

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

MARCH 11, 2014
8:30 a.m.
West Lafayette Public Library
Elm Room

Members present were Sana G. Booker, Shawn R. Little, Bradley W. Marley, and Jonathan C. Speaker. Mayor Dennis presided.

1. APPROVAL OF MINUTES

a. March 4, 2014, Meeting

Mr. Marley moved to accept the minutes of the March 4, 2014, Board of Works meeting. Ms. Little seconded the motion.

The motion was adopted.

2. NEW BUSINESS

a. Elevation: Equipment Mechanic – Joe Heater – Fire

Deputy Fire Chief Schutter requested approval to elevate Joe Heater to equipment mechanic effective March 15, 2014, with a bi-weekly salary of \$2,135.65. In response to questions from Mayor Dennis, Deputy Chief Schutter stated that Mr. Heater has a mechanical background and he confirmed that this position allows us to do as much mechanic work as we can in-house.

Mr. Marley moved that the elevation of Joe Heater to equipment mechanic be approved. Ms. Booker seconded the motion.

The motion was adopted.

b. Declare Item Surplus: Weapon – Police

Police Chief Dombkowski requested approval to declare a service weapon (Serial #69LLM301) as surplus and transfer the ownership to Captain John T. Walker who is retiring after 20 years of law enforcement service. Chief Dombkowski explained that this action is by policy and is a customary across the country. He noted that federal law allows the weapon to be carried in any state if certifications are maintained.

Ms. Little moved that the service weapon be declared as surplus. Mr. Speaker seconded the motion.

The motion was adopted.

c. Agreement: Professional Services – 2014 CDBG Action Plan – City Consultants and Research, LLC – Development

Director of Development Poole requested approval of an agreement with City Consultants and Research, LLC for the annual Community Development Block Grant (CDBG) Action Plan. The agreement is not to exceed \$1,915, which Director Poole

noted is only \$5 more than the 2013 agreement. It is paid out of the CDBG administrative funds.

Mr. Marley moved that the 2014 CDBG Action Plan agreement be approved. Ms. Little seconded the motion.

The motion was adopted.

d. Plans: Happy Hollow Road Reconstruction – INDOT – Engineering

Public Works Director Buck explained that plans are complete for the Happy Hollow Road Reconstruction project and other documents will be completed by the end of the month and submitted for tracings. These documents include the fully complete set of drawings, specifications, and special provisions which are required to turn in a project as complete for federal aid. The INDOT bid date will be July 7. He requested that the Board approve and sign the plan title sheet to be included as a part of that submittal.

Mayor Dennis asked Director Buck to explain what a tracing is for the education of the Board.

Director Buck explained that it is an old term from when transparent Mylar was used and blueprints were made from tracings. Today it is done digitally and submitted electronically, but the term *tracings* is still used for the final submittal.

Mr. Marley moved that plans for the Happy Hollow Road Reconstruction project be approved. Mr. Speaker seconded the motion.

Mr. Marley asked if there would be a pedestrian trail and where it would be located.

Director Buck responded that the trail would be located primarily on the west side of the road. Starting at the new parking lot at the bottom of the hill, it goes along the west side up the hill, and across the numerous cul-de-sacs to Chippewa Street. Then there will be a mid-block crossing with a flashing beacon and the trail will go up the east side in front of the Tower of Ivory and connect to the sidewalk on the east side of the Soldier's Home bridge across US 52. He expects that it will be heavily used.

The motion was adopted.

e. 2012 SRF Loan Disbursement Request No. 36: North Side Regional Lift Station – Greeley & Hansen – WWTU

WWTU Director Henderson requested approval of 2012 SRF Loan Disbursement Request No. 36 to Greeley & Hansen in the amount of \$12,553.

Ms. Little moved that the 2012 SRF Loan Disbursement Request No. 36 be approved. Ms. Booker seconded the motion.

The motion was adopted.

f. 2012 SRF Loan Disbursement Request No. 376: North Side Regional Lift Station – RL Turner Corporation – WWTU

WWTU Director Henderson requested approval of 2012 SRF Loan Disbursement Request No. 37 to RL Turner Corporation in the amount of \$480,659. He stated that RL Turner's current schedule promises completion by the end of May.

Mr. Speaker moved that the 2012 SRF Loan Disbursement Request No. 37 be approved. Mr. Marley seconded the motion.

The motion was adopted.

g. 2014 Proposed Budget – WWTU

Director Henderson introduced Jim Treat of O.W. Krohn & Associates to present the 2014 proposed WWTU budget.

Mr. Treat explained that he would highlight significant items for this year. He stated that the purpose of this presentation is to not only formalize and establish the WWTU operating budget for 2014, but also to update the 5-year projection of the revenues, expenses, capital plan, and cash flow. Mr. Treat asked the Board to follow along with him in the budget packet, beginning with Schedule I. He explained that Schedule I is a comparison of the operating budget with expense line items from the 2013 budget to 2014 budget. There have been changes this year to the financial reporting which reflects how the new accounting system will work. This will be seen going forward in the monthly reports and how the budget is presented. One change is that Plant Maintenance and Laboratory used to be separate items, but they are now combined with Treatment Plant Operation. There also used to be an Undistributed Expense category, which included property and liability insurance and worker's compensation insurance. Those areas are now being allocated to Treatment Plant, Storm Water, and Sanitation where the costs relate. In the detailed line items, there is conformation to a more City-wide chart of accounts. A lot of the detail expenses that used to be presented are now grouped under Supplies or Services and Other Charges.

Clerk-Treasurer Rhodes stated that to put that into context, when the new accounting system goes live the Board will have access to the detail for the WWTU. The summary presentation here does aggregate a number of categories, but the Board will find more detail at the departmental level and at the item level than have been there before. It is expected that access to this will be available in late May. She stated that while the presentation here seems to be more summarized, we have actually created more departments to give more detail into the various aspects of the Utility operation.

Mr. Treat provided an example within Collection System, stating that it will be segregating for wages, benefits, operating expenses, collection system operations, and maintenance costs. These items were not looked at as separate functions before.

Clerk-Treasurer Rhodes stated that this conforms to the State Board of Accounts and the National Utility Regulatory Commission requirements.

Mr. Treat stated that when looking at the total operating expenses, this proposed budget is a total of \$5.1 million, which compares to the prior year's budget of \$4.8 million. It is an increase of approximately \$285,000, which is under a 6% increase. This is consistent with what we have seen the last several years in the Utility. A significant portion of that amount, approximately \$190,000, is strictly related to wages and benefit increases. We have the across-the-board increase in wages of 2%, as the City used in its salary ordinance for this year. The City is absorbing the increases in insurance premiums, so that is a significant increase in this category. He stated that the only change for 2014 is that there is a new IT position of which the Utility will pay a portion. In terms of the categories, some of the numbers look like they have changed a lot, but

most of the changes are actually reallocations to conform with the new presentation. There were some true decreases that Mr. Treat highlighted under Treatment Plant. The Bulk Chemicals budget is lowered by \$10,000. Sludge Removal costs are down \$25,000 based on actual experience. Utilities looks like it went down, but it did not. He explained that there is a 6% electric rate increase factored in, but the power to lift stations is now broken out and is included in the Collection System category instead of lumped in Utilities. One notable increase in Treatment Plant is the reallocation of insurance costs, which added approximately \$25,000 to Services and Other Charges. It is not a new expense, just a reallocation, though insurance costs did increase by approximately \$21,000. Mr. Treat stated that Collection System appears to have the biggest increase; most of that is in wages and benefits, but he emphasized that these are not new positions. It is from taking a closer look at what employees are responsible for, and putting 50% of certain salaries into Collection System Maintenance or Collection System Operations based on actual responsibilities. He stated that the only true increase under Collection System Services and Other Charges for CSO monitoring and lift station maintenance. Sanitation increased by approximately \$50,000, mostly in wages and benefits including a one-time change in the base salaries for drivers, collectors, and processors to get those salaries to a minimum level. Storm Water changes include picking up approximately \$12,000 in insurance allocation. Another change was to allocate 10% of the Utility billing time and accounting time in the Clerk-Treasurer's Office directly to Storm Water function because the new process of billing storm water is a completely different process. There is a different set of customers, and a database that needs to be maintained based on property ownership. Mr. Treat stated that Customer Accounts was basically flat after the transfer of wages to Storm Water. In Administration and General, the decrease shown is related to the transfer of wages to Collection System. Mr. Treat stated that is overall where we are at on the overall operating system costs. He moved on to speak on the overall revenues, expenses, and capital plan. In regards to Operating Revenues, because a conservative view is taken without factoring in growth, the only changes are within Sanitation trash fees and storm water fees. The monthly trash fee was increased last year, and we had a half year of that increase in 2013. This year we have a full year of that, and the numbers are based on what was actually billed in the last six months. Storm water fees started in 2014, with a month or so of billing experience, so we want to get a better track record before the numbers are firmed up. Right now an estimate was used for 2014 of \$1.3 million. He reminded the Board that the storm water fees are based on Equivalent Residential Units (ERU), at \$8 a month per ERU. Based on the identified ERUs, we will probably be billing closer to the \$1.4 million as projected for 2016. He chose to phase that in over a couple of years due to the billing being new with potential collection delays. He hopes that there is growth in that area by 2016.

Mayor Dennis noted that there are a lot of issues we are still working out with the billing and it will take a while to settle and be more predictable.

Mr. Treat stated that in terms of Operating Expenses, the old and new categories are listed. He stated that there are straightforward inflation adjustments by category for the projections for the increases from year to year. Net operating revenues, less expenses, are approximately \$5.7 million per year. Looking at the Capital Plan there are three big items. There is approximately \$1.7 million left in the budget for the North Side Regional Lift station project, which is primarily funded by the 1.5% loan proceeds from the 2012 State Revolving Fund (SRF) Loan Program. Also under Lift Station are the planned replacements of the Sheraton Lift Station and the Fairway Knoll Lift Station. That budget

is approximately \$2 million. The City applied for SRF funding for that and it has been preliminarily ranked, but we have not been assured of any funds. At this point we will wait on those projects until we can get low-interest rate funding from SRF. It may be later this year or may be deferred a bit. Under Collection System, the big item is the big item is the Cumberland Avenue Sewer Extension project. He explained that the Council just gave approval to do an open-market bond issue for a total amount of \$4 million which will fund that project. It will also cover the other big project of Phase I Nutrient Removal, which is the improved monitoring and reduction of phosphorus as required by the Environmental Protection Agency (EPA). Mr. Treat stated that now that we have the storm water fee, there are several projects listed that will be funded by those fees. Equipment includes vehicles, sanitation trucks, and leaf removal equipment, as well as the billing software costs. He stated that in total it looks like we are talking about \$14.5 million in potential capital projects over the next 5 years, but approximately \$7.5 million will be done with new bonds and approximately \$7 million with our improvement funds and storm water funds. He stated that the last page [Schedule IV] shows how all of those numbers come together with everything factored in. With the Operating Revenues and Expenses already talked about, along with some Non Operating Revenues, the Pledged Revenues, which include Paying in Lieu of Taxes to the City, all debt payments, and the Capital Plan, is at approximately \$5.8 million. He explained that the Debt Service number includes all of existing bonds, and for the existing bonds that is approximately \$3,150,000 per year. Mr. Treat stated that he factored in a half year on the new bonds for 2014 and a full year starting in 2015, which he estimated high at \$380,000. The SRF bond, if that is done, for the lift station projects is estimated at \$130,000. He stated that this page shows the overall projected balances going forward, including the bond coverage. It shows that with all of our existing debt, even if we issue another \$6 million in debt, we can incorporate all of those payments and still have a good strong coverage ratio between 150% and 170%.

Mayor Dennis asked Mr. Treat to state the legal obligation for the coverage ratio.

Mr. Treat responded that a coverage ratio of 125% is what we are obligated to keep. He pointed out there is a table showing the allocation of the \$11 million cash balance at the end of 2018. He stated in the last two years, 2012 and 2013, the Improvement Fund spent quite a bit of money on storm water projects. As the storm water revenues build up in that fund, because this revenue is tracked separately, reimbursement to the Improvement Fund has been incorporated into this 5-year period. It will put the Improvement Fund close to the same amount as it was at the end of 2013, at approximately \$4.8 million. He stated that there will be some ups and down, but the hope is to not dip into the Improvement Fund much more because it is at the level we need to keep it for things such as unknown projects and loans to the City. He stated that overall this shows that the Utility is in good shape. It can fund the projects that are needed for now. One project not needed is a Combined Sewer Overflow (CSO) project. The required long-term control plan CSO projects will start to kick in for 2018 and 2019. It will be studied more as we get closer to that to see what it really takes to fund those.

Mayor Dennis stated that with all of the revenue that is coming and going out of this account, it seems strange that we are making progress in regards to compliance, but the revenue requirements increase so much each year. Whether through personnel costs or mandatory obligations from the State, nobody has a crystal ball to let us know when that will stabilize. So each and every year we must approach this analytically to see what we can do. The obligations on the part of local government will always go up.

Mr. Marley asked about a ballpark figure of the current prevailing rates for the new bond payments.

Mr. Treat responded that they are good today. From his experience from geo-bonds O.W. Krohn did in January and February, for a 10- or 11-year bond the rates were under 3% in the open market. It is very competitive. He noted that he uses 4.5% in his calculations to make sure it is never caught short. He stated that we will be going out over the next month to market those bonds, primarily to the local and regional banks, which is where the best bids are coming from right now.

Mr. Marley asked what the rating is right now.

Clerk-Treasurer Rhodes responded that the rating for the City is AA.

Mr. Treat stated that the Utility does not have a separate rating because most of the Wastewater debt has been done through SRF which does not require rating.

Mr. Marley stated that this means it will be competitive, and he is glad to hear that Mr. Treat say 4.5% because the propensity for rates to go up is higher than the rates going down.

Mr. Treat confirmed this, and stated that since the rates dropped so much in February he assumes they will go up again. Because of this, the Council supported moving the bond schedule up and approving the ordinance in one meeting to hopefully catch the current of this downward trend. If it goes back up, we should be out there before it goes up too far.

Mr. Marley moved that the 2014 proposed WWTU budget be approved. Mr. Speaker seconded the motion.

The motion was adopted.

h. Agreement: Tree Replacements – Western Sanitary Sewer Interceptor, Division II – Custom Cuts Lawn Care, Inc. – WWTU

Director Henderson requested approval of the agreement with Custom Cuts Lawn Care, Inc. for the Tree Replacements project for the Western Sanitary Sewer Interceptor, Division II. The agreement is in the amount of \$183,142.31, which was the low bid for the project and was approved by the Board on March 4, 2014.

Ms. Booker moved that the tree replacements agreement for the Western Sanitary Sewer Interceptor, Division II project be approved. Mr. Marley seconded the motion.

The motion was adopted.

i. Claims

i.	AP Docket	\$195,638.77
ii.	AP Docket	\$180,916.66
iii.	PR Docket	\$355,298.28

Ms. Little moved that the claims be approved. Mr. Marley seconded the motion.

Questions raised about individual claims by the Board were answered by WWTU Director Henderson and Clerk-Treasurer Rhodes.

The motion was adopted.

j. Informational Items

- i. Engagement Letter: Legal Services/Accounting Services – IURC Rate Case – Legal
There were no questions or comments.
- ii. Legal Budget & Expenses – Clerk-Treasurer
There were no questions or comments about the listing.

k. Other Items

► Mayor Dennis thanked Deputy Police Chief Leroux again for his work in the relocations out of the City Hall building.

► Street Commissioner Downey reported that he is awaiting the new snow storm. He said it will not stay long, but because it is a wet snow it will cause it to roll into large balls while plowing which will come off the plow in various places, including driveways.

► Director Henderson stated that because it is March, it is time for public notification for the WWTU. Per the Indiana Department of Environmental Management's (IDEM) rules and regulations, we reach out to our citizens to remind them that if they would like to be notified in the event of a combined sewer overflow, such as when it rains or the snow melts, there is an email signup for those notifications via our website. We have run ads in the newspaper and mentioning it at public meetings. There are 72 active email addresses right now.

► Director Poole reported that March 13 from 11:30 a.m. to 1:00 p.m. is the last session for the State Street Master Plan held on the Purdue campus. Another meeting is that same evening from 5:30 to 7:00 p.m. in the West Lafayette Public Library.

Mayor Dennis stated that he likes that initial decisions were different from what the proposed finished product will be after guidance from department heads and public input, showing the public process never hurts.

► Engineering Assistant Anderson stated that construction season is coming. He reported that Miller Pipeline is at the intersection of North Street and Chauncey Avenue doing sewer inspection to prepare for another year of gas main replacement. There are plans to replace the gas main on Columbia Street, doing some work on North Street, and there is another gas leak at Lincoln and Rose Streets. These are areas that have old bare cast steel that is low-pressure. With the deep freeze that we had this before, the frozen ground has caused low leaks. He encouraged people to call in reports if they smell anything. As the ground starts to thaw it will start to come up through the ground. He clarified that a low leak means it is low pressure, or a small trickle that is enough to light a furnace. Most of the newer lines are medium to high pressure making it easier to know when there is a leak. He explained that the Fire Department would say that low pressure is the most dangerous because it does not get away from you, while with high pressure the flame would be way up in the air. He explained that these inspections are to prevent running a gas line into the sewer system.

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Mayor Dennis stated that last year we had a lot of success in presenting projects for the construction season and including alternative routes. He asked Mr. Anderson and Director Buck to do that again, and they confirmed that it would be done.

Mr. Anderson stated that they are currently working with Purdue, and hope to have a map by the end of the month with our map, Purdue's map, and the public utility maps that show upcoming projects.

Mayor Dennis stated that he wants to show the media what we will be doing because it will be a big year in terms of inconvenience.

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.