



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 2019 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 about the need for board direction regarding how the District will continue to finance capital projects like substations, facilities, etc. He stated that 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 27th 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 27th agenda with no changes. **Meeting was adjourned at 12:30 p.m.**



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Present:

Jack Janda, President
Ron Gold, Vice President
Mike Sheetz, Board Secretary
Darin Hall, Director of Operations
Kristin Masteller, General Manager
Katie Arnold, Treasurer
Rob Johnson, District Attorney
Julie Gray, Executive Assistant

Guests: Ellen Kimmitt, Customer

Business Meeting was called to order at 1:00 pm

APPROVAL OF CONSENT AGENDA:

Minutes:	October 23, 2018 Regular Meeting	
Disbursements:	Accounts Payable	\$ 259,036.37
	Payroll Wire	\$ 115,682.91
	Total	\$ 374,719.28

Mike made a motion to approve the consent agenda as presented; Ron seconded the motion. It passed unanimously.

BUSINESS AGENDA:

Authorize the manager to sign BPA Transmission Tariff Settlement (TC-20/BP-20) was moved to the November 27, 2018 meeting.

3rd Quarter 2018 Strategic Plan Update – Kristin reported that the Finance and Customer Service department did a great job with the merger of the 32 water systems from Thurston Co. Darin and Kristin had a meeting with Kitsap PUD to discuss DOE and Green Diamond issues with the Union Regional Water Systems Plan. Byron from BKI has finished the water usage efficiency goals for all systems. Katie is providing information to FCS Group for the water Cost of Service Analysis report. The Duckabush, Nancy Ave, Union and Seamount rebuilds were done in one summer. EES is doing a rate study for our large load potential customer. Kemp West has started tree trimming. The PUD acknowledged Rich for his outstanding work. Katie has closed the electric revenue bond, the PUD re-signed with Energy NW for wire and switches. The PUD closed out the relationship with the County Auditors office, Kristin sent a card thanking them for their many years of service. Regular maintenance continues with the facilities. Kim Buckingham has been hired to replace Shiane Saeger who is moving to the Credit/Collections position. Internal development continues at the PUD with most all employees attending a training or class in 2019.



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STAFF REPORTS:

General Manager Report:

Kristin reported that Green Diamond has been asked to submit a supplemental agreement for the November 27, 2018 board meeting. She also will be attending the WUPUDA meeting on Thursday, November 15.

Operations Report- Darin Hall:

Kemp West finished the tree trimming on Friday, 11/9; electric crew is working at Seamount Estates cleaning up little problem areas; water is working on installing valves on some of the newly acquired systems and changing meters out that are old. No safety meeting yet this month to report on.

Treasurer's Report – Katie Arnold

Katie reported that the state auditors started their annual audit on November 8, 2018. Jack and Kristin will attend a risk assessment meeting at 3:00 pm today with the auditor. The entrance audit will be on 11/20 with Ron Gold and Katie. The Budget Workshop to approve the 2019 budget will be on November 27, 2018. A rate hearing for electric services will be held on January 15, 2019.

Correspondence:

None.

Board Reports:

Mike Sheetz: No report.

Jack Janda: No report.

Ron Gold: Ron has been attending the Skokomish Watershed Action Team meetings. (SWAT), Mike made a motion and it was seconded by Jack to appoint Ron to the SWAT committee. It passed unanimously.

Adjournment: 2:23 AM

Jack Janda, President

Ron Gold, Vice President

Mike Sheetz, Secretary