



BUDGET & FINANCE COMMITTEE

Friday, November 22, 2019 at 7:30 a.m.

Memorandum

Members Present: Committee Chair Jane Merrill, Members Michael McDonald and Carl Mills. Others in attendance: Board Member Barb Lamb, Legal Counsel Anne Poindexter, Utility Director Andrew Williams, Controller Cindy Sheeks, Engineering Manager Wes Merkle, and Administrative Assistant Maggie Crediford.

PUBLIC COMMENT

There was no one present from the public.

2020 OPERATING BUDGET

Mr. Williams stated large items not included in the proposed budget are bond payments for the Plant and Office Expansion projects. Those numbers will not be known until the bond is issued.

The proposed budget is factored without a 5% rate increase for 2020. The Committee has previously discussed implementing a rate increase, which will be decided later.

Mr. Williams said business costs continue to go up, especially computer and software expenses. Staff is projecting a \$2.28 million net surplus, which will be used for Capital Projects over the next two years.

Ms. Merrill asked how residential and commercial sales projections are derived. Mr. Williams said there are still houses being constructed in the district. Mr. Merkle said in the last 12 months the Utility added 740 EDUs, half of which are single family homes.

Ms. Lamb reviewed discussions the Personnel and Benefits Committee had regarding proposed salary increases for 2020. The Committee proposes to recommend to the Board of Trustees a total of a 3% increase in addition to Step increases. Employees are scheduled to receive a Step increase which is built into the salary ordinance. Ms. Lamb said the Committee made it clear to management in the meeting that the 2020 COLA does not establish a precedent for future years. Ms. Lamb said neighboring municipalities are giving employees 3%-4% COLA's in 2020. That is the range the Committee considered. A 1.5% COLA is being recommended based on the CPI, plus an additional 1.5% increase based off the Utility's performance in 2019. Mr. Williams and Ms. Lamb said Mr. Pittman attended the Personnel and Benefits Committee meeting and made the recommendation for the additional increase for performance. He felt it is important for the Board to send a message to employees that the Board values the work they have done over the past year.

Ms. Merrill asked what Mr. Pittman's reasoning was for the additional 1.5% increase. Ms. Lamb said based off the Utility's performance in 2019. He felt it is important for employees

to be rewarded for a prosperous year. Mr. Williams said Mr. Kimbell agreed but clarified additional money may not be given every year. Ms. Lamb said Mr. Kimbell stated competition for employees is fierce right now and the Utility should strive to keep the employees it has in this competitive market.

Mr. Mills asked Mr. Williams to provide the Board a summary showing the breakdown for the proposed 2020 increases, 1.5% COLA and 1.5% Utility performance totaling 3% increase in addition to Step increases.

Mr. McDonald asked if the increase in the salary line item is for additional employees. Mr. Williams said the increase is for current employees not for additional employees. All salary items are included in one line item in TriCo's budget. The projection includes holiday pay and overtime which may not be used if there are no after-hours incidents. Mr. McDonald said the line shows a 6.2% increase. Ms. Sheeks said the line includes part time, summer help, straight time, overtime, and holiday pay.

Mr. Mills had a question regarding late charges. Mr. Williams and Ms. Sheeks said the Utility is trending towards \$97,000 in 2019 so it was left the same for 2020.

Mr. Mills asked about money budgeted for engineering fees. The budget is jumping from \$6,000 to \$30,000 and as of now only \$4,000 has been spent in 2019. Mr. Merkel said the number is a placeholder. The Engineering staff does not know what expenses will be needed that are not tied to a capital project.

Mr. Mills said Mr. Merkle presented numbers at the Office Improvements Committee for the new building and plant expansion projects. Mr. Mills said TriCo's 2020 Budget cannot be acted on until the bids come back for those two projects and Mr. Krohn has time to review the numbers and look at the loan structure. Mr. Mills believes the bond payments might be made twice a year and will need to be added to the budget. Mr. Mills said he is leaning towards a 5% rate increase in July, but will not know for sure until all the numbers come in. Mr. Williams said the Utility is not in a crunch to get the budget approved before January, regional sewer utilities do not need to have their budgets approved by the State of Indiana. Mr. Mills said the OIC Committee discussed paying for the Office Expansion Project with cash so it can begin quickly. The Clay Township Trustee is anticipating purchasing TriCo's interest in the current location in January.

2020 CAPITAL BUDGET

Mr. Merkle said the proposed plant expansion has been broken into three line items in the Capital Budget. There are three different funding sources for the components that make up the project: adding capacity, grit removal (Operating Fund), and replacement of the three original clarifiers (Reserve for Replacement).

Project #1906- Outfall Sewer Project- Mr. Merkle and Mrs. Poindexter are moving forward with legal proceedings to acquire the last easement needed to complete the project from DOW.

Project #1910-Office Unification Project-Total budget for the project is \$2.25 million. Bids for office construction will be opened December 17, 2019 and are estimated to come in around \$1.3 million.

Project #1802-Lift Station 1 Carmel Creek-Once staff acquires easements and permits, the project will go out to bid and begin construction.

Lift Station 2 Odor Control Replacement-Collections Staff has been replacing parts to get the current system working properly. If the latest attempt does not work, replacement will need to be reconsidered.

#1901-Lift Station 14 Austin Oaks Parallel Force Main Project-Should begin construction and be completed in 2020.

Little Eagle Creek Interceptor Extension-Staff met with a developer that has 290 acres under contract. About 100 acres is zoned and ready for construction. The developer plans to break ground in early 2020 on about 240 homes. The interceptor needs to be extended to service the project. The Utility agreed to begin the project with the development so it does not risk extending the sewer and then waiting years for development to occur.

Lift Station 16- Steve Pittman's farm development (116th and Michigan Road). Mr. Pittman believes there is a good chance the project will move forward so staff is keeping it in the budget for 2020.

Future Sewer Extensions-Neighborhood sewer projects. TriCo has two to two and a half years to get existing unsewered neighborhoods in the territory served.

Mr. Williams discussed equipment replacement. The largest item being requested is a skid steer. It is a piece of equipment used for moving equipment around the plant. Staff is looking at a combination piece that would replace two current pieces of equipment at the plant.

Mr. McDonald asked where the Utility stands on SCADA security. Mr. Williams said he will ask Mr. Watkins to put a summary together regarding SCADA security.

ILLEGAL SUMP PUMP CONNECTION-13065 AIRHART DRIVE

Mr. Merkle said Airhart Drive is near Main Street and Shelbourne Road. The violation began in 2010. The homeowners, who are still the current owners, had an I&I inspection and the sump pump had an illegal connection. Somehow it was not addressed at the time. Staff realized it had not been addressed and performed another I&I inspection in July 2019. The homeowners were informed on site. Staff followed up with written correspondence giving the homeowners 30-days to get it resolved. The letter stated that if it did not get resolved their bill would be surcharged \$20 per month for 90 days, after which the issue would be brought before the Board. The homeowners have not resolved the illegal connection. They have not returned follow-up phone calls or retrieved certified mailings sent by the Utility. Staff is asking the Committee to recommend the Board

implement a \$100 per day fee until the sump pump connection is removed from the sewer system and rerouted to another location on the property.

Mrs. Poindexter recommended the Committee ask the Board to direct staff to send a new letter to the homeowners via regular mail and certified mail and call them to explain the property is in violation of state law as well as TriCo's requirements. Effective "x" date they will incur a \$100 per day fine and it is the Utility's hope they will get it resolved before that happens.

Mr. McDonald made a motion to recommend the Board direct staff to move forward per Mrs. Poindexter's recommendation regarding the illegal sump pump connection at 13065 Airhart Drive. Mr. Mills seconded the motion and it was approved unanimously.

FINANCIAL STATEMENTS

Ms. Sheeks said commercial revenues are coming down as expected. Cash balances were over \$11.7 million at the end of October. Mr. Mills asked if more investment money could be moved to Merchants. Ms. Sheeks said she will see if they will accept more money.

Mr. Merkle said bids will be opened on December 17, 2019 for the Office Improvements and Plant Expansion Projects. Buzz Krohn will finalize numbers and put together terms for a bond, which will be brought back to this committee before the January Board Meeting to consider a proposed Bond Ordinance. Ms. Merrill said the Committee will not meet the week between Christmas and New Years and asked if there was an alternative date for the meeting. Mr. Williams said staff is considering moving the December Budget and Finance Meeting to the first week in January. Ms. Merrill said January 3, 2020 would be acceptable. It was agreed the next meeting will be January 3, 2020 at 7:30 a.m.

The meeting adjourned at 8:27 a.m.

Respectfully Submitted



Cindy Sheeks
Controller