

**MINUTES OF THE FINANCE COMMITTEE MEETING OF THE BOARD OF TRUSTEES OF
JORDAN VALLEY WATER CONSERVANCY DISTRICT**

(Approved May 13, 2020)

Held March 31, 2020

The Finance Committee meeting of the Board of Trustees of the Jordan Valley Water Conservancy District was held Monday, March 31, 2020, at 3:30 p.m. at the District office at 8215 South 1300 West, West Jordan, Utah.

This meeting was conducted electronically in accordance with the Utah Open and Public Meetings Act (Utah Code Ann. (1953) §§ 52-4-1 et seq.) and Chapter 7.12 of the Administrative Policy and Procedures Manual ("Electronic Meetings").

Trustees Present (electronically):

Corey L. Rushton, Chair
Greg R. Christensen
A. Reed Gibby
Karen D. Lang
Sherrie L. Ohrn
Dawn R. Ramsey
Lyle C. Summers
John H. Taylor
Barbara L. Townsend

Staff Present (electronically):

Bart Forsyth, General Manager/CEO
Matt Olsen, Assistant General Manager
Alan Packard, Assistant General Manager
Shazelle Terry, Assistant General Manager
Gordon Batt, Operations Department Manager
Jason Brown, Information Systems Department Manager
Brian Callister, Maintenance Department Manager
Shane Swensen, Engineering Department Manager
David Martin, CFO/Treasurer
Reid Lewis, General Counsel
Kurt Ashworth, Human Resources Manager
Brian McCleary, Controller
Linda Townes, Public Information Manager
Beverly Parry, Executive Assistant
Mindy Keeling, Administrative Assistant
Jess Morgan, Administrative Assistant
Martin Feil, Database Administrator

Others Present (electronically):

Kimberly Barton, Employers Council
Shawn Koorn, HDR Engineering
Kevin Lorentzen, HDR Engineering

**Introductory
comments by
Finance
Committee
Chair**

Mr. John Taylor, Finance Committee Chair, opened the meeting at 3:30 p.m. All trustees attended the meeting electronically. He stated this is the second Finance Committee meeting held for this 2020/2021 fiscal year budget.

**Review
proposed
capital projects
expenditures
budget**

Mr. Alan Packard, Assistant General Manager, reviewed the proposed FY 2020/2021 Capital Projects budget and the 10-year Capital Projects Plan. He said that each year, as staff updates the Capital Projects Plan, the focus is on the level of service required for both wholesale and retail customers and what will be expected from the District in the future. Taken into consideration when planning for future demands are population projections, climate change, and conservation goals. He reviewed the various water supplies that are currently available and water supplies that will come online in the future. Using all of that information, staff prepared a proposed Capital Projects budget for FY 2020/2021 and an updated 10 Year Capital Projects Plan. Mr. Packard noted some of the major capital projects of interest in the 10-year plan in each of the CP1-CP4 categories. The total capital projects plan over the 10-year period is \$314.7 million. The total net FY 2020/2021 proposed Capital Projects budget is \$21,903,899.

**Review
personnel
expenditures
budget**

Mr. Kurt Ashworth, Human Resources Manager, presented the personnel budget. He said that the District had a 16% turnover rate during 2019, especially in the Maintenance Department. Mr. Ashworth said it was difficult recruiting and retaining entry level positions because of the low unemployment rate. Staff is proposing a 4.0% merit pay increase or step increase for employees. He described the expenditures that are included in the personnel budget, including salary, health insurance, state retirement contributions, Medicare, substitute Social Security Plan contributions, life insurance, long-term disability insurance, and sick leave conversion.

Mr. Ashworth stated there is a 4.0% increase, or \$656,383, in the FY 2020/2021 personnel budget as a result of higher health insurance costs, salary increases, two proposed position changes, and two proposed new positions. Also included in the budget are recruitment and retention incentives, and market analysis and structure adjustments. He presented information from a salary adjustment survey of other special districts and Member Agency cities to justify the recommended salary increase and stated that the District falls close to the median in the comparisons. The total proposed FY 2020/2021 personnel budget is \$17,192,556.

**Review
Employers
Council
Compensation
Report**

Ms. Kimberly Barton, Compensation Consultant with the Employers Council, presented a market pricing analysis of compensation she conducted on behalf of the District. She reviewed the methodology used for the analysis which included a strategic objectives/philosophy discussion, job matching, comparative analysis of employees' pay, and compensation structure updates. She said that the analysis found that District employees' base pay is within market norms and total cash compensation (TCC) is comparable to the market, except for the higher pay grades where market TCC's values exceeds the District's pay ranges for the majority of the executive pay structure. She recommended the District reduce the number of grades from 21 to 18 and adjust midpoints upward by an average of 2.0% to better align with the market.

Mr. Taylor asked that the Compensation Report be provided to the Board.

Review fiscal year 2020/2021 water rate study and calculated water rates

Mr. Shawn Koorn, HDR Engineering, presented an overview of the water rate study process, the development of the preliminary revenue requirement analysis, direction on preferred revenue adjustment, and preliminary cost of service results. He said the rate setting process is a three-step process which includes: comparing the revenue of the District to the expenses to evaluate the level of overall rates; equitably allocating the revenue requirement between the various customer classes of service; and designing cost-based rates for each class of service to meet the revenue needs of the District, along with any other rate design goals and objectives. Mr. Koorn reviewed each of these steps in the process. He stated it would require using \$4.7 million from the Revenue Stabilization Fund to support a no water rate adjustment for fiscal year 2020/2021.

Mr. Christensen asked how much of a water rate adjustment would be required if the Revenue Stabilization Fund is not used. Mr. Koorn said it would require an increase between 5 and 6 percent. Mr. Rushton asked why the Revenue Stabilization Fund is shown being used in fiscal year 2024/2025 in the slide presenting future sources of capital funding. He expressed concern that it is not known what the Revenue Stabilization Fund balance will be in those years. Mr. Koorn said capital funds are expected to decrease below target levels during those years and additional funds would be required.

Discussion of fiscal year 2020/2021 budget review and use of funds from the Revenue Stabilization Fund and tentative water rate adjustment

Mr. David Martin, Chief Financial Officer, reviewed the recent changes adopted by the Board regarding the District's budget strategy and guidance. He said the decisions now to be considered by the Board are whether to have a water rate adjustment, whether to have a property tax rate increase, and the amount to use of the Revenue Stabilization Fund.

Ms. Townsend asked if it is either a cost of service adjustment or water rate freeze. Mr. Martin explain how cost of service adjustments are calculated and said it is an either/or decision. Mr. Christensen asked how the District's revenue would be affected by a 1% decrease in water rates. Mr. Martin said more of the Revenue Stabilization Fund would need be used. Mr. Taylor recommended using \$4.7 million from the Revenue Stabilization Fund and not raising the water rates. Mr. Rushton and Ms. Ohrn said they would be in favor of no water rate increase and having a cost of service adjustment. Ms. Ramsey and Ms. Lang said they are in favor of no water rate increase, no property tax increase, and having a cost of service adjustment. Mr. Gibby requested a copy of the presentations.

The water rate consultant was given the direction to implement the cost of service adjustment and calculate the rates based on a 0.0% average water rate adjustment

Upcoming meetings

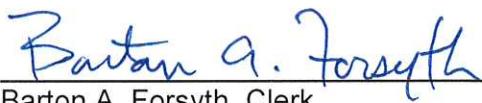
Mr. Rushton reviewed the upcoming meetings including the regular Board meeting, Wednesday, April 8, at 3:00 p.m.; Annual Member Agency meeting, Wednesday, April 22, at 10:00 a.m.; regular Board meeting/Public Hearing, Wednesday, May 13, at 6:00 p.m.; regular Board meeting, Wednesday, June 10 at 3:00 p.m.; and property tax hearing/adoption of 2020/2021 budget, Wednesday, August 12, at 6:00 p.m. (if needed).

Adjourn

Mr. Taylor adjourned the meeting at 5:53 p.m.



John H. Taylor, Finance Committee Chair



Barton A. Forsyth, Clerk