



MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT

Administrative Control Board
Minutes
November 19, 2019

Attendance:

Board Members:

Mike Kobe
Bob Neumeister (by phone)
Karin Wilson
Tim Dougherty
Ian Schofield

Staff:

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

Summit County Attorney:

Dave Thomas
Blaine Thomas

Notice was given that the Administrative Control Board of Mountain Regional Water SSD, Summit County, Utah met in Regular Meeting session on November 19, 2019 at the Sheldon Richins Building Auditorium – 1885 West Ute Blvd., Park City Utah, 84098 at 6:00 p.m.

1. **Call to Order:** Mike Kobe called the meeting to order at 6:00 p.m.

2. **Surplus Water Rate Presentation: Scott Morrison (15 minutes)** Scott Morrison presented on the topic, the key points are provided below:
 - What is the Surplus Water Rate?
 - Mountain Regional Water makes its surplus water available through the Western Summit County Project Master Agreement to Weber Basin Water Concurrency District.
 - The Surplus Water Rate is the rate charged for this surplus water.

- Changes to this rate do not affect the District's retail customer rates or other contractual rates.
- District Policy Regarding Surplus Water Rates
 - District Policy: set Surplus Water Rate at the lowest calculated rate available to the District's retail customers.
 - Low point in the cost per thousand gallon usage curve.
- Rate Determination
 - Low point in the cost per thousand gallon usage curve which occurs at \$6.40 per 1,000 gallons.
- The Cost-Based Analysis performed by the District supports the rate set by District policy
- In line with District policy, staff proposes the following:
 - 2020 Surplus Water Rate of \$6.40 per 1,000 gallons (\$2,085 per acre-foot)
 - Surplus Water Rate tied to the District's rate structure
 - Increases will occur when District retail rates are increased

3. Public Rate Hearing: Mike Kobe open the Public Rate Hearing: Three people spoke at the Public Rate Hearing.

Andy Garland General Manager of Summit Water Distribution addressed the board explaining the letter sent to MRW and Weber Basin concerning the decision on raising the water rates and that they did not have enough data to make a decision that the increase was warranted. He explained that he has take or pay contracts for water with Weber Basin and that MRW and SWDC are in the same water business. Andy Garland stated that the 57 % increase of water rates is not acceptable with insufficient data on why the increase was proposed. He also had concerns about not having representation on the Summit County Council to represent their interest of Summit Water Distribution Company. He stated that it feels like taxation without representation. He further explained that If costs have gone down at Lost Canyon why are the costs for water going up? Andy believes there is no justification for the increase.

Laurel Simpson from Summit Water Distribution Company asked if following the rate change, can SWDC take water anytime and whenever they want? She also requested the analysis for the cost based pricing of the surplus water. The costs are not the same for retail and surplus water, what is the difference in the cost based water between surplus and retail? Why are the liabilities passed on to the surplus water customers?

Andy Garland asked if he would get an answer or response to his questions.

Scott Lilja (SWDC outside council) stated he wanted the analysis MRW used for the Surplus water

rate. He stated that he wanted the information and to get comments on the actual numbers used in the analysis. He wants a real discussion about the numbers. Mike Kobe closed the rate hearing at 6:20 p.m.

- 4. Consideration of Approval of Surplus Water Rate:** (15 minutes) Scott Morrison responded to questions that were asked in the Public Hearing. Scott explained that the Interconnect operation, maintenance, and repair is paid for by the party that is receiving water through the interconnect, which is laid out in the agreement with Weber Basin. There is a schedule defining the taking of water in the agreement. There is a contract that is signed annually. Scott discussed the reduction of expenses in staffing at Lost Canyon but the increase in treatment costs. There are additional expenses planned at the treatment plant for consultants to study and recommend treatment process improvements to meet future delivery obligations. There was a discussion about the two elements for a surplus rate decision; first was the policy decision that the surplus rate should be tied to the lowest rate the retail customers can purchase water and second, that the policy is backed up by a cost based analysis. The risk factor is a factor that is added to the cost based analysis (0.33 per 1000 gallons) to protect the District against failures and liabilities which fall outside of the District's typical repair budget. MRW Rules & Regulations and the Weber Basin Surplus Water Agreement structure are very different. The Weber Basin Surplus Water Agreement is not bound by the MRW Rules and Regulations, it is bound by the Agreement. The Agreement put a structure in place to allow the surplus water to become available to any agency to delay beginning a water importation project. The Weber Basin Agreement allows for the parties to provide surplus water through individual contracts. Tim Dougherty stated in the discussion that the message is to be a good neighbor and asked Scott Morrison, is it fair to MRW customers to provide the water at a price lower than \$6.40? Scott responded that no, it would be very difficult to justify a lower cost. Dave Thomas asked what the Park City projected surplus water rate was for 2020? Scott Morrison responded \$8.85 per 1000.

Karin Wilson made a motion to adopt the surplus water rate of \$6.40 / 1000 gallons of water. Ian Schofield seconded the motion. All voted yes, motion carried.

- 5. Consent Agenda:** (5 minutes)
- a. Approval of the October 24, 2019 ACB Meeting Minutes:
 - b. Approval of the October 2019 Check Register:
 - c. Other:

Tim Dougherty made a motion to approve the Consent Agenda. Seconded by Ian Schofield. All voted yes, motion carried.

6. Questions on Department Updates: (10 minutes) .

7. Financial Management: Lisa Hoffman (15 minutes)

- a. Lisa Hoffman reported to the board the October 2019 Financial Report: Through October 2019, change in net position (net income) is \$2.97 million – which is \$1.25 million better than projected. This positive variance resulted from higher revenue that exceeds projections by \$592,111 (5.8%), primarily due to higher impact fees of \$505,327 and higher operating fees of \$157,656. The higher revenues in impact fees and operating fees are offset partially by retail water sales being lower than budgeted by \$97,139. The shortfall in water sales is particularly due to the golf course irrigation and other normal irrigation. Additionally, expenses are \$658,740 (7.8%) 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 \$1.19 million (7.1%) to \$17.98 million during October 2019. The current Operating Cash & Reserves balance of \$7.55 million represents a healthy 391 days reserves compared to 330 a year ago. Debt Reserves Held by Trustee increased \$280,763 (12.2%) from transfers to make scheduled interest and principal payments during 2019. Debt Reserves Held by District increased \$152,921 (4.1%) 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 \$2.11 million (12.4%) from October 2018. Substantial cash expenditures will be made before year end which will decrease cash balances by an estimated \$2 million. Amongst these expenditures is over \$1.7 million to Weber Basin for 2020 lease fees.

Through October 2019 there were 131 new water connections and \$1,106,127 in impact fees. The 131 new connections is higher than the four year average of 105. Total impact fee collections are up 2.4% as compared to the four year average, however the average impact fee is down 18.9% from \$10,405 to \$8,444. This is due to the fact that 36 of these connections have been paid for with prepaids and another 37 of these connections are in Promontory where impact fees are less.

Year-to-date water consumption by District customers of 1,741 acre feet was higher than the average over the past four years of 1,658 acre feet but lower than 2018 District customer usage of 1,909 acre feet. Year-to-date Park City

usage was 36.1% higher than the four-year average as they continue to take more water than they have historically. Summit Water has taken 525 acre feet year-to-date, which is 10.3% higher than the four-year-average of 476. It is anticipated that Summit Water will take their remaining allotment of 275 acre feet during the last two months of the year and reach their full contracted amount of 800 acre feet.

Community Water Infrastructure of \$61,429 has been spent to date on initial Community Water projects. These costs will be reimbursed during the loan closing scheduled for December 12th. Encumbered to date consists of \$356,922 for the drilling of Well No. 16 and \$36,000 for meter change out work to be performed this winter.

Annual Capital Budget system improvement projects are close to completion and will be capitalized at year end, with the exception of a portion of the Glenwild Line to be finished in 2020. The meter changeout program continues, with most meters changed out by the end of the year.

The SilverCreek – EPA line has been completed and capitalized greatly adding to the functionality of the new SilverCreek Tank.

Willow Creek Interconnect, Summit Park, Weber Basin Interconnect, and Land Acquisition Office Site will carry forward to next year.

Capital equipment and vehicle purchases are complete with the exception of approximately \$50,000 for a generator at the Treatment Plant which will carry over to 2020.

- b. Consideration of Approval of Merit Bonus for MRW Employees: Scott Morrison reported to the Board per the MRW Personnel Policies Manual, the Annual Bonus Program was established by the Administrative Control Board to provide the ability to offer bonuses to employees based on its evaluation of the District's accomplishment of its goals for the year and available funding at year-end. MRW has a probationary employee in this bonus cycle. Scott Morrison will check the personnel policy for the bonus amounts for a probationary employee. Ian Schofield made a motion to Approve \$1000 bonus and if the Summit County Council as the Governing Body of MRW approves change the bonus to \$1500. Seconded by Tim Dougherty. All voted yes, motion carried.
- c. Recommended Changes to the 2020 Tentative Budget and 2019 Proposed Amended Budget: Lisa Hoffman reported to the Board due to the recent issuance of the Series 2019A Bonds completed on November 14, 2019 (which refunded the Series 2012 Bonds and a portion of the Series 2014 Bonds) the following recommended changes to the 2020 Tentative Budget and 2019

Proposed Amended Budget, originally adopted on November 6th, are listed below:

2019 Proposed Amended Budgets

- Operating Budget – added \$287,200 of expense for bond issuance costs which is offset by a reduction in interest expense in 2019.
- Debt Service Budget – a reduction in parity bond interest expense of \$502,500. The cash originally collected by the bond fund to pay this interest will be used to make payments on interest in the future.

2020 Proposed Amended Budgets

- Operating Budget – a reduction in interest expense of \$314,700.
- Debt Service Budget – an increase in the parity principle of \$190,000, offset by a decrease in parity interest expense of \$314,700. Leaving a savings of \$124,700 in total parity debt.

In addition, a correction needed to be made to the 2020 Operating Budget for the Distribution department due to a repair and maintenance line item that was underfunded. An additional \$180,000 was added to the Distribution operating budget for 2020.

The recommended changes are highlighted in yellow in the attached updated 2020 Tentative Budget and 2019 Proposed Amended Budget report. Karin Wilson made a motion to approve the changes to the 2020 Tentative Budget and 2019 Proposed Amended Budget and direct staff to add a further amendment to the 2019 Budget and proposed 2020 Budget to increase annual bonus for FTE from \$1000 to \$1500. Seconded by Ian Schofield. All voted yes, motion carried.

d. Other: None

8. Executive Session – Personnel, Property Acquisition, Potential Litigation: (5 minutes)

Tim Dougherty made a motion to move into Executive Session for Property Acquisition and Potential Litigation. Seconded by Ian Schofield. All voted yes, motion carried.

Motion made by Ian Schofield to move into open session. Seconded by Karin Wilson. All voted yes, motion carried.

9. General Manager Comments: Scott Morrison (15 minutes)

- a. Consideration of Approval of the Notice of Award and contract execution for the Hidden Creek PRV & Pipeline Project with JRock Construction and Concrete in the amount of \$599,385.80: Aqua reported to Scott Morrison the following information:

AQUA Engineering has evaluated the bids opened for the referenced project.

JRock Construction and Concrete (JRock), 49 E Gordon Avenue, Salt Lake City, Utah, 84107 is the apparent low bidder with a total tabulated bid amount of \$599,385.80. JRock has not previously worked with Mountain Regional Water or AQUA, I have contacted all references from previous projects listed by JRock and received nothing but positive feedback. It is my understanding that JRock is responsive and focused on providing a quality product. JRock has limited experience acting as a general contractor and is primarily a concrete contractor. With that in mind, I believe JRock has the resources and personnel to accomplish the project with acceptable quality and schedule.

Based on JRock's low bid position and positive references from previous projects, AQUA Engineering recommends the referenced project be awarded to JRock Construction and Concrete in the bid amount of \$599,385.80. 12% below estimates. Motion to approve the Notice of Award and authorize Scott Morrison to execute the contract for the Hidden Creek PRV & Pipeline Project with JRock Construction and Concrete in the amount of \$599,385.80. Seconded by Ian Schofield. All voted yes, motion carried.

- b. Update - District: Scott Morrison stated he had no further updates. The Drinking Water Loan for Community Water is scheduled to close December 12, 2019.
- c. Other: None.

10. Adjourn: 7:35. MRW Board Meeting Dec 12 Tim Dougherty and Bob Neumeister will be calling in for the meeting.

Pursuant to the American with Disabilities Act, Individuals needing assistance attending the meeting November 19, 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 December 12, 2019.