



## JOINT CAPITAL & CONSTRUCTION and BUDGET & FINANCE COMMITTEE MEETING

Monday October 8, 2018 at 6:30 p.m.

### Memorandum

Members Present: Capital and Construction Committee members Marilyn Anderson and Eric Hand, Budget & Finance Committee Chairwoman Jane Merrill, Budget & Finance Committee member Carl Mills, Board members Mike Shaver and Barb Lamb. Others in attendance were Legal Counsel Anne Poindexter, Utility Director Andrew Williams, Engineering Manager Wes Merkle, Controller Cindy Sheeks, Administrative Assistant Maggie Crediford, Consultants Buzz Krohn and Kate Weese.

Ms. Merrill called the meeting to order at 6:35 p.m.

#### **PUBLIC COMMENT**

There was no public comment.

#### **IT SECURITY**

Mr. Williams shared with the Board Members the steps that have been taken to strengthen IT security measures within the Utility.

#### **FINANCIAL STATEMENTS AND INVESTMENTS**

Mr. Williams stated that the State Board of Accounts is performing an audit for the years 2012-2017. Staff has been working with Crowe who was hired by the State Board of Accounts to do the audit by providing them any documentation they have requested. Mr. Hansen has been coming to the office to help Staff by locating documentation from the years when he was the Controller. Mr. Williams informed the Board members that they might receive a phone call or an email from Crowe requesting information related to the audit and should provide them with the information requested. Ms. Merrill asked when the last time was the Utility was audited. Mr. Williams said it was in 2012.

#### **CAPITAL BUDGET UPDATE**

Mr. Williams said that he will have 2019 Goals and Objectives for the committee to discuss at next month's meeting. The first draft of the 2019 Budget should be presented at the November meeting as well. Ms. Merrill asked Mr. Williams to send the 2018 Goals and Objectives to the Board Members before the next meeting to refresh their memories. The Budget and Finance Committee discussed moving their October meeting to November 2, 2018 and asked Mr. Williams to let Mr. McDonald know that the meeting was rescheduled.

## **#1902 WWTP EXPANSION**

Mr. Merkle presented updated information regarding the proposed plant expansion project. The presentation included flow split numbers, growth projections, revised options, financing and recommendations. He presented a map of the service area and discussed how the flows are divided between TriCo's plant and the City of Carmel's plant. Staff revised the growth projections from the last meeting. Mr. Pittman and Mr. Merkle met with the City of Carmel and Town of Zionsville planning staff to discuss potential growth in our service area. His chart showed that allocated capacity is capacity that has been promised to developers/property owners and certified to IDEM. Allocated capacity may be vacant lots in subdivisions or buildings under construction where we are not receiving any flow yet. The Planned Project Summary tables list projects that are in some level of planning or design that have been in communication with staff. Raw land is acreage that is undeveloped or underdeveloped. Unsewered parcels includes homes and businesses on septic systems that are not a part of a previous neighborhood sewer project.

Mr. Pittman arrived at 6:35 p.m.

Mr. Shaver had questions regarding the difference between allocated capacity and planned projects. Mr. Williams suggested that questions be held to the end of the presentation as they might be answered by the material presented.

Mr. Merkle stated that the numbers listed for allocated capacity for the City of Carmel came directly from the City with some revisions by staff to account for changes to older development projects. The numbers for Zionsville had to be calculated by the Staff. Mr. Merkle reiterated that allocated capacity is capacity that is promised and committed. The question becomes which proposed projects will move forward and how much raw land will be developed. He presented a map of TriCo's service area highlighting planned project locations, undeveloped and vacant raw land, and unsewered neighborhoods.

Mr. Merkle stated Staff feels that Scenario One of the Growth/EDU Projection Summary sheet is the most conservative approach, assuming only 50 percent of planned projects and 50 percent of raw land would actually develop. The most conservative scenario would add over 6,900 EDU's. Mr. Merkle provided a revised capacity calculation chart showing growth projections in terms of EDUs as well as MGD (million gallons per day) using the conservative growth projection. If you take the total future growth and subtract the remaining usable capacity at Carmel and the remaining usable capacity at TriCo's plant it gives you the additional capacity needed. Then add in 10 percent for reserve or safety factor and the additional capacity needed becomes 4,400 EDUs or 1.36 MGD.

If more than 7,400 EDUs are added, then more work needs to be done than previously thought. TriCo will need 4 new VLR's instead of 3. Additional capacity (minimum of 2 new VLRs) must be online in 4 to 5 years to continue capacity allocation for new development. Wet weather improvements need to be complete and online in 2021. Optional items in the 2020-2021 project are to build 0-4 VLRs. Construction of 2 VLR's can be postponed by up to one year. Grit removal can be built now or postponed to the 2026 project. Proposed wet weather improvements that are not optional include construction of the

mechanical screen, secondary clarifier, UV disinfection, and backup power upgrades. Those items need to be online in 2021.

One option includes a project in 2020-2021 with a total cost of \$15.2 million, consisting of wet weather improvements, construction of 4 VLRs, and grit removal. This option will require an \$8 million 10-year bond with a 5-year call option. This option would have the lowest long-term cost.

A second option postpones grit removal and construction of two VLRs until 2026. The 2020-2021 project would consist of wet weather improvements and two VLRs with a total cost of \$9.0 million. TriCo would need a \$1.5 million draw-BAN or bond anticipation note to cover expenses in 2020-2022 along with a second \$4.3 million draw-BAN for the 2026 project. This option requires the least amount of borrowing, but long term would cost \$1.3 million more than the previous option. Mr. Merkle recommended that the Committees direct staff to proceed with procurement of design services for the 2020-2021 plant expansion project, including a third mechanical screen, grit removal, up to four VLRs, a secondary clarifier, a third UV disinfection channel and backup power upgrades with bid alternatives as noted.

Ms. Merrill asked if the data includes TriCo taking in any additional service area in Zionsville west of Michigan Road or north in Union Township. Mr. Merkle stated that the data presented only includes TriCo's existing territory. Mr. Pittman stated that he and Mr. Merkle met with representatives from the Town of Zionsville strictly to talk about serving TriCo's current area.

Mr. Hand asked for clarification on grit removal. Mr. Merkle stated that grit removal does not technically increase plant capacity, but it does help processes continue to run efficiently. At our current capacity we are on the cusp. Most plants above our current size have grit removal. From a constructability standpoint grit removal could be a standalone project.

Ms. Anderson stated that with regards to the last plant expansion the Utility was able to construct at a time when the economy was down, and pricing was optimal. She stated that she has concerns that the Utility will hit the Allocated Capacity numbers sooner than projected with the conservative growth projections used. She said she would like to have approved plans so that there won't be a year to wait if a recession doesn't happen.

Mr. Williams stated that looking forward there are several steps involved with the plant expansion. The first being get proposals for design which would go before the C&C Committee involving presentations for design services from interested firms, which would occur at the December meeting. A short list of consultants would make those presentations. The Committee would then make a recommendation to the Board to move forward with design. The design would take up to a year. That would give the Utility time to see what is happening in the economy while developing shovel ready plans. The City of Carmel was able to secure grant money a few years back because they had shovel ready plans on the shelf when the funds became available. One thing that came to light

through all the research done for this project is that the allocated capacity currently spoken for at the TriCo plant for platted but undeveloped lots totals 2,246 EDUs. If growth continues at the current rate TriCo will not have any available capacity to allocate to new projects in four to five years.

Mr. Pittman stated that when he and Mr. Merkle investigated the numbers they used the most conservative growth projection numbers they could come up with. When the discussion regarding this project began he didn't understand the role that allocated capacity plays in the development process. By using 50% of the growth numbers we have been extremely conservative with projections. Mr. Pittman stated that he would like to move forward with the design and planning for the wastewater treatment plant expansion.

Ms. Merrill asked if there is a downside to move forward with the design and planning for the project. Mr. Shaver stated that if the growth doesn't happen, the Utility has spent the money on a design for a project that doesn't get built.

Mr. Williams stated that detailed information on growth and development recently collected and collected in the future will give the Board more information on the best time to start construction, and if the projects need to be broken apart or constructed all together.

Mr. Shaver stated that when projects are approved at the Plan Commission the Utility needs to be prepared to accept the sewage from it. Prior to this presentation he didn't know what the allocated capacity was. He does have concerns with how much available land in TriCo's CTA is consumed but agrees that the allocated capacity needs to be planned for. He thinks the Carmel capacity issue still has not been worked out. He believes additional capacity is needed and the Utility needs a good working relationship with the Plan Commission.

Mr. Mills asked Mr. Krohn how increases in interest rates will change the projections. Mr. Krohn stated that the projections assume a 4% interest rate and were uniform in all the financing options. Mr. Mills asked to see the impact of a worst case 5% interest rate at the next Budget and Finance meeting. He asked for a second scenario showing that if something needs to be done in 2026 how does that effect the initial lending He added that it may make more sense at some point to borrow additional money up front and stagger projects across several years.

Mr. Williams reiterated that the next step would be for Staff to issue a request for proposals to consultants for design services, and those short listed would make presentations to the Capital and Construction Committee meeting.

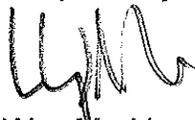
Mr. Pittman stated that he would like to close the loop on the Plan Commission discussion. The Utility has a representative on the Technical Advisory Committee for Carmel and Zionsville, so once a month Staff is going to those meetings and seeing the projects that are being proposed. He asked what is done with that information. Mr. Merkle said that this information is what generated the list under planned projects. Mr. Pittman stated that

he would like Staff to keep the allocated capacity list up to date and to periodically share that information with the Committee. Mr. Merkle stated that this information had to be reassembled after historical data was lost in the ransomware incident last year. Staff will update this information going forward.

Ms. Anderson made a motion to move forward with getting proposals for design services for the plant expansion project presented by Staff. Mr. Pittman seconded the motion and it was approved.

Mr. Mills made a motion to adjourn the meeting. Ms. Anderson seconded the motion and the meeting adjourned at 7:55 p.m.

Respectfully Submitted

A handwritten signature in black ink, appearing to read 'Wes Merkle', written in a cursive style.

Wes Merkle  
Engineering Manager