

**THE COMMON COUNCIL OF THE CIVIL CITY OF NEW ALBANY, INDIANA,
HELD A COUNCIL WORK SESSION IN THE THIRD FLOOR ASSEMBLY
ROOM OF THE CITY/COUNTY BUILDING ON THURSDAY, JUNE 16, 2016 AT
6:00 P.M.**

The meeting of the **New Albany City Council** was called to order by Mr. McLaughlin at 6:00 p.m.

PRESENT: Council Members, Mr. Coffey, Mr. Caesar, Mr. Phipps, Mr. Blair, Mr. Aebersold, Mr. Barksdale and President McLaughlin. Mr. Nash and Dr. Knable were not present.

OTHERS PRESENT: Mr. Lorch, Mr. Wilkinson, Mr. McCormick, Mrs. Moeller, Officer Davidson and Mrs. Glotzbach

Mr. Wilkinson stated that he would like Mr. McCormick to walk through the financial numbers in his reports first and then he will go through the operations of the plant, the relining project, and operations.

Mark McCormick stated that he is a partner of Rodefer Moss and they do the accounting for the sewer utility. He explained that they get the receipts and disbursements every month and post those as well as reconcile the bank accounts and create the financial reports. He went through the report and discussed the information that is presented each month. He explained that they break out the sewer utility and sanitation as two separate line items because the funds that are collected for sanitation and storm water is collected through the utility account and then it is transferred out. He stated that each report includes a summary of the sewer side and through three months this year the revenue is at \$3,088,000.00 vs the budget of \$3,592,000.00 and the biggest drop was in the sewage fees which is about \$500,000.00 off budget. He discussed the expense side and stated that the budget was \$3,886,000.00 and the actual was \$3,941,000.00, which is a net loss of \$852,000.00. He went over the non-sewer revenue and transfers and stated that is something they track. He discussed the cash balances that are available and went over what is involved in the reporting of these numbers and what it is included. He stated that they have done the sewer fund for quite a few years but from a cash position it is probably about the strongest it has been. He explained that there are three main operating accounts that include two at Main Source and one at Your Community Bank and they include the bank reconciliations with the reports each month. He stated that on the last page of the report they also include the wastewater general ledger and if they would like to see the numbers for the entire year that is something they could do.

Mr. Blair asked if they could get the information by line item.

Mr. McCormick stated that he would email it to him.

Mr. Caesar stated that they keep seeing these balances come down and he would think that there is some strong history there and asked why that can't be calculated more accurately.

Mr. McCormick stated that he is not involved in the budget process so Mr. Wilkinson may be the one to ask. He explained that they can't predict everything that is going to happen and when something does happen that wasn't planned it can lead to the line items being off. He stated that many of the big costs go to the future projects and they have to make sure they are in compliance so that they don't get back to the state that they were in years ago.

Mr. Caesar stated that he just doesn't want to be there again.

Mr. McCormick stated that that they also have to consider that costs go up so a rate increase or cost of living increase may be necessary.

Mr. Wilkinson stated that he is going to go through the different departments systematically and passed photos around for the council to review. He gave a quick history of utility starting with 2009 when things weren't going so well which lead to starting the process to get the rate increase. He explained that in 2010 they received a loan from SRF for specific projects that included relining equipment purchasing and a requirement of that loan was that they would have to run the collection system and take care of any EPA large capital projects out of cash flow. He stated that this began the buildup of the balance. He explained that they spent the first year getting their accounts paid up and straightening out the bonds. He stated that the blue book shows the bills that were owed at the time of the rate increase and the documents will gradually show how they walked out of that with the capital projects and with the purchase of the lining equipment. He explained that they had a \$350,000.00 obligation that they were supposed to get from Georgetown and a lawsuit that was around \$400,000.00 and they cleared both of those items in the same year. He stated that the EMC contract ended in December of 2012 and at that time they only took half of the EDIT and TIF money that had previously been utilized by the sewer department for assistance, and it was the last year that they used that money. He explained that some interesting things are developing gradually with the relining operation. He stated that they have 207 miles of clay pipe in the city and to date they had lined 12 miles, which means that in 55 years they will have completely relined the city. He explained that what they will do for the city is save \$48 per lineal foot and anywhere that is paved you could add another \$100 a foot, which could equal savings of almost \$1M a year.

Mr. Caesar asked if the pipes include those going into residents houses.

Mr. Wilkinson stated that is correct. He explained that any activity in the department is going to result in a large number because they can't do any project without it being at least \$1M and all these money saving efforts will pay off. He discussed the photos that were passed around and the correlating projects and stated that they have to present each project to the EPA and they have to approve it before they move on to the engineering. He touched on the bonds and explained that he takes the info out of the Crowe Horwath report to get those numbers. He stated that in 2010 they had about \$75M outstanding in bonds and today they are down to \$42M and they will be totally paid off in 8 years. He stated that in 2007 the Consent Decree memorandum of understanding was 11 pages long with 75 locations where violations were occurring and today they are down to 15. He explained that they have four projects that are in process right now that includes McLean Lift Station, Grant Line Road Lift Station and they have the engineering definitions done for Old Vincennes Lift Station. He stated that they did an analysis of current operations to see if they need TIF and EDIT assistance and now they need to get a rate study so they know where they are.

Mr. Blair stated that he mentioned that they are online to get those projects done and he went through the list and it says \$7.3M estimated for the projects yet they only have \$5M in the account that can be used for it. He explained that when he looks at five year plan based on where we are financially there is no way they can cover it with the current revenue stream they have coming in.

Mr. Wilkinson stated that the only thing they have to cover is about \$5M because several of projects are already paid for. He explained that they have sufficient funds to do all of the projects in the five-year plan.

Mr. Blair stated that he disagrees based on what he sees and where they are. He explained that revenue is \$2.2M less than it was five years ago and stated that it is critical to find out what has happened with this.

Mr. Wilkinson stated that the revenue has pretty much flat lined for the last four years.

Mr. Blair stated that he can show on the reports with numbers provided that we are down in revenue in the amount of \$2.2M.

Mr. Wilkinson asked where are we going to go with that.

Mr. Blair stated that he would like to know why revenue is declining.

Mr. Wilkinson stated that he can't tell him in 2011 where the money was coming from.

Mr. Blair asked about 2012 and stated that it was \$15.6M and is now \$14.2M.

Mr. McLaughlin stated that they could come back to that later because Mr. Wilkinson has to finish his report now.

Mr. Wilkinson stated that the projects will be done in mid-2017 and the money is in the bank to deal with it. He explained that the EPA is looking to them to reduce the overflows. He stated that they are going to assist with the North Y Project because they may end up with a storage facility there to monitor flow. He added that he is always available outside of the meetings to answer any questions.

Mr. Blair stated that he looked at the trends for the last five years and revenues are less than what they were and have consistently declined. He added that expenses have increased about the same and this past year is the first time they have had a negative cash flow. He stated that he thinks it is critical to answer why revenue has been declining and they need to look at bringing more people onto the system. He explained that he looks at what they are projecting and they don't have the cash to get all those projects completed. He went over several line items that are of concern for him and asked that these things be clarified.

6:40 p.m. Mr. Coffey and Mr. Barksdale entered the meeting.

Mr. Aebersold asked about bypassing sewer tap-in fees and if it is a large amount of money that they are missing out on.

Mr. Wilkinson stated that they don't bypass anyone with the exception of facilitating the hook up of the Coyle Property to keep them in New Albany. He explained that they felt this was an investment that would return very quickly.

Mr. Coffey stated that he wants to know why we haven't done EPA projects that were mandated years ago.

Mr. Wilkinson asked what projects he is speaking of.

Mr. Coffey stated that he could get a list to him.

Mr. Wilkinson explained that none of the things he is talking about happening 10-15 years ago are happening now. He stated that starting with the rate increase in 2010 the

SRF loan was \$7.3M and that money never came to them, it went to the contractors. He explained that those projects that were identified were bid out, the lowest bid did the work, and the money came from the state. He stated that the next projects that they have on the five-year plan comes out of the reserves and the lending agencies absolutely dictated that they had to take the capital projects out of their working capital and that is the reason the cash was built up.

6:50 p.m. Mr. Nash entered the meeting.

Mr. Coffey asked if the all of the projects are finished from the consent decree.

Mr. Wilkinson explained that he was not part of the consent decree but everything that they have agreed to do is done. He stated that the consent decree doesn't dictate what projects to do, but they approve the projects that are requested by the city.

Mr. Blair asked when they would be finished with all of the projects from the consent decree.

Mr. Wilkinson stated that the rules are not to overflow and the regulations calls for them to not have a leak anywhere so they are working to plug the last 14 holes and then they will release them.

Mr. Barksdale stated that Mr. Wilkinson has met with many of the council members and he really appreciated his willingness to set down and go through all of this information.

ADJOURN:

There being no further business before the board, the meeting adjourned at 6:55 p.m.

Pat McLaughlin, President

Vicki Glotzbach, City Clerk