



BUDGET & FINANCE COMMITTEE and CAPITAL & CONSTRUCTION COMMITTEE JOINT MEETING

Friday, October 1, 2021 at 7:30 a.m.

Memorandum

Mr. Pittman called the meeting to order at 7:35 a.m.

Members Present: Budget and Finance Committee Chair Jane Merrill, members Michael McDonald and Carl Mills. Capital and Construction Committee Chair Steve Pittman, members Amanda Foley and Jeff Hill. Others in attendance were Board member Eric Hand, Legal Counsel Anne Poindexter, Utility Director Andrew Williams, Controller Cindy Sheeks, Engineering Manager Wes Merkle, Plant Superintendent Scot Watkins, Utility Engineer Ryan Hartman, and Administrative Assistant Maggie Crediford.

PUBLIC COMMENT

There was no one present from the public.

FINANCIAL STATEMENTS

Ms. Merrill asked if anyone had questions regarding the financial statements from the committee meeting packet. Mr. McDonald said he has concerns about the Utility's projected cash balance. Over the next few years, it is expected to dip down to around \$5,000,000. He has concerns about what would happen to the cash balance if a large, unexpected project would arise during those lean years. Ms. Merrill said the Budget and Finance Committee had set \$2,000,000 as a floor for a comfortable minimum cash balance. Mr. Mills asked Ms. Sheeks to discuss the cash balances and reminded everyone that this is the first working session for the 2022 Budget and decisions are not being made at this meeting.

Ms. Sheeks said the projections were updated with information provided from Mr. Merkle before the meeting. Mr. Williams provided the committee with the updated balance sheet. The Utility will need to loan money from the Operating Budget to the Reserve for Replacement and Interceptor Funds to fund upcoming capital projects. If expected revenues hold for Interceptor and Plant Expansion at 500 EDU's a year, cash will not be as big of a concern as originally thought. Ms. Merrill said for 2021 there will be a \$10,000,000 cash balance that would drop to around \$5,000,000 for the next three years. Ms. Sheeks said the numbers will change some in the Operating Budget when equipment comes online from the Plant Expansion. The Operating Budget will be updated prior to the next discussion. Ms. Sheeks said historically we have projected a 3% spending increase for the Operating Budget, but this year we are currently showing expenses to be flat. Mr. Mills said health insurance costs are unknown at this time and will also be a factor. Mr. McDonald said looking at the interceptor project in front of the committee showing a cost between \$1,000,000 and \$3,000,000, is a considerable variability and when the cash balance is down around \$5,000,000, it is of concern to him. He asked that when projects are considered that Staff factor in the return on investment so the Board can estimate when the money for projects will be recouped after project completion. Mr.

Pittman asked if there was a catastrophic event does the Utility have the ability to borrow money if it is needed. Mr. Mills and Ms. Merrill said the Utility could borrow short term in an emergency.

DRAFT 2022 OPERATING BUDGET

Mr. Williams said a generator was sold for \$90,000, which created unexpected additional income for this year. The 2022 Budget is reflecting less income, because of that large sale. The 2022 Draft Budget does not currently include a user rate increase. The projected income would look better if there is a 5% rate increase midyear. Mr. Williams said the proposed budget is projecting about \$11,000 in revenue growth for 2022. Staff feels the Reserve for Replacement Fund should receive increased funding as the current equipment is getting old. Two uncertainties that will affect the budget are employee insurance and the wage scale adjustment. A 10% increase in the health insurance was used as a baseline for this discussion. The 2022 Budget reflects a decrease in the payments to Carmel Utilities for treatment. With the plant expansion, flow from Lift Station 2 will be directed to our plant and TriCo will only be sending the minimum required flow to Carmel resulting in the reduced treatment costs.

DRAFT 2022 CAPITAL BUDGET

Mr. Merkle discussed handouts that were distributed to the committee members at the start of the meeting. The Capital Budget shows expenses from the Plant Expansion Project rolling over into 2022. The hope had been the project would be finished by the end of the year, but it likely will not. The contingency budget for the project has been cleared. Currently the project is \$300,000 under the original contract amount. There will be some adders as the project finishes up but there are also outstanding credits that need to be applied.

Mr. McDonald asked if the projected 12% increase in capital budget spending is reflected in the projected cash balances. Ms. Sheeks said the handout that was given out at the beginning of the meeting was updated with Mr. Merkle's projections. Mr. Merkle said the long-range projections are higher than they were in 2021 due to construction cost increases and scheduled equipment replacements. Mr. McDonald said he is uncomfortable with the wide range of projected costs for upcoming projects with only \$5,000,000 projected for cash balances. Ms. Sheeks said it has been her experience at TriCo that the budget lays out a plan, but if something arises financially projects can be rescheduled or scaled down. Mr. McDonald said that he would like to see return on investment projections when projects are brought forward. Mr. Pittman said the Little Eagle Creek Sewer Extension project would be a good project for that. Mr. Merkle explained how EDU and Interceptor fees are calculated and used to cover the costs of expanding the plant and extending sewer service. Mrs. Poindexter said TriCo is an anomaly. Reserves of \$2,000,000 is wise, but the Utility functions as government with one purpose, to provide service. Cash flow and TriCo's ability to manage money for years without any borrowing is exceptional and there are no other examples for this type of utility that rises to that level. Another way to think about it is the Utility has the legal and historical ability to have different rates for different areas of the service system. Mr. Mills asked if Staff could look back over subdivisions developed in the last four to five years

and see what the return on investment has been for those projects. Ms. Merrill said Deerfield and Cedar Point would be projects to review.

Mr. Pittman asked under what circumstances the Utility asks a developer to acquire easements for extension versus when the Utility acquires the easements. Mr. Williams said the Utility prefers to have developers acquire easements for projects, but when property owners are unwilling to grant them the Utility will step in and acquire the easements needed. Mr. Merkle said for the Little Eagle Creek Sewer Extension project he and Mr. Hartman told the developers that if sewers are extended to the property TriCo will expect the Interceptor Fees for the entire project to be paid up front not in phases as the property develops over time.

Mr. Merkle said the Biosolids building addition was pushed back. Staff was unable to get this project done with the plant expansion construction going on. However, it needs to be completed to store the cleaning truck which needs temperature-controlled storage. It will be stored in an off-site facility this year. Mr. Merkle gave brief overviews of some of the upcoming projects included in the proposed Capital Budget. Mr. McDonald asked how projects are placed into the priority categorizations of high, medium, and low. Mr. Merkle said the Little Eagle Creek Interceptor project is categorized as high for instance, because there is a project that has been approved by the Town of Zionsville. Medium priority would be projects that are not urgent but could become so in the event of an equipment failure. Low priority projects are far out in the future. Mr. Pittman asked if anyone had questions about the projects listed on the Capital Budget. There were none. Mr. Merkle said the project fact sheets provided as a handout at the meeting contain project details. Mr. Pittman asked if staff could look at 2022 and make a list of projects for the upcoming year and what those will cost. Ms. Merrill said she would also like to see the costs for projects just in 2022.

LITTLE EAGLE CREEK SEWER EXTENSION EVALUATION UPDATE

Mr. Merkle said there will likely be legal assistance needed to secure easements needed for this project. Mr. Merkle and Mr. Hartman have spent a lot of time engaging with property owners. Two owners have lived on their properties for many years. They don't want sewers or development in the area. Alternative construction options have been discussed and evaluated. Some were deemed not practical and IDEM will not allow extensive gravity sewer installation by directional drilling. Mr. Merkle said staff has asked property owners to allow surveyors on site to prepare for design work and mark the larger more mature trees to be preserved, but the homeowners have not granted the access to their properties. Mr. Merkle and Mrs. Poindexter discussed meeting to get access for the surveyors to the properties. Mr. McDonald asked if timber harvesters could be used as an incentive for the property owners to sell the trees being removed. Mr. Merkle said this is normally evaluated by construction contractors however staff desires to avoid removal of large mature trees. The property owners could look at that as well themselves. There were no other questions regarding the project.

OTHER BUSINESS

Mr. Pittman asked Mr. Williams how his meeting went with the Zionsville Chamber of Commerce. Mr. Williams said he felt like it went well. The Utility has since donated

coloring books for the bags provided to children during Christmas in the Village and offered to host events/meetings if they would be interested. Mr. Pittman said he met with the Zionsville Mayor and Deputy Mayor and they are interested in a tour of the facility. He asked Mr. Williams to follow up and invite them for a tour. Mr. McDonald recommended the Utility create a policy about who can use the facility and what it can be used for. Mr. Pittman asked staff to follow up on potential new service opportunities. Mr. Williams explained that he spoke with Ms. Poindexter regarding these opportunities.

ADJOURNMENT

The meeting adjourned at 9:13 a.m.

Respectfully Submitted

Cindy Sheeks

Cindy Sheeks
Controller