

# A SPECIAL WORK-SESSION MEETING OF THE BOARD OF COMMISSIONERS OF MANCHESTER WATER DISTRICT

May 7, 2003

**SPECIAL “WORK-SESSION” MEETING** – A work-session meeting of the Board of Commissioners was called to order at 5:30 p.m. by Chairman Steve Pedersen. Present were Chairman Steve Pedersen, Secretary Jim Strode, and Commissioner Kyle Galpin. Others present included Paul Gilligan, RH2 Engineers, Alan Fletcher, General Manager, and Dennis O'Connell, Foreman.

The purpose of the work session was to discuss the capital projects to be included in the upcoming Public Works Board (PWB) - Public Works Trust Fund Construction Loan Program for 2004.

Mr. Paul Gilligan, P.E., RH2 Engineers presented cost data of the projects staff sought to include in a loan application. Mr. Gilligan answered numerous questions regarding the projects and the different cost components.

Staff presented various finance and project scenarios for the Board's review, focusing on which projects would most clearly fit the PWB criteria for eligible funding. Projects such as a portable emergency generator and new administration building were dropped due to poor eligibility. Staff explained the competitive loan process, noting that focusing on projects that were clearly eligible would enhance the District's chances of being successful.

Staff proposed moving forward with an application for \$1.2 million dollars in capital projects, with 15% of the funds matched by the District. If the District provided 15% in matching funds (\$180,000) over the four-year draw down of the loan, the money would be loaned at .05% interest. Also proposed was listing more projects than the anticipated loan proceeds would cover. It was explained that since the cost estimates are conservative, there would most likely be excess funds that could be applied to additional projects. A list of the proposed projects follows:

| No. | Project(s)                        | Total            | 2004   | 2005           | 2006           | 2007           | Complete |
|-----|-----------------------------------|------------------|--|----------------|----------------|----------------|----------|
| 1   | SCADA Telemetry & System Controls | 195,000          | 75,000   | 75,000         | 45,000         |                | 12/07    |
| 2   | Production Metering               | 43,000           |  | 20,000         | 23,000         |                | 12/06    |
| 3   | Pipeline Projects                 |                  |  |                |                |                |          |
|     | 3.1 Mile Hill                     | 231,000          | 19,320   | 211,680        |                |                | 6/06     |
|     | 3.2 Yukon Harbor                  | 235,000          | 19,680   |                | 215,320        |                | 12/06    |
|     | 3.3 Southworth Drive              | 197,000          | 16,440   |                |                | 180,560        | 12/07    |
|     | 3.4 South Street Intertie         | 60,000           | 60,000   |                |                |                | 12/05    |
|     | 3.5 Garfield Road Intertie        | 95,000           |  |                | 95,000         |                | 6/07     |
|     | 3.6 Colchester Drive              | 200,000          | <b>Projects dependent on excess revenues from construction savings</b> |                |                |                |          |
|     | 3.7 Sedgwick Tank Feeder          | 30,000           |  |                |                |                |          |
| 4   | PRV Stations (4.1 & 4.2)          | 144,000          | 72,000   | 72,000         |                |                | 12/05    |
| 5   | Banner Tank Replacement           | 200,000          | <b>Dependent on available funds</b>                                    |                |                |                |          |
|     | <b>TOTALS</b>                     | <b>1,200,000</b> | <b>285,440</b>   | <b>306,680</b> | <b>355,320</b> | <b>252,560</b> |          |


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Staff also presented financial projections for meeting the matching fund obligation while still maintaining full levels of operations and maintenance. The financial projections for meeting a \$1.2 million capital loan program would require 2½% in revenue growth each year. Projected was a 5% increase in revenues for FY 2005 and 2½% per year thereafter. Staff recommended going with \$1.2 million in loan authorization, but to plan on building less in case revenue did not keep pace with projections. Economic projections to FY 2008 follow:

|                            | 2003               | 2004               | 2005               | 2006               | 2007               | 2008               |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Personal Services          | 401,000            | 413,030            | 425,421            | 438,184            | 451,329            | 464,869            |
| O&M Expenses               | 215,000            | 219,300            | 223,686            | 228,160            | 232,723            | 237,377            |
| Capital Outlay & CIP       | 740,500            | 100,000            | 135,000            | 120,000            | 120,000            | 100,000            |
| Excise Taxes               | 70,000             | 72,000             | 72,000             | 74,000             | 74,000             | 76,000             |
| Debt Service (P+I+R )      | 112,100            | 112,500            | 120,000            | 150,000            | 160,000            | 160,000            |
| Operating Contingency      | 100,000            | 100,000            | 100,000            | 100,000            | 100,000            | 100,000            |
| Unappropriated End Balance | 400,000            | 400,000            | 400,000            | 400,000            | 400,000            | 400,000            |
| <b>TOTAL EXPENSES</b>      | <b>\$2,038,600</b> | <b>\$1,416,830</b> | <b>\$1,476,107</b> | <b>\$1,510,343</b> | <b>\$1,538,052</b> | <b>\$1,538,246</b> |
| Estimated Water Sales      | 800,000            | 800,000            | 840,000            | 861,000            | 882,525            | 904,588            |
| - 5% Increase FY-05        |                    |                    |                    |                    |                    |                    |
| - 2.5% FY-06 – 10          |                    |                    |                    |                    |                    |                    |
| Other Operating Revenues   | 380,000            | 130,000            | 130,000            | 130,000            | 130,000            | 130,000            |
| FEMA/Insurance Payments    | 376,000            | -                  | -                  |                    |                    |                    |
| Beginning Balance          | 516,000            | 533,400            | 546,570            | 540,463            | 521,120            | 495,593            |
| <b>PROJECTED REVENUES</b>  | <b>\$2,072,000</b> | <b>\$1,463,400</b> | <b>\$1,516,570</b> | <b>\$1,531,463</b> | <b>\$1,533,645</b> | <b>\$1,530,181</b> |
| <b>NET INCOME FOR YEAR</b> | <b>\$33,400</b>    | <b>\$46,570</b>    | <b>\$40,463</b>    | <b>\$21,120</b>    | <b>-\$4,407</b>    | <b>-\$8,065</b>    |
| Debt Coverage Ratio        | 9.01               | 6.75               | 6.63               | 5.27               | 4.85               | 4.70               |

The Board of Commissioners supported staff's recommendations for proceeding with the slate of projects for the loan application. No actions were taken during the Special Work-Session Meeting.

There being no further business to discuss, the meeting adjourned at 8:20 p.m.

  
Steve Pedersen,  
Chair

  
James E. Strode,  
Secretary

  
Kyle D. Galpin,  
Commissioner