



Office Improvements Committee Meeting

Tuesday, October 1, 2019 at 12:00 p.m.
Memorandum

Roll Call

Present: Committee Chair Steve Pittman, Members Carl Mills and Jeff Kimbell. Others in attendance: Utility Director Andrew Williams, Engineering Manager Wes Merkle, Controller Cindy Sheeks, Administrative Assistant Maggie Crediford, and Buzz Krohn from O.W. Krohn & Associates.

PUBLIC COMMENT

There was no one present from the public.

OFFICE UNIFICATION PROJECT STATUS UPDATE

Mr. Merkle said the schematic design plans submitted by Blackline are about 40% complete. Staff submitted a list of minor comments back to Blackline but were happy with the proposed design overall. The project is expected to be on budget.

Mr. Merkle said Blackline forwarded the 40% drawings to 16 local commercial contractors. Positive responses were received from eight of them. Several asked if TriCo would consider doing a prequalification of contractors before an open bidding process.

Mr. Pittman asked if contractors are required to post a bond for the project. Mr. Merkle said per state law a performance and payment bond is required for 100% of the contract.

Mr. Mills asked if contractor prequalification can be done on a government project. Mr. Merkle said that is to be determined. Mr. Merkle is researching it and will report what he learns to the Committee. Mr. Mills said he has never seen an instance where a government agency has a prequalification process before public bidding of a project.

Mr. Merkle reviewed a rendering of the proposed project. Mr. Merkle said the project should be complete in the fall of 2020. The committee members had a favorable reaction to the renderings. Skylights are being added above the center workstations in the building proposal to bring more light into the workspace. Staff has requested a designated storm shelter be added to the center of the building. Staff would like to incorporate displays to showcase what the Utility is and does as an educational component for guests that come to the facility. Mr. Merkle hopes different industry associations will utilize the new space as well. The building is expected to be on budget.

Mr. Merkel presented the site plan to the Committee. There will be a new entrance to the facility off Mayflower Park Drive. There will be approximately 38 parking spaces in front of the building. Behind the parking lot will be the security fence, which is required at a

water treatment facility, with automatic gates for vehicles to pass through. There will be 25 parking spaces behind the security fence for company vehicles. The pond currently at the plant will be replaced with a bioretention basin which will meet storm water quality and retention requirements set by the Town of Zionsville. There is a patio proposed just outside the interior breakroom.

GOVERNMENT CENTER OFFICE SALE UPDATE

Mr. Williams said Mrs. Poindexter drafted a sales agreement between the Utility and the Clay Township Trustee for the sale of the current administrative office space. Mr. Callahan is reviewing the document and intends to execute the sale at the beginning of 2020. Mr. Williams said the timing of the sale should coincide with the timing of when bids are received for the proposed consolidation project. The proposed agreement allows the admin staff to stay in the current location for up to 18 months from the date of sale with a sales price of \$946,000.

OFFICE/PLANT CAPITAL BUDGET AND PROJECT REVIEW

Mr. Merkle reviewed the Capital Budget spreadsheet. He explained that bold numbers on the spreadsheet correlate to project numbers. Project fact sheets were provided in the meeting packet for reference. The proposed Capital Budget includes spending for equipment replacement, grit removal, and plant expansion.

Overall costs spread between 2020 and 2021, as well as design costs in 2019, are projected to be roughly \$17.2 million. Mr. Mills asked for clarification on what years are represented in the spreadsheet. Mr. Merkle said 2019, 2020 and 2021. Mr. Mills asked that the numbers from 2019 be removed from the proposed 2020 and 2021 budget because it will have been spent in 2019 or moved forward to the 2020 budget.

#1906 Outfall Sewer Project - Mr. Merkle said the money shown for 2019 will get pushed to 2020. There are outstanding easement acquisitions for this project that need to be resolved before moving forward. Mr. Kimbell asked if the \$800,000 budgeted for 2019 has been spent. Mr. Merkle said about \$30,000 has been spent. The 2019 numbers need to be updated to include expenditures that have occurred. Mr. Kimbell asked if the \$800,000 budgeted for 2019 is money that was already approved but has not been spent yet. Mr. Merkle verified that was correct.

#1910 Office Unification - Mr. Merkle has budgeted \$2.1 million for this project.

#1802 Carmel Creek (Haver Way Lift Station) - Mr. Merkle said the Utility is waiting on signed easement documents from property owners. When easements are acquired construction can begin. Mr. Merkle said staff anticipates most of this project will be in 2020, so money approved in 2019 will carry forward to 2020 for this project.

#2002 Lift Station 2 Odor Control Unit - \$200,000 was budgeted for 2019 but was not spent. Staff is evaluating solutions for that site and will have updates for an action plan when it is available. Mr. Pittman asked for clarification between the 2019 and 2020

numbers. He asked if the 2020 numbers include money from 2019 that will be pushed forward because it wasn't spent. Mr. Merkle said that was correct.

Mr. Mills suggested updating the budget to reflect unspent money from 2019 in the 2020 budget, for clarification purposes. Mr. Pittman agreed he would like to see the previously approved money from 2019 shown in the 2020 budget so it reflects a true dollar amount available for the proposed projects. Mr. Merkle and Ms. Sheeks said they would update the budget.

#1901 Michigan Road Parallel Force Main - Mr. Merkle said most of the work will get pushed to 2020. Bids have been received. The project came in about \$450,000 under budget at \$855,000.

#2001 Little Eagle Creek Interceptor Extension - Mr. Merkle said this project is in the far northwest corner of TriCo's service area. The developer has about 175 acres under contract and expects to move forward in 2020. Approximately 100 acres of the project do not require zoning approval.

#1905 Lift Station 16 Relocation - Is pending the redevelopment of The Farm property to move forward.

Mr. Merkle directed the Committee to view the numbers budgeted for the Future Neighborhood Sewer projects through 2022. There is \$300,000 budgeted for these projects per year and he believes the upcoming projects may come in under budget as the others have to date.

Mr. Merkle said there are a sprinkling of replacement projects projected beyond 2021. Several pumps and generators at lift stations are getting to an age where they will need to be replaced. Those have been grouped further out because currently the equipment is working. Staff is hoping to package projects together in order to procure a better deal as well as staff being overwhelmed with projects already proposed for 2020 and 2021.

Mr. Mills asked if money is being set aside for replacement issues that may arise. Mr. Williams said there is \$50,000 a year allocated for unforeseen replacement issues in the proposed budget.

Buzz Krohn from O. W. Krohn & Associates presented his recommendations for funding the plant expansion project. He began by looking at what funding would be needed if there was a three-year recession. He conservatively projected 250 EDUs (new customers) per year in growth for the Utility and reduced the connection and improvement fees in half for 2020 to 2023 as well. The Utility has consistently been achieving 500 EDUs, even during the three-year recession that began in 2009. In 2024, he brought the projections back up by half in each of those categories.

Mr. Kimbell asked how many EDUs the Utility gained per year for the past five years. Mr. Merkle said over 600.

Mr. Krohn said capital outlay projections in 2021 and 2022 will be the highest years with the plant expansion, office consolidation, and other projects. Spending is estimated to be \$30 million to \$34 million. The goal is to spend TriCo's cash on hand without going below \$3 million. There are three years that will need capital above what is available in cash balances and projected availability, connection and user fees. In the recession-based scenario, the Utility will need to borrow \$13.7 million. Mr. Krohn projects the debt could be repaid within a 10-year window. The proposal factors in two 4% rate increases, one in 2022 and one in 2027. TriCo would still have the lowest rates and fees in the area.

Mr. Krohn presented a scenario that does not account for a recession but does include the proposed 4% rate increases in 2022 and 2027. This proposal shows the Utility borrowing \$11.5 million instead of \$13.7 million. Under this plan the 2026 cash reserves would dip down to \$2.4 million.

Mr. Mills clarified for the other committee members that the Budget and Finance Committee decided that not dropping below \$3 million in reserves would be a comfortable financial position for the Utility and that is where Mr. Krohn got that figure.

Mr. Mills said the Utility has previously imposed a 5% rate increase when needed. Mr. Pittman and Mr. Mills questioned why the Utility would not do rate increases to help pay back loans. Mr. Williams said it could be a more conservative approach if the Board is willing to pass rate increases. Smaller increases could be done yearly instead of the 4% increases proposed in 2022 and 2027. Mr. Mills said he would be more comfortable implementing rate increases since the Utility will not be debt free. Mr. Krohn said yearly rate increases would help with lender credibility. Mr. Williams pointed out the proposals also assume 3.5% operating costs increases which are aggressive.

Mr. Krohn said the debt should be structured as a bond issue. A regional sewer district can acquire a loan through competitive or negotiated sales. Mr. Mills asked if the Utility could do a private placement loan. Mr. Krohn said yes, that would be a negotiated sale. Mr. Mills said a private placement loan would save on the cost of the loan. Mr. Krohn said if TriCo spends bond money first and reserve money last there would be unrestricted yields. Mr. Krohn said loan repayment of seven to ten years is attractive to banks.

The Committee agreed borrowing money based on the most conservative projections for growth and operating costs seemed like the best option, which would be borrowing \$13.7 million. The Capital and Construction Committee and Budget and Finance Committee will also discuss the funding options before it is brought to the Board of Trustees for a vote.

Mr. Pittman questioned the need for rate increases if the Utility borrows based on the most conservative projections. Mr. Mills said banks would be more comfortable lending money with rate increases incorporated into the proposal.

Mr. Kimbell and Mr. Mills asked Mr. Krohn to remove as many variables as possible in the \$13.7 million borrowing scenario and to show 4% rate increases for three years in a row beginning in July of 2020.

The Office Improvements Committee will recommend support of Mr. Krohn's proposal to borrow \$13.7 million to fund the plant expansion and consolidation project to the Capital and Construction Committee, Budget and Finance Committee, and the Board of Trustees.

The meeting adjourned at 1:47 p.m.

Respectfully Submitted,

A handwritten signature in black ink that reads "Drew Williams". The signature is written in a cursive, slightly slanted style.

Drew Williams
Utility Director