



## Mason County Public Utility District No. 1

Board of Commissioners Meeting Minutes

November 13, 2018 Potlatch Washington

### 10:00 a.m. Budget Workshop

Present: Jack Janda, Mike Sheetz, Ron Gold, Katie Arnold, Mike Wittenberg, Darin Hall, and Kristin Masteller. No members of the public attended.

District Treasurer Katie Arnold presented the first draft of the 2018 operating budgets for water, electric and sewer. The electric budget projected revenues of \$8,763,542 with expenses of \$8,365,872. It also showed a proposed 4% rate increase in accordance with the recent Cost of Service Analysis (COSA) done for the electric business. The water budget projected revenues of \$1,921,712 with expenses of \$1,674,744. This is a conservative amount set on the best estimates of the revenue from the Thurston Systems. This amount will be more accurate next year after we have a full 12 months of revenue from the new customers. The water rate schedule is on its last year of a 4% increase, approved back in 2015. The COSA for the water business will be finalized in spring of 2019. The sewer budget showed projected revenues of \$10,080 with expenses of \$3,718. Sewer will also be included in the COSA next spring.

Katie presented all the debt amortization schedules for existing loans and bonds for the water and electric business. She showed the reserve funding levels that will be needed to pay off existing debt at a certain period of time. The board agreed that the strategy should be to continue the existing level of debt payments and as smaller loans are paid off, rolling that loan's payment into the next loan and to continue that practice until all the debt is repaid.

District Auditor Mike Wittenberg spoke to the board of the idea of a board direction regarding how the District will continue to finance capital projects like substations, facilities, etc. He stated as a ratepayer, it would be helpful to know that the Board is looking at the financial health and responsibility in its long-term financial forecasting. This includes deciding how much debt the District is willing to take on as opposed to funding reserves and cash flowing projects.

General Manager Kristin Masteller stated that while the debt to equity ratio for the District is not unusually high, even for a utility of PUD 1's size, she does not want to increase the debt. She would rather create a board-directed debt and reserve plan to cash flow the future capital projects over the next five years for the electric business. She stated the target date to pay off most, if not all, of the bond debt would be 2031. At this point, the District could go out for another bond to finish the next phases of the facilities plan and also build the Jorstad Substation on the north end. Mike Wittenberg stated that in order to achieve this plan, the board should consider a rate increase that is specific to funding debt and capital projects and to communicate with the public that the increase is to ensure that the District is being responsible with their debt and not overleveraged. Katie stated that a 1% increase would bring in approximately \$74,000 per year to apply toward paying down the existing debt and also to fund reserves as debt payments are lowered.

Kristin stated that if there were no objections to the proposed budget, the final budget will be placed on the November 27<sup>th</sup> board agenda. Any rate increases will be discussed at a public rate hearing in January, however the board needs to adopt a budget realizing that staff will present a minimum 4% increase at the hearing in January to support the budget as presented. The board agreed to place the budget on the November 27<sup>th</sup> agenda with no changes. **Meeting was adjourned at 12:30 p.m.**

## Electric Budgeted and Actuals for 2017 - 2019

INCOME STATEMENT ELECTRIC						
GL Category	Line Item	2017 Budgeted	2017 Actual Results	2018 Budgeted	Actuals thru Sept 2018	2019 Budgeted
	1 Energy Sales- Operating Revenue	7,773,321.80	8,463,271.76	8,006,521.45	6,415,615.80	8,763,542.00
GL #	<b>Total Revenue from Operations</b>	<b>7,773,321.80</b>	<b>8,463,271.76</b>	<b>8,006,521.45</b>	<b>6,415,615.80</b>	<b>8,763,542.00</b>
	3 Power & Transmission Costs	2,906,027.04	3,125,263.52	2,943,346.00	2,396,376.57	3,322,573.00
556.1 thru 572.1	4 Transmission Expenses -O&M	14,755.69	7,435.73	3,641.31	-	3,674.00
580.1 thru 588.4	6 Distribution Expenses - Operation	443,053.21	326,190.10	325,612.55	245,708.85	370,960.00
590.1 thru 597.1	7 Distribution Expense - Maintenance	501,631.47	609,980.80	680,394.70	341,455.29	800,158.00
902.1 thru 904.1	8 Customer Accounts Expenses	204,459.38	206,944.50	198,650.52	147,664.05	229,202.00
908.1 thru 921.203	9 Customer Service Expenses and Information	2,642.37	63,169.68	25,000.00	(17,154.72)	19,508.00
598.1, 912.1 thru 930.13	10 Sales Expense	18,525.77	(4,060.32)	15,550.00	9,947.47	15,000.00
920.1 thru 933.101	11 Administrative and General Expenses	1,660,501.76	1,196,158.72	1,492,204.85	1,102,264.76	1,574,194.00
	<b>12 Total Expenses from Operations (3 thru 11)</b>	<b>5,751,596.69</b>	<b>5,531,082.73</b>	<b>5,684,399.93</b>	<b>4,226,262.27</b>	<b>6,335,269.00</b>
403.1, 406.1, 428.1	13 Depreciation & Amortization Expense	910,845.65	941,205.85	925,365.41	738,247.22	982,741.00
408.1, 408.5	14 Tax Expense - Property & gross Receipts Property	145,349.26	161,673.94	153,000.00	129,083.84	168,467.00
408.2, 408.3, 408.5	15 Tax Expense - Other	336,734.84	345,590.85	394,668.50	329,854.83	395,171.00
427.1, 427.2, 427.4	16 Interest on Long Term Debt	318,616.50	311,298.19	450,918.81	267,578.02	480,224.00
427.3, 428.1 thru 428.3, 429.1 926.5	19 Other Deduction	75,391.77	(1,345.52)	3,324.23	111,374.42	4,000.00
	<b>20 Total Cost of Electric Service (12 thru 19)</b>	<b>7,538,534.71</b>	<b>7,289,506.04</b>	<b>7,611,676.88</b>	<b>5,802,400.60</b>	<b>8,365,872.00</b>
	21 Operating Margins (1 minus 20)	234,787.09	1,173,765.72	394,844.57	613,215.20	397,670.00
419.1	22 Non Operating Margins - Interest	4,688.64	21,813.94	15,000.00	38,192.29	25,000.00
415.1, 416.1, 416.2, 421.1	25 Non Operating Margins - Other	94,107.79	(11,882.75)	(13,550.88)	336.48	5,000.00
	<b>29 Patronage Capital or Margins (21 thru 28)</b>	<b>333,583.52</b>	<b>1,183,696.91</b>	<b>396,293.69</b>	<b>651,743.97</b>	<b>427,670.00</b>
		<b>2017 Budgeted</b>	<b>2017 Actual Results</b>	<b>2018 Budgeted</b>	<b>2018 Forecasted</b>	<b>2019 Budgeted</b>
	Operating - Margin	234,787.09	439,927.90	394,844.57	613,215.20	397,670.00
	Non Operating - Margin	98,796.43	(2,312.59)	1,449.12	38,528.77	30,000.00
	Times Interest Earned Ratio - Operating	1.74	4.77	1.88	3.29	1.83
	Debt Service Coverage Ratio		9.39	2.19		1.91
	Funds Available for Debt Service, Reserves & CWP	1,244,429.17	2,124,902.76	1,321,659.10		1,410,411.00
	Special Funds Available for 2019 CWP	0.00	0.00	0.00		100,000.00
	<b>Total of Funds Available</b>	<b>1244429.17</b>	<b>2,124,902.76</b>	<b>1,321,659.10</b>		<b>1,510,411.00</b>
	Fund Expended for Debt Service & CWP					
	2019 Debt Service	259,384.60	259,384.60	360,000.00		494,385.00
	2019 CWP					304,500.00
	2019 General Facilities - Ops					570,380.00
	<b>2019 Funds Expended</b>					<b>1,369,265.00</b>
	<b>Balance left for Reserve Funding</b>					<b>141,146.00</b>
	Electric Bond Funds Available for 2019 CWP					2,372,455.10
	BKI Work Plan - 2019					1,217,483.00
	<b>Balance of Bond Funds Available for 2020 CWP</b>					<b>1,154,972.10</b>

Note: TIER = How many times we can cover our interest Note: TIER = Line 21+16/16

## WATER Budgeted and Actuals for 2017 - 2019

### INCOME STATEMENT

Line #	2017 Budgeted	2017 Actual	2018 Budgeted	2018 Actuals thru Sept.	2019 Budgeted
1 Operating Revenue	1,548,044.74	1,532,847.43	1,549,505.30	1,289,023.85	1,921,712.00
3 Cost of Power	103,566.36	96,567.35	92,665.66	85,549.56	146,100.00
6 Distribution Expense - Operation	166,735.28	259,328.67	263,957.32	193,658.92	322,706.00
7 Transmission Expense - Maintenance	73,293.64	98,269.38	135,800.21	58,213.32	122,462.77
8 Customer Accounts Expense	47,808.10	40,123.86	44,361.56	49,656.63	68,236.30
9 Customer Service And Information Expense	2,876.14	-	-	9,990.11	15,120.00
10 Sales Expense	-	-	-	8.60	1,730.00
11 Administrative and General Expense	301,514.46	206,646.29	400,624.02	263,519.41	397,631.00
<b>12 Total Operation &amp; Maintenance Expense (2 thru 11)</b>	<b>695,793.98</b>	<b>700,935.55</b>	<b>937,408.77</b>	<b>660,596.55</b>	<b>1,073,986.07</b>
13 Depreciation & Amortization Expense	271,937.89	270,711.43	273,207.23	238,099.67	399,534.00
14 Tax Expense - Property & Gross Receipts	962.91	340.10	353.70	322.20	325.00
15 Tax Expense - Other	95,480.46	77,921.54	78,798.06	65,734.83	96,643.00
16 Interest on Long Term Debt	56,233.84	15,280.93	158,500.00	51,031.84	104,256.00
18 Interest Expense - Other	-	-	-	-	-
19 Other Deductions	-	-	-	454.64	-
<b>20 Total Cost of Water Service (12 thru 19)</b>	<b>1,120,409.08</b>	<b>1,065,189.55</b>	<b>1,448,267.76</b>	<b>1,016,239.73</b>	<b>1,674,744.07</b>
21 Patronage Capital & Operating Margins (1 minus 20)	427,635.66	467,657.88	101,237.54	272,784.12	246,967.93
22 Non Operating Margins - Interest	645.93	2,195.58	2,276.86	3,198.66	4,000.00
25 Non Operating Margins - Other	64,009.95	132,950.42	100,390.65	112,838.90	75,000.00
<b>29 Patronage Capital or Margins (21 thru 28)</b>	<b>492,291.54</b>	<b>602,803.88</b>	<b>203,905.05</b>	<b>388,821.68</b>	<b>325,967.93</b>
Operating - Margin	428,671.85	467,316.87	101,237.54	320,027.39	246,967.93
Non Operating - Margin	64,655.88	135,487.01	100,390.65	101,075.06	79,000.00
Times Interest Earned Ratio - Operating (TIER)	8.60	31.60	1.64	6.35	3.37
Debt Service Coverage Ratio		3.60	1.31		1.86
Note: TIER = Line 21+16/16					
<b>Funds Available for Debt Service, Reserves &amp; CWP</b>		<b>873,515.31</b>	<b>477,112.28</b>		<b>725,501.93</b>
<b>2019 Debt Service</b>		<b>231,415.00</b>	<b>325,000.00</b>		<b>300,098.79</b>
<b>General Funds Available for CWP</b>		<b>642,100.31</b>	<b>152,112.28</b>		<b>425,403.14</b>
<b>Water Bond Funds Available for CWP</b>					<b>1,808,835.22</b>
<b>CWP - Outside Cost</b>					<b>915,220.00</b>
<b>CWP - PUD Cost</b>					<b>735,958.00</b>
<b>Total 2019 CWP</b>					<b>1,651,178.00</b>
<b>Balance of Water Bond Funds Available for 2020 CWP</b>					<b>594,255.22</b>

## Sewer Budgeted and Actuals for 2017 - 2019

### INCOME STATEMENT SEWER

Line Item	2017 Budgeted	2017 Actual Results	2018 Budgeted	2018 Actuals thru Sept	2019 Budgeted
1 Sewer Sales - Madrona	10,684.20	10,079.40	11,004.73	7,559.55	10,080.00
<b>Total Revenue from Operations</b>	<b>10,684.20</b>	<b>10,079.40</b>	<b>11,004.73</b>	<b>7,559.55</b>	<b>10,080.00</b>
3 Power & Transmission Costs	306.05	375.46	479.11	259.05	504.00
7 Distribution Expense - Maintenance	2,321.70	964.81	7,000.00	214.43	649.84
8 Customer Accounts Expenses	59.36	(0.01)	45.54	-	-
9 Customer Service Expenses and Information	-	-	500.00	-	500.00
11 Administrative and General Expenses	15.23	50.00	9.32	-	-
<b>12 Total Expenses from Operations (3 thru 11)</b>	<b>2,702.34</b>	<b>1,390.26</b>	<b>8,033.97</b>	<b>473.48</b>	<b>1,653.84</b>
13 Depreciation & Amortization Expense	1,416.24	-	-	-	1,416.24
15 Tax Expense - Other	411.48	388.20	401.79	291.15	384.00
16 Interest on Long Term Debt	1,916.71	263.76	1,669.86	405.00	263.76
<b>20 Total Cost of Sewer Service (12 thru 19)</b>	<b>6,446.77</b>	<b>2,042.22</b>	<b>10,105.62</b>	<b>1,169.63</b>	<b>3,717.84</b>
21 Operating Margins (1 minus 20)	4,237.43	8,037.18	899.11	6,389.92	6,362.16
22 Non Operating Margins - Interest	35.10	190.29	113.34	314.83	300.00
25 Non Operating Margins - Other	-	-	-	-	-
<b>29 Patronage Capital or Margins (21 thru 28)</b>	<b>4,272.53</b>	<b>8,227.47</b>	<b>1,012.45</b>	<b>6,704.75</b>	<b>6,662.16</b>
	<b>2016 Budgeted</b>	<b>2016 Actual Results</b>	<b>2017 Budgeted</b>	<b>2018 Actuals thru Sept</b>	<b>2019 Budgetd</b>
<b>Operating - Margin</b>	<b>3,997.49</b>	<b>8,037.18</b>	<b>899.11</b>	<b>6,389.92</b>	<b>6,362.16</b>
<b>Non Operating - Margin</b>	<b>33.12</b>	<b>190.29</b>	<b>113.34</b>	<b>314.83</b>	<b>300.00</b>
<b>Times Interest Earned Ratio - Operating</b>	<b>3.21</b>	<b>31.47</b>	<b>1.54</b>	<b>16.78</b>	<b>25.12</b>
<b>Funds Available for Debt Service, Reserves &amp; CWP</b>					<b>8,078.40</b>
<b>Total 2019 CWP</b>					<b>10,000.00</b>

Note: TIER = How many times we can cover our interes Note: TIER = Line 21+16/16