



MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT

**Administrative Control Board
Minutes
October 24, 2019**

Attendance

Board Members:

Mike Kobe
Bob Neumeister
Karin Wilson
Tim Dougherty
Ian Schofield

Staff:

Scott Morrison
Marti Gee
Lisa Hoffman
Chris Braun
Steve Anderson
Brian Davenport

Summit County Attorney:

Dave Thomas

Guest:

Susie Becker Zions Bank

Notice is hereby given that the Administrative Control Board of Mountain Regional Water SSD, Summit County, Utah met in Regular Meeting session on October 24, 2019 at the Snyderville Basin Special Recreation District Office Board Room – Trailside 5715 Trailside Drive, Park City Utah, 84098 at 6:00 p.m.

- 1. Call to Order and Public Input:** Mike Kobe called the meeting to order at 6:02. No Public Input. No public attended the meeting.
- 2. Public Hearing** - Motion made by Bob Neumeister to Open the Public Hearing. Seconded by Ian Schofield. All voted yes, motion carried. Scott Morrison pointed out that there was a small error related to expected growth in the Impact Fee Facilities Plan; the correction was made and the updated document was presented in a Public Hearing that the Summit County Council had as the governing body of MRW last night. Mike Kobe asked if there were any public attending to comment during the public hearing.

Scott Morrison replied no public attended the hearing. Tim Dougherty made a motion to close the public hearing. Seconded by Bob Neumeister. All voted yes, motion carried.

3. Executive Session: Motion to move into executive session for Property Acquisition and Potential Litigation made by Tim Dougherty. Seconded by Karin Wilson. All voted yes, motion carried.

4. Move into Open Session: Motion to move into Open Session made by Ian Schofield. Seconded by Tim Dougherty. All voted yes, motion carried.

5. Consent Agenda:

- a. Approval of the Sept 12, 2019 ACB Meeting Minutes:
- b. Approval of September 2019 Check Register:
- c. Consideration of Approval of Surplus Vehicle and a District Utility Trailer by offering it to employees through a sealed bidding process
- d. Consideration of Approval of P.O.: None.
- e. Other:

Karin Wilson had some questions about City Works annual renewal check. Steve Anderson explained that City Works is the asset management system that MRW is beginning to implement, this is the annual support check. Tim Dougherty had a question about the Esri subscription, Chris Braun explained that it is the GIS software for MRW. Tim Dougherty had questions on the check register about the purchase of resetters. Brian Davenport responded they assist the meter change out program with making the meters more accessible and also solve a broken check valve problem that many of the old meter setter have. He also had a question about the payment made to Gorgoza. Scott Morrison responded that the payment was for ½ of the water line purchase to move outside of the roundabout corridor. It was more cost efficient to work with Gorgoza to purchase capacity in their water lines and not construct new water lines. The second ½ will be paid early next year. Bob Neumeister made a motion to approve the consent agenda items. Seconded by Tim Dougherty. All voted yes, motion carried.

6. Questions on Department Updates: Some questions about algae and also water quality testing in Rockport were raised by Tim Dougherty and Ian Schofield. Scott Morrison responded the water treatment plant and the pond working together have the ability to mitigate concerns related to algal toxins. Scott Morrison also commented that this is an

issue that MRW staff reviews constantly to insure water quality to MRW customers now and in the future.

7. Financial Management: Lisa Hoffman

a. Presentation of the Sept 2019 Financial Report:

Through September 2019, change in net position (net income) is \$2.74 million – which is \$1.01 million better than projected. This positive variance resulted from higher revenue that exceeds projections by \$407,203 (4.3%), primarily due to higher impact fees of \$389,470 and higher operating fees of \$143,650. The higher revenues in impact fees and operating fees are offset partially by retail water sales being lower than budgeted by \$141,663. The shortfall in water sales is particularly due to the golf course irrigation and other normal irrigation.

Additionally, expenses are \$603,802 (7.9%) lower than projected, primarily due to lower repair and maintenance costs in Distribution and lower operating costs at Lost Canyon in power and salaries.

Total cash increased \$1.05 million (6.7%) to \$16.79 million during September 2019. The current Operating Cash & Reserves balance of \$6.89 million represents a healthy 357 days reserves compared to 305 a year ago. Debt Reserves Held by Trustee increased \$280,463 (13.8%) from transfers to make scheduled interest and principal payments during 2019. Debt Reserves Held by District increased \$254,636 (7.4%) mainly due to additional Impact Fees that have been deposited. The increase of \$715,593 in Operating Cash & Reserves was mainly due to the collection of summer revenues. Total cash has increased \$1.85 million (12.4%) from September 2018. Through September 2019 there were 115 new water connections and \$931,070 in impact fees. The 115 new connections is higher than the four year average of 93. Total impact fee collections are down 8.3% as compared to the four year average although there are more new connections. This is due to the fact that 30 of these connections have been paid for with prepaids and another 32 of these connections are in Promontory where impact fees are less. The average impact fee per connection is also lower than the four year average for the same reasons.

Year-to-date water consumption by District customers of 1,600 acre feet was slightly higher than the average over the past four years of 1,512 acre feet but lower than 2018 District customer usage of 1,732 acre feet. Year-to-date Park City usage was 39.4% higher than the four-year average as they continue to take more water than they have historically. Summit Water has taken 436 acre feet year-to-date, which is 2.3% higher than the four-year-average of 427. It is anticipated Summit Water will take their remaining allotment of 364 acre feet

during the last quarter of the year and reach their full contracted amount of 800 acre feet.

The SilverCreek – EPA line has been completed and capitalized greatly adding to the functionality of the new SilverCreek Tank. Additionally, the Stagecoach line has been completed and will be capitalized in October. The District and Lang Equipment (winner of the bid) are prepared and ready to move on the drilling of Well No. 16 – SilverCreek Tank Well as soon as the land acquisition is completed which should take place during November. The cost of the well is reflected above in the Community Water Infrastructure as the \$356,922 Encumbered to Date. The closing of the Drinking Water Loan to fund the Community Water Infrastructure needs is now scheduled for December 12th. The meter changeout program continues, with most meters changed out by the end of the year.

- b. Update - Master Agreement Surplus Water Rate: Scott Morrison presented the topic which included the following key points:

This update is needed due to deficiencies in the District's cost recovery at the current rate. The prevailing recommendations from the Council and Weber Basin throughout this process has been to follow a cost-basis approach. MRW staff has worked through a cost-basis analysis, the details are provided below. For reference, Combined water deliveries to Summit Water/Weber Basin are expected to be greater than 30% of MRW's drinking water production in 2020.

Assumptions:

- All Master Agreement surplus water is provided through the Lost Canyon system
- The following costs, to varying degrees, are included in the calculation: Transmission, Treatment, and Distribution operating expenses; lease fees, interest expense, and an administrative fee.
- Transmission and Treatment operating costs are simply the relevant line items from the 2020 proposed budget allocated on a per acre foot basis.
- Distribution department costs allocated to the Master Agreement surplus water was arrived at through review of each individual line item in the proposed 2020 budget and an allocation of costs based on expected utilization.
- Lease fees are in accordance with Weber Basin's 2020 rates.
- Interest expenses on a cost per acre foot basis were included for all relevant infrastructure including the Lost Canyon system, treatment plant, Atkinson/Old Ranch Rd. transmission system, and the Silver Creek tank and pump station.

- Administrative fees were determined based on expected staff loading for 2020. The departments included in the analysis are: Engineering, Energy & Technology, Finance, Legal, Public Services, and Human Resources.

Conclusions:

Upon roll-up of the costs detailed above, the proposed rate for Master Agreement surplus water in 2020 is \$5.65/1,000 gallons or \$1,842 per acre foot. This is a 38.4% increase over last year's rate of \$4.08/1,000 gallons or \$1,331 per acre foot. For comparison, Park City Municipal Water is charging \$8.85/1,000 gallons or \$2,884 per acre foot.

Comparison of Approach Against Industry Standard:

The District has compared their cost-based approach with a common industry standard, AWWA's M1: Principles of Water Rates, Fees, and Charges. Per M1, "using cost-based principles and methodologies to set rates for such (wholesale) customers is the most proven and accepted way to achieve equitable rates generally". The District most closely follows the M1's Utility Basis Approach which includes O&M Expenses, Net Depreciation, and a Return on Investment (ROI). The ROI component is one which the District is not recuperating in its analysis and is associated with the risk MRW assumes to supply this water. Two areas of risk identified in M1 that are relevant to our situation and should be considered are:

- The risk of tort liability and civil penalties related to system operations and construction activities
- The risk of unexpected operational issues and the requirement to maintain service.

The Master Agreement does not include a provision which prioritizes in-District customers in the event of an emergency or maintenance event. This can lead to the conclusion that Master Agreement surplus water is at a higher priority than MRW customer water due to the likelihood of litigation as a result of contractual delivery not being met. There are no details in M1 related to cost allocation of risks such as these. Furthermore, there is difficulty in determining the associated cost of these risks since they are currently unknown.

Following Scott's presentation, the Board had questions regarding the assumptions being made as part of the cost-based analysis and voiced concerns over the subjectivity of the Distribution and Administrative cost allocations as well as the risk factors discussed and the associated cost of those. The Board recommended a policy where the Surplus Water Rate would be tied to the

lowest calculated rate in the retail cost/usage curve. This rate based on the 2019 retail rate structure is \$6.40/1,000 gallons.

- c. Consideration of Approval of Recommendation to the Governing Board the Proposed 2020 Tentative Operating, Capital and Debt Service Budgets, and the Proposed 2019 Amended Operating, Capital and Debt Service Budgets: See Lisa Presentation Motion made by Karin Wilson for Recommendation to the Governing Board the Proposed 2020 Tentative Operating, Capital and Debt Service Budgets, and the Proposed 2019 Amended Operating, Capital and Debt Service Budgets. Seconded by Bob Neumeister. All voted yes, motion carried. Other: None.

8. Presentation of the Impact Fee Analysis - Susie Becker (Zions Bank)

- a. Consideration of Approval of the Impact Fee Analysis: The presentation was done in October. There were no further questions at this time.
- b. Consideration of Impact Fee Enactment Resolution: Bob Neumeister made a motion to approve the Impact Fee Resolution and Adoption of Modified Impact Fees. Seconded by Ian Schofield. All voted yes, motion carried.
- c. Other: Lisa Hoffman gave an update on the refinance bond refunding the market is volatile currently and the finance team will proceed and inform the Board with the results next month at the Board Meeting. MRW is expected to save approximately \$50,000 - \$90,000 per year by refinancing.

9. Legal: Dave Thomas

- a. Consideration of Recommendation of Approval of Annexation to the Governing Board of Mountain Regional Water of Parcel PP-84-A-2 Lincoln Station into Mountain Regional Water Special Service District: Motion made by Karin Wilson for Recommendation of Approval of Annexation to the Governing Board of Mountain Regional Water of Parcel PP-84-A-2 Lincoln Station into Mountain Regional Water Special Service District. Seconded by Tim Dougherty. All voted yes, motion carried.
- b. Other: None.

10. General Manager Comments: Scott Morrison

- a. Update - Relocation of the Hidden Creek Valve Station: There was a positive outcome for MRW and the HOA with the relocation of the Hidden Creek Valve Station. It will be moving to the West of the area it was going to be built originally. The project is moving as planned.

- b. Update - Red Hawk Easement: Moving forward with the pipeline on MRW's existing easement.
- c. Policy Discussion - Providing Service Outside Current Service Area:
After a lengthy discussion the Board and Staff wanted the County staff and leadership to establish a position regarding development approval or rejection prior to the Board providing any recommendation regarding water service.

11. Adjourn: Meeting Adjourned at 8:54 p.m.

Pursuant to the American with Disabilities Act, Individuals needing assistance attending the meeting October 24, 2019 should contact Marti Gee at 435-940-1916 ext. 302 to make arrangements. The next MRW Administrative Control Board Meeting will be held on November 21, 2019.