

FINANCE COMMITTEE MEETING  
FEBRUARY 3, 2009

Finance Committee Chair Mr. Knuchel opened the Finance Committee Meeting at 6:05 p.m. In attendance from the Committee were Mr. Knuchel, Mr. D'Ambrosio and Mr. Lajeunesse. Also in attendance from Council were Mr. Morley, Mr. Zontini, and Council President Mr. Elshaw. Ms. Vaughn was absent and excused.

In attendance from the Administration was Service Director Semik.

Also in attendance were members of the public in the audience.

CHANGE ORDER: 2008 CONCRETE ROAD PROGRAM: T.C. CONSTRUCTION: \$24,508

Mr. Semik: This is for work done at the much needed intersection of Waverly and Willowick Drive – we had numerous requests from various Council members. The Administration was aware of it. The intersection fell apart – it had been about 10 years since it was done – for some reason that was the worst of all the intersections. It was discussed and agreed up that rather than patch it to add it to the list since T.C. Construction's bid came in so low – this will be a change order.

Mr. Knuchel: I understand there has been a change in the way we do change orders? Can you explain that to us?

Mr. Semik: My understanding of a change order is – once the bids are approved – there was an urgency to get the intersection of Willowick and Waverly done first because of the severity of it – it was one of the first intersections to be done and was a change order – there should have been a change order immediately processed for that intersection and forwarded to Council for approval and then added to the list.

Mr. Knuchel: And that is what we are going to do in the future?

Mr. Semik: Yes.

Mr. Lajeunesse: Is that the one you showed me that was pretty bad?

Mr. Semik: That is the one.

Mr. Zontini: Will the change order procedure be for any future concrete projects or for any projects?

Mr. Semik: Any project above and beyond. There was a change order for the paving for work not in the original proposal – Lakeshore Blvd. being one of them.

Mr. Zontini: How will that affect the situation when you are on the job and something additional has to be done?

Mr. Semik: It may slow it down.

Mr. Zontini: You won't have the authority to make the decision out in the field?

Mr. Semik: I am hoping that I would have a little latitude in that in regards to an immediate decision to be made to complete the project. If something is needed to be done or there is something unforeseen. I am hoping it would not come to stopping a project.

Mr. Knuchel: Would that fall under an emergency situation?

Mr. Semik: It would be more of an emergency than the norm. When I do projects I try to take the worst case scenario so we have a good idea. We check everything. I would not want to stop having a little latitude in that regard.

Mr. Zontini: There is also the cost of remobilizing.

Mr. Semik: Absolutely – especially when we get into asphaltting – it would cost an additional \$2,000 just to have it shipped out to us.

Mr. Knuchel: I think what brought this to a head was that we got the change order for work done in September – it was additional work and not work on a specific project that we already had on the boards – it was extra above and beyond – that was the concern.

Mr. Semik: Again, it was a project – when I talked to Mr. Condrón about the budget for the concrete road program it was about \$300,000 and the contract came in at about \$240,000. I was not adding to it, but I had originally said I needed \$300,000. This is something I have passed onto the Mayor - if we can get a lower rate and we can do additional work then I think we can do additional work. This year it came in at \$42 a square yard versus \$72. Waverly and Willowick was a hot spot for about everybody. We did Stevens and Jakse before school started then went over to Waverly and Willowick – it was not at the end of the project – it was basically up front. And, we should have sent a change order as soon as we knew what the additional cost would be.

There were no further questions or comments.

Upon review, the Committee agreed to move forward with this matter for passage at the next regular Council meeting.

#### STATE BID: MAINLINE CAMERA

Mr. Knuchel: The State Bid for the mainline camera has been discussed several times in Committee. Mr. Semik, would you like to comment on the additional information that has been provided?

Mr. Semik: One of the questions asked at the last meeting was the life expectancy of the camera – it is 20 years. Another question raised was does the life expectancy of the camera decrease if it is under continuous use? No, they expect the camera to operate for 20 years regardless of the

amount of use – whether a little or a lot. Another question was the cost of the camera compared to leasing. Yes, we can lease it at \$30,000 per year plus 5%. In 4 ½ years you could actually have purchased the camera. I think it would be prudent to purchase it rather than lease it. Another question was how much use would it get? We have some sanitary and storms that run up to 96 inches. East 337<sup>th</sup> has 96” sewers – if you were to televise all those it would run about \$3,500. Most of the City runs between the 8 inch and 15 inch pipe – approximately 148 road miles – multiply that by 2 – 148 sanitary and 148 storm – that does not count what we have in the Surfside area. In the information provided you can see the sink holes that have been occurring. Since the flood in 2006 we have had a lot of sink holes occurring and they are continuing to sprout up. The mainline camera will permit us to look further to the left and right to see if there are additional problems further down. East 332<sup>nd</sup> is the best example – over the last few years we have had four or five sink holes. That would have been a street I would have cameraed the whole thing in order to be proactive and see if anything is developing so we could address the problems all at once rather than having someone come out two times.

Mr. Knuchel: One thing we did ask for was a comparison of how much we have used camera service over the last couple of years.

Mr. Semik: That information is boxed up and I did not have time to obtain it – but I can tell you that in the past three years we used companies on the average of three or four times a year.

Mr. Knuchel: Do we have a ballpark on that?

Mr. Semik: It averages to be about \$1,200 per call.

Mr. Lajeunesse: Is it due to the age of our infrastructure that you feel it would be proactive to purchase this piece of equipment?

Mr. Semik: Absolutely – some parts of the City are easily 70-80 years old. Surfside is 40 years old. Surfside was originally built for 900 homes and it now has 1,200. The thought was instead to doing more sanitary and storms it was not everyone will be flushing a toilet at the same time. It makes sense but in the grand scheme of things you are just continuing to put more and more strain on the system.

Mr. Knuchel: We have a memorandum dated December 10<sup>th</sup> stating that you should be sure to include that in your 2009 budget? Did you include that in your 2009 budget?

Mr. Semik: Yes.

Mr. Knuchel: Where did you include it?

Mr. Semik: I cannot tell you.

Mr. Elshaw: Mr. Semik, I certainly appreciate what you are requesting. I can appreciate the fact that buying something over leasing sometimes makes sense. However, I was looking at this and it is included in the Fund #101 “General Fund.” It was included in the five-year forecast. But,

we are coming up on budget hearings soon – in my opinion it will probably be a crunch with the economy the way it is with this budget – as it always has been. In thinking about the current situation I think we need to justify. I am not saying you are not doing that – but, I need a little bit more since it is coming from the General Fund. It is \$130,000 – I know it is a one- time expense. You are saying you only utilize it three or four times a year at a cost of about \$1,200 – that is maybe \$5,000 to \$10,000 per year?

Mr. Semik: Right.

Mr. Elshaw: I am not saying this is a bad idea to do this – but I am questioning is now the time to do it. Should we spend or try to limit as much as we can. I know things come up and we have to do what we need to do. But, hopefully we would be under \$10,000 this year and when things turn we can look at this type of thing. This is just a suggestion.

Mr. Knuchel: This kind of dovetails with what Mr. Elshaw has said. In looking at the legislation I noticed the funds came out of #240.5709. I went down to the Finance Department today to find out what this fund was because it was not in any of our financial reports. Mr. Vuckovich did not know what that was – he assumed it was some king of transfer to the SCM&R fund – but, he was not sure. I do have a copy of the 2009 budget – it does have #240.5709 “Transfer to sewer fund for camera” – it has no amounts listed in any of the columns. This is an item that has not been budgeted for. Is that a correct assumption?

Mr. Elshaw: I don’t know – I am just reading the memo from October of last year – when they talked about it being allocated for account #240.5709, submitted in the recent five-year forecast. I did not realize that #5709 was a transfer account so that cannot be right.

Mr. Knuchel: That was my next question because you cannot allocate money out of a transfer fund.

Mr. Semik: I do not know Mr. Condron’s thoughts.

Mr. Knuchel: Nor do I – that is why I asked the question.

Mr. Lajeunesse: I go along with what Mr. Elshaw said - if it is in the five-year plan that is fine – with today’s economy – the way things are – and it is coming out of the General Fund. That is \$130,000 – maybe we should wait another year or two and see what happens. I agree with your research, Mr. Semik, but I don’t know if now is the time to spend \$130,000 on a piece of equipment when you only spend \$10,000 a year.

Mr. Zontini: I think there are good points in where everyone is coming from. I think what Mr. Semik has told us before – and it is a good point – is we may use it only three or four times a year now because we don’t want the expenses – but, if we had one we would use it more. And, given the age of our infrastructure if we use it more and prevent something from happening \$130,000 spent today may save us a quarter of a million - if something went wrong and we could have prevented it. I think we need to consider that as well – we can look at where the money is

coming from. But, I think it is worthwhile and being proactive in today's day and age is more advisable.

Mr. Lajeunesse: That is a good point too. So I guess the next thing is – how much more could you use it – if you had it?

Mr. Semik: You are all aware that the Quentin Road pump station is under study right now and it looks to be about \$1.3 million for rehab. This is probably one of the worst pump stations as far as I & I – this needs to be addressed. The EPA has not come down on us right now but they are getting very concerned about the illicit discharges – when that system gets overcharged and starts emptying into the lake. We are trying to figure out why and where that water is coming from. One of the things we could do is run a camera through the sanitary and see where the water is infiltrating from? You can send someone into a sanitary but you are talking about a self-contained breathing apparatus, a gas detection meter. The Quentin Road area is Quentin, Woodstock, East 332<sup>nd</sup> Street – that particular area has the I & I so high – we will be forced to address it one way or another. Right now they have not said we have to smoke test all of them – what if  $\frac{3}{4}$  of those homes fail – we will be faced with who will make the repairs – is it the homeowners or us because we have a connection between our storm and the sanitary. When it rains it is almost as if the catch basins are emptying right into the sanitary. I have personnel who can operate the camera – we need to start taking a look at these things – especially the sanitary and storm infiltration problem we have – we will have to address it sooner or later.

Mr. D'Ambrosio: I agree with Mr. Semik's approach as far as proactive. I realize the importance of having a piece of equipment like this – especially for trouble shooting. There will be times when there will be a backup in the City where you may have to wait for two or three days for someone to camera the line. If you have it in-house you can camera that day – that next hour and find out where the problem is. Wickliffe just built a Senior Center and we had a backup in a brand new line – we ran a push camera through an 8 inch line but there was too much water and we could not see – so, we ran our mainline camera which has a head that will actually detect where it is – we got above the water and saw the blockage, marked it and dug it up and fixed it – it saved a lot of time. When you have a piece of equipment like this the trouble shooting you can do with it is amazing. It will be used a lot. I understand we have to find out what fund it is coming out of – but, I think a City this size should have had one a long time ago. Especially on East 332<sup>nd</sup> – there are a lot of sink holes and to pay someone to do a program down there and find out the cause of the sink holes – usually it is open joints. I like this thing – I know what it can do. I think it is an asset for the City and the residents. The one Mr. Semik is interested in is the way to go. I think you would be surprised. You would use it a lot.

Mr. Knuchel: There are two considerations here - #1 – it has not been appropriated for this year – which means any numbers we have are going to be skewed by \$133,000 because that step was not taken at that time. That is one of the things we are looking at. The second thing is I thought it was going to come out of another fund which would put me much more at ease than taking it out of the General Fund. Mr. Lajeunesse's point is well taken – we have budget hearings coming up in the next three or four weeks – maybe we should look at it at that particular point in time and have Mr. Condron do some re-evaluations on these numbers because the numbers will be off

and I do not want to get into that situation again where we are having marathon Finance Committee meetings because someone did not budget for this or that.

Mr. Elshaw: There have been some good points made. It sounds like a good purchase. I am not against your request and I can appreciate it and sometimes it does make sense but right now we are only spending \$5,000 per year. However, I do see it was included – as of 10/01/2008 there was \$133,000 included. Plus, it was in a transfer fund – Mr. Condrón has to figure this out. I understand being proactive and I think we all want to be proactive and not let the City fall apart. But, we are only spending \$5,000 right now – it is just a little bit difficult. Seeing it in the Plan makes me feel a little bit better but it is in 2008 and not 2009 and it is in a transfer.

Mr. Semik: I remember it was discussed for 2008. I do not know Mr. Condrón's thought process so I cannot speak for him. I think my record speaks for itself – everything from doing the striping, crack sealing in-house – I am a big proponent of doing things in-house. They laughed at us when we bought the sugar beet juice but when I have five or six cities or counties calling me I have to look at it and say – here is Council stepping up to the plate on a request by me. You could have sat back and said let's see what happens but you didn't – you took the gamble and went along with me and it worked to our benefit. The same with the tandem – you could have turned it down but the tandem has proven – you have to work harder and smarter – it does not pay to put an 8 ton truck out and have to keep coming back to get salt. There were some of the same questions then as now and eventually you approved. Mr. Zontini is right – I would camera in-house every opportunity I had to start looking at the trouble spots. The DuraPatcher – if you have a winter or summer tack – it has been out a few times this week depending on weather – the patches are holding up better than the cold patches. I know this is a big expenditure but I would not bring it to you if I did not think the City would benefit immediately if not over the long run of about 20 years.

Mr. Morley: Is it possible to take the money out of the road fund – since we repair the roads? You did work on Riverdale and Woodstock.

Mr. Semik: We had a situation where both catch basins collapsed in the middle of the street on Riverdale. The same thing on Woodstock.

Mr. Knuchel: I was looking at the sewer fund but Mr. Vuckovich said there was not enough money in the sewer fund.

Mr. D'Ambrosio: Would you feel comfortable with the Committee agreeing to move the item forward and try to find out a better funding alternative – so we don't have to hold this off? I know you are concerned about the numbers being skewed and I am concerned about this too.

Mr. Knuchel: My concern is what Mr. Elshaw pointed out – it is in the five-year plan but not in the 2009 budget. That is where the discrepancy comes in.

Mr. Elshaw: The sewer fund would make me feel a lot more comfortable and I understand Mr. Morley's comment about the road fund. I would feel more comfortable because of the situation

with the General Fund – it does not make sense coming out of a transfer fund. But, I could be wrong. Mr. Knuchel, you said you talked to Mr. Vuckovich and there is not enough in the sewer fund?

Mr. Knuchel: There is not enough in the fund.

Mr. Elshaw: When does it get funded?

Mr. Knuchel: I did not get to that point.

Mr. Elshaw: If we could find out when it replenishes.

Mr. Knuchel: There are other things that come out of the SCM&R.

Mr. Semik: I would be in favor of splitting it. The sanitary and storm runs across the street or down the side of the street – if you have a separation eventually you would have a road repair. In my opinion that would be justification because it does affect the roads. I would definitely see a split.

Mr. Knuchel: Mr. Semik, would it be detrimental to anything we have going on to hold this in Committee until we did the budget hearings?

Mr. Semik: I will have to call the supplier. I am not trying to put pressure on anyone but they have been holding this price for us in good faith. I believe it was due for an increase the end of January or first of February. I can check in the morning and advise you. Actually, they have been holding this since late last year – it is due for an increase. It is a State Bid – I think it may be increasing by \$10,000 - \$15,000.

Mr. Lajeunesse: I mentioned before about the General Fund. I agree with Mr. Morley – the road fund or sewer fund – other than the General Fund. Maybe waiting until budget hearings would be good but I understand that Mr. D'Ambrosio would like to get it to the next Council meeting. But, here we are again – with a lack of details as some of the Administration is not here.

Mr. Knuchel: We got most of what we needed. The issue with the budget just came up today when I was making the preparations for our meeting.

Mr. Lajeunesse: That is my point – there is no information as to where this is coming out of – that is why we are here – they could have provided the information even though they could not attend the meeting. I would keep this in Committee.

Mr. Morley: I suggest that Mr. Semik meet with Mr. Condron tomorrow and discuss this – if it can be split between the sewer fund and the road fund – and send us a memo. If you want to move this along he can ask our questions – what fund it will come from – if it is the sewer fund when will that fund replenish. At least we can have those answers and the Committee can make a better decision.

Mr. Semik: I have to meet with Mr. Condrón tomorrow to finalize the Service Department's budget. I will be more than glad to ask him about this.

Mr. Knuchel: You can do that because that will have to be done regardless of whether we hold this in Committee or move forward.

Mr. Zontini: The question of whether it can come out of the road fund should go to Mr. Klammer. We had no problem taking the light bulb changing out of the road fund – I think this is much more related to the road fund than the cherry-picker was.

Mr. Elshaw: I seriously understand the value of your purchase. It is just that this is a tough time right now and we are spending \$5,000 per year. I can understand – let's get the information from Mr. Condrón and Mr. Klammer and see what we can do – if it is allowable and when does it replenish and if it is feasible to take the money out of the road fund – if it is allowable.

Mr. Zontini: Mr. Semik, did you not say there would be down time? We would have to figure in those costs too. It is not just \$133,000 that we are spending – there are other considerations too.

Mr. Semik: Absolutely.

Mr. Knuchel: The Council Clerk can get together with Mr. Semik and Mr. Condrón and get the account. Mr. Semik will get together with Mr. Condrón tomorrow to figure out if it can come out of the road fund or the SCM&R fund – when the SCM&R fund replenishes and from Mr. Klammer if this can be taken out of the road levy fund. I am in favor of holding this in Committee until we can find out this information – plus, how we are going to fit this into the budget because it is an item that has not been included in the budget at this particular point in time.

Mr. Lajeunesse: I agree.

Mr. D'Ambrosio: I understand what you are doing – I personally would like this to be moved forward pending all this information becomes available to us by Tuesday so it can be put to a vote.

Mr. Knuchel: This matter will be held in Committee. Mr. Semik, if we could have this information quickly we could schedule another Finance Committee meeting before the end of the month and possibly get it in for the last Council meeting of the month.

#### RECOGNITION OF THE PUBLIC

There was no one who wished to speak.

The meeting was adjourned at approximately 6:45 p.m.

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