

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

January 29, 2013
8:30 a.m.
City Hall Council Chambers

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

1. APPROVAL OF MINUTES

a. January 22, 2013, Meeting

Ms. Stull moved to accept the minutes of the January 22, 2013, Board of Works meeting. Mr. Marley seconded the motion.

The motion was adopted.

2. NEW BUSINESS

a. Agreement: Axis Architecture – City Facilities Analysis - Development

Director of Development Poole requested approval for an agreement with Axis Architecture to do an analysis of the City facilities. He stated that there are a number of departments moving around within the facilities that we have, and we need to make sure the space is being used wisely and efficiently. The not to exceed amount is \$38,000.

Mr. Marley moved that the agreement with Axis Architecture be approved. Ms. Stull seconded the motion.

The motion was adopted.

b. Change Order No. 2: Aeration Tank Addition – Thieneman Construction, Inc. – WWTU

WWTU Director Henderson requested approval for Change Order No. 2 with Thieneman Construction, Inc. on the Aeration Tank Addition project. This is a deduct of \$6,580.42, and an additional 16 days. The new contract amount is \$1,258,453.58. He stated that there are several items and offered to go over any questions.

Mayor Dennis stated that he had gone over this in detail with WWTU Director Henderson.

Mr. Marley moved that Change Order No. 2 for the Aeration Tank Addition project be approved. Ms. Stull seconded the motion.

The motion was adopted.

c. 2013 Proposed Budget – WWTU

WWTU Director Henderson stated that Jim Treat has been instrumental in helping guide the Utility as operational objectives have been achieved. He stated that the proposed budget for 2013 is an overall increase, most of which is contained within wages, insurance, and benefits.

Mayor Dennis asked what the overall increase is, by percentage.

Jim Treat (O.W. Krohn & Associates) responded that the increase is approximately \$290,000, which is approximately 6.5%. He stated that 90% of that increase is in wages, insurance, and benefits. There was a 2% wage increase, and the health and other benefits that increased paid for by the Utility are incorporated. There were not big changes in the employee base. The Utility will be paying for a portion of a new Information Technology Systems Administrator, and there needs to be two additional full-time employees in the Street and Sanitation Department. He stated the Collection System went down. The biggest change in terms of increased budget was an approximately \$75,000 increase in Administration, listed under Schedule I, most of which is from wage and benefits, with tweaks to a few other items. He stated that most items are consistent with this, but there are a couple of exceptions. Under Plant Operations, there are other increases including approximately \$12,000 increase to Utilities. This reflects a 6% increase in the electric rates that the Utility is paying. The other larger increase is in land application, from \$210,000 to \$250,000. That number varies a lot from year to year, depending on weather and how wet it is.

Mayor Dennis confirmed with the Board that they were clear on what land application is, as they had gone through it before.

Mr. Treat stated that \$290,000 was actually spent in land application in 2012. He then explained the increased in Sanitation, stating that what it takes to provide the great services in trash pick-up, yard waste, and recycling will require a staffing increase. The budget increase is from approximately \$690,000 to approximately \$819,000. He stated that there were also increases to liability and workers compensation insurance. The budget allows for a 10% increase in the liability insurance and 5% in workers compensation. The new premiums now available are a bit higher than that, but the approximate \$5,000 variance from what was budgeted can be made up in other areas. Mr. Treat began explaining Schedule II by stating that this looks at a five-year projection instead of just the current year, and includes the revenue side of things. He stated that there are two areas where the need for rate increases has been studied for some time. Those areas are the trash fees, which have not been changed since 1992, and a new stormwater fee, which has been under discussion for the last year or so. He stated that it was good to input those fees and see what they support and how the cash flows come out, although those fees are still under consideration. He stated that Sanitation shows an increase in both 2013 and 2014. It assumes increasing the monthly fees from \$9 to \$16 for half of 2013 and the full year of 2014. Looking at the costs, that fee is justified. On a full-year basis, this is approximately \$370,000 more for the Utility, so those services are no longer subsidized by the sewer fees. The stormwater fees are assumed to start in 2014 at the proposed amount of \$8 per ERU per month. He stated that in the projected operating expenses, inflation adjustments are done to the 2013 budget operating expenses to show what will happen over the next five years. Additional costs were added for labor to include the two full-time employees, and for stormwater activity currently subsidized by the Utility. The added stormwater costs are approximately

\$150,000 per year for additional system maintenance to the stormwater and drainage systems that cannot be done right now with the current rate. Mr. Treat stated that there are additional capital requirements, which also makes consideration of these fees very important. He then highlighted the capital items under Schedule III. The large projects that began last year and will wrap this year include the Purdue Research Park Regional Lift Station project, which is approximately a \$4.4 million project, mostly funded by the State Revolving Fund (SRF) Loan Program with an interest rate of 1.5%. Other projects include the Soldiers Home Lift Station at approximately \$780,000, and the Capacity Expansion at approximately \$1.65 million. Future projects include replacing the Sheraton Lift Station and Fairway Knoll Lift Station, a Western Interceptor Tree Replacement project, and the Cumberland Avenue Sewer Extension project. The Cumberland Avenue Sewer Extension project goes with the extension of the roadway to U.S. Route 231 and will facilitate development in the area. It is roughly estimated to be a \$3 million project. There is also a Wet Weather Facility Improvement project, which starts the long term control plan projects, which is approximately \$1 million. Mr. Treat stated that a new section listed is the Stormwater and Drainage projects, which in the past has been mixed in, but it is quite an obligation for the Utility. For example, in 2012 the Utility has paid roughly \$750,000 for the Yeager Road Phase II and Cumberland Avenue Phase II projects, and there will be more to wrap those up this year. There are three more similar projects in which the Utility will be sharing costs. If the costs between those five projects are added, it is approximately \$2 million that the WWTU is subsidizing without a stormwater fee. He stated that it is critical for that fee to go forward, because the Utility cannot continue to do that and the other long-term sewer projects. He stated that under Equipment, the SRF Green Program is listed separately because those two pieces of equipment are being paid for with the SRF loan money. Under Sanitation, approximately \$200,000 is needed for replacement of trash trucks. This year there is special money for a pilot program on recycling and recycling containers for residents. There are a lot of ongoing needs there. The projects total approximately \$9.8 million, which cannot all be funded with the Improvement Fund. Mr. Treat then discussed the net operating revenues from year to year. The numbers from revenues and expenses, nonoperating revenue, a little bit of interest income, and the TAP fees gives the total pledged net revenues. Those are the amounts available for the projects, reserves, for payment in lieu of taxes for the City, and debt payments. He stated that the debt payments include the 2012 SRF loan, but a wrap-around structure was negotiated so that the debt service would not have to be increased much, which helps to delay needing rate increases on the sewer side. Mr. Treat stated that over the next two years, we are still looking at using approximately \$4.5 million in cash, and that is will the new fees assumed as revenue. If we do not have those new fees, the projects will need to be re-examined and likely deferred or not done. He stated that there is a true need for those fees. He stated there is good bond coverage, an important financial strength measurement for the Utility, especially if the revenues go back up. At the end of the five-year period, the cash balance does not go down, it stays at approximately \$10.5 million. That is everything. Approximately \$5 million is debt funds for debt service reserve and six months of bond payments saved up, so there really is not that much extra. There is maybe approximately \$5.1 million remaining in the Improvement fund at the end of the five years, if the new fees are done. He stated that this will definitely be needed as there will be more stormwater projects, and there will be large projects in the long-term control plan through 2019, as recently approved by the Indiana Department of Environmental Management (IDEM). So, the more money we can build up in the next three to five years, the less of a strain it will be for the Utility for those large projects.

Ms. Booker asked about the insurance amount going down under Pollution Prevention on the last page of Schedule I, although employee wages and benefits increased.

Clerk-Treasurer Rhodes explained that this is related to employee selection of insurance benefits for the coming year.

Mr. Treat further explained that there is a big difference between single, spouse, or family coverage.

Clerk-Treasurer Rhodes stated that with a relatively small number of employees, any switching can cause a relatively large change in the total.

Mr. Marley stated that from his experience with business finance, capital expenditures and debt coverage ratio are accounted for, and he questioned why it was not shown on Schedule IV. He stated that it shows that the bond coverage is based upon the total pledged net revenues over the annual debt service, so if money is spent on capital expenditures, it is not shown.

Mr. Treat responded that the schedule is primarily showing cash flow, and then the bond coverage revenues are shown at the bottom. Bond coverage is based on the net revenues, which is the total pledged net revenues line divided by debt service. He explained that he is trying to do a lot of things on one schedule, which may not be as clear.

Mr. Marley stated that he sees the footnote stating that. He wanted to point out that the reserves are being spent down in this cash flow in order to handle the capital expenditures to be made, and that if we do not get the trash fee increases and the stormwater fee, we will be operating at a deficit going forward.

Mayor Dennis stated that we have all been made acutely aware of the fact that cash reserves are hard to build up, so we do not want to go deep into pulling those out. He complemented Mr. Treat and WWTU Director Henderson on their outstanding job. He pointed out that the overall increase is predominately because of the human factor and adding staff which are essential. He recognized Street Commissioner Downey on an amazing job in trying to get our citizens the best service possible with the number of staff that we have. We have increased service over the past five years. We have increased recycling and provided more awareness programs. In order to maintain that high level of service it is essential that we get the appropriate staffing to do so. Also, with this budget, it is understood that there are certain unfunded obligations that we have as well. Cities throughout the country are carrying a greater burden for making sure that what comes from our citizenry and ends up in waterways is treated appropriately. Ways to do that are always evolving and we need to be as agile as we can, and as responsible as we can with our citizen's money. He stated that this budget reflects that. Mayor Dennis gave credit to WWTU Director Henderson and Mr. Treat for a good sound budget, as well to Clerk-Treasurer Rhodes for making sure the budget is on target.

Ms. Booker moved that the WWTU 2013 Proposed Budget be approved. Ms. Stull seconded the motion.

The motion was adopted.

d. Claims

i.	AP Docket	\$224,659.75
ii.	AP Docket	\$170,617.16
iii.	AP Docket	\$88.00
iv.	PR Docket	\$341,650.94

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

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

The motion was adopted.

g. Informational Items

- i. Project Payment List – WWTU
There were no questions or comments about the listing.
- ii. Legal Budget & Expenses – Clerk-Treasurer
There were no questions or comments about the listing.

h. Other Items

- ▶ Fire Chief Heath stated that Fire Station No. 3 is officially in use.

- ▶ Councilor Burch stated that the Pre-Council meeting is Thursday at 4:30 p.m., and Council is on Monday, February 4 at 6:30 p.m.

Mayor Dennis stated that the Council meeting includes the City Summit with the State of the City Address and the Volunteer Recognition Awards.

Clerk-Treasurer Rhodes added that there will also be a final vote Ordinance No. 34-12, the stormwater fee ordinance.

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.