

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

JANUARY 10, 2012
11:00 a.m.
City Hall Council Chambers

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

1. APPROVAL OF MINUTES

a. January 3, 2012, Meeting

Ms. Stull moved to accept the minutes of the January 3, 2012, Board of Works meeting. Mr. Marley seconded the motion. The motion was adopted.

2. NEW BUSINESS

a. Wastewater Utility Proposed 2012 Budget: O.W. Krohn & Associates, LLP – WWTU

Wastewater Utility Director Henderson distributed packets to the Board, copies of which had been received earlier.

Mayor Dennis introduced Mr. Jim Treat of O. W. Krohn & Associates, who reviewed the proposed 2012 Wastewater budget.

Mr. Treat said that the budget is similar to those of prior years. Overall, there is a 4.5% increase, \$195,000. On a \$4.6 million budget, this is a modest amount. Schedule I is the comparison of the 2012 proposed budget to the 2011 budget. 70% of the increase relates to salaries, wages, benefits, and insurance. The only new position is a portion of the IT Manager's salary, which is included in the Administration Wages category. The increase of about \$44,000 in Pollution Prevention is primarily in supplies, which is repairs and maintenance of equipment. Schedule II shows actual 2010 revenues and expenses, 2011 and 2012 budgets, and projected budgets for 2013 through 2016. The Operating Revenues are reduced in the 2012 budget, partly in the Wastewater User Fees and in FOG [fats, oils, and grease], which is still a developing enterprise. Recycling Sales revenue is up. The projected budgets show a conservative \$9,160,500 in Total Operating Revenues for 2013 through 2016. Schedule III is the five-year capital plan, which shows projects that the Board has heard about. The large projects in 2012, including the Soldiers Home Lift Station Project, are on the drawing board; the money will be spent. The North River Road Interceptor and the Western Interceptor Division IV are both done, but final payments are not made yet. The Western Interceptor Division V was bid and started in 2011; the amount shown in the 2012 budget is the net amount, the original budget less what has already been paid. The Cumberland Avenue Phase II Project, part of which is sewer relocation, has been bid and is ready to start. The \$625,000 shown is the Wastewater portion of that project. The CSO Long Term Control Plan Update is an ongoing process; the \$50,000 budget for 2012 is what is expected to be spent. Another item that does not have a clear starting point is the Purdue Research Park project, the lift station and the collection main extensions. These have been carried

on the capital plan and adjusted from year to year. They will not be started until there are new projects in the Research Park that need that capacity and need those lines. Half of the anticipated budget for these was included in the 2012 budget, in case they do begin in 2012. The Treatment Plant Improvements Capacity Expansion will improve the capacity of the Treatment Plant through addition of an aeration tank. That project has IDEM approval, so the budget for this will likely be spent this year. The Equipment line shows \$100,000 for 2012 and 2013, then goes to \$50,000 in subsequent years. The Clerk-Treasurer's Office will install new billing software that will allow for stormwater billing, in the event that that is needed. Sanitation and Pollution Prevention are the ongoing lease-purchase payments for recycling and trash trucks, street sweepers, vactors, etc. About \$11.8 million in capital projects have been identified. Schedule IV illustrates the projected cash flows, showing capital projects payments, which would be paid for with cash on hand. The Improvement Fund has about \$10.5 million, which has been maintained for quite a while. The assumption in Schedule IV is to use those funds to reinvest in the Utility for the benefit of the ratepayers and not issue additional debt until necessary. On that page is a summary that shows that, if the cash were spent on all the capital projects, the cash balance would be about \$8.1 million. A portion of that is the restricted debt service reserve fund requirement of \$3.2 million for bond and interest payments, with about \$1 million in that fund at year end. Additionally, about \$800,000, two months of projected expenses, is required. \$3.1 million would be left in the Improvement Fund, needed as a minimum balance, because those funds are used to make loans to the City, so that the City does not have to borrow funds for emergencies or due to lack of property tax distributions from the County.

Mayor Dennis thanked Mr. Treat and Wastewater Utility Director Henderson for their work. Philosophically, the City will spend some of its cash balances, in order to relieve the potential pressure on the citizens and ratepayers. However, there are some major projects planned, and tough decisions would need to be made.

Mr. Marley moved that the 2012 Wastewater Utility 2012 Budget be approved. Mr. Speaker seconded the motion.

Mr. Marley said he saw nothing in the budget that allowed for CSO expenditures in the next five years. Wastewater Utility Director Henderson answered that the Board approved a CSO Long Term Control plan, which was sent to IDEM for its review. There was not a much capital expenditure in the first five years in that plan. The first year is the post-construction monitoring of the impacts of the Western Interceptor, and minor improvements at the wet weather facility, which can be spent from the operating budget. Eventually, the new interceptor and the large expansion of the wet weather system will be done. Mr. Marley said that the forecast four years out shows that the cash would be diminished by more than 50% of today's total. He asked how a CSO project on the horizon would be funded. Mr. Marley said that debt capital prices are low now, and it may be advantageous to take advantage of that. Mr. Marley said that wastewater utilities have long-term horizons, not five years, but 10, 15, or 20 year or more horizons. He asked if it were possible to know how much these projects would cost and what financial position the Utility would be in when the projects start. Wastewater Utility Director Henderson answered that they have an idea of what projects will be coming, and it is time to discuss the larger projects and what the revenue requirements are. All the environmental services are packaged in the Utility. Questions to review are trash fees, stormwater fees, wastewater rates. Wastewater Utility Director Henderson said

this is why the budget looks ahead five years, to help determine what adjustments need to be made, and what cost projections are.

Mr. Marley asked Mr. Treat if there is any liquidity ratio that a municipality has to maintain or target. Mr. Treat answered that a municipality that is maintaining and not ready to go out to the market, the 125% of bond coverage is workable. If the desire is to go out to the open market, then coverage of 140% to 150% would be good. Rates are good now, but lenders are looking closely at the credits now. There is not a right answer, when to use cash, when to borrow, how long rates will remain low. Mr. Treat said that he sees nothing to indicate that rates would increase in the near term. While the Utility has decent bond coverage now, projections show that over time, if nothing is done, inflation eats away at the base. The City is not in a position where it has a lot of growth. At some point, it may be necessary to have an inflationary adjustment. That is something that would be reviewed. Mr. Henderson alluded to a cost of service study, which has not been done for years. Cost by customer class, cost of functions within the Utility, and other analyses would be done. Some of these will be looked at in 2012, not with the idea of increasing rates or revenue, but whether the current rates, costs, and services are fairly allocated.

Wastewater Utility Director Henderson said that the SRF (State Revolving Fund) rates last quarter and this quarter are 2.54% for our tier. Clerk-Treasurer Rhodes said that, as long as the City uses the Utility as a bank for the City, because of late property tax remittances from the County and because the Utility has the funds available, it is saving the City much more in interest expense than earnings might be. It is a prudent thing to do.

City Attorney Burns asked if the actual number of lift stations is increasing or decreasing. Wastewater Utility Director Henderson answered that there is one less. City Attorney Burns asked if this is a trend that is expected to continue. Wastewater Utility Director Henderson responded that there are two more scheduled to go off-line with the diversion of those flows into the Western Interceptor. That is by design. Mr. Burns observed that the cost of lift stations in the budget was expected to increase. Mr. Henderson said that those are maintenance costs, as it is important to keep things going properly while the capital improvements are planned for the Soldiers Home lift station, the Fairway Knolls lift station, and the Sheraton lift station. The lift station improvements at the Research Park have been on hold until development demands it.

Clerk-Treasurer Rhodes added to Mr. Marley's comments that Utility assets are very long-lived. The pipes put in the ground have a 50-year lifetime, and so as the City looks at the cost of money, the view is to the long term. The financing needs to match to the life of the asset. Clerk-Treasurer Rhodes' second point was that West Lafayette has a large portion of its population that lives here only a short time. If the cost of assets is not spread out over a longer time, it unfairly makes those who just happen to be here for three or four years pay the full cost. This is another reason why long-term financing makes sense for West Lafayette. The rates are historically low now. Wastewater Utility Director Henderson said that an illustration of Clerk-Treasurer Rhodes' point about the life of Utility assets is that the Windsor lift station, which was recently retired, was put online in 1963. Mr. Marley said, from a business standpoint, any time one can enter the arena at historically low levels of debt capital, it is not a bad place to enter. Again, long-term assets matched with long-term liabilities makes a lot of sense. The other point that Mr. Marley said he is used to is cash preservation, but that the Utility is a public entity

and there is a responsibility to ratepayers. Mayor Dennis said that is where the caution comes in, that people look at the balloon balance and they wonder how their rates are being used. Clerk-Treasurer Rhodes said that she could assure people that, at the end of 2012, the balance would look different.

Ms. Booker asked why the laboratory service contracts on Schedule I are increased by \$3,000. Wastewater Utility Director Henderson answered that there is a broad range of services that are part of that. Commonwealth Monitoring samples the Wabash River upstream and downstream, monitoring CSOs, as part of the ongoing characterization of receiving waters. This is part of the long-term control plan. Another item in that line are servicing of the laboratory water system, to provide ultra-pure water for laboratory analyses. There are several other laboratory service contracts in that budget line.

Ms. Booker asked why the pollution prevention system maintenance supplies increased by \$30,000. Wastewater Utility Director Henderson said that Street Commissioner Downey could go through the supplies category items. Clerk-Treasurer Rhodes said that the biggest expense is replacing the street sweeper brooms. Mr. Henderson add that Street Commissioner Downey is keeping the machines going, rather than replacing them, so that is a smaller increase in expense in this line item, instead of purchasing a new sweeper.

There was no additional discussion.

The motion was adopted.

b. Request to Bid 2012 Chemicals with the City of Lafayette – WWTU

Wastewater Utility Director Henderson explained that the City has partnered with the City of Lafayette on an online reverse auction for chemicals. Vendors who have been involved in the reverse auction have advised Mr. Rick Morrissey, Purchasing Manager for the City of Lafayette, that they are not interested in participating further in reverse auctions. Mr. Henderson said that he would still like to work with the City of Lafayette, to get the benefit of the combined volumes. He requested Board approval to allow the City to bid for 2012 chemicals with the City of Lafayette.

Ms. Booker moved that the request to bid 2012 chemicals with the City of Lafayette be approved. Mr. Speaker seconded the motion.

Mr. Speaker said he thought the partnership was a great thing, but asked if there was any negative to it. Wastewater Utility Director Henderson answered that there is no negative, that it benefits both municipalities to use the same chemicals.

The motion was adopted.

c. Request to Declare Items as Surplus – Fire

Interim Fire Chief Holder explained that the 12 portable radios, 12 antennas, 12 clips, and 24 batteries are not needed by the West Lafayette Fire Department. Former Fire Chief Drew had received an expression of interest from the Washington Township/Buck Creek Volunteer Fire Department to purchase these for \$18,000. The proceeds from the sale would be placed in a fund that the Department would use for additional hose.

Mayor Dennis asked how much hose could be purchased for \$18,000. Interim Fire Chief Holder answered that it would be quite a lot. He said the new hose would be about \$6,000 to \$7,000.

Mr. Marley moved that the items specified be declared surplus as requested by Interim Fire Chief Holder. Mr. Speaker seconded the motion. The motion was adopted.

d. Request to Increase Salaries for Two Positions – Mayor Dennis

Mayor Dennis referred to his earlier discussions about increasing two positions in the City. Human Resources Director Foster is being elevated to a department head. Her increase will be from \$1,934.69 to \$2,307.70 biweekly. Betina Cochran's salary will increase \$1,638.71 to \$1,807.70 biweekly, to recognize her responsibilities as the Mayor's Administrative Assistant. Both increases would be effective January 5, 2012.

Ms. Booker moved that the salaries of the Human Resources Director and the Mayor's Assistant be increased. Mr. Marley seconded the motion.

e. Revision to the City Personnel Manual Appendix 4 – Human Resources

Human Resources Director Foster explained that the Board previously approved the revisions to the City Personnel Manual. At the Council meeting, a Councilor suggested that Appendix 4, item I.B. be revised to read, "Failure to report all vehicular accidents immediately to the department head and to law enforcement as required by law including personal injury, and/or damage to equipment or vehicle: Discharge" [additions underlined]. The Council approved this amendment unanimously. This needs to be approved by the Board also.

Ms. Stull moved that the revision to Appendix 4 of the City Personnel Manual be approved. Mr. Marley seconded the motion.

Mr. Marley asked if "Discharge" meant the consequence of the action. Human Resources Director Foster answered that it did.

The motion was adopted.

f. Claims

- i. AP Docket \$ 581,878.89
- ii. AP Docket 305,000.00

Mr. Marley moved that the claims be approved. Mr. Speaker seconded the motion.

Questions raised about individual claims by the Board were answered by department heads.

The motion was adopted.

g. Informational Items

i. Project Payment List – WWTU

There were no comments or questions about the listing.

h. Other Items

i. City Engineer Buck requested that the Board approve a request to close Yeager Road, to install an 18-foot to 20-foot deep sewer, which will cross Yeager Road. The closure would begin at 8:00 p.m. on Friday, January 13, and reopen 8:00 a.m. on Saturday, January 14. Property managers and the businesses in the area have been notified of this event. The closure will be between the Ridgeway Apartments driveway and Northwestern Avenue.

A motion to approve the request was made by Ms. Stull. Mr. Marley seconded the motion.

City Engineer Buck said that if the work had to be done half at a time, it would probably take one and a half to two weeks. There is a lot of benefit to allowing the closure. The detour is not difficult, and it will be done more quickly and more safely than it would have otherwise.

Mayor Dennis asked if Police and Fire Departments were okay with the closure. Interim Chief Holder and Police Chief Dombkowski said they had no objections.

The motion was approved.

City Engineer Buck announced that the Tippecanoe County Commissioners have requested and would like to have a dedication of Lindberg Bridge later this month. The date is Thursday, January 26, at 10:00 a.m. The plaque is on the side of the bridge, and the beacon is working, so the crosswalk is functional. The work is complete.

ii. Parks Superintendent Payne said it would be a great afternoon to be in the parks.

3. ADJOURNMENT

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