

MOREHEAD UTILITY PLANT BOARD
Budget Workshop @ 12:00PM
April 18, 2017

Place of Meeting

A Budget Work Shop Meeting of the Morehead Utility Plant Board was held Thursday, April 18, 2017, at 12:00 p.m. at the office of the Morehead Utility Plant Board 135 South Wilson Ave, Morehead, KY.

Board Members Present

Russ Ward, Chairman
Jeff Barker, Vice Chairman
Glen Teager, City Council Representative
Porter Daily, Board Member
Charles Derrickson, Board Member

Also Present

Holly McGrath-Rosas, General Manager
Benita Hammonds, Administrative Manager
Kevin Mayhorn, Financial Coordinator
Larry Tackett, Operations Manager
Brad Stacy, Morehead News
Billy Winkleman, MUPB Consultant
Alan Robinson, Eclipse Engineering
Tim Eldridge, CPA

Call to Order & Confirmation of Quorum

Chairman, Russ Ward, declared a quorum and called the meeting to order at 12:00 p.m. He welcomed all visitors and staff.

Tim Eldridge Presents Rate Increase

Mr. Eldridge present to the board that MUPB is a company that has a strong entity however, they do have an aging system. He goes on to discuss that MUPB has the lowest rate in comparison to utility companies in the surrounding areas. A rate increase is necessary for multiple reasons explains Mr. Eldridge those reasons include; aging system, revenue shortfall, funding for needed loans, and the inability to provide services to a large industrial customer should one locate in the servicing area. He explains that the revenue shortfall is due to customers being more conservative and the loss of gas revenue due to an unusually mild winter. Mr. Eldridge also states that the rate increase would assist with the needed repairs for present lift stations and building alike. He feels that should the right customer come to the area now that MUPB would not be able to serve them due to the water treatment plant not being able to produce enough water. Mr. Daily ask if the rate increase is for only water/sewer capital projects and Mr. Eldridge explains that it is for that along with compensating for revenue loss.

Alan Robinson Presents Need for New Water Plant and Intake

Mr. Robinson presents there is a need for a new raw water intake and water plant in order for MUPB to be able to service the customers along with any area growth. He explains that current WTP is operating as much as 6.8 to 7 million gallons per day and it is only rated for 8 million gallons per day therefore it is operating at almost full capacity and cannot handle any additional customers. He states that now approximately 50% of produced water is sold to wholesale customers Rowan Water and Bath Water. He states that the first step would be to construct a new intake and pull water from Cave Run Lake and then the next step would be to construct a new WTP facility. The estimated cost is around 28 million which includes new intake, new WTP facility, a new storage tank and 1 million set aside for other needed upgrades. The new plant would increase the plant from an 8 MGD to a 12 MGD. He also states that by constructing a new intake and plant that it would cut down on the cost of chemicals, electricity and maintenance.

Billy Winkleman Presents Need for Sewer Upgrades

Billy Winkleman shares with the board and guest about the recent sewer capacity study. He explains that this is only phase one and they have studied 4 areas which include 801N, Farmers, Salt Lick and 801S. These areas seem to be some of the most consist for overflows which must be reported to the Division of Water. Mr. Winkleman explains that the study has found that the problem isn't caused by the pump stations but that the lines that are currently in place are not big enough to handle the sewer. The study shows that in order to prevent overflows that there is a need for replacing existing lines. The expected cost is 4 million and would take 1-5 years to upgrade lines and add new ones where needed. Because of the current lines in the 801 area MUPB would not be able to provide services to a large industrial customer should one come to the MMRC industrial park now. There will eventually be a phase two for this project which will include the remaining sewer service areas.

Holly McGrath Rosas Presents Benefits and Salaries

Ms. McGrath-Rosas presents to the board the changes that need to take place in employee benefits. She suggests that due to the every changing of health care cost and the projected 13.5% increase that the employee amount paid should increase from 5% of the total plan cost to 6%. She also explains to the board that changing the staff from a HSA to a HRA would prove to be cost effective for the MUPB. With a HSA, the employee's deductible is deposited into their account on July 1 every year and could range from \$2000 for a single plan or \$4000 for a family plan. However, by changing to a HRA it works more like a credit card where as MUPB would only have to pay for the amount the employee and/or family spend towards their deductible, and could potentially save MUPB \$30,000-\$40,000 per year. Mr. Glen Teager ask what amount of money would MUPB be saving by raising the employee amount from 5 to 6%. Mr. Dailey reports that it would be roughly \$10,000 on a year. Ms. McGrath-Rosas also explains that an annual increase has occurred for items that MUPB has no control

over. Those being retirement .5%, unemployment .54% and workers comp .53% for a total increase of 1.57%. She also presents the board with the cost of living raise that she would like to include in the budget for the employees. This raise would be 3% or 50 cents whichever is greater. She reminds the board that she had ask for this for the employees last year however, the city council denied it. She also reminds them that the city did later in the year give their employees a 25-cent raise. The anticipated cost to MUPB for the raise is \$56,148.55 for the year. Ms. McGrath-Rosas then ask the board what they would like to see with the budget when it is presented in the next meeting. Mr. Dailey explains that she should present exactly what she feels needs to be in the budget. Mr. Tegaer ask if the rate increase was for the revenue short fall along with the water/sewer upgrades and she explains that it is but it's over the next 5 years. The board ask that she present the budget at next meeting with and without the rate increase.

Meeting Adjourned

Meeting Adjourned at 1:40p.m.

The next meeting is on April 25, 2017 @ 12:00p.m.

Russ Ward, Chairman

Holly McGrath- Rosas, General Manager