

PUBLIC UTILITY DISTRICT NO. 1
OF ASOTIN COUNTY, WASHINGTON
SPECIAL MEETING – BOARD WORK SESSION MINUTES
October 9, 2018

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President Don Nuxoll presiding, the Public Utility District No. 1 of Asotin County Special Meeting was called to order at 4:30 p.m. at the PUD Office at 1500 Scenic Way.

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ROLL CALL: PRESENT Commissioners: Don Nuxoll, Judy Ridge and Greg McCall.

PUD Staff: General Manager Tim Simpson, Director of Finance and Administration Bob Sischo and Director of Operations Craig Riehle.

Members of the public were present.

WORK SESSION:

Capital Improvement Project Planning

Manager Overview

The manager provided an overview of the purpose of the Board Work Session. He stated that the proposal that will be presented regarding funding of future Capital Improvement Projects (CIP) is a culmination of two years of management and board discussion. This discussion transitioned into the update of the Comprehensive Water System Plan (Plan) beginning 2017. This discussion continued into the detailed development of the plan for CIP for the next six (6) years which culminated with the development and discussion of a detailed financial plan to support operations and maintenance, provide adequate funding for CIP and to ensure adequate reserves. The manager stated that Bob Sischo will provide an overview of finances and financial planning and Craig Riehle will address CIP and operations and maintenance.

Capital Improvement Plan

Mr. Riehle reported on the Capital Improvement Projects (CIP) completed since 2012. He reported that the primary goal of the CIP was to replace all vintage steel water mains with the secondary goal of CIP planning to provide for system redundancy, fire flows, small diameter main replacement, elimination of dead ends and facility and equipment upgrades. He reported that the PUD crew replace approximately 6,000 feet a year of water main. To date 47,400 feet has been replaced with 72,000 existing steel main remaining to be replaced. He stated that the 2018 Plan for CIP provides \$6.1 million for the replacement of 35,630 feet of water main and the set aside of \$200,000 annually for the replacement of meters and the automated meter reading system which is scheduled for 2025. The 7 to 20 year timeframe cost of CIP is estimated at \$19.8 million or 103,220 feet of water main. The combined total of the current 6-year CIP plan plus the CIP planned beyond 2024 combined is \$25.9 million or 138,850 feet of water main.

Capital Improvement Financing

Mr. Sischo introduced the next section of the presentation. He stated that the financial analysis goals approved by the Commission as part of the CIP strategy earlier this year were; Revenue Adequacy, ensuring overall rates are sufficient to meet projected requirements of operations and maintenance and capital improvements while maintaining adequate cash reserves; Rate Equity, ensuring water rates generate sufficient revenue to cover water-related expenses and reduce cross system subsidies; and mitigate rate impacts by looking for opportunities to smooth increases/spread costs over multiple years while developing a plan to cover CIP and the meter replacement project. He stated that the approved financial goal within the Plan was a no debt – cash funding strategy. The existing CIP funding plan is a pay-as-you-go method.

Capital Improvement Funding Plan Proposal

Mr. Sischo stated that based upon this approved financial strategy, management is proposing the establishment of a CIP Reserve Fund. If acceptable, this CIP savings proposal would mean not completing or limiting the number of projects completed in 2019 in order to save cash for projects beginning in 2020. Mr. Sischo stated that the goal would be to continue this process each consecutive year. He stated that the benefit of this proposal is that we will know the exact amount of cash available for the next years CIP. It allows us to avoid instability in cash expenditures; it provides financial stability by reducing volatility in revenue and mitigates errors in assumptions. Due to the fluctuation of cash, which is dependent upon weather and the consumption of water, we will not over plan and over spend for CIP. The manager stated that the budget is a Board approved guideline and we review it regularly to ensure that we are meeting the budgeted targets and we do adjust or cancel projects/purchases if funding is not available similar to what we did in 2016 during a very wet year.

Mr. Sischo stated that the proposal also provides adequate cash in reserves to address catastrophic events such as, the loss of a well or problems with a reservoir. Discussion ensued regarding what compromises a catastrophic event. He went on to state that an alternative to financing a catastrophic event if adequate reserves are not available is to use a line of credit. Discussion ensued regarding a line of credit; how to obtain and the interest rate associated with it. Mr. Sischo stated that the timing for this proposal is good due to the fact that we have a new Plan that includes a solid financial plan and 2019 will see the implementation of a new asset management system and an inventory software system which will require staff time to implement. He also stated that with a staff retirement at the end of the year and a planned one in 2020 the need for staff training will increase. He stated that Craig will address this in his plan for operation and maintenance activities in 2019.

2019 Operations and Maintenance

Mr. Riehle stated the CIP funding method that we are proposing comes at a good time for operations and the priorities he identified for 2019. He stated that new employees will require intensive training and staff time. He stated that the plan is to hire one new crew member at the first of 2019 followed by another staff member later in the year dependent upon the retirement timing of one of our long-time employees. In addition, intensive training of current shorter-term employees is planned to ensure they are knowledgeable in well operation and maintenance, pressure reduction valve operation and maintenance and address training on the more complicated equipment and processes of operating our water and wastewater systems that come with time working on the systems. He stated that in addition to

training staff will focus on small main projects; dead ends and smaller diameter pipe. The abandonment of the steel water main on Chestnut Street between 14th and 15th Streets as discussed with the Commission will occur in 2019. He stated that staff will continue the lead pigtail removable project to its conclusion next year and will be involved in the asset management and work order system being implemented in 2019.

Mr. Riehle stated that maintenance will focus on hydro-flushing the sewer collection system with the new Vactor Truck. He stated that this focus will provide the necessary knowledge of how long it will actually take to flush the entire system which will help with scheduling future flushing and maintenance of the sewer system. He stated that the Vactor Truck will be used for meter box clean out as well. He stated that since installing the automated meter reading system that this is a part of our maintenance that has been put off. The crew will also exercise valves and there will be a focus on facility site improvement and maintenance. Based upon the funds set aside, the 2020 CIP project planning will begin in the fall of 2019. The goal is to put together those projects that will be bid by a contractor to get them advertised by December 2019 to ensure we get the best bids during their off season from construction.

It was the consensus of the Board that the CIP Funding Proposal was a good plan. The manager stated that the financial plan and the 5% annual revenue increase will provide adequate funding to meet future operations and maintenance requirements and CIP. He stated that based upon the discussion at this meeting he will complete the 2019 Budget and distribute it to the Board in order to provide adequate time for a thorough review before the Budget Hearing on Monday, October 22nd.

ADJOURNMENT

The Special Meeting – Board Work Session was adjourned at 5:35 p.m.