



## BUDGET & FINANCE COMMITTEE

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Friday, October 25, 2019 at 7:30 a.m.

### Memorandum

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

Ms. Merrill called the meeting to order at 7:35 a.m.

### **PUBLIC COMMENT**

There was no one present from the public.

### **FINANCIALS**

Ms. Sheeks stated revenues were above projections for the month of September. Cash balances are close to \$11.5 million. Capital Spending is low this year but will increase in 2020.

### **2020 OPERATING BUDGET**

Mr. Williams said commercial revenues have slowed. Staff is wondering if more efficient systems have caused the decrease in flow. Carmel Utilities has indicated that they have been seeing the same trend.

Mr. Merkle said a growth in commercial customers without a growth in water consumption is concerning because even with less water there is an increase in the biochemical oxygen demand (BOD) treatment requirements. The trend could cause treatment expenses per gallon to increase.

Mr. Williams said a COLA was discussed at the Personnel and Benefits meeting earlier in the week. The P&B Committee asked for more information and will make a recommendation for a 2020 COLA to the B&F Committee next month. Depending on what P&B decides, it would be up to a \$15,000 increase to the operating budget.

Mr. Williams said the line item for the Government Center expenses was reduced slightly for two reasons. The first being, if the Office Relocation Project is approved the office staff would be moving this time next year. Secondly, we are looking at a new phone system. The current system at the Government Center is obsolete and needs replacing. It is a good time to do something independent from the Trustee's office if TriCo is going to move. Staff is looking at a VoIP system.

Mr. Williams said an increase is projected for Computer and Consultants. Most all of the software programs used by TriCo have changed to annual subscriptions formats. Companies have moved away from selling software that would last five years or so.

Mr. McDonald asked if services provided by Rook Security is still in the budget. Mr. Williams said money is still in the budget, but Mr. Watkins and IT Indianapolis are looking at other providers for this service. Rook was purchased by a national company and is not offering the exact same services they were contracted for in 2019. Mr. Williams said Rook is no longer providing log archiving services. Mr. Watkins hired Solar Winds provide this service for the Utility. Mr. McDonald suggested bringing Rook in for a meeting to discuss our concerns with their performance.

Ms. Sheeks said from an end user standpoint there are several conflicts with what Rook has tried to implement. There have been many operational issues with the billing software and staff have noticed it often correlates with system upgrades by Rook. Mr. Williams said Ms. Sheeks is looking at different options for utility billing. Staff is trying to see what is most cost effective but also meets the needs of the Utility.

Mr. Williams said the new phone system will be VoIP. Mr. McDonald said to make sure the phone system and computer systems are aligned when choosing a company. Ms. Sheeks said IT Indianapolis is involved in the decision process for choosing phones.

Mr. Williams said lock box services provided by RPS for processing checks is included in the billing services line. Ms. Sheeks said the cost will be around \$1,200 per month. Mr. Williams explained the service would automate the processing of physical checks collected by the Utility each month. Mr. Mills said he is very familiar with the service RPS provides regarding check processing.

Ms. Merrill asked about the increase in accounting fees from 2018 to 2019. Ms. Sheeks said the accounting fees were much higher than normal since we were billed for the State Board of Accounts audit that was conducted in 2019 and covered 5-years. Audits normally occur every two years and the cost for these audits will show up in every other year's budget.

Mr. Mills questioned why the Utility hasn't spent much of the money budgeted for 2019 in Customer Outreach and Education. Mr. Williams said staff is in the process of having brochures updated to TriCo. There are two customer mailings planned for the end of 2019 and staff is looking at purchasing more educational handouts. Mr. Williams said staff is looking at educational displays for the new office as well. Mr. Mills asked if the number should be increased. Mr. Merkle said he is looking at adding the cost of educational displays into the office project.

Mr. Williams said an open house at the new facility is being discussed which could be tied into a 45<sup>th</sup> Anniversary celebration for the Utility.

## **2020 CAPITAL BUDGET**

Mr. Merkle said the Capital Budget has been reviewed by the C&C Committee. Mr. Mills asked Mr. Merkle to create an executive summary to accompany the Capital Budget going forward. Ms. Merrill agreed an executive summary would be helpful for other Board members to see the highlights of the Capital Budget. Mr. Merkle said he would make a summary of for the Board.

Mr. Merkle explained that the Plant Expansion consists of three items. They are broken out separately because they have separate funding sources. They are the Capacity Increase, installation of grit removal equipment and the replacing of the original clarifiers. Total project cost is projected to be \$17.2 million.

Mr. Williams said Staff is optimistic on pricing since Blackline partnered with a contractor to develop the cost estimates for the project.

Mr. McDonald asked if there will be issues having the plant expansion and office remodel project going on at the same time in the same location. Mr. Merkle said the way the site is laid out, plant expansion work will not be in the same location as the office improvement project. A second entrance could be temporarily added off Mayflower Drive to accommodate work for the plant expansion portion of the project with the understanding, once the project is complete the contractor will need to remove the temporary entrance and put it back to its original state and include the costs to do that in their bid.

Mr. Merkle said it will be a challenge for staff to manage the work and will need help. Mr. Williams said the site work will be part of the plant project and the building contractor will only be working within the building footprint. Contractors will be required to use their own, well-defined, material storage areas. Contractors will need to be responsible for receiving and signing for their own deliveries. TriCo employees will not unload trucks or take packages. Mr. McDonald emphasized the building contractor will need to coordinate with the plant expansion contractor. Mr. Williams said the project will take a lot of supervision and staff is looking at options for project management. This could include the hiring of a consultant, independent contractor, or a part time staff person.

Mr. Merkle said the Outfall Sewer Project was supposed to be completed in 2019. The Utility needs to acquire easements from DOW to complete the project. Mrs. Poindexter said the Utility may need to file litigation to get their attention. The easement is a low priority for DOW. Mr. Merkle said if the project can be completed in 2020 that should be ok because there is some overlap in the work with the plant expansion project.

Mr. Merkle said the cost of the Office Unification project is projected to be within budget.

Haver Way Lift Station (Project 1802) is a 2019 project that is being pushed to 2020.

## **PROJECT FINANCING**

Mr. Merkle spoke with bond attorney Dennis Otten from Bose McKinney & Evans LLP, who was recommended by both Buzz Krohn and Mrs. Poindexter. Mr. Otten will be sending Mr. Merkle and engagement letter. Mr. Otten suggested having a bond ordinance

ready to go with the contract award and close on the bonds within a month after the Board awards the contract. Mr. Otten is comfortable with the proposed \$13.5 million private placement bond to be paid back over 10 years.

Mr. Mills said he did not see the three 5% rate increases beginning in 2020 that were discussed by the Office Improvements Committee in the budget. Mr. Williams said rate increases are not included in the budget at this time since the proposal hasn't gone to the Board for approval. If a rate increase was approved in 2020, it would not take effect in August and not have a substantial impact on revenue for 2020. Mr. Williams wanted to present the most conservative revenue estimates for this first review of the budget.

Mr. Mills said lending institutions will need at least two to three weeks to review TriCo's financials when bids are received. Mr. Williams said the Committee will need to have the Board approve sending out letters at the December meeting. Mr. Merkle said high level info can be shared with banks at that time, but Mr. Krohn will need time to prepare the term sheets and financials.

Mr. Merkle said Mr. Otten indicated his fees would be between \$25,000 - \$30,000. Mr. Merkle asked the Committee if they were comfortable with Staff moving forward with accepting Mr. Otten's engagement letter if it doesn't exceed Mr. Williams' \$25,000 signing constraints. Mrs. Poindexter said the Utility must have bond counsel and didn't feel there would be any reason not to move forward.

Mr. Mills made a motion to allow Mr. Williams to move forward with hiring Dennis Otten from Bose McKinny & Evans LLP in an amount not to exceed \$30,000. Mr. McDonald seconded the motion and it was approved unanimously.

The meeting adjourned at 8:37 a.m.

Respectfully Submitted



Cindy Sheeks  
Controller