

**THE SEWER BOARD OF THE CIVIL CITY OF NEW ALBANY, INDIANA,
HELD A WORK SESSION IN THE THIRD FLOOR ASSEMBLY ROOM OF THE
CITY-COUNTY BUILDING ON THURSDAY, AUGUST 28, 2014 AT 10:30 A.M.**

PRESENT: Mayor Gahan, Gary Brinkworth and Ed Wilkinson.

ALSO PRESENT: Rob Sartell, April Dickey, Linda Moeller, Shane Gibson, Larry Summers and Vicki Glotzbach

CALL TO ORDER:

Mayor Gahan called the meeting to order at 10:35 a.m.

Mr. Wilkinson handed out a copy with the 2014 budget and 2015 budget numbers that show what had been changed. He stated that in the booklet Mrs. Moeller passed out she has the format that she has to follow for SBOA and the numbers in his hand out were the same as the SBOA format. He said that when we get into the operation of the collection system and construction, we operate from the basis of our 20 year master plan and then we drop down to a 5 year current plan and then our reports and constant evaluating projects in relation to the EPA Consent Decree and meeting IDEM requirements. He added that the booklet has all of the same numbers. He began with payroll and said that the increase was based on giving a 3% increase and we added one more tech person. He explained that the city and county have two tech guys but they are buried in work and scheduling is really tough and with our department taking on more and more high tech equipment, we need to have a city tech person to get all departments up to speed. He added that in coordinating with the technical services, the engineering department will be able to be tied in. He also added that with the new computer software coming, the city, the engineering department and sewer billing will create a large workload for a tech person. He stated that with the 3% increase and the tech person on the payroll that brings social security up a little and PERF up significantly.

Mr. Brinkworth asked how much the tech person's salary is.

Mr. Wilkinson replied that he put in \$75,000.00. He went over the health insurance and said that he raised the number a little bit but can't tell from where he sits what the rates are going to be. He moved on to the line items and said that there is very little difference and most of the time he didn't change anything. He said that basic plant operations stays pretty static. He said that he bumped electricity \$15,000.00 and natural gas \$5,000.00. He explained that the CPI for home is around 2% and for a utility or city operation is between 5%-10% so we have been running real tight on the energy costs on our budget to actual so we bumped it up a little bit. He said that he bumped capital expense a little bit because of the amount of equipment that we've gotten has increased. He moved on to construction projects and stated that from a strategy standpoint, the efforts that we've applied to the EPA projects and construction projects with our last rate increase were to satisfy EPA Consent Decree and eliminate SSOs which we took from 75 to 11. He said that our cash position from our last rate increase has built up a little bit so when we look at our 5 year plan, there is no reason to leave the project sitting out there for 3 years when we have the money now to do that particular project. He said that in 2015, we will have about \$5M in construction projects going on instead of the average of about \$2M per year. He explained that when you get down to the totals of the 2015 budget, we are short about \$4.7M but we are not short because we have already deposited it into the bank and it came from the last rate increase. He said that we simply built up the cash position ahead of our construction projects that were in our 5 year plan so we rolled a couple of them forward in 2015 and will draw on reserves that are already in the bank for the EPA projects.

Mr. Brinkworth asked how much is in the bank.

Mr. Wilkinson stated that at the time that he did the figures two months ago, it was \$8.7M. He said that \$4M is requirements for bonds and \$4.7M is for cash for construction.

Mr. Brinkworth asked if you really want to get in a position where you spend all cash on hand and then have a catastrophe or something.

Mr. Wilkinson explained that in the coming years we still have these projects in front of us and the \$15M cash flow that we are taking in covers those capital projects.

Mr. Gibson stated that \$9.37M is the balance as of July.

Mr. Brinkworth stated that all of that was built up since we had the increase.

Mr. Gibson stated that is correct.

Mr. Brinkworth stated that going forward we wouldn't have any more cash for the next year if we spend all of that.

Mr. Wilkinson stated that we will have in the neighborhood of \$200,000.00-\$500,000.00 that is above the spending of the 5 year plan. He said that we can run our operation and do these 5 year plan capital expenses to meet the EPA requirements and still be running \$200,000.00-\$500,000.00 free cash flow.

There was a lengthy discussion regarding budgeting for projects.

Mr. Sartell explained that if some catastrophe was to come up then we could shove something back out of the 5 year capital plan and there would be money available.

Mr. Brinkworth stated that as long as we get through the year and not have any major things happen then okay and if something does happen then we can hold back on a project or two.

Mr. Gibson stated that is correct.

Mr. Wilkinson stated that our track record over the past few years keeps getting better in so far as our ability to manage what's happening in a department.

Mr. Gibson said that he would ask Mr. Sartell what could reasonably be accomplished and if something bad would happen then we would just pull one project off.

Mr. Brinkworth stated that he agrees and is okay with that.

Mr. Wilkinson stated that at the bottom of the second page he shows the bond payment.

Mr. Brinkworth asked how much we still pay in reserves.

Mr. Wilkinson stated that we will pay \$338,000.00 per year in 2015 and right now we pay \$37,000.00 per month into that reserve so that is building up also.

Mrs. Moeller asked if there was anything in the budget that the board wanted to change.

Mr. Wilkinson stated that he wanted to address a couple of the line items that Mrs. Dickey wants to raise. He mentioned refunds and said that we had that \$50,000.00 refund to the county that came up this year and we are not going to have that again.

Mrs. Dickey stated that she is still over budget right now on refunds.

Mr. Wilkinson stated that she would be until the end of the year because of the \$50,000.00.

Mrs. Dickey stated that she didn't think that was done as a refund.

Mr. Brinkworth stated that shouldn't matter because we overbilled for a leak.

Mrs. Dickey stated that it is not just that. She said that it is a combination of people that paid over or people that have meter problems with the water company and pay charges that are not there.

Mr. Brinkworth stated that his point is that most of these refunds are based upon the income that we are also not scheduling in the budget.

Mr. Wilkinson stated that it is not an expense.

Mrs. Dickey stated that she has had this trouble the last two years and that is why she wants to increase that line item so she doesn't have to move money around to cover it.

Mr. Wilkinson stated that last year there was a refund to Kroger for \$15,000.00 and one for an apartment building that was \$23,000.00.

Mrs. Dickey stated that she didn't think she would have that problem again this year but at the beginning there were a couple of customers that overpaid so there were two \$3,000.00 refunds.

Mr. Wilkinson stated that in the cases where they have given us their money then we are just giving it back so it is not a kind of expenditure that you have to raise rates for.

Mr. Brinkworth stated that in order for that to go up then we would've had to collect it too and that's not in the budget either so it should balance out.

Mrs. Dickey stated that she doesn't understand why we wouldn't want that money in that line item just to make it even.

Mr. Brinkworth stated that we are not budgeting for the increase in fees.

Mrs. Dickey asked if they are saying that it doesn't matter if we are over budget in refunds.

Mrs. Moeller stated that it matters to her. She also stated that Mrs. Dickey has three line items that are over budget at this time so that is a red flag and Mr. Wilkinson looks at the bottom line.

Mr. Brinkworth stated that is what he looks at too.

Mr. Gibson explained that if you are going to budget say \$40,000.00 for refunds then you're anticipating income of that amount of money so it is a wash. He said that whatever that number is then we have to adjust our income to reflect it.

Mr. Brinkworth stated that the line item should be raised along with the income.

Mr. Wilkinson asked how you raise the income without raising someone's rates.

Mr. Brinkworth stated that you raise it because the customer has overpaid.

Mr. Gibson stated that you could take a 5 year average and plug it in.

Mr. Brinkworth stated that the averages on income probably already have that in it.

Mrs. Dickey stated that she is requesting \$60,000.00 for refund line item.

Mrs. Dickey moved on to the recording fees line item and explained that it needs to be increased because they are filing more sets of liens.

Mr. Gibson stated that they should budget for filing four sets of liens each year plus releases.

Mr. Wilkinson asked what that needs to be bumped up to.

Mrs. Moeller stated that Mrs. Dickey wants to take it from \$75,000.00 to \$100,000.00.

Mr. Wilkinson asked if she anticipates 25% more liens.

Mrs. Dickey replied that last year they only did two sets and this year they are getting ready to file their third set and will file a fourth set later in the year.

Mr. Gibson told Mrs. Dickey to get with Mrs. Moeller and do an estimate of those costs and then we will update it.

Mrs. Moeller asked about the readings line item.

Mrs. Dickey stated that she needs to go through the bills and see what an average is.

Mr. Wilkinson asked Mrs. Moeller if she was going to do arithmetic to come up with a number on the recording fees.

Mrs. Moeller replied yes and stated that they will come to a calculation and email it for approval and then insert it into the budget to be approved at the sewer board meeting.

Mr. Wilkinson asked about the health insurance line item.

Mrs. Moeller stated that it is okay.

ADJOURN:

There being no further business before the board, the meeting adjourned at 11:30 a.m.

Gary Brinkworth, Vice President

Vicki Glotzbach, City Clerk