 125% is for SRF loans, and SRF does an ongoing review of that. Clerk-Treasurer Rhodes confirmed that SRF does an annual review of cash balances, bond and interest accounts, and debt service reserve accounts. Mr. Marley asked for confirmation that, if the City stays with the forecast, coverage will be okay, even though cash will spend down. Mr. Treat confirmed that.

Ms. Booker noted that the laboratory insurance budget decreased overall from 2010 to 2011, primarily from the lab manager's employee health insurance coverage, and asked

why. Wastewater Utility Director Henderson answered that the lab manager elected not to take the City medical coverage.

Ms. Booker asked the cause of the increase in the Plant Maintenance budget. Wastewater Utility Director Henderson responded that the WWTU has had a higher level of unexpected equipment replacement. Increasing the budgeted amount will cover that contingency.

Ms. Booker stated that, while there were some departments that had increases, overall it is very cost effective. Wastewater Utility Director Henderson responded that they try to hold costs, balancing the increases in one area with decreases in others.

Ms. Booker asked what a CSO monitor is. Mr. Henderson answered that the ADS contract approved last month [12.20.10] called for flow monitors at combined sewer overflow (CSO) points, so that there would be accurate measures to report to the State. He added that the public is notified when there are overflows.

The 2011 Wastewater Utility budget was approved.

e. Claims

- i. AP Docket \$116,032.70
- ii. AP Docket 92,155.57
- iii. PR Docket 328,576.30

Ms. Booker moved that the claims be approved. Ms. Stull seconded the motion.

Questions raised about individual claims by the Board were answered by department heads and Clerk-Treasurer Rhodes.

The motion was adopted.

f. Other Items

i. Parks Superintendent Payne announced that Friday at 7:00 p.m., the Dare to Bare event would occur at the Riverside Skating Center.

ii. Wastewater Utility Director Henderson reported that the food grinder is now operational, and Purdue has been bringing items that they were not able to bring before. The new standard operating procedure is being worked out, but things are going well. Mayor Dennis asked if the grinder is noisy. Mr. Henderson answered that they have noisier equipment at the Plant, that the grinder is quiet in comparison.

3. ADJOURNMENT

There being no further business to come before the Board, Marley moved that the meeting be adjourned, and Mayor Dennis adjourned the meeting.