

DISCOVERY CLEAN WATER ALLIANCE

RESOLUTION NO. 2021 – 03

A RESOLUTION OF THE DISCOVERY CLEAN WATER ALLIANCE, AMENDING THE 2021-2022 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 2021-2022 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 2021-2022 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 2021-2022 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 17, 2021.

DISCOVERY CLEAN WATER ALLIANCE



A handwritten signature in cursive script, appearing to read "Ron Amber", is written over a horizontal line.

Chair, Board of Directors



2021-2022 Operating and Capital Budget and Regional Service Charges Amendment Summary

Budget Amendment. Ten changes are highlighted below (detailed further in the Budget Changes 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 2022.

Change #	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	\$ 2,997	\$ 2,997	\$ -	\$ -	\$ -	\$ -	\$ -
1	Additional employees	-	393	393	393	-	-	-
2	Insurance rate increase	-	80	80	80	-	-	-
	Contract ops - Clark County	9,915	9,915	-	-	-	-	-
3	Transfer of operations	-	(2,691)	(2,691)	(2,691)	-	-	-
	Contract ops - District	1,708	1,708	-	-	-	-	-
3	Transfer of operations	-	2,595	2,595	2,595	-	-	-
	Total operating budget	14,620	14,997	377	377	-	-	-
Capital budget								
	Debt service	\$ 10,101	\$ 10,101	\$ -	\$ -	\$ -	\$ -	\$ -
4	Interest rate savings	-	(336)	(336)	(336)	-	-	-
5	Initial payment timing	-	(1,144)	(1,144)	(1,144)	-	-	-
6	Debt on additional CIP	-	1,302	1,302	1,302	-	-	-
	Existing assets R&R	4,193	4,193	-	-	-	-	-
	New assets CIP	19,238	19,238	-	-	-	-	-
7	Inflationary increases - 5A	-	3,611	3,611	570	3,041	-	-
8	Accelerated project - 5B2	-	3,805	3,805	(871)	4,676	-	-
9	RTP Secondary Treatment	-	102	102	102	-	-	-
10	Construction Mgmt In-house	-	(466)	(466)	-	(466)	-	-
	Total capital budget	33,532	40,406	6,874	(377)	7,251	-	-
	TOTAL BIENNIAL BUDGET	\$ 48,152	\$ 55,403	\$ 7,251	\$ -	\$ 7,251	\$ -	\$ -

Regional Service Charges (RSCs). The 2021-2022 budget amendment referred by the Treasurer to the Board for adoption reflects no changes to RSCs billed to the District and Battle Ground for 2022 from 2021.

	2021 Adopted Budget	2022 Amended Budget	\$ Change
District			
Regional Service Charges - Operating	\$ 484	\$ 484	\$ -
Regional Service Charges - Capital	532	532	-
Monthly District RSCs	\$ 1,016	\$ 1,016	\$ -
Battle Ground			
Regional Service Charges - Operating	\$ 111	\$ 111	\$ -
Regional Service Charges - Capital	169	169	-
Monthly Battle Ground RSCs	\$ 280	\$ 280	\$ -
Total Monthly RSCs	\$ 1,296	\$ 1,296	\$ -

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 (Debt Service and CIP) while reserves in one other fund will grow (O&M). Net reserves will remain the same as originally budgeted.

Change #	DESCRIPTION	Reserves Balance Impacts by Fund (\$1000s)				TOTAL
		O&M	Debt service	R&R	CIP	
1	Admin Lead - 3 FTEs	\$ 393				\$ 393
2	Insurance rates	80				80
3	Transfer of Operations	(96)				(96)
4	Debt interest rate		(336)			(336)
5	Dbt svc; timing		(1,144)			(1,144)
6	Dbt svc; additional CIP		1,302			1,302
7	CIP inflationary increases				570	570
8	CIP accelerate SCTP Phase 5B2				(871)	(871)
9	RTP Secondary Treatment				102	102
10	Construction Mgmt				-	-
GRAND TOTAL		\$ 377	\$ (178)	\$ -	\$ (199)	\$ -



2021-2022 Operating and Capital Budget and Regional Service Charges Amendment

BUDGET CHANGES SUMMARY

2022 OPERATING AND MAINTENANCE BUDGET

Administrative Services

#1. Administrative Lead additional employees

The District as Administrative Lead is budgeting to add two limited-term Construction Managers to perform construction management services that will yield significant cost savings to the Phase 5A and 5B total project costs through 2024. Additionally, the District as Administrative Lead is budgeting to add one permanent Project Manager that would address a significant Repair and Replacement workload that has been deferred or is being addressed with more expensive consultant resources.

a. Additional employees	<u>\$393,000</u>
Total expenditure increase:	<u>\$393,000</u>

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

#2. Insurance rate increase

The Water and Sewer Risk Management Pool provides insurance services to the Alliance. Insurance rates have increased by 35% in 2021, higher than the anticipated 15%.

a. Insurance	<u>\$80,000</u>
Total expenditure increase:	<u>\$80,000</u>

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

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

#3. Salmon Creek Treatment Plant (SCTP)/36th Avenue Pump Station & Force Main/117th Street (Klineline) Pump Station and Force Main. The District is proposing to operate the Salmon Creek Treatment Plant, 36th Avenue Pump Station and Force Main,

and 117th Street (Klineline) Pump Station and Force Main beginning July 1, 2022. Clark County is currently the contract operator for these Regional Assets and has requested early termination of its Operator agreement. Under this proposal, between January 1 and July 1, 2022, the District would actively support the County, including transfer of specific responsibilities that are agreed upon during the transition period. The proposed changes will support continued forward progress in delivering a professional regional wastewater transmission and treatment program appropriate for a large and growing community.

- a. Contract Operator – Clark County -\$2,691,000
 - b. Contract Operator – District 2,595,000
- Net decrease to contract operations: -\$96,000

The net contract operator expense decrease will increase existing O&M reserves.

2022 CAPITAL BUDGET

Debt Service

#4. Interest Rate Savings

In connection with the 2021 bond issuance to fund the SCTP Phase 5A Package 1 project, the Alliance elected to refinance the existing 2015 bonds at a lower interest rate. Additionally, in 2021 the Alliance was awarded a Public Works Board (PWB) loan with a maximum interest rate of 0.94%, a savings from the 3.0% originally budgeted.

- a. Interest rate savings -\$336,000
- Total decrease to debt service budget: -\$336,000

The debt service expense decrease will increase existing debt service reserves.

#5. Initial Payments on New Debt Issuances

In the adopted 2021-2022 budget, the initial payment on new debt issuances was budgeted to begin at the beginning of the year of issuance. As the timing of new debt issuances was updated, the budget is being refined to reflect initial payments occurring in the second half of 2022.

- a. Initial payments timing -\$1,144,000
- Total decrease to debt service budget: -\$1,144,000

The debt service expense decrease will increase existing debt service reserves.

6. Increased Debt Service on New Issuances

An amended budget for 2022 reflects higher debt issuances (and therefore increased debt service payments) related to inflationary cost increases for SCTP Phase 5A Packages 1 and

2 (see item #7 below) and acceleration of construction of the SCTP Phase 5B Package 2 project (see item #8 below).

a. Increased Debt Service on New Issuances	\$1,302,000
Total increase in debt service budget:	<u>\$1,302,000</u>

The total debt service expense increase will be funded from existing debt service reserves.

New Assets Capital (CIP)

#7. SCTP Phase 5A Packages 1 and 2 – Inflationary Increases

An amended budget for 2022 reflects an increase in the estimated materials cost for the SCTP Phase 5A Packages 1 and 2 projects from the adopted 2021-2022 budget. This is a reflection of construction marketplace trends and higher than expected general cost escalations.

a. SCTP Phase 5A Package 1	\$1,491,000
b. SCTP Phase 5A Package 2	<u>2,120,000</u>
Total expenditure increase:	<u>\$3,611,000</u>

\$570,000 of the CIP expenditure increase would be funded from existing CIP reserves and the remaining \$3,041,000 would be funded by an increased debt issuance in 2022.

#8. SCTP Phase 5B Package 2 Acceleration

An amended budget for 2022 proposes accelerating construction of the SCTP Phase 5B Package 2 project from 2024 into 2022 to leverage work currently underway at the SCTP and to utilize in-house construction management at a reduced cost.

a. SCTP Phase 5B Package 2 acceleration	<u>\$3,805,000</u>
Total expenditure increase:	<u>\$3,805,000</u>

In order to leave RSCs unimpacted for 2022, this budget amendment purposely funds a portion of preconstruction work for this project with additional debt. As a result, the 2022 debt issuance will increase by \$4,676,000 and reserve balances will be increased by \$871,000.

#9. RTP Secondary Process Improvements Project

A new project for Ridgefield Treatment Plant (RTP) Secondary Process Improvements is being proposed as part of the 2022 budget amendment. This project is being added to the Capital Program to address capacity issues at the RTP on a short-term basis.

a. RTP Secondary Process Improvements	<u>\$102,000</u>
Total expenditure increase:	<u>\$102,000</u>

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

#10. Capital Plan Optimization

As part of the 2022 budget amendment, the District as Administrative Lead proposes hiring two limited-term Construction Managers (see item #1 above) to perform construction management services that will yield significant cost savings to the Phase 5A and 5B total project costs through 2024

- a. Construction management savings -\$466,000
- Total expenditure increase: -\$466,000

The total CIP expenditure decrease would result in a lower new debt issuance.