



Joint Capital & Construction and Budget & Finance and Board of Trustees Meeting

Monday November 6, 2023, at 4:30 p.m.

Memorandum

Ms. Merrill called the meeting to order at 4:30 p.m.

Members Present: Amanda Foley, Steve Pittman, Jane Merrill, Carl Mills, Micheal McDonald, and Eric Hand. Others in attendance were Legal Counsel Anne Poindexter, Utility Director Andrew Williams, Engineering Manager Wes Merkle, and Controller Cindy Sheeks. Jeff Hill was absent.

Public Comment

There was no one present from the public.

Financial Statements

Ms. Sheeks stated that revenues are tracking ahead of budget and expenses are on budget. Ms. Merrill asked if there were any questions. Mr. McDonald asked about cash and investments. Ms. Sheeks indicated that she is keeping some cash on hand to handle some year-end expenses. We have some of the reserves invested at 4.88% at Merchants.

2024 Capital Budget

Ms. Merrill asked Mr. Merkle to go over the Capital Budget. Mr. Merkle referred to the memo that has the details. Mr. Merkle stated that there have been a few changes since it was presented in October. The budget for the sewer cleaning truck replacement has been increased to \$650,000 after hearing from Carmel that is what they paid this year for a truck like ours. Projects are moving along this year and several will be wrapping up this year. LS #10 is expected to be under construction next year. We are continuing the practice of acquiring the equipment ahead of time so that construction is not slowed down while waiting on deliveries. We have gotten positive feedback from our contractors on this approach. Wes reviewed project fact sheets.

Mr. Pittman wanted to disclose that he is in a partnership with Platinum Properties and put 100 acres under contract. He is not sure what might move forward on this property but will abstain from any votes regarding sewer service in this area. Ms. Poindexter affirmed that Mr. Pittman must remember to abstain from any votes regarding the Little Eagle Creek Interceptor Extension project.

Mr. Merkle indicated that the 10-year plan does include capacity projects should we partner with HSE on wholesale treatment. These might not go forward, but we wanted to account for these projects should this happen. Mr. Merkle said the new capital budget does show that we are spending a little more over the period from 2023 to 2028. We are

up to \$23 million, but on a positive note spending for 2023 is nearly \$900,000 below budget for this year and we anticipate everything completed that we wanted to this year. Ms. Foley made a motion to recommend the Board approve the proposed Capitol Budget with the exception of the Little Eagle Creek Interceptor upsizing. Ms. Merrill seconded the motion. The motion passed unanimously.

Ms. Foley made a motion to recommend the Board approve the proposed Little Eagle Creek project as part of the capital budget. Ms. Merrill seconded the motion. The motion passed with Mr. Pittman abstaining.

2024 Operating Budget

Mr. Williams indicated that the proposed budget reflects the 5.2% premium increase from Anthem for the health insurance and the 4.5% range adjustment recommended by the P&B Committee. He indicated that we are projecting to end the year \$480,000 over the budgeted \$1,719,000 income. We are again being very conservative on our revenue projections and are showing 2024 commercial revenue at \$2,700,000, which is the same amount we are projecting for the end of this year. If the economy slows down, we have historically seen the affect in commercial sales. Mr. Williams stated that the proposed budget does not include a rate increase. This is something for the Board to discuss. A 5% rate increase results in approximately a \$400,000 revenue increase over a whole year. However, the Board could approve a rate increase at any point in the year. And while the \$2,000,000 plus operating income might look to some as a lot of income, this funds our Reserve for Replacement Fund. As our equipment ages, we must put money aside to replace the old equipment. Since TriCo does not finance such equipment replacements, we need to budget for these costs and have current customers paying for the consumption of the equipment that benefits them and not put the cost off into future customers. Mrs. Poindexter believes the 10-year planning of capital projects, that Mr. Merkle is continually updating, is very important when considering rate adjustments.

Cash projection tables were handed out looking 5 and 10 years into the future. Ms. Sheeks pointed out that she is projecting our cash balance decreasing from \$11,000,000 at the end of 2023 to \$3,600,000 at the end of 2028.

WRRF Master Plan and Rate Study Updates

Mrs. Poindexter recommended that the Board wait for the rate study before making any decisions on a 2024 increase. It would not have to take effect in January. Mr. Williams indicated that we are waiting on both the final report from Greeley and Hansen on the Plant Master Plan Update and final report from Mrs. Poindexter's consultant on the rate study. Mr. McDonald is concerned about the many possible single points of failure on expanding. One question is "Can we do it?" and the other is what is the level of risk.

Mrs. Poindexter indicated that the Board will be the one to make a final decision on expansion and they need details to make that decision. The studies are being completed to provide these details. Mr. Pittman asked if TriCo had no future expansion, what future projects were needed? Mr. Merkle stated that after our last plant expansion, we are prepared for the full buildout of our existing service area.

Mr. Mills made a motion to table the Operating Budget until the December meeting. Mr. McDonald seconded the motion. The motion passed unanimously.

Capital Project Updates

Mr. Merkle provided updates on active capital projects outlined in the memorandum. He explained staff is working with the electrical contractor and equipment rep to resolve issues with the generator installation and startup at Lift Station 11.

Adjournment

The meeting adjourned at 6:12 p.m.

Respectfully submitted,



Andrew Williams
Utility Director