



CHELAN COUNTY

LONG RANGE FACILITIES PLAN

BOARD OF COMMISSIONERS BRIEFING

October 16, 2017





“Shaping our utility to do the best, for the most, for the longest”

Agenda-Purpose

1. Seek concurrence with the recommendation that the District proceed with Rock Island and Rocky Reach Facility Plan improvements
2. Seek concurrence with the recommendation that the District acquire HQ/Operations Center property
3. Seek concurrence with the recommendation to engage in public outreach and feedback regarding the HQ/Operation Center Options



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Productivity

Maximize efficiency potential at all operational levels

Service Levels

Optimize level of service delivery and customer experience

Financial Value

Produce lowest long term spending

Cost Predictability

Create financial stability with predictable cost forecasting

Safety

Enhance public and employee safety

Core Goals





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What have we Learned?

Major Findings

- The District has been substantially underfunding facilities for many years
- The District has not previously planned for facilities using a master plan or strategic approach
- The District has not previously adopted standards for its facilities and now lags considerably behind the industry
- Under the current approach, the costs of managing and operating the District’s facilities is increasingly expensive and unpredictable
- The District’s current facilities are increasingly challenged with safety concerns
- It will take a large initial capital investment to leverage long term financial value and meet the District’s Core Goals



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Site Plan Headquarters



- Meeting District Core Goals**
- Provides maximum efficiency potential.
 - Optimizes delivery of services to customers.
 - Achieves lowest long term spending.
 - Provides best means of achieving cost predictability and forecasting.
 - Maximizes ability to provide safe and secure facilities.



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Project Phasing Headquarters

Phases	2017		2018				2019				2020				2021				2022			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Land / Outreach	Negotiate/ Procure Land		Site Design / Permit				Early Site Work				Final Site Work											
Buildings			Design / Permit Buildings				Construct Buildings															
Occupancy / Relocation / Sell Existing properties																						



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Cost Analysis Headquarters

Cost Estimate

2016 Estimate	Current Estimate Range	Notes
<u>\$114,000,000</u>	<u>\$110,000,000 - \$114,000,000</u>	Estimates include all construction costs, design, construction administration, sales tax, permitting, escalation and contingencies.

50-year Present Value of Costs and Benefits

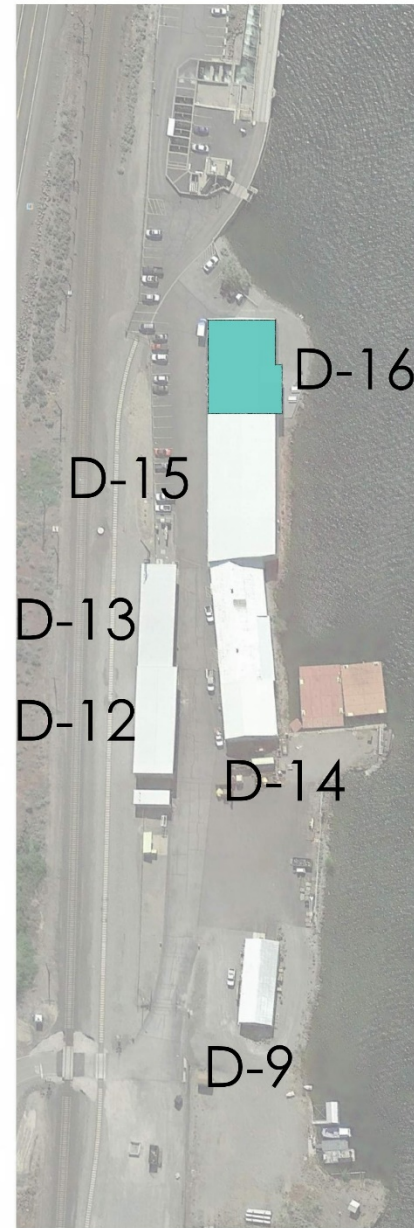
Status Quo (Rebuild Existing / Lease for future growth)	Split Facilities (Phased – Fully Occupy by 2026)	Combined Facilities ("All In – Occupy by 2022)
<u>\$120,196,064</u>	<u>\$112,914,047</u>	<u>\$110,977,476</u>



CHELAN COUNTY

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Site Plan Rock Island



- ### CHELAN
- C** NEW HEATED STORAGE BUILDING
 - B** NEW BLAST/PAINT/SHOP BLDG
 - C-1** "ATKO" BLDG (Remodel for machine shops)
 - C-5** "STONE & WEBSTER" BLDG (Provide to Rehab GC)
 - C-7** "COBRA" BUILDING (Remodel of Haz-Mat & Oil storage)
 - L** NEW CREW BUILDING
 - K** NEW PH2 ENGINEERING OFFICES & CREW BREAK ROOMS
 - M** NEW WAREHOUSE & TOOL BLDG
 - C-14** EXISTING CLEAN ROOM & STORAGE BUILDING
 - C-13** EXISTING CREW BLDG (Demo)
 - C-11** EXISTING MEDIA BLAST BLDG (Provide to Rehab GC)
- ### DOUGLAS
- D-16** EXISTING OFFICES (Remodel)
 - D-15** EXISTING WAREHOUSE
 - D-14** EXISTING SHOP BUILDING
 - D-12 & 13** EXISTING PH1 STORAGE
 - D-9** EXISTING STORAGE (Provide to Rehab GC)



"Douglas County"

"Lower Chelan"

"Upper Chelan"



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Project Phasing Rock Island

Phases	2017		2018				2019				2020				2021				2022				2023		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Phase 1 Sitework		Design / Permit	Early Site Work					Final Sitework																	
Phase 2 Buildings			Design / Permit		Building Construction (Buildings A-1 and B)																				
Phase 3 Buildings								Design / Permit		Final Building Construction															



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Cost Analysis Rock Island

Cost Estimate

2016 Estimate	Current Estimate Range	Notes
<u>\$36,200,000</u>	<u>\$38,700,000 - \$39,550,000</u>	Estimates include all construction costs, design, construction administration, sales tax, permitting, escalation and contingencies.

50-year Present Value of Costs and Benefits

Status Quo 2016 Scope Assumptions with 10 year implementation	Proposed Master Plan Improvements Upgraded scope, 3 year implementation, plus savings in Rehab Project
<u>\$37,292,991</u>	<u>\$33,588,363</u>



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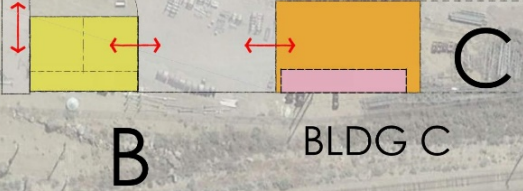
Site Plan Rocky Reach



- A** EXISTING CM-17 (Rehab/Remodel)
- B** NEW PAINT & BLAST BUILDING
- C** NEW STORAGE BUILDING
- D** NEW OFFICE BUILDING
- E** NEW HAZ-MAT BUILDING
- F** NEW CREW BUILDING
- X** NEW FUEL ISLAND
- DIVE** DIVE SHOP (Relocate into existing warehouse)
- CM-7** INTERIM TOOL ROOM (during CM-17 Rehab)
- CM-8** INTERIM ELECTRICAL CLEAN ROOM (during CM-17 Rehab)
- CM-11** INTERIM MACHINE SHOP (during CM-17 Rehab)
- CM-13** INTERIM FABRICATION SHOPS & CNC (during CM-17 Rehab)

Existing Tent Structure

(E) Power Sub-Station





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Project Phasing Rocky Reach

Phases	2017		2018				2019				2020				2021				2022				2023			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Phase 1 Sitework						Design & Permit	Site Work Construction						Final Sitework													
Phase 2 Buildings							Design Permit				Building Demo/Construction															
Phase 3 CM 17														CM 17 Design & Permit				Relocate CM Personnel Rehab CM 17								



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Cost Analysis Rocky Reach / CM

Cost Estimate

2016 Estimate	Current Estimate Range	Notes
<u>\$32,600,000</u>	<u>\$40,000,000 - \$41,500,000</u>	Estimates include all construction costs, design, construction administration, sales tax, permitting, escalation and contingencies.

50-year Present Value of Costs and Benefits

Status Quo 2016 Scope Assumptions with 10 year implementation	Proposed Master Plan Improvements Upgraded scope, 6 year implementation
<u>\$40,251,349</u>	<u>\$38,884,367</u>



Impacts to Cash and Debt All Facilities: “Status Quo”

Based on August 31, 2017 District Financial Forecast Model Run: All results are under “expected” conditions

Amounts in \$millions (rounded)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Cash: Base 8/31/2017 Forecast	\$484	\$383	\$318	\$317	\$298	\$265	\$262	\$267	\$272	\$255	\$251
Debt: Base 8/31/2017 Forecast	\$537	\$452	\$368	\$332	\$306	\$267	\$271	\$279	\$293	\$281	\$309
Debt Ratio: Base 8/31/2017 Forecast	37.6%	32.0%	26.5%	23.6%	21.5%	18.7%	18.5%	18.6%	19.1%	18.2%	19.5%
Cash: w/ reactive “status quo”	\$480	\$353	\$267	\$263	\$262	\$261	\$260	\$267	\$272	\$254	\$251
Debt: w/ reactive “status quo”	\$537	\$452	\$368	\$341	\$340	\$356	\$389	\$399	\$423	\$429	\$461
Debt Ratio: w/ reactive “status quo”	37.6%	32.0%	26.4%	24.2%	23.4%	23.6%	24.8%	24.8%	25.7%	25.8%	27.0%
Accumulated Change in Cash	\$(4)	(\$30)	(\$52)	(\$54)	(\$36)	(\$5)	(\$2)	\$0	\$0	(\$1)	\$0
Accumulated Change in Debt	\$0	\$0	\$0	\$10	\$34	\$90	\$118	\$120	\$130	\$148	\$152
Change in Cash less Change in Debt (net)	(\$4)	(\$30)	(\$52)	(\$64)	(\$70)	(\$95)	(\$120)	(\$120)	(\$130)	(\$149)	(\$152)

The information provided above contains forward-looking information and projections. Such projections are necessarily subject to various risks and uncertainties. Actual results could, and likely will, differ materially from those projected, in part as a result of differences between assumptions utilized in making such projections and actual outcomes and certain other risks.

This high level analysis also impacts other cumulative financial metrics including debt coverage, which become stressed for the years 2022 and beyond and will require additional plan refinement and decision making.



Impacts to Cash and Debt All Facilities: “Combined”

Based on August 31, 2017 District Financial Forecast Model Run: All results are under “expected” conditions

Amounts in \$millions (rounded)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Cash: Base 8/31/2017 Forecast	\$484	\$383	\$318	\$317	\$298	\$265	\$262	\$267	\$272	\$255	\$251
Debt: Base 8/31/2017 Forecast	\$537	\$452	\$368	\$332	\$306	\$267	\$271	\$279	\$293	\$281	\$309
Debt Ratio: Base 8/31/2017 Forecast	37.6%	32.0%	26.5%	23.6%	21.5%	18.7%	18.5%	18.6%	19.1%	18.2%	19.5%
Cash: w/ facilities plan “combined”	\$484	\$365	\$262	\$259	\$260	\$262	\$262	\$267	\$272	\$255	\$251
Debt: w/ facilities plan “combined”	\$537	\$452	\$383	\$418	\$449	\$431	\$436	\$442	\$455	\$442	\$467
Debt Ratio: w/ facilities plan “combined”	37.6%	32.0%	27.2%	28.0%	28.7%	27.2%	27.0%	26.9%	27.2%	26.4%	27.4%
Accumulated Change in Cash	\$0	(\$18)	(\$56)	(\$57)	(\$38)	(\$3)	\$0	\$0	\$0	\$0	\$0
Accumulated Change in Debt	\$0	\$0	\$15	\$86	\$143	\$164	\$165	\$163	\$162	\$161	\$158
Change in Cash less Change in Debt (net)	(\$0)	(\$18)	(\$71)	(\$143)	(\$181)	(\$167)	(\$165)	(\$163)	(\$162)	(\$161)	(\$158)

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Impacts to Cash and Debt

All Facilities: “Split”

Based on August 31, 2017 District Financial Forecast Model Run: All results are under “expected” conditions

Amounts in \$millions (rounded)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Cash: Base 8/31/2017 Forecast	\$484	\$383	\$318	\$317	\$298	\$265	\$262	\$267	\$272	\$255	\$251
Debt: Base 8/31/2017 Forecast	\$537	\$452	\$368	\$332	\$306	\$267	\$271	\$279	\$293	\$281	\$309
Debt Ratio: Base 8/31/2017 Forecast	37.6%	32.0%	26.5%	23.6%	21.5%	18.7%	18.5%	18.6%	19.1%	18.2%	19.5%
Cash: w/ facilities plan “split”	\$483	\$363	\$262	\$261	\$260	\$261	\$262	\$267	\$272	\$254	\$251
Debt: w/ facilities plan “split”	\$537	\$452	\$383	\$394	\$422	\$416	\$422	\$429	\$442	\$446	\$473
Debt Ratio: w/ facilities plan “split”	37.6%	32.0%	27.2%	26.8%	27.4%	26.5%	26.3%	26.2%	26.6%	26.5%	27.6%
Accumulated Change in Cash	(\$1)	(\$20)	(\$56)	(\$56)	(\$38)	(\$4)	\$0	\$0	\$0	(\$1)	\$0
Accumulated Change in Debt	\$0	\$0	\$16	\$62	\$116	\$149	\$152	\$150	\$148	\$164	\$164
Change in Cash less Change in Debt (net)	(\$1)	(\$20)	(\$72)	(\$118)	(\$154)	(\$153)	(\$152)	(\$150)	(\$148)	(\$165)	(\$164)

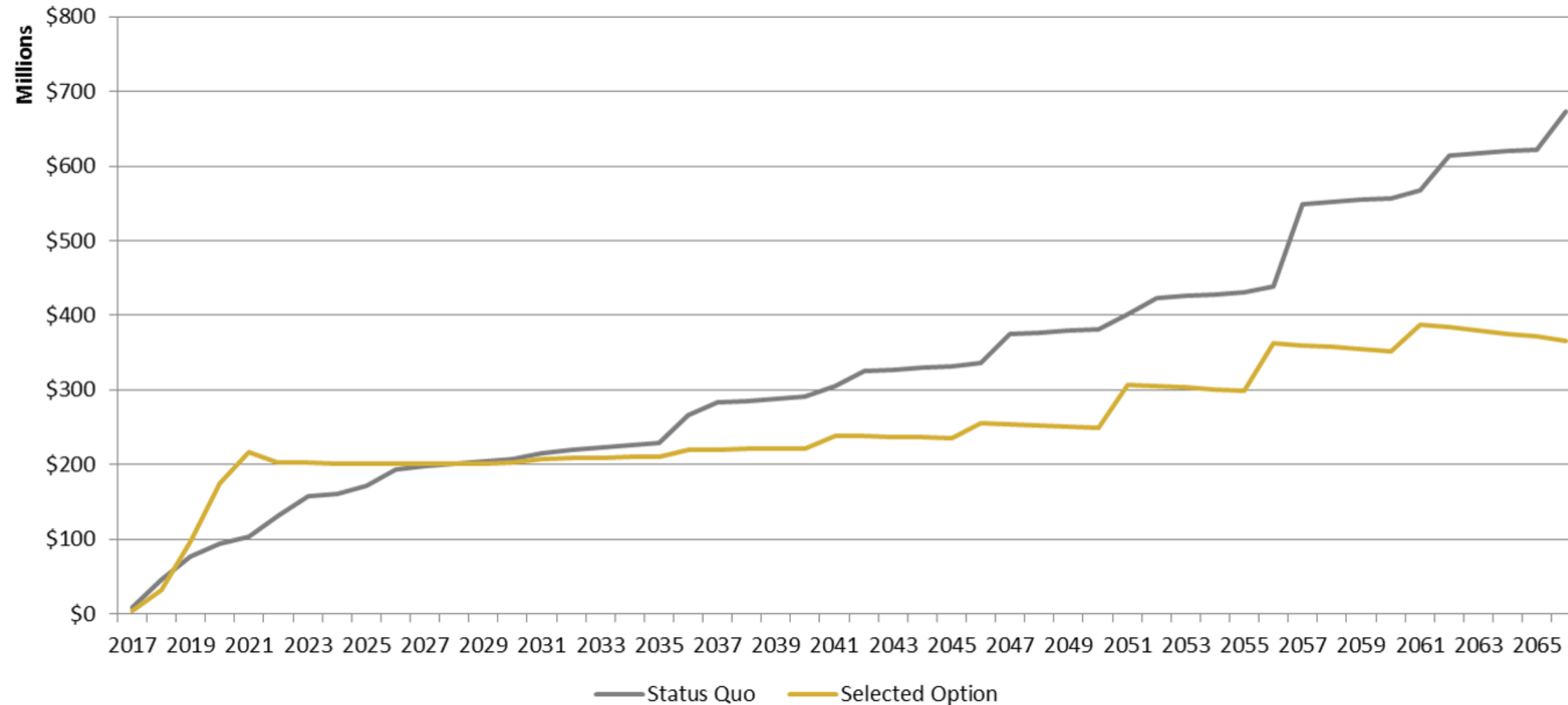
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Cost Analysis
All Facilities

Total 50-Year Cumulative Cash Flow for All Facilities*
Capital Investment, Maintenance and Productivity



*Cash flow for Rock Island and Rocky Reach only shown through 2041.



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Cost Analysis All Facilities

Cost Estimate

Combined Estimate Range (HQ / Rock Island / Rocky Reach/CM) Capital Cost to implement all facilities under the Strategic Plan	Notes
<u>\$188,700,000 - \$195,050,000</u>	Estimates include all construction costs, design, construction administration, sales tax, permitting, escalation and contingencies.

50-Year Value of Present Cost, Benefits and Debt Forecast

Status Quo Estimated combined Present Cost for what the District will spend on facilities	Strategic Facility Plan Present Cost Range Estimated Present Cost for all facilities combined under the Strategic Plan	Strategic Facility Plan Net Savings Estimated savings for all facilities combined over the Status Quo
<u>\$197,740,404</u>	<u>\$183,450,206 - \$185,386,777</u>	<u>\$12,353,627 - \$14,290,198</u>
<u>Year 2027 Debt Forecast</u> <u>\$461M</u>	<u>Year 2027 Debt Forecast</u> <u>\$467M-\$473M</u>	<u>Year 2027 Increased Debt</u> <u>\$6M-\$12M</u>



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Productivity

Maximize efficiency potential at all operational levels

Service Levels

Optimize level of service delivery and customer experience

Financial Value

Produce lowest long term spending

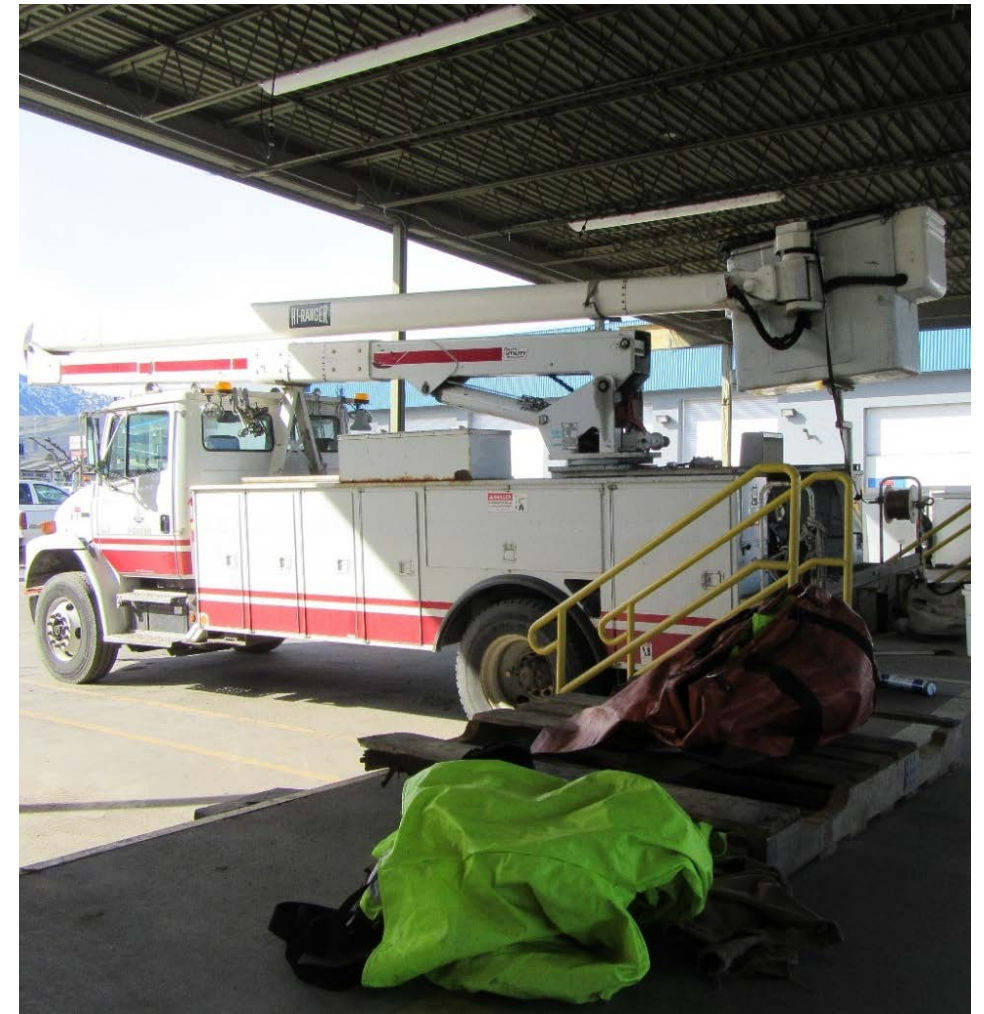
Cost Predictability

Create financial stability with predictable cost forecasting

Safety

Enhance public and employee safety

Core Goals





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Hydro Sites

- Staff recommends implementing Strategic Facilities Plan improvements at Rocky Reach and Rock Island
 - Begin pre-design work (Resolutions for Board approval in November)
 - Complete evaluation and determine project delivery method
 - Include associated project costs in Q4 financial forecast

Or

- Continue with status quo “reactive” approach
 - Include updated reactive status quo costs in Q4 financial forecast

Recommendations & Next Steps (Hydros)





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Headquarters

- Staff recommends further refinement of Operations & Service Center Options
 - Continue next phase of outreach including partner organizations (Port, City, County, Downtown Association, Chamber of Commerce, etc) and general public
 - Seek to conclude land acquisition for Board approval
 - Evaluate refined options after outreach phase is complete
 - Include updated reactive status quo costs in Q4 financial forecast until final option is determined

Or

- Continue with status quo “reactive” approach
 - Include updated reactive status quo costs in Q4 financial forecast

Recommendations & Next Steps (Headquarters)



Questions





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1) Reactive Status Quo Approach

This approach predicts what the District will encounter and spend over the next 50 years without a long range facilities strategy/plan. Assumes all new work will be built to new higher standards to support identified core goals.

2) Invest in New Facilities at New Locations

Optimize District operations by locating facilities where greatest efficiencies and highest productivity gains can be realized.

3) Hybrid Combination

Capture the greatest long term 50 year benefits through a combination of the above scenario approaches.

Long Range Planning

Scenarios / Options

Multiple facility alternatives produced multiple development Scenarios for each property.

Scenarios were reduced to selected “Options” for final consideration:

Downtown / HQ

- 7 Scenarios / 3 Final Options

Rock Island

- 3 Scenarios / 2 Final Options

Rocky Reach/CM

- 4 Scenarios / 2 Final Options



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50 Year Financial Modeling (Headquarters)

A 50 Year Master Plan approach was used to analyze the Headquarters facilities strategies, since a new site location is considered among the competing scenarios.

25 Year Financial Modeling (Hydro Sites)

A 25 year Facilities Master Plan approach was used at the Hydro sites best capturing the District’s Core Goals. The 25 year plan:

- Builds to a 50 year standard
- Preserves options for following 25 year build-out plan
- Produces similar outcomes for actions in following 25 years
- Analysis is different than HQ because location is not an issue

Long Range Planning

