

Special Meeting Agenda

PUD Board of Commissioners

Tuesday, August 11, 2020 10:00 AM

210 Four Corners Rd.

Port Townsend, WA 98368



Per [Governor's Proclamation 20-28](#), and in response to the COVID-19 pandemic, Jefferson County PUD is not providing an in-person room for meetings of the BOC. All meetings will only be accessible remotely via Webex until further update by Governor Order. To join the meeting online go to jeffpud.my.webex.com/meet/JPUD and follow the instructions to login. Meetings will open for remote logins 10 minutes before they begin. Call in at: **360-379-5833**. Use *6 to mute or unmute if calling in.

1. Call to Order

2. Agenda Review

3. Presentation: Preliminary 2021 Budget

2 - 17

[2021 Budget Exhibits 8.10.2020](#) 

[Comparison of 2020 to 2021 Updated 8.10.2020](#) 

4. Discussion

5. Adjourn

2021 Budget Presentation Talking Points

1. Electric and Water Revenues were increased by .07% based on growth predictions.
2. We raised expenses by 1.25% based on Consumer Price Index.
3. We raised our Fleet Expenses by 2% based on new vehicles and personnel.
4. We have budgeted for 2 new positions in 2021.
5. We kept our Purchased Power cost about the same but did add some for projected BPA reserves cost adjustment.
6. Purchased power for water has been increased to reflect the cost to run pumps and produce water.
7. Electric Transmission Expense is primarily Bonneville Power Administration (BPA) but also includes expenses (labor, materials, fleet) associated with maintaining transmission lines.
8. Included in Electric Distribution Expense—Maintenance is \$800,000 for tree trimming.
9. Included in the Administrative and General expenses is \$150,000 available for raises per RCW 54.16.100.
10. Interest on Long-Term Debt is based on the amortization schedules within our loan documents with RUS, USDA Rural Development, and bonds.
11. Labor, Benefits, Fleet, and Inventory Expenses are based on historical information
12. All expenses are based on actual expenses from January 2020 to May 2020 and then averaged for the remaining of the year.
13. Each Department increased their training budgets by 10% for 2021.
14. We have included a 4% COLA increase for Non-Represented Employees and COLAs for Union Employees per their contracts.
15. We have kept our property tax revenues at the same level as last year and 100% of the funds will go toward Broadband.
16. Electric Construction Projects are based on the previously approved 4-year work plan with Board approved additions.
17. Water Construction Projects are based on current needs and will be included in 10-year work plan.
18. General Plant capital purchases include building remodel, warehouse improvements, information technology equipment, fleet, broadband, electric tools/personal protection equipment, communications, and engineering costs.
19. Principal payments on long-term debt are based on the amortization schedules within our loan documents with RUS, USDA Rural Development, and bonds.
20. Added depreciation back into the cash flow as our construction costs should be close to our depreciation rate. We are replenishing our assets at the same rate they are depreciating.
21. We still have some LUDs that are paying on assessments which the Treasurer's Office collects and then we pay the bond payments.
22. Added non-cash contribution in aid to construction (donated capital) back into the cash flow as the amount is representative of donated capital and no money is received.

EXHIBIT A
2021 PUD Electric and Water Utility Budgets

	<u>Electrical</u> <u>Utility</u>	<u>Water</u> <u>Utility</u>	<u>Talking</u> <u>Points</u>
Operating Revenues	\$37,504,346	\$2,678,048	1
Operating Expenses			2,3,4
Power Production Cost	\$0	\$650	
Cost of Purchased Power	\$15,478,556	\$200,000	5,6
Transmission Expense	1,831,883	0	7
Distribution Expense--Operation	2,047,036	1,097,128	
Distribution Expense--Maintenance	3,757,581	551,114	8
Customer Accounts Expense	1,492,741	226,874	
Customer Service and Informational Expense	27,816	0	
Administrative and General Expense	3,226,105	1,106,542	9
Depreciation & Amortization Expense	5,484,724	414,779	
Tax Expense--Other	2,578,644	112,022	
Interest on Long-Term Debt	2,598,440	226,987	10
Interest Expense--Other	0	0	
Other Deductions	94	0	
Total Operating Expenses	\$38,523,620	\$3,936,096	11,12,13,14
Net Operating Margins (Loss)	(\$1,019,274)	(\$1,258,048)	
Non-Operating Margins (Loss)	\$2,146,219	\$1,006,191	15
Net Margins (Loss)	\$1,126,945	(\$251,857)	
Cash Flow Budget			
Construction Projects	\$3,344,000	\$1,122,000	16,17
General Plant Purchases	3,991,000	110,000	18
Principal on Long Term Debt	3,479,853	554,505	19
Add Depreciation & Amortization (non-cash)	(5,484,724)	(414,779)	20
Principal & Interest Received on LUDs	0	(442,966)	21
Non-Cash Contribution in Aid to Construction	(614,912)	0	22
Total Cash Expenditures/Cash Outflow	\$4,715,217	\$928,760	
Net Cash Inflow/(Outflow)	(\$3,588,272)	(\$1,180,617)	
Net TIER (Minimum of 1.25)	1.43		
Net DSC (Minimum of 1.25)	1.52		

Electric 4 Year Work Plan Capital Costs

Item #	Description	2021 Budget Amount
101	UG Distribution Line Extensions	\$250,000.00
102	OH Distribution Line Extensions	\$135,000.00
103	New Subdivision	\$25,000.00
104	Water Street Underground	\$70,000.00
203	New Feed Hastings Substation	\$120,000.00
204	New Feeder out of PLSS--Engineering	\$100,000.00
303	Convert OH to UG 4 Locations	\$50,000.00
401-1	Port Ludlow Bay 2 Construction	\$100,000.00
501		
	Replace Aging Substation Equipment--Hastings	\$135,000.00
502		
	Replace Aging Substation Equipment--Irondale	\$50,000.00
503	Replace/Install New Relays	\$55,000.00
504	Replace Aging Substation Wet-Cell Batteries with Dry-Cell Batteries, and their chargers	\$24,000.00
505	SCADA System Substation Communications and Devices Upgrades	\$40,000.00
507-2	New Breaker Hastings	\$100,000.00
601-1	Install new pole-mount Transformers to serve new customers. 10 per year	\$30,000.00
601-2	Install new pad-mount Transformers to serve new customers. 15 per year	\$40,000.00
601-3	Transformer replacement of aging units. 60 per year	\$160,000.00
602-1	Install/Upgrade meters to serve new/existing customers. XX per year	\$25,000.00
604-1	Install four new Three-Phase distribution line reclosers	\$50,000.00
607	Pole Replacements. 20 per year	\$80,000.00
608	Replace Aging Conductors	\$75,000.00
608-1	Install Single Phase 15kv 1/0 Distribution Line	\$100,000.00
610	Wildlife Protection. X sites	\$25,000.00
701	Security and Street Lighting	\$20,000.00
703	SCADA System Distribution Line Devices Communications and Control Upgrades	\$25,000.00
705-1	Meter Replacement Project	\$1,250,000.00
1002	Install 115kVA Switches	\$45,000.00
1101	Easements and Right-of-Way	\$25,000.00
1201	Fiber Line Extensions	\$140,000.00
Total Electric Capital Costs--4 Year Work Plan		\$3,344,000

2021 Water Capital Project Costs

Description	Budget Amount
Bywater (Shine Well) Pump Replacement	\$35,000.00
Bywater Bay-Shine Plat LUD-Distribution Replacement	\$402,500.00
Bywater Booster Station Install	\$31,000.00
Decommissioning of Various Wells	\$40,000.00
Fire Hydrant Replacement	\$7,000.00
Gardiner Replacement Well	\$60,000.00
Lazy C Emergency Well Pump and Accessories	\$22,000.00
Line Replacement--Coyle and Others	\$55,000.00
New Water Installs	\$50,000.00
Quilcene Pump Replacement--USFS	\$15,000.00
Quilcene Source 2 Development	\$5,000.00
SCADA Controls--Septic	\$5,000.00
Snow Creek Wellhouse Replacement Project	\$179,500.00
Triton Cove, Lazy C, and Quilcene SCADA Replacement	\$15,000.00
Triton Cove--Williams Addition Wellhouse	\$10,000.00
WSDOT Chimacum Creek	\$190,000.00
Total Water Capital Costs	\$1,122,000

2021 Broadband Capital Costs

Description	Budget Amount
Broadband Construction	\$500,000.00
Broadband LUD	\$50,000.00
Broadband Equipment	\$60,000.00
Line Extention	\$65,000.00
Total Broadband Capital Costs	\$675,000

2021 Facilities Improvements

Description	Budget Amount
Facilities Upgrade Construction Work	\$1,500,000.00
New Line Crew Double Wide Modular	\$300,000.00
Fleet Open Shed Remodel	\$200,000.00
Total Facilities Improvements Capital Costs	\$2,000,000

2021 Warehouse and Yard Improvements Capital Costs

Description	Budget Amount
Warehouse Yard Improvements	\$375,000.00
Warehouse Miscellaneous Costs	\$61,000.00
Total Warehouse and Yard Capital Costs	\$436,000

2021 Information Technology Capital Costs

Description	Budget Amount
Network Switches for New Building	\$25,000.00
HR Software	\$30,000.00
Total IT Capital Costs	\$55,000

2021 Electric Fleet Capital Costs

Description	Budget Amount
Small Bucket Truck	\$165,000.00
Vehicle--Scott's Request	\$40,000.00
Shop Equipment	\$85,000.00
Vehicle--Broadband	\$55,000.00
Vehicle--Meter Reader	\$55,000.00
Underground Cable Puller	<u>\$120,000.00</u>
Total Electric Fleet Capital Costs	\$520,000

2021 Water Fleet Capital Costs

Description	Budget Amount
Vehicle--Meter Reader	\$55,000.00
Vehicle--Sewer	\$55,000.00
Total Water Fleet Capital Costs	\$110,000

2021 Electric Tools and PPE Capital Costs

Description	Budget Amount
Tools	\$75,000
Personal Protection Equipment	\$25,000
Total Electric Tools & PPE Capital Costs	\$100,000

2021 Contracted Engineering Capital Costs

Description	Budget Amount
Contracted Electric Engineering	\$100,000.00
Contracted Utility Pole Inspection	\$75,000.00
Emergency Management Plan and Risk and Reliency	\$30,000.00
Total Contracted Engineering Capital Costs	\$205,000

2021 Cash Summary

	June 2020
Cash-Operating Depository	\$ 896,892
Cash-Jeff Co Treasurer General	451,717
Cash-Payroll Clearing-1st Security Payroll Clearing	18
Working Funds	2,000
Cash-1996 Bond LUD #6	18,582
Cash-1996 Bond LUD #8	73,061
Temp Invest JeffCo Treasurer Gen	5,646,522
Tax Revenue Fund	3,455,820
Tax Revenue Fund Investment	1,925,000
RUS Bond Fund	<u>\$ 267</u>
2020 Ending Unrestricted Cash	\$ 12,469,879
2021 Net Cash Outflow	<u>(4,768,889)</u>
2021 Ending Unrestricted Cash	\$ 7,700,990

Restricted Cash

Other Special Funds	\$ 47,200
Reserve Fund LUD #13	13
Tri Area Bond Reserve	52
Tri Area Bond Investment	181,183
LUD #11 Water Reserve	68
LUD #11 Invested Reserve	234,683
Cash-1999 Bond LUD #11	10
Cash-1997 Bond LUD #13	6
Cash-2009 Bond LUD #14	15,119
Cash-2008 Bond LUD #15	156
LUD #11 Bond Investment	33,050
LUD #13 Bond Investment	21,725
LUD #14 Bond Investment	2,490,271
LUD #15 Bond Investment	<u>541,656</u>
2020 Ending Restricted Cash	\$ 3,565,192

Jefferson County PUD No. 1
Comparison of
2020 Year End Projections to 2021 Budget Numbers

	2020	2021	Variance
Operating Revenue and Patronage Capital	\$ 40,043,038	\$ 40,182,394	\$ 139,356
Power Production Expense	\$ 823	\$ 650	\$ (173)
Cost of Purchased Power	\$ 15,388,621	\$ 15,678,556	\$ 289,935
Transmission Expnsense	\$ 1,811,541	\$ 1,831,883	\$ 20,342
Distribution Expense--Operation	\$ 2,793,252	\$ 3,144,165	\$ 350,913
Distribution Expense--Maintenance	\$ 3,827,120	\$ 4,308,695	\$ 481,575
Customer Accounts Expense	\$ 1,781,576	\$ 1,719,616	\$ (61,960)
Customer Service and Informational Expense	\$ 38,460	\$ 27,816	\$ (10,644)
Administrative and General Expense	\$ 3,771,501	\$ 4,332,647	\$ 561,146
Total Operation & Maintenance Expense	\$ 29,412,894	\$ 31,044,028	\$ 1,631,134
Depreciation & Amortization Expense	\$ 5,848,806	\$ 5,899,503	\$ 50,697
Tax Expense--Other	\$ 2,287,861	\$ 2,690,666	\$ 402,805
Interest on Long-Term Debt	\$ 2,887,598	\$ 2,825,427	\$ (62,171)
Interest Expense--Other	\$ 1,399	\$ -	\$ (1,399)
Other Deductions	\$ 39	\$ 94	\$ 55
Total Cost of Service	\$ 40,438,597	\$ 42,459,718	\$ 2,021,121
Patronage Capital & Operating Margins	\$ (395,559)	\$ (2,277,324)	\$ (1,881,765)
Non Operating Margins--Interest	\$ 196,399	\$ 221,508	\$ 25,109
Non Operating Margins--Other	\$ 3,007,309	\$ 2,930,902	\$ (76,407)
Other Capital Credits and Patronage Dividends	\$ 16,004	\$ -	\$ (16,004)
Patronage Capital or Margins	\$ 2,824,153	\$ 875,086	\$ (1,949,067)
Operating Margin	\$ (395,559)	\$ (2,277,324)	
Non Operating Margin	\$ 3,219,712	\$ 3,152,410	

Jefferson County PUD No. 1
Comparison of
2020 Year End Projections to 2021 Budget Numbers

Electric Utility

	2020	2021	Variance
Operating Revenue and Patronage Capital	\$ 37,392,173	\$ 37,504,346	\$ 112,173
Power Production Expense	\$ -	\$ -	\$ -
Cost of Purchased Power	\$ 15,303,263	\$ 15,478,556	\$ 175,293
Transmission Expnsense	\$ 1,811,541	\$ 1,831,883	\$ 20,342
Distribution Expense--Operation	\$ 1,860,819	\$ 2,047,036	\$ 186,217
Distribution Expense--Maintenance	\$ 3,411,691	\$ 3,757,581	\$ 345,890
Customer Accounts Expense	\$ 1,583,981	\$ 1,492,741	\$ (91,240)
Customer Service and Informational Expense	\$ 36,404	\$ 27,816	\$ (8,588)
Administrative and General Expense	\$ 2,856,731	\$ 3,226,105	\$ 369,374
Total Operation & Maintenance Expense	\$ 26,864,430	\$ 27,861,718	\$ 997,288
Depreciation & Amortization Expense	\$ 5,368,186	\$ 5,484,724	\$ 116,538
Tax Expense--Other	\$ 2,160,367	\$ 2,578,644	\$ 418,277
Interest on Long-Term Debt	\$ 2,690,635	\$ 2,598,440	\$ (92,195)
Interest Expense--Other	\$ 1,399	\$ -	\$ (1,399)
Other Deductions	\$ 39	\$ 94	\$ 55
Total Cost of Electric Service	\$ 37,085,056	\$ 38,523,620	\$ 1,438,564
Patronage Capital & Operating Margins	\$ 307,117	\$ (1,019,274)	\$ (1,326,391)
Non Operating Margins--Interest	\$ 87,215	\$ 86,778	\$ (437)
Non Operating Margins--Other	\$ 2,332,008	\$ 2,059,441	\$ (272,567)
Other Capital Credits and Patronage Dividends	\$ 12,803	\$ -	\$ (12,803)
Patronage Capital or Margins	\$ 2,739,143	\$ 1,126,945	\$ (1,612,198)
Operating Margin	\$ 307,117	\$ (1,019,274)	
Non Operating Margin	\$ 2,432,026	\$ 2,146,219	
TIER	2.02	1.43	
OTIER	1.11	0.61	

Jefferson County PUD No. 1
Comparison of
2020 Year End Projections to 2021 Budget Numbers

	Water Utility		
	2020	2021	Variance
Operating Revenue and Patronage Capital	\$ 2,650,865	\$ 2,678,048	\$ 27,183
Power Production Expense	\$ 823	\$ 650	\$ (173)
Cost of Purchased Power	\$ 85,358	\$ 200,000	\$ 114,642
Distribution Expense--Operation	\$ 932,432	\$ 1,097,128	\$ 164,696
Distribution Expense--Maintenance	\$ 415,429	\$ 551,114	\$ 135,685
Customer Accounts Expense	\$ 197,596	\$ 226,874	\$ 29,278
Customer Service and Informational Expense	\$ 2,055	\$ -	\$ (2,055)
Administrative and General Expense	\$ 914,770	\$ 1,106,542	\$ 191,772
Total Operation & Maintenance Expense	\$ 2,548,463	\$ 3,182,308	\$ 633,845
Depreciation & Amortization Expense	\$ 480,620	\$ 414,779	\$ (65,841)
Tax Expense--Other	\$ 127,494	\$ 112,022	\$ (15,472)
Interest on Long-Term Debt	\$ 196,964	\$ 226,987	\$ 30,023
Total Cost of Water Service	\$ 3,353,541	\$ 3,936,096	\$ 582,555
Patronage Capital & Operating Margins	\$ (702,676)	\$ (1,258,048)	\$ (555,372)
Non Operating Margins--Interest	\$ 109,184	\$ 134,730	\$ 25,546
Non Operating Margins--Other	\$ 675,301	\$ 871,461	\$ 196,160
Other Capital Credits and Patronage Dividends	\$ 3,201	\$ -	\$ (3,201)
Patronage Capital or Margins	\$ 85,010	\$ (251,857)	\$ (336,867)
Operating Margin	\$ (702,676)	\$ (1,258,048)	\$ (555,372)
Non Operating Margin	\$ 787,686	\$ 1,006,191	\$ 218,505