Stinnett, Chair
Mossotti, Vice Chair
Gorton
Akers
Farmer
Scutchfield
Myers
Clarke
Henson
Lane

A G E N D A
Special Environmental Quality Committee
June 24, 2014
1:00 P.M.

1.	**April 15, 2014 Committee Summary**	(1-4)
2.	**LexServe Collections**	(5-12)
3.	**Materials Recycling Facility Audit Follow Up - Henson**	(13-35)
4.	**Monthly Financials**	(36-40)
5.	**Items Referred**	(41)

“Environmental Quality Committee, to which shall be referred matters relating to the Department of Environmental Quality and its divisions, and any related partner agencies.”

-Council Rules & Procedures, Section 2.102(1)

2014 Meeting Schedule

Jan 28	May 13	Sept 16
Feb 18	June 24	Oct 14
Mar 11	July 8	Nov 18
Apr 15	Aug 19	

Environmental Quality Committee
April 15 2014
Summary

Stinnett called the meeting to order at 11:05 AM. All committee members were in attendance except Akers and Myers. Kay also attended and was recognized as part of the quorum.

1. February 18, 2014 Committee Summary

On a motion by Clarke, second by Scutchfield the February 18, 2014 Committee summary was approved unanimously.

2. Storm Water Project Update

Greg Lubeck gave an update on storm water projects. He described the various projects managed by Division of Water Quality, including: Major Capital Projects; Minor Repair/Maintenance; and Storm water Quality Incentive Grants.

Lubeck stated that Lexington is required by Appendix K-2 of the Consent Decree to spend $ 30 million on priority storm water projects by 2021. To date Lexington has spent or encumbered $ 7.77 million on these projects.

Lubeck also stated that Lexington revised the severity scoring system for capital projects in 2012. Lubeck reviewed the completed construction projects, including Anniston Phase 1, Cardinal; Lane, Roland Ave, Witthuhn storm water rehab, Clays Mill/Spring Branch stream construction and Montessori Middle School stream construction.

Lubeck identified projects that were removed from the Priority List after field work did not reveal flooding problems.

Lubeck discussed current projects, including Anniston Phase 3, Green Acres/Hollow Creek and Idle Hour. He also identified near future construction projects, including Walhampton, Rogers Rd and Cardinal-Laramie. He also identified projects that are in the preliminary engineering phase including Ft Sumter Dr, Tucson/Laramie, Elam/Venice Park, and Queensway.

In summary Lubeck stated that the Division continues to work on the priority list including updating technical and cost analysis.

Lubeck stated that all past storm water bond funds have been utilized. He stated that current projects are using cash and KIA loans.

Lubeck stated that $ 11.6 million of the mandated $ 30 million from the storm water priority list has been spent or encumbered.

Lubeck stated that revenue to support $ 18.6 million in future storm water priority list costs still needs to be identified.

Gorton commented on the length of time it takes to get a project fully finished. She also asked about the removal of the Glendover East project. In response Lubeck staffed that staff re canvassed the area could not find any evidence of a flooding problem inn the area.

In response to a question from Lane, Lubeck summarized the process used to report a flooding issue and the process staff utilizes to verify the problem and develop option to alleviate the flooding problems.

Lane discussed the engineering selection process.

In response to a question from Lane, Martin discussed the cash flow model for the Water Quality Fund. Martin stated that use of Kentucky Infrastructure Authority funds has elongated use of local funds and reduced concerns about cash flow.

Martin stated that they do however have a concern about the timetable outlined in the EPA Consent Decree. He stated that staff does not have the capacity to manage 7-8 projects simultaneously over an extended period of years.

In response to a question from Lane regarding debris, Martin asked that citizens contact his office about litter in streams as they have a litter component under contract within the Water Quality Fund.

In response to a question from Henson about the Trafton project Lubeck stated that it was an active project that will be further developed within a year or so. He stated that it was further down the implementation list.

In response to a question from Stinnett, Lubeck stated that he will send a complete current storm water priority list to Council and investigate putting the list on the website.

Stinnett commented on the Water Quality Fund. In response to Stinnett, Martin suggested that later this year staff prepare a presentation on the Fund, its revenue and expenses projections, including capital projects and staffing.

Martin stated that staff is recalibrating expectations for Fund and discussed using the Fund to support leaf collection.

Gorton asked about indirect costs associated with the proposed FY 15 budget.

3. Division of Water Quality Projects Update

Martin gave the quarterly Division of Water Quality projects update. He highlighted several projects including Blue Sky Pump Station Construction (project # 17); Expansion

Area 2A Gravity Line Construction (project # 21); Capacity, Management, Operations & Maintenance-CMOM (project # 22) Town Branch Wet Weather Storage Tank Design (project # 30); Idle Hour Trunk Design (project # 30); and SCADA Design Electrical and Computer Operations Improvements (project # 40).

Stinnett and Gorton complimented Martin on the quarterly update. Gorton suggested that other divisions, especially Parks and Traffic Engineering utilize a similar reporting document.

Martin stated that the Administration still needs to finalize an agreement with JFG regarding the Blue Sky construction and bring that agreement back to Council.

In response to a question from Lane, Martin indicated that the Remedial Measures Plan (RMP) is coming in under budget, but that the time frame to complete the projects may need to be extended.

Farmer discussed the number of bidders. In response Martin stated that they are examining the potential to pre quality construction firms similar to how engineering firms were pre qualified.

Clarke requested information on the Water Quality Fee to help explain the fee and its benefits to constituents. Martin stated that sometime in early 2015 he anticipates that the Council and Administration will need to discuss the fee structure for future years.

Stinnett asked for an update on Expansion Area 2A Force Main/Pump Station Construction. In response Martin stated that he can provide an update and that any costs absorbed by Lexington can be recoverable.

4. Monthly Financials

O'Mara summarized the monthly financials for each of the various Funds. He stated that actual revenues are exceeding budgeted revenues and generally actual expenditures are less than budget expenses.

O'Mara stated that a Budget Amendment will be necessary during the 4th quarter to recognize the increased level of bad debt.

Stinnett asked about the negative cash flow in the Landfill Fund (Fund 4121). In response O'Mara stated that that was related to post closure expenses.

Stinnett also asked about LexServe collection rates. O'Mara stated that they would be prepared to discuss collection rates at either the May 13 or the June 24 meeting.

5. Items Referred

On a motion by Clarke, second Henson the Tree Canopy Survey was removed from the referral list. Motion passed unanimously.

The meeting adjourned at 12:20 PM.

PAS 4-22-14

LEXserv Collection Update

LEXserv city services

June 24, 2014

LEXserv Project Background

- LEXserv billing started September 2012
- Combined Invoice for Sewer, Landfill Fee and Water Quality Fee
- Invoices sent to customers weekly
- 115,000 Customers billed monthly
- Combined annual billings for all three funds - $65M

LEXserv Collection Rate Update

	Sewer	Landfill	Water Quality	Total
May 2012 (KAWC)	98.9%	97.7%	99.0%	98.8%
May 2014	95.6%	94.7%	96.9%	95.8%
% Change	-3.3%	-3.0%	-2.1%	-3.0%
$ Change	($1,346,269)	($148,459)	($281,846)	($1,776,574)

LEXserv Accounts Receivable Update

Growth in AR > 90 Days (dollars)

Fund	May 2014	May 2012	Change
Sewer	$ 4,084,598	$ 604,271	$ 3,480,327
Landfill	$ 714,792	$ 337,520	$ 377,271
Water Quality	$ 898,214	$ 397,881	$ 500,333
		Total	$ 4,357,932

LEXserv Delinquent Bills: Communication

- Penalties and Interest on delinquent LEXServ bills
- Phone Calls concerning delinquent bill
- Past Due Notice Letter
- Message on all LEXServ Bills regarding potential water shut off
- Message on outside envelope regarding potential shut off

LEXserv Water Shut off Procedures

- Accounts chosen based on highest past due amount and oldest delinquency with some exceptions
- 10 Day shut off notice is sent to customer
- After 10 days a shut off service order is created with Kentucky American Water (KAW)
- KAW will perform shut off
- AFTER Water shut off, a customer MUST come into the Division of Revenue to complete one of two payment processes
  - Pay a minimum of all outstanding sewer using only cash, money order, credit card or debit card
  - OR, agree to a payment arrangement for the TOTAL outstanding bill and sign a promissory note
- Water service will be restored the same day if payment or payment agreement is completed by 2:00 PM

LEXserv Options for Active Customers

- Convenient Payment Options
  - Pay Online; at LFUCG; at retail locations; by phone and via bank transfer
- Online Billing
  - Review bill online
  - Customer can opt out of receiving paper invoice – implemented April 2014
    - Customers receive an email when their invoice is ready to view
  - > 500 currently opting out of paper invoice
- Electronic Funds Transfer Program
  - Electronic payment on due date
  - 22,000 EFT Customers as of May 2014
  - > 19% of LEXserv customers enrolled

Questions?

Materials Recycling Facility (MRF) Internal Audit Update

Environmental Quality Committee
June 24, 2014

Finding # 1: MRF Assigned to Separate Enterprise Fund

- Remove MRF from Urban Services Fund
- Establish an Enterprise Fund based on historical revenues and expenses
- Provide a transparent report to show MRF revenue covers the cost of operation

Finding # 1: MRF Assigned to Separate Enterprise Fund

ACTIONS

- Commodity revenue not stable
- Inventory has no value until sold
- MRF is not a self funding operation
- Government Finance Officers Association (GFOA) consulted at MRF inception and recommended that it not be set up as an enterprise fund

Finding # 2: Senior Manager to Oversee, Address Concerns and Manage Facility

ACTIONS

- Acting Program Manager Sr. in place since 3/24/14 overseeing day-to-day activities at MRF
- Working in coordination with Director of Waste Management, DWM Safety Specialist, and Risk Management:
  - ✓Successfully addressed safety issues identified in past Risk Assessments
  - ✓Implemented preventative maintenance strategy
  - ✓Reduced outside material pile to zero

Finding # 3: Hire Accountant for MRF

- An accountant should be given the task of implementing all the accounting-related recommendations
- MRF accountant should report administratively to the MRF Program Manager Sr. or the Director of Waste Management
- MRF accountant should report operationally to the Director of Accounting

Finding # 3: Hire Accountant for MRF

ACTIONS

- External accountant initially used for a period of time
- Transitioned as agreements involving buyer and sellers began to take shape
- With Divisions of Accounting and Revenue, processes and reports implemented to track and measure:
    - Revenue
    - Receivables
    - Liabilities
    - Cash Handling

Finding # 4: MRF Security Issues

- Work with Department of General Services
- Identify and fulfill need for door rekeying
- Identify and fulfill need for conversion to card scan for door
- Replace or repair door in back of plant
- Replace lower gate with electronic gate:
  - ✓individual access codes
  - ✓memory capability to track access attempts

Finding # 4: MRF Security Issues

ACTIONS

- ✓Rear doors re-keyed and replaced – April 2014
- ✓Other doors re-keyed for restricted access
- ✓Gate improvements out for bid

Finding # 5: Excessive Amounts of Overtime

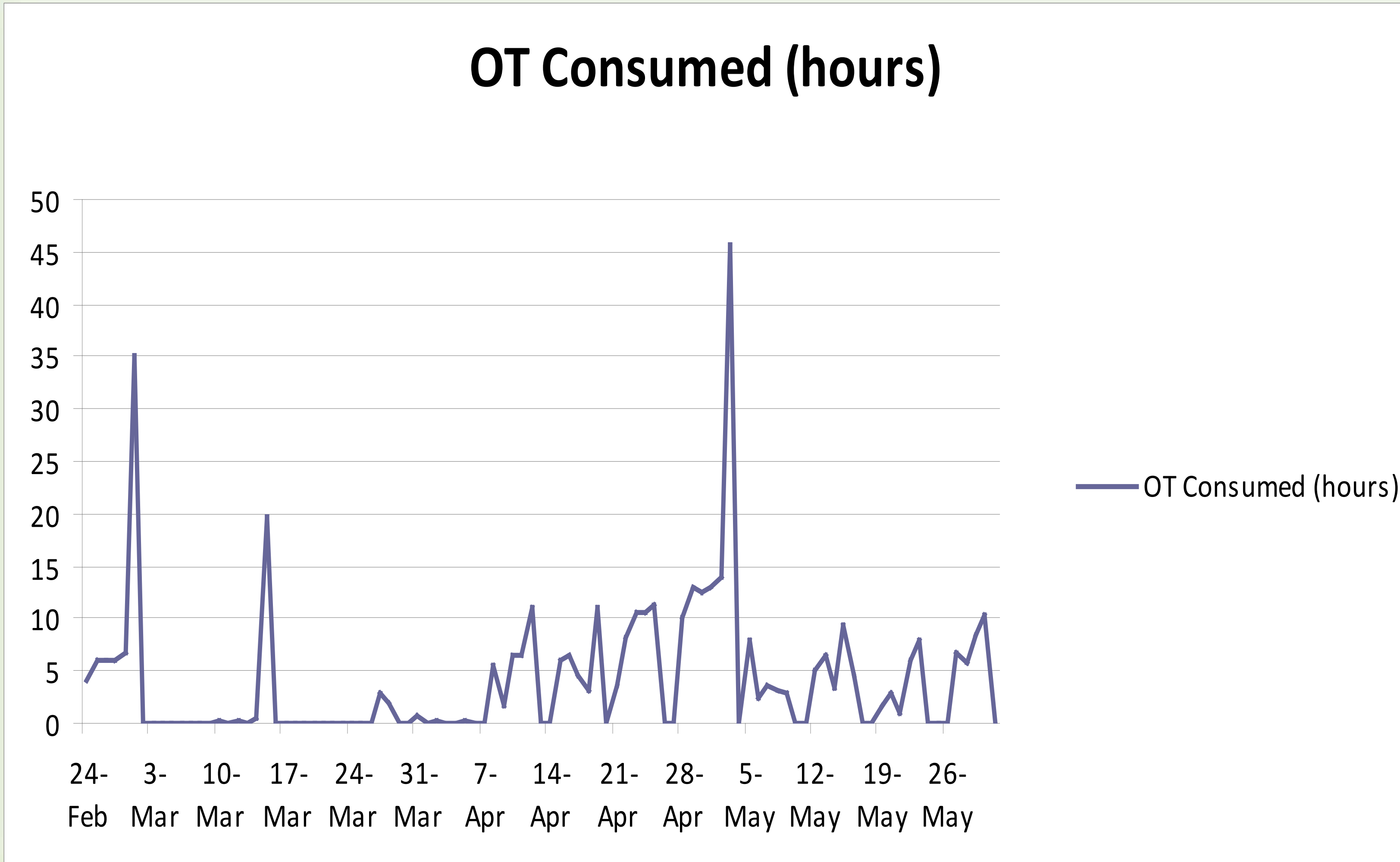
- Investigate reasons for overtime and develop solutions to eliminate excessive use

ACTIONS

- Former Acting Commissioner and Director of Waste Management regularly tracked overtime beginning in late February 2014

- Overtime continues but in accountable fashion
  - ✓Staff reduced to core team
  - ✓November 2013 plant shutdown and Winter 2014 interruptions necessitated abnormal peaks

Overtime Tracking: February 24 - May 31



Overtime Trend Comparison

- 1/1/13 to 6/30/13 – 2596.7 hours of OT
  432.8 hours per month

- 4/1/14 to 5/31/14 – 315.1 hours of OT
  157.6 hours per month

Trend: 63% reduction in monthly overtime

Finding # 6: CAO Policy #40 Violations Noted

- Mail should be opened and checks logged by an employee not responsible for making deposits

- A safe should be obtained to secure payments pending delivery to Department of Revenue

ACTIONS

✓ Composed and implemented policy for mail handling with check deposits approved by the Division of Revenue

✓ Policy finalized, training completed, and procedures implemented

✓ Safe installed in MRF Program Manager's office

Finding # 7: Issues Noted Previously By Risk Management Not Addressed

- Safety violations noted by Risk Management should be promptly corrected
- Senior management should oversee correction of these issues

Finding # 7: Issues Noted Previously By Risk Management Not Addressed

ACTIONS

- ✓Risk Management personnel engaged with Director of Waste Management, DWM Safety Specialist, and MRF staff

- ✓DWM Safety Specialist and Risk Management actively engaged in day-to-day health and safety improvements

- ✓June 2014 Safety Specialist/Risk Management report lists:

  -Eleven completed actions

  -Three actions near completion

Finding # 8:MRF Contractors Providing Outside Services Monitored for Compliance

- Senior MRF manager should be tasked with overseeing MRF contracts
- Department of Law should be contacted about potential breach of contract and advice on how to proceed

Finding #8:MRF Contractors Providing Outside Services Monitored for Compliance

ACTIONS

- ✓Acting Program Manager Sr. actively managing LaborWorks contract labor
- ✓LaborWorks site supervisor now on-site in accordance with contract
- ✓New temporary labor solicitation sent to Central Purchasing June 2014

Finding # 9:Updated Contracts Needed With BRRC and Other Affiliates

- The MRF has used the BlueGrass Regional Recycling Corporation (BRRC) as a commodities sales broker

- If the MRF continues to use BRRC services then a contract between the two should be established

- Contracts with non-BRRC Affiliates will be needed regardless if the MRF uses BRRC services

Finding #9:Updated Contracts Needed With BRRC and Other Affiliates

ACTIONS

- ✓Initiated a draft agreement with BRRC in February 2014 subsequently abandoned as new information was obtained
- ✓Termination letter sent to BRRC on June 10, 2014
- ✓MOAs with affiliates issued on June 12, 2014, vendor letters pending

Finding #10: Discrepancies in May/June 2013 Reports from BRRC for Commodities Sold

- All future BRRC reports should be checked for accuracy
- Any decisions concerning charges to affiliates should be approved by senior management and documented

ACTIONS

- Termination of BRRC alters future actions
- Affiliate MOAs clearly define fees and charges for utilizing MRF facilities

Finding #11: Production Reports Should be Completed

- A senior management individual should be tasked with getting production reports back on schedule
- This individual should monitor the reports to ensure goals are set and met

ACTIONS

- Production reports are currently on schedule
- Former Acting Commissioner and Director of Waste Management review key production reports

Finding #12: Additional Issues Noted During the Audit

- A copy of all voided manifests being sent back to BRRC should be retained at the MRF
- A copy of any manifests voided by the LFUCG should be retained at the MRF
- An electronic arm should be installed on the scale to:
  - ✓ Indicate to drivers when to move off the scale
  - ✓ Prevent cases of drivers exiting the scale before weight has been registered

Finding #12: Additional Issues Noted During the Audit

ACTIONS

- All voided manifests now logged by the scale operator
- Goldenrod copies retained in the files along with the shipment manifest
- General Services staff evaluated the electric control arm for the scale and estimated a cost in excess of $20,000
- A formal solicitation for the arm installation will occur in FY15

QUESTIONS?

Fund 4002 Sanitary Sewers Operating Fund

Revenue & Expenditures Statement

Year to Date Through May 31, 2014

Title	Original Budget	Amended Budget	YTD Through 5/31/2014	Remaining Budget	Percent Collected/Used
Revenues:					
Charges for Services	45,275,900	45,275,900	44,859,547	416,353	99.1%
Intergovernmental Revenue	484,200	484,200	512,871	-28,671	105.9%
Investment Income (non-op)	400,000	400,000	827,537	-427,537	206.9%
Other Income	20,000	20,000	48,684	-28,684	243.4%
Transfers In	0	295,448	164,058	131,390	55.5%
Total Revenue	46,180,100	46,475,548	46,412,697	62,851	99.9%
Expenses:					
Personnel	12,435,040	12,536,794	9,194,426	3,342,368	73.3%
Operating Expenses	25,300,970	25,876,825	19,350,899	6,525,926	74.8%
Capital	6,327,650	6,748,000	2,625,435	4,122,565	38.9%
Total Expenditures	44,063,660	45,161,619	31,170,760	13,990,859	69.0%
Net Difference	2,116,440	1,313,929	15,241,937		
FY Available Fund Balance	0	0			
	2,116,440	1,313,929			

FUNDS 4002-4004:

Unrestricted Fund Balance 6.30.13 $0 M

Capital Reserves 60.7 M

Fund 4003 Sanitary Sewers Construction Fund

Revenue & Expenditures Statement

Year to Date Through May 31, 2014

Title	Original Budget	Amended Budget	YTD Through 5/31/2014	Remaining Budget	Percent Collected/Used
Revenues:					
Charges for Services			115,166	115,166	0.0%
Investment Income (non-op)			123	123	0.0%
Other Financing Sources	25,000,000	25,000,000	11,440,598	13,559,402	45.8%
Total Revenue	25,000,000	25,000,000	11,555,887	13,674,691	46.2%
Expenses:					
Operating Expenses	3,345,000	11,812,434	2,369,832	9,442,602	20.1%
Transfers		230,703	164,058	394,761	71.1%
Capital	40,252,830	83,140,065	23,532,630	59,607,435	28.3%
Total Expenditures	43,597,830	95,183,202	26,066,520	69,444,799	27.4%
Net Difference	-18,597,830	-70,183,202	-14,510,633		
FY Available Fund Balance	0	0			
	-18,597,830	-70,183,202			
FUNDS 4002-4004:					
Capital Reserves	**60.7 M**				

Fund 4051 Water Quality Operating Fund

Revenue & Expenditures Statement

Year to Date Through May 31, 2014

Title	Original Budget	Amended Budget	YTD Through 5/31/2014	Remaining Budget	Percent Collected/Used
Revenues:					
Charges for Services	11,500,000	11,500,000	12,020,004	-520,004	104.5%
Fines and Forteitures	14,000	14,000	6,069	7,931	43.4%
Investment Income (non-op)			21,210	21,210	0.0%
Other Financing Sources	2,100,000	2,100,000		2,100,000	0.0%
Other Income	4,800	4,800	2,529	2,529	0.0%
Total Revenue	13,618,800	13,618,800	12,049,812	1,611,666	88.5%
Expenses:					
Personnel	4,414,650	4,336,433	3,428,805	907,628	79.1%
Operating Expenses	7,403,980	4,985,200	3,037,380	1,947,820	60.9%
Capital	3,855,400	284,688	65,952	218,736	23.2%
Total Expenditures	15,674,030	9,606,321	6,532,136	3,074,185	68.0%
Net Difference	-2,055,230	4,012,479	5,517,675		
FY Available Fund Balance	0	0			
	-2,055,230	4,012,479			
Unrestricted Fund Balance					
6.30.13	**6.1 M**				

Fund 4052 Water Quality Construction Fund

Revenue & Expenditures Statement

Year to Date Through May 31, 2014

Title	Original Budget	Amended Budget	YTD Through 5/31/2014	Remaining Budget	Percent Collected/Used
Revenues:					
Other Financing Sources			513,626		
Total Revenue	0	0	513,626	0	0.0%
Expenses:					
Operating Expenses		6,136,417	1,553,628	4,582,789	25.3%
Capital		3,655,331	1,092,398	2,562,933	29.9%
Total Expenditures	0	9,791,748	2,646,026	7,145,722	27.0%
Net Difference	0	-9,791,748	-2,132,400		
FY Available Fund Balance	0	0			
	0	-9,791,748			

Unrestricted Fund Balance

6.30.13 **6.1 M**

Fund 4121 Landfill Operating Fund

Revenue & Expenditures Statement

Year to Date Through May 31, 2014

Title	Original Budget	Amended Budget	YTD Through 5/31/2014	Remaining Budget	Percent Collected/Used
Revenues:					
Charges for Services	6,704,530	6,704,530	6,225,814	478,716	92.9%
Fines and Forteitures	22,000	22,000	60,561	-38,561	275.3%
Investment Income (non-op)			2,519	2,519	0.0%
Other Income	200,000	200,000	150,000	50,000	75.0%
Total Revenue	6,926,530	6,926,530	6,438,895	492,674	93.0%
Expenses:					
Personnel	748,690	748,690	600,621	148,069	80.2%
Operating Expenses	5,491,580	5,710,436	4,268,806	1,441,630	74.8%
Transfers	200,000	200,000	150,000	50,000	75.0%
Capital	1,040,000	1,597,102	58,604	1,538,498	3.7%
Total Expenditures	7,480,270	8,256,228	5,078,032	3,178,196	61.5%
Net Difference	-553,740	-1,329,698	1,360,862		
FY Available Fund Balance	0	0			
	-553,740	-1,329,698			
Unrestricted Fund Balance					
6.30.13	**14.5 M**				

Committee Referrals

Environmental Quality Committee

Item	Referred By	Date	Status
Capacity Analysis	Blues		Part of RMP
Waste Management Funding Options	Stinnett	4-13-11	Waste Management Task Force
Consolidate Greenway Responsibilities	EQ Link	6-19-11	
UK Game Day Solid Waste Collection: Revenue Source	EQ Link	6-19-11	Waste Management Task Force
Bulky Item Collection: Revenue Source	EQ Link	6-19-11	Waste Management Task Force
Empower Lexington Plan	Kay	3-20-12	Oct 2013 Meeting
Distillery District Update	Gorton	11-6-12	Sept 2013 Meeting Update
Waste Management Expenditure Audit	Stinnett	4-23-13	
Material Recovery Facility Audit Follow Up	Henson	1-28-14	
Tree Canopy Survey: Urban Forrstry Management Plan	Clarke	1-28-14	

Pas 2-11-14