

Special Meeting Agenda
PUD Board of Commissioners

Tues, Sept 14, 2021 12:00 PM

Zoom

Port Townsend, WA 98368



To join online go to: <https://zoom.us/my/jeffcopud>. Follow the instructions to login. Meetings will open 10 minutes before they begin. TOLL FREE CALL IN #: 833-548-0282, Meeting ID# 4359992575#. Use *6 to mute or unmute. *9 to raise a hand to request to begin speaking.

Page

1. Call to Order

Per the Governor's Extended Proclamation 20-28 and in response to the COVID-19 Pandemic, Jefferson County PUD is no longer providing an in-person room for meetings of the BOC. All meetings will be held remotely via Zoom until otherwise informed by the Governor. Participant audio will be muted upon entry. Please unmute at the appropriate time to speak. If you are calling in, use **6 to mute and unmute and *9 to raise a hand to request to speak.*

2. Agenda Review

3. Presentation and Discussion: Draft 2022 Budget

- 3.1. [2022 Draft Budget Exhibits with graphs for 9.14.2021--
Property Taxes.pdf](#) 

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4. Adjourn

2022 Budget Presentation Talking Points

1. Electric and Water Revenues were increased by 4.5% based on 2021 Rate increases.
2. We raised expenses by 2.75%.
3. We raised our Fleet Expenses by 2.75% based on new vehicles and personnel.
4. We have budgeted for 6 new positions in 2022.
5. We kept our Purchased Power cost about the same but did add some for projected BPA reserves cost adjustment.
6. Electric Transmission Expense is primarily Bonneville Power Administration (BPA) but also includes expenses (labor, materials, fleet) associated with maintaining transmission lines.
7. Included in Electric Distribution Expense—Maintenance is \$800,000 for tree trimming.
8. Included in the Administrative and General expenses is \$150,000 available for raises per RCW 54.16.100.
9. Interest on Long-Term Debt is based on the amortization schedules within our loan documents with RUS, USDA Rural Development, and bonds.
10. Labor, Benefits, Fleet, and Inventory Expenses are based on historical information
11. All expenses are based on actual expenses from June 2020 to May 2021.
12. Each Department increased their training budgets by 5% for 2022.
13. We have included a 4% COLA increase for Non-Represented Employees and COLAs for Union Employees per their contracts.
14. Property tax revenues have been kept at the same level as last year and 100% of the funds will go toward Broadband.
15. Electric Construction Projects are based on the previously approved 4-year work plan with Board approved additions.
16. Water Construction Projects are based on current needs and our 10-year work plan.
17. General Plant capital purchases include building remodel, warehouse improvements, information technology equipment, fleet, broadband, electric tools/personal protection equipment, communications, and engineering costs.
18. Principal payments on long-term debt are based on the amortization schedules within our loan documents with RUS, USDA Rural Development, and bonds.
19. 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.
20. We still have some LUDs that are paying on assessments which the Treasurer's Office collects and then we pay the bond payments.
21. We will be incorporating the 10-year Financial Forecast into the 2022 budget

EXHIBIT A

2022 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	\$40,094,599	\$2,757,235	1
Operating Expenses			2,3,4
Power Production Cost	\$0	\$0	
Cost of Purchased Power	\$15,050,647	\$135,041	5
Transmission Expense	1,913,799	0	6
Distribution Expense--Operation	2,378,697	958,532	
Distribution Expense--Maintenance	4,720,613	612,774	7
Customer Accounts Expense	2,004,285	353,744	
Customer Service and Informational Expense	18,794	0	
Administrative and General Expense	4,814,216	1,445,822	8
Depreciation & Amortization Expense	5,548,199	428,634	
Tax Expense--Other	2,262,163	133,811	
Interest on Long-Term Debt	2,720,820	235,079	9
Interest Expense--Other	0	0	
Other Deductions	0	0	
Total Operating Expenses	\$41,432,233	\$4,303,437	10,11,12,13
Net Operating Margins (Loss)	(\$1,337,634)	(\$1,546,202)	
Property Tax Revenue	\$590,000	\$0	14
Non-Operating Margins (Loss)	\$1,523,072	\$247,535	
Net Margins (Loss)	\$775,438	(\$1,298,667)	
Cash Flow Budget			
Construction Projects	\$3,595,500	\$633,105	15,16
General Plant Purchases	3,128,550	55,000	17
Principal on Long Term Debt	3,474,557	633,513	18
Add Depreciation & Amortization (non-cash)	(5,548,199)	(428,634)	19
Principal & Interest Received on LUDs	0	(442,966)	20
Total Cash Expenditures/Cash Outflow	\$4,650,408	\$450,018	21
Net Cash Inflow/(Outflow)	(\$3,874,970)	(\$1,748,685)	
Net TIER (Minimum of 1.25)	1.29		
Net DSC (Minimum of 1.25)	1.46		

**Electric Utility
Expense Changes
From 9/6/2021 to 9/14/2021**

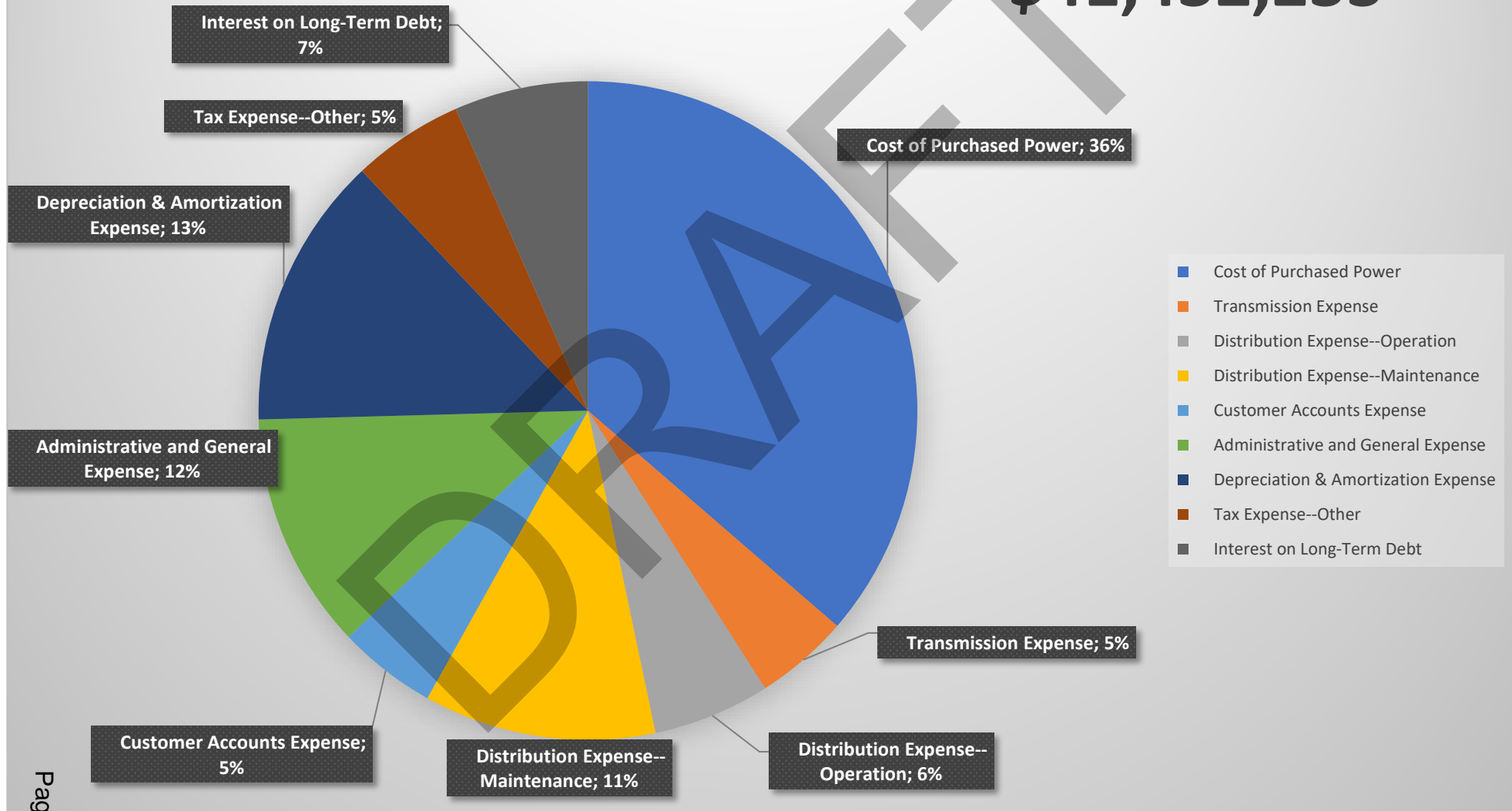
	9/6/2021 Presentation	9/14/2021 Presentation	Change
Operating Revenues	\$40,131,589	\$40,094,599	(\$36,990)
Operating Expenses			
Power Production Cost	\$0	\$0	\$0
Cost of Purchased Power	\$15,233,745	\$15,050,647	(\$183,098)
Transmission Expense	\$1,810,022	\$1,913,799	\$103,777
Distribution Expense--Operation	\$2,375,717	\$2,378,697	\$2,980
Distribution Expense--Maintenance	\$4,662,868	\$4,720,613	\$57,745
Customer Accounts Expense	\$1,988,515	\$2,004,285	\$15,770
Customer Service and Informational Expense	\$18,263	\$18,794	\$531
Administrative and General Expense	\$4,843,838	\$4,814,216	(\$29,622)
Depreciation & Amortization Expense	\$5,547,052	\$5,548,199	\$1,147
Tax Expense--Other	\$2,289,684	\$2,262,163	(\$27,521)
Interest on Long-Term Debt	\$2,753,920	\$2,720,820	(\$33,100)
Interest Expense--Other	\$0	\$0	\$0
Other Deductions	\$0	\$0	\$0
Total Operating Expenses	\$41,523,624	\$41,432,233	(\$91,391)
Net Operating Margins (Loss)	(\$1,392,035)	(\$1,337,634)	\$54,401
Non-Operating Margins (Loss)	\$2,156,235	\$2,113,072	(\$43,163)
Net Margins (Loss)	\$764,200	\$775,438	\$11,238
Cash Flow Budget			
Construction Projects	\$5,055,500	\$3,595,500	(\$1,460,000)
General Plant Purchases	\$1,897,000	\$3,128,550	\$1,231,550
Principal on Long Term Debt	\$3,474,557	\$3,474,557	\$0
Add Depreciation & Amortization (non-cash)	(\$5,547,052)	(\$5,548,199)	(\$1,147)
Principal & Interest Received on LUDs	\$0	\$0	\$0
Total Cash Expenditures/Cash Outflow	\$4,880,005	\$4,650,408	(\$229,597)
Net Cash Inflow/(Outflow)	(\$4,115,805)	(\$3,874,970)	\$240,835
Net TIER (Minimum of 1.25)	1.28	1.29	0.01
Net DSC (Minimum of 1.25)	1.46	1.46	0.00

**Water Utility
Expense Changes
From 9/6/2021 to 9/14/2021**

	9/6/2021 Presentation	9/14/2021 Presentation	Change
Operating Revenues	\$2,757,235	\$2,757,235	\$0
Operating Expenses			
Power Production Cost	\$0	\$0	\$0
Cost of Purchased Power	\$136,684	\$135,041	(\$1,643)
Transmission Expense	\$0	\$0	\$0
Distribution Expense--Operation	\$962,014	\$958,532	(\$3,482)
Distribution Expense--Maintenance	\$419,214	\$612,774	\$193,560
Customer Accounts Expense	\$356,066	\$353,744	(\$2,322)
Customer Service and Informational Expense	\$0	\$0	\$0
Administrative and General Expense	\$1,452,708	\$1,445,822	(\$6,886)
Depreciation & Amortization Expense	\$428,634	\$428,634	\$0
Tax Expense--Other	\$135,439	\$133,811	(\$1,628)
Interest on Long-Term Debt	\$237,939	\$235,079	(\$2,860)
Interest Expense--Other	\$0	\$0	\$0
Other Deductions	\$0	\$0	\$0
Total Operating Expenses	\$4,128,698	\$4,303,437	\$174,739
Net Operating Margins (Loss)	(\$1,371,463)	(\$1,546,202)	(\$174,739)
Non-Operating Margins (Loss)	\$250,609	\$247,535	(\$3,074)
Net Margins (Loss)	(\$1,120,854)	(\$1,298,667)	(\$177,813)
Cash Flow Budget			
Construction Projects	\$609,500	\$633,105	\$23,605
General Plant Purchases	\$55,000	\$55,000	\$0
Principal on Long Term Debt	\$633,513	\$633,513	\$0
Add Depreciation & Amortization (non-cash)	(\$428,634)	(\$428,634)	\$0
Principal & Interest Received on LUDs	(\$442,966)	(\$442,966)	\$0
Total Cash Expenditures/Cash Outflow	\$426,413	\$450,018	\$23,605
Net Cash Inflow/(Outflow)	(\$1,547,267)	(\$1,748,685)	(\$201,418)

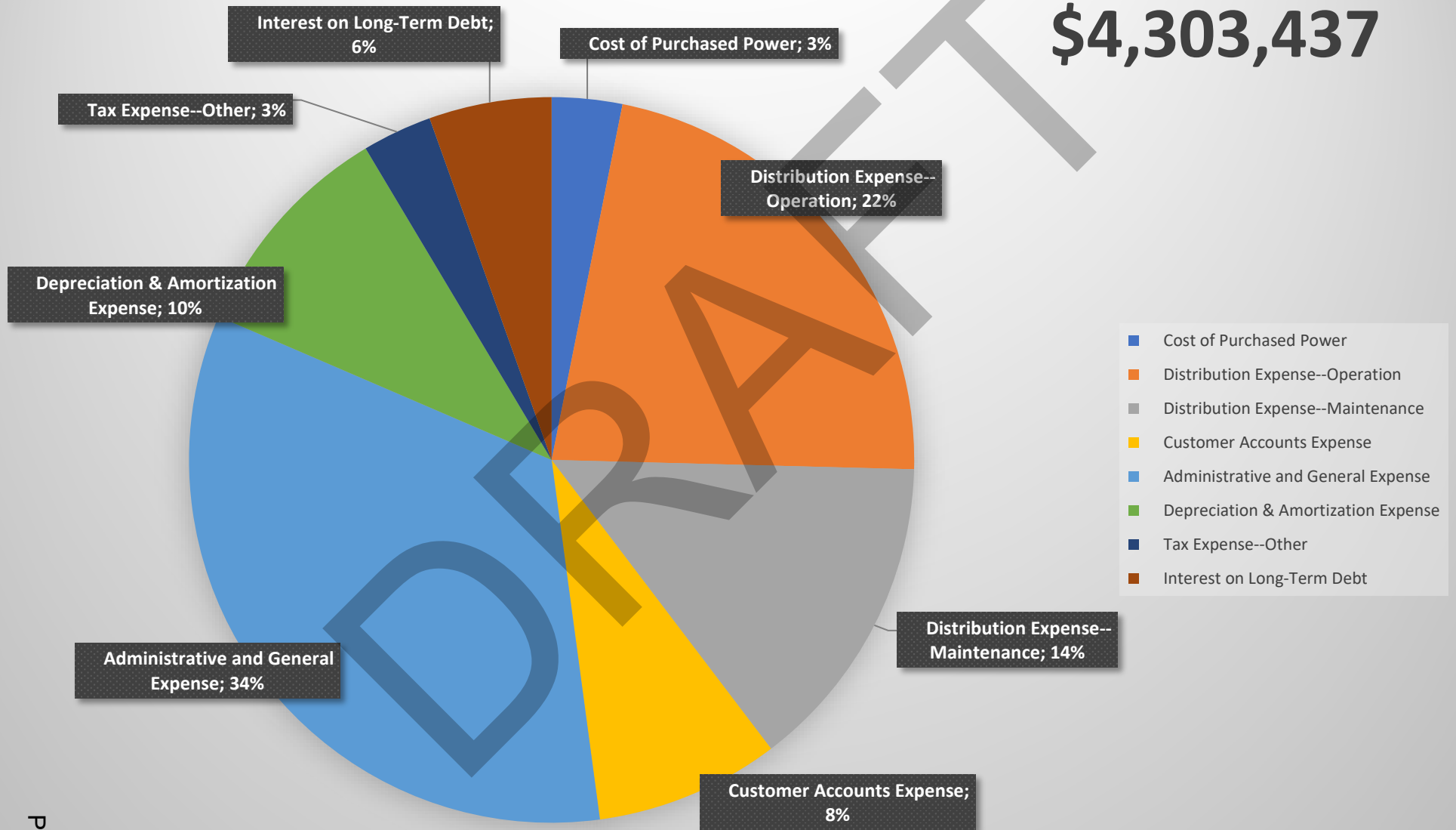
Electric Expenses

\$41,432,233



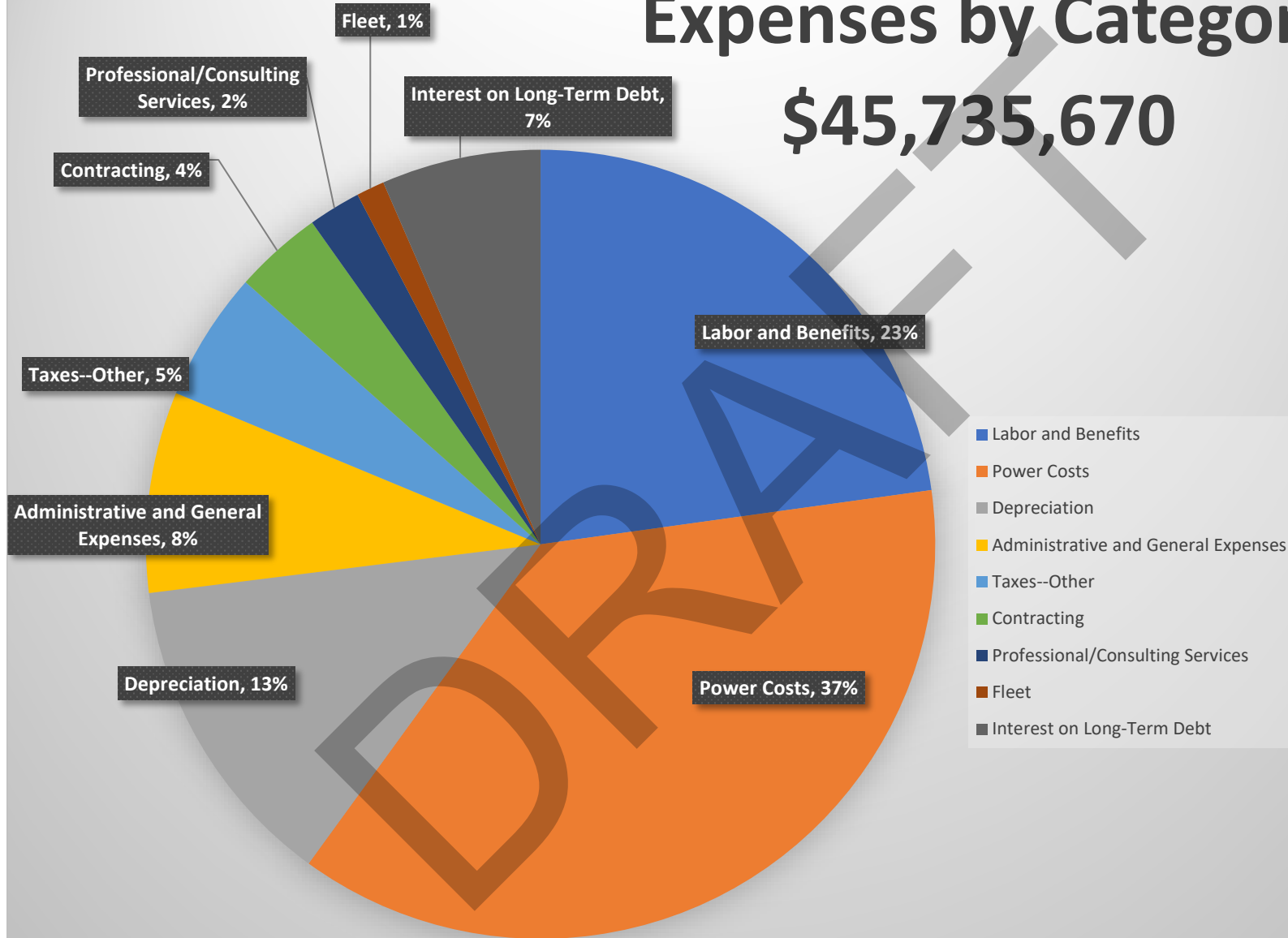
Water Expenses

\$4,303,437



Expenses by Category

\$45,735,670



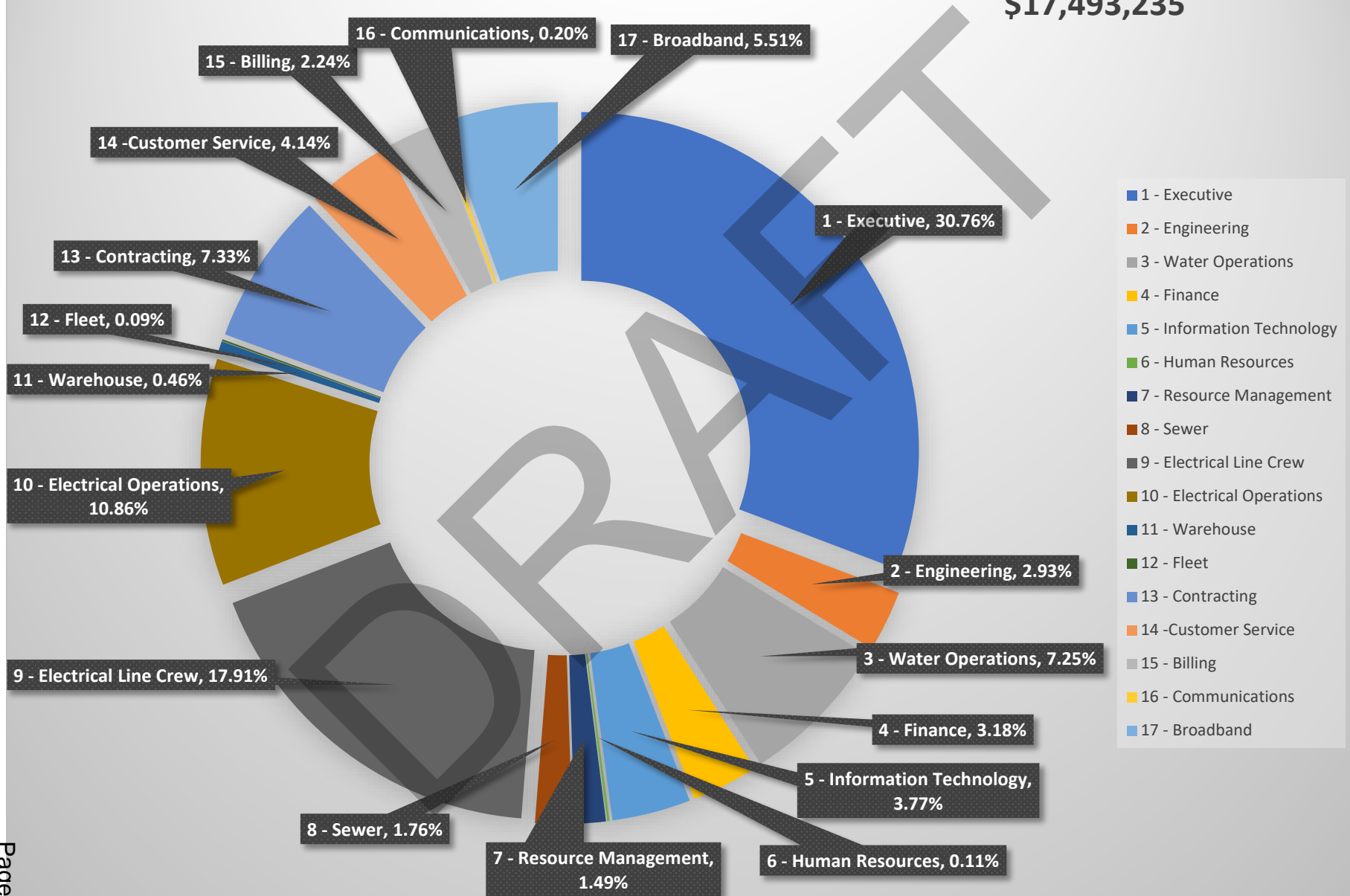
Combined Utility Expenses By Category

Expense Category	Amount	Percentage
Labor and Benefits	\$10,225,399	22%
Power Costs	\$16,856,911	37%
Depreciation	\$5,976,833	13%
Administrative and General Expenses	\$4,131,724	9%
Taxes--Other	\$2,405,219	5%
Contracting	\$1,651,842	4%
Professional/Consulting Services	\$980,112	2%
Fleet	\$550,900	1%
Interest on Long-Term Debt	\$2,956,731	6%
Total	\$45,735,670	100%

Expense Allocation By Department

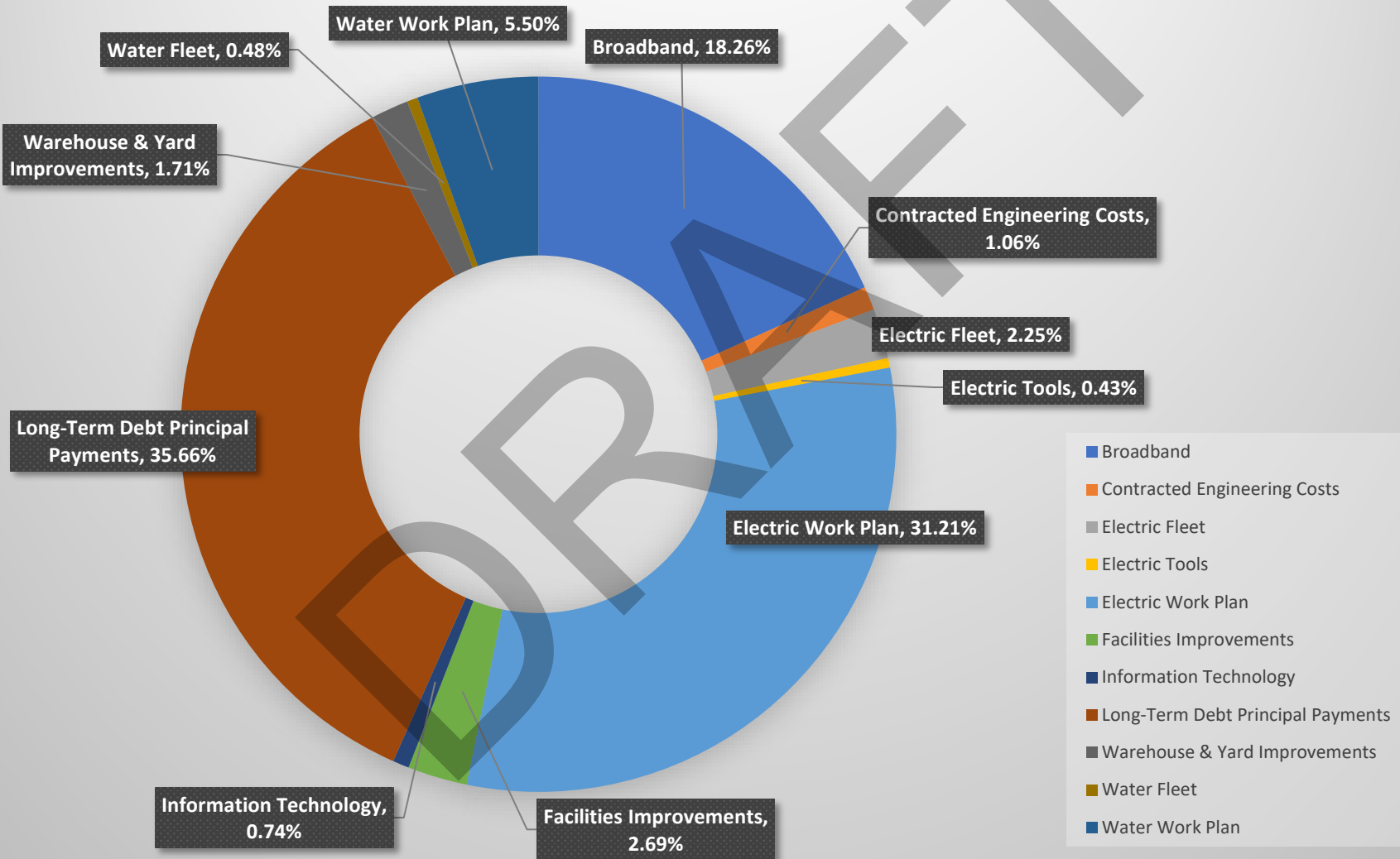
Department	Administrative and			Professional and		Fleet	Total	Percentage
	Labor and Benefits	General	Contracting	Consulting	Services			
1 - Executive	\$2,659,340	\$1,724,880	\$104,079		\$818,045	\$89,084	\$5,395,428	30.76%
2 - Engineering	\$351,781	\$128,035	\$23,531		\$0	\$10,294	\$513,641	2.93%
3 - Water Operations	\$657,234	\$330,286	\$65,303		\$0	\$219,469	\$1,272,292	7.25%
4 - Finance	\$471,590	\$83,638	\$2,030		\$0	\$0	\$557,258	3.18%
5 - Information Technology	\$417,788	\$240,427	\$1,375		\$1,269	\$62	\$660,922	3.77%
6 - Human Resources	\$0	\$18,382	\$687		\$945	\$0	\$20,015	0.11%
7 - Resource Management	\$197,214	\$17,453	\$687		\$5,613	\$40,302	\$261,269	1.49%
8 - Sewer	\$120,008	\$41,322	\$52,947		\$2,053	\$92,401	\$308,732	1.76%
9 - Electrical Line Crew	\$2,489,654	\$453,881	\$131,319		\$16,069	\$50,637	\$3,141,559	17.91%
10 - Electrical Operations	\$1,172,089	\$715,704	\$14,141		\$0	\$3,237	\$1,905,170	10.86%
11 - Warehouse	\$46,254	\$29,614	\$5,586		\$0	\$79	\$81,532	0.46%
12 - Fleet	\$9,663	\$4,603	\$687		\$0	\$0	\$14,954	0.09%
13 - Contracting	\$0	\$5,742	\$1,242,356		\$37,931	\$0	\$1,286,029	7.33%
14 -Customer Service	\$622,661	\$81,837	\$4,125		\$18,345	\$0	\$726,968	4.14%
15 - Billing	\$360,253	\$30,229	\$2,062		\$0	\$0	\$392,544	2.24%
16 - Communications	\$0	\$15,257	\$687		\$19,907	\$0	\$35,851	0.20%
17 - Broadband	\$649,869	\$210,948	\$239		\$60,578	\$45,336	\$966,970	5.51%
Totals	\$10,225,399	\$4,132,238	\$1,651,842		\$980,755	\$550,900	\$17,541,134	

Expense Allocation By Department \$17,493,235



Capital and Debt Principal Costs

\$11,520,225



Capital and Debt Principal Costs By Category

Cost Group	Amount	Percentage
Broadband	\$2,104,050	18.26%
Contracted Engineering Costs	\$122,500	1.06%
Electric Fleet	\$259,500	2.25%
Electric Tools	\$50,000	0.43%
Electric Work Plan	\$3,595,500	31.21%
Facilities Improvements	\$310,000	2.69%
Information Technology	\$85,000	0.74%
Long-Term Debt Principal Payments	\$4,108,070	35.66%
Warehouse & Yard Improvements	\$197,500	1.71%
Water Fleet	\$55,000	0.48%
Water Work Plan	\$633,105	5.50%
Total	\$11,520,225	100%

Electric 4 Year Work Plan Capital Costs

Item #	Description	Budget Amount
101	UG Distribution Line Extensions	\$340,000.00
102	OH Distribution Line Extensions	\$135,000.00
103	New Subdivision	\$50,000.00
204-1	New Feeder out of PLSS--Construction	\$200,000.00
301	Convert Single Phase to Three Phase	\$200,000.00
303	Convert OH to UG 4 Locations	\$0.00
401-1	Port Ludlow Bay 2 Construction	\$75,000.00
501	Replace Aging Substation Equipment--Hastings	\$135,000.00
503	Replace/Install New Relays	\$30,000.00
505	SCADA System Substation Communications and Devices Upgrades	\$40,000.00
508	New Substation Transformer	\$0.00
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	\$120,000.00
604-1	Install four new Three-Phase distribution line reclosers	\$50,000.00
605-1	Install new line regulators	\$75,000.00
605-2	Regulator replacement of aging units	\$50,000.00
607	Pole Replacements. 20 per year	\$130,000.00
608	Replace Aging Conductors	\$150,500.00
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	\$10,000.00
703	SCADA System Distribution Line Devices Communications and Control Upgrades	\$25,000.00
705-1	Meter Replacement Project	\$1,500,000.00
1001	Move Transmission Poles for Easements	\$60,000.00
1201	Fiber Line Extensions	\$0.00
1301	Fuel Tanks	\$0.00
1302	Fencing	\$25,000.00
		\$3,595,500

2022 Water Capital Project Costs

Description	Budget Amount
Snow Creek Wellhouse Replacement	\$233,105.30
Well pump and motor replacement	\$35,000.00
Well cleaning	\$10,000.00
Distribution pipe replacement	\$100,000.00
Bulk Water Sales - system software and set-up device location	\$20,000.00
Transducers	\$10,000.00
Reynolds well replacement	\$195,000.00
Water Service Repairs	\$20,000.00
Wastewater system improvements	\$10,000.00
Total Water Capital Costs	\$633,105

2022 Broadband Capital Costs

Description	Budget Amount
Fiber Upgrades--2 Central Offices	\$90,000
Electrical Work and Batteries	\$60,000
PON Router & Switching Equipment	\$58,000
Fiber Frame and Patch Panels	\$50,000
Generator for Hastings and Chimacum Hubs	\$60,000
Splitters	\$38,990
Customer Electronics	\$445,600
Buried Fiber	\$903,500
Airel Fiber	\$292,950
Electronics	\$105,010
Total Broadband Capital Costs	\$2,104,050

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2022 Facilities Improvements

Description	Budget Amount
New roof for section of old building as discussed.	\$230,000.00
Work on new storm water area on parcel 001333013	\$60,000.00
Paint triple wide at 310 and 210 Four Corners Road. Inspect roofs	<u>\$20,000.00</u>
Total Facilities Improvements Capital Costs	\$310,000

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2022 Warehouse and Yard Improvements Capital Costs

Description	Budget Amount
Log, clear area at 310 Four Corners for new fiber lay yard. Costs are from fencing and County requirements.	\$130,000.00
Install utility pole bunks between the asphalt road and storm water drainage pond.	\$30,000.00
Install concrete base around PUD oil storage facility in the open shed.	\$30,000.00
Install fencing around Oil containment with two 8' gates.	<u>\$7,500.00</u>
Total Warehouse and Yard Capital Costs	\$197,500

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2022 Information Technology Capital Costs

Description	Budget Amount
Network Switches for New Building	\$25,000
HR Software	\$60,000
Total IT Capital Costs	\$85,000

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2022 Electric Fleet Capital Costs

Description	Budget Amount
Electric Vehicle	\$58,000.00
Electric Vehicle Charging Station	\$6,500.00
Wire Reel Trailer	\$15,000.00 On order
Wire Reel Trailer	\$15,000.00 On order
Wire Reel Trailer	\$15,000.00 On order
Broadband Vehicle	\$50,000.00
Broadband Vehicle	\$50,000.00
Broadband Vehicle	\$50,000.00
Total Electric Fleet Capital Costs	\$259,500

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2022 Water Fleet Capital Costs

Description	Budget Amount
Vehicle--Sewer	<u>\$55,000</u>
Total Water Fleet Capital Costs	\$55,000

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2022 Electric Tools

Description	Budget Amount
Tools	\$50,000
Total Electric Tools & PPE Capital Costs	\$50,000

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2022 Contracted Engineering Capital Costs

Description	Budget Amount
Contracted Electric Engineering	\$25,000.00
Consolidation Study	\$67,500.00
Contract Water Engineering	<u>\$30,000.00</u>
Total Contracted Engineering Capital Costs	\$122,500

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**Change in Capital Projects
Cost Reductions from 9/6/2021 to 9/14/2021**

Project Name	9/6/2021 Presentation	9/14/2021 Presentation	Change
Electric Work Plan	\$5,055,500	\$3,595,500	(\$1,460,000)
Water Work Plan	\$609,500	\$633,105	\$23,605
Broadband	\$675,000	\$2,104,050	\$1,429,050
Facilities Improvements	\$310,000	\$310,000	\$0
Warehouse & Yard Improvements	\$197,500	\$197,500	\$0
Information Technology	\$25,000	\$85,000	\$60,000
Electric Fleet	\$499,500	\$259,500	(\$240,000)
Water Fleet	\$55,000	\$55,000	\$0
Electric Tools and PPE	\$90,000	\$50,000	(\$40,000)
Contracted Engineering Costs	\$100,000	\$122,500	\$22,500
	\$7,617,000	\$7,412,155	(\$204,845)

Capital and Maintenance Projects

Item/Project	Cost	Payment Source
Materials Purchased for Electric	\$1,363,937	Cash Reserves
Broadband	\$12,500,000	Grants
Quilcene Water Tank	\$2,019,427	PWB Loan
Shine Plat LUD	\$480,468	DWSRF Loan and LUD Payments
Shine Plat LUD	\$90,000	Cash Reserves
Broadband	\$2,104,050	Cash Reserves
Contracted Engineering Costs	\$122,500	Cash Reserves
Electric Fleet	\$259,500	Cash Reserves
Electric Tools	\$50,000	Cash Reserves
Electric Work Plan	\$3,595,500	Cash Reserves
Facilities Improvements	\$310,000	Cash Reserves
Information Technology	\$85,000	Cash Reserves
Warehouse & Yard Improvements	\$197,500	Cash Reserves
Water Fleet	\$55,000	Cash Reserves
New Building Purchase	\$1,750,000	Cash Reserves
	<u>\$24,982,882</u>	
Loans	\$2,499,895	
Grants	\$12,500,000	
Cash Reserves	<u>\$9,982,987</u>	
	<u>\$24,982,882</u>	

2022 Cash Summary

Cash-Operating Depository	\$ 763,276
Cash-Jeff Co Treasurer General	127,433
Cash-Payroll Clearing-1st Security Payroll Clearing	15
Working Funds	2,000
Cash-1996 Bond LUD #6	27,027
Cash-1996 Bond LUD #8	8,697
Temp Invest JeffCo Treasurer Gen	2,840,689
Tax Revenue Fund	4,068,720
Tax Revenue Fund Investment	1,925,000
Operating Account - Jefferson Co. Treasurer	<u>\$ 2,018,552</u>
2021 Ending Unrestricted Cash	\$ 11,781,409
2022 Net Cash Outflow	<u>(5,623,655)</u>
2022 Ending Unrestricted Cash	\$ 6,157,754

Restricted Cash

Other Special Funds	\$ 250
Tri Area Bond Reserve	(10)
Tri Area Bond Investment	164,827
Capital Reserves	100,000
Cash-2009 Bond LUD #14	(2,486)
Cash-2008 Bond LUD #15	(21)
LUD #14 Bond Investment	1,059,162
LUD #15 Bond Investment	<u>313,006</u>
2021 Ending Restricted Cash	\$ 1,634,728

2022 Cash Summary
Change in Cash Position

	9/6/21	9/14/21	
	Presentation	Presentation	Change
Cash-Operating Depository	\$ 763,276	\$ 763,276	\$ -
Cash-Jeff Co Treasurer General	127,433	\$ 127,433	\$ -
Cash-Payroll Clearing-1st Security Payroll Clearing	15	\$ 15	\$ -
Working Funds	2,000	\$ 2,000	\$ -
Cash-1996 Bond LUD #6	27,027	\$ 27,027	\$ -
Cash-1996 Bond LUD #8	8,697	\$ 8,697	\$ -
Temp Invest JeffCo Treasurer Gen	2,840,689	\$ 2,840,689	\$ -
Tax Revenue Fund	4,068,720	\$ 4,068,720	\$ -
Tax Revenue Fund Investment	1,925,000	\$ 1,925,000	\$ -
RUS Bond Fund	\$ 2,018,552	\$ 2,018,552	\$ -
2021 Ending Unrestricted Cash	\$11,781,409	\$11,781,409	\$ -
2022 Net Cash Outflow	(5,663,072)	(5,623,655)	(39,417)
2022 Ending Unrestricted Cash	\$ 6,118,337	\$ 6,157,754	\$ (39,417)

Restricted Cash

Other Special Funds	\$ 250	\$ 250	\$ -
Tri Area Bond Reserve	\$ (10)	\$ (10)	\$ -
Tri Area Bond Investment	\$ 164,827	\$ 164,827	\$ -
Capital Reserves	\$ 100,000	\$ 100,000	\$ -
Cash-2009 Bond LUD #14	\$ (2,486)	\$ (2,486)	\$ -
Cash-2008 Bond LUD #15	\$ (21)	\$ (21)	\$ -
LUD #14 Bond Investment	\$ 1,059,162	\$ 1,059,162	\$ -
LUD #15 Bond Investment	\$ 313,006	\$ 313,006	\$ -
2022 Ending Restricted Cash	\$ 1,634,728	\$ 1,634,728	\$ -