

DISCOVERY CLEAN WATER ALLIANCE

RESOLUTION NO. 2019 – 07

A RESOLUTION OF THE DISCOVERY CLEAN WATER ALLIANCE, AMENDING THE 2019-2020 OPERATING AND CAPITAL BUDGET AND REGIONAL SERVICE CHARGES; AND PROVIDING FOR RELATED MATTERS.

WHEREAS, the Board of Directors of the Discovery Clean Water Alliance has determined after various meetings, presentations and recommendations that are on file with the Alliance (the "Budget Recommendations") that it is in the best interests of the Alliance, its Members and their ratepayers to amend the 2019-2020 Operating and Capital Budget and Regional Service Charges for the purposes stated in the Budget Recommendations and the Amendment; now, therefore

BE IT RESOLVED by the Board of Directors of the Discovery Clean Water Alliance that the 2019-2020 Operating and Capital Budget and Regional Service Charges Amendment attached to this Resolution is hereby approved and adopted; and

BE IT FURTHER RESOLVED by the Board of Directors of the Discovery Clean Water Alliance that all prior actions taken with respect to the 2019-2020 Operating and Capital Budget and Regional Service Charges Amendment are ratified and confirmed in all respects.

ADOPTED by the Board of Directors of Discovery Clean Water Alliance at a regular meeting held on December 20, 2019.

DISCOVERY CLEAN WATER ALLIANCE



Chair, Board of Directors



2019-2020 Operating and Capital Budget and Regional Service Charges Amendment Summary

Budget Amendment. Eight Budget Decision Packages (BDPs) are highlighted below (detailed further in the BDP Summary that follows) with the impact of each on final USES (operating/capital) and final SOURCES (reserves/new debt/RSCs) of the amended biennial budget for 2020.

BDP #	DESCRIPTION	CHANGE TO USES (\$1000s)			CHANGE TO SOURCES (\$1000s)			
		ADOPTED BUDGET	AMENDED BUDGET	\$ CHANGE	\$ RESERVES	NEW DEBT	DISTRICT RSCs	BG RSCs
Operating budget								
	Admin services - District	\$ 2,311	\$ 2,311	\$ -	\$ -	\$ -	\$ -	\$ -
1	Membership - CfcW	-	6	6	6	-	-	-
	Contract ops - Clark County	8,439	8,439	-	-	-	-	-
2	SCTP digester cleaning	-	200	200	200	-	-	-
3	No BGFm/SCI/KI ops	-	(47)	(47)	(47)	-	-	-
	Contract ops - District	1,505	1,505	-	-	-	-	-
3	BGFm/SCI/KI ops	-	105	105	105	-	-	-
	Total operating budget	\$ 12,255	\$ 12,519	\$ 264	\$ 264	\$ -	\$ -	\$ -
Capital budget								
	Existing assets R&R	\$ 2,504	\$ 2,504	\$ -	\$ -	\$ -	\$ -	\$ -
4	R&R program	-	69	69	69	-	-	-
	Debt service	8,921	8,921	-	-	-	-	-
5a	SCTP Phase 5BP1 dbt svc	-	(1,141)	(1,141)	(1,141)	-	-	-
	New assets CIP	17,299	17,299	-	-	-	-	-
5b	SCTP Phase 5A pre-const	-	328	328	328	-	-	-
5c	SCTP Phase 5BP1 const	-	(5,699)	(5,699)	(863)	(4,836)	-	-
6	Construction manager	-	(427)	(427)	-	(427)	-	-
7	Land purchase	-	200	200	200	-	-	-
8	Phase 5A At-Grade Crossing	-	50	50	50	-	-	-
	Total capital budget	\$ 28,724	\$ 22,104	\$ (6,620)	\$ (1,357)	\$ (5,263)	\$ -	\$ -
	TOTAL BIENNIAL BUDGET	\$ 40,979	\$ 34,623	\$ (6,356)	\$ (1,093)	\$ (5,263)	\$ -	\$ -

Regional Service Charges (RSCs). The 2019-2020 budget amendment referred by the Treasurer to the Board for adoption reflects no changes to RSCs billed to the District and Battle Ground for 2020 from 2019.

	2019 Adopted Budget	2020 Amended Budget	\$ Change
District			
Regional Service Charges - Operating	\$ 392	\$ 392	\$ -
Regional Service Charges - Capital	533	533	-
Monthly District RSCs	\$ 925	\$ 925	\$ -
Battle Ground			
Regional Service Charges - Operating	\$ 88	\$ 88	\$ -
Regional Service Charges - Capital	173	173	-
Monthly Battle Ground RSCs	\$ 260	\$ 260	\$ -
Total Monthly RSCs	\$ 1,185	\$ 1,185	\$ -

Reserve Fund Balance Impacts – RSCs remaining the same. With no changes to RSCs referred by the Treasurer, reserves in two funds will be used to fund additional expenditures (O&M and R&R) while reserves in two other funds will grow (debt service and CIP). Net reserves will increase \$1.093 million, helping offset a significant increase in RSCs forecast beginning 2021 to fund the SCTP Phase 5A project, a new SCTP outfall to the Columbia River. In addition, these project costs will have to be paid for up front by the Alliance and then reimbursed from PWB loan proceeds after the fact. Additional capital reserves will help buffer these cash fluctuations.

BDP #	DESCRIPTION	Reserves Balance Impacts by Fund (\$1000s)				TOTAL
		O&M	Debt service	R&R	CIP	
1	Membership-CfCW	\$ (6)				\$ (6)
2	Digester cleaning	(200)				(200)
3	BGFM/SCI/KI ops	(58)				(58)
4	R&R program			(69)		(69)
5	Dbt svc; Ph 5A, 5BP1		1,141		535	1,676
6	Construction mgr					-
6	Land purchase				(200)	(200)
8	Phase 5A At-Grade Crossing				(50)	(50)
GRAND TOTAL		\$ (264)	\$ 1,141	\$ (69)	\$ 285	\$ 1,093



**2019-2020 Operating and Capital Budget and
Regional Service Charges Amendment**

BUDGET DECISION PACKAGES (BDP) SUMMARY

2020 OPERATING AND MAINTENANCE BUDGET

Administrative Services

BDP #1. Memberships

The Alliance is budgeting to join the Coalition for Clean Water, an informational organization formed by interlocal agreement, which interacts with citizens and local, regional, state and federal agencies regarding preservation and improvement of water quality, reduction of pollution, and the planning and financing of necessary facilities.

a. Memberships	<u>\$6,000</u>
Total expenditure increase:	<u>\$6,000</u>

The total administrative service expense increase will be funded from existing O&M reserves.

Contract Operator – Clark County

BDP #2. Salmon Creek Wastewater Management System (SCWMS)

The County has requested an increase in O&M expenditure authorization for addition costs that will be incurred in 2020 for cleaning a digester. Cost estimates have been significantly higher (\$350,000) than originally budgeted (\$150,000) and may include some additional scope of work.

a. Services and Supplies – Digester cleaning increase	<u>\$200,000</u>
Total expenditure increase:	<u>\$200,000</u>

The total contract operator expense increase will be funded from existing O&M reserves.

Contract Operators – Clark County and District – Transfer Operations of Regional Assets (RA)

BDP #3. Battle Ground Force Main (BGM)/Salmon Creek Interceptor (SCI)/Klineline Interceptor (KI). The District is proposing to operate the Battle Ground Force Main, Salmon Creek Interceptor and Klineline Interceptor beginning January 1, 2020. Clark County is currently the contract operator for these Regional Assets. This request, if approved, will

redeploy County staff salaries/benefits from operating these three RAs to the Salmon Creek Treatment Plant for project oversight during the Phase 5B Package 1 capital project construction and to manage the additional plant infrastructure after construction is completed. Additionally, it will provide the necessary resources for the District to operate these RAs beginning in January 2020.

The District estimates 0.6 FTE of District staff time to operate these three Regional Assets.

a. Contract Operator – Clark County – Supplies/Services/Chemicals	<u>-\$47,750</u>
b. Contract Operator – District – Salaries/Supplies/Services/Chemicals	<u>105,450</u>
Net increase (District salaries/benefits) to contract operations:	<u>\$57,700</u>

The net contract operator expense increase will be funded from existing O&M reserves.

2020 CAPITAL BUDGET

BDP #4. Existing Assets R&R Budget

Two R&R projects have updated engineer’s estimates of cost to complete and one project has additional scope added for completion of the project:

a. SCTP Biosolids Cake Transfer Screw Replacement	\$43,000
b. SCTP Digester Maintenance and Modifications	<u>26,000</u>
Net increase to existing asset repair and replacement budget:	<u>\$69,000</u>

The net R&R budget increase will be funded from existing R&R reserves.

BDP #5. New Assets Capital Budget (updated BDP)

Phase 5A is budgeted to advance pre-construction dollars to continue moving the project forward in 2020. With the Phase 5B project split into two packages and Package 2 re-sequenced for construction in 2022-2024 (after the Department of Ecology lifting of the impaired waters listing for the Columbia River), the capital work on all of Project 5B will be extended from a three-year to a five-year construction window. As a result, the amended budget reflects a decrease in the amount of capital expenditures (for Package 1 only), a corresponding decrease in debt issuance to fund the work, and a decrease in debt service. Also reflected is obtaining a Public Works Board loan award for construction financing.

a. Debt Service – SCTP Phase 5B - Resequencing	<u>-\$1,141,000</u>
b. SCTP Phase 5A – advanced pre-construction	328,000
c. SCTP Phase 5B – Resequencing	<u>-5,699,000</u>
Net decrease to new assets capital budget:	<u>-\$6,512,000</u>

The net CIP budget decrease will fund additional CIP reserves and reduce debt funding needs.

BDP #6. New Assets Capital Budget

An amended budget for 2020 reflects elimination of construction management paid to and engineering contractor with the hire of a construction manager (limited-term District employee through 2024) at significant cost savings to the Phase 5A and 5B total project costs.

a. Construction manager – District employee	\$173,000
b. Construction management savings not paid to contractor in 2020	<600,000>
Net budget savings:	< <u>\$427,000</u> >

The net CIP budget decrease will reduce the debt funding needs.

BDP #7. Land Purchase

A parcel of land near the SCTP site has become available to the Alliance for purchase. Purchase of the property would help buffer the treatment plant from future development and concerns/complaints from nearby homeowners. Because the site sits lower than other homesites near the plant, plant activity may be of even greater concern if it were to be developed.

a. Fixed Assets –Land acquisition	<u>\$200,000</u>
Total expenditure increase:	<u>\$200,000</u>

The total CIP expenditure increase would be funded from existing CIP reserves.

BDP #8. New Assets Capital Budget (new BDP)

An amended budget for 2020 reflects the additional need for improvements to the BNSF Railway at-grade railroad crossing to support construction activity for SCTP Phase 5A.

a. SCTP Phase 5A – at-grade railroad crossing	<u>\$50,000</u>
Total expenditure increase:	<u>\$50,000</u>

The total CIP expenditure increase would be funded from existing CIP reserves.