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

(Approved April 14, 2021)

Held March 8, 2021

The Finance Committee meeting of the Board of Trustees of the Jordan Valley Water Conservancy District was held electronically on Monday, March 8, 2021, at 3:42 p.m.

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

Trustees Not Present
- Sherrie L. Ohrn

Staff Present:
- 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
- Brian McCleary, Controller
- Kurt Ashworth, Human Resources Manager
- Linda Townes Cook, Public Information Manager
- Beverly Parry, Executive Assistant
- Mindy Keeling, Administrative Assistant
- Jess Morgan, Administrative Assistant
- Martin Feil, Database Administrator

Welcome

Mr. John Taylor, Finance Committee Chair, opened the meeting at 3:42 p.m. Ms. Barbara Townsend joined the meeting at 3:53 p.m. Ms. Sherrie Ohrn was excused from the meeting. All other Trustees were present electronically.

Review proposed budget overview

Mr. Taylor said he has met with Mr. Bart Forsyth, General Manager, and Mr. David Martin, Chief Financial Officer, regarding the budget, and he expressed confidence in the proposed budget. He said an important issue for the Board's consideration during this budget process is the property tax rate and whether to increase it for the 2021/2022 fiscal year. Mr. Forsyth said that staff has

worked hard to determine the level of service required and expected by District Member Agencies and prepare the proposed FY 2021/2022 budget based on those expectations. He explained that he and Mr. Martin met with department managers to review each department's budget and then reviewed and refined the proposed budget. He explained that the proposed FY 2021/2022 budget is currently 5.42% greater than the FY 2020/2021 budget in large part due to increases in: water purchases, including CWP and CUP water purchases; increased insurance premiums; and the need for pumping wells more frequently because of the drought situation.

Review proposed operation and maintenance expenditures budget

Mr. Martin summarized the budget preparation process and strategy, the budget preparation timeline, and the FY 2021/2022 parameters for budget preparation. He stated the proposed FY 2021/2022 budget is based on 104,000 AF of water deliveries, a water rate study update and recommended rate adjustment performed by a water rate consultant, PayGo Capital generated from operations of $16.6 million for capital needs and reserves, Capital Project expenditures of $28.2 million (net), property tax revenues of $23.1 million, O&M expenses budgeted based on level of service with inflationary increases and cost increases related to higher water demands, personnel adjustment of a 3.5% merit increase, and two new personnel positions.

Mr. Martin reviewed the revenue detail of the proposed FY 2021/2022 budget which is based on an estimated 2% water rate adjustment and increased deliveries. He included projected revenues from water sales, property tax revenue, investment income, connection fees, and other revenues. Total projected revenues have been budgeted at $84,942,400. Proposed property tax revenues for FY 2021/2022 are projected at $23,109,200 with a 9.2% increase in the property tax rate. Mr. Martin reviewed the Property Tax Historical Summary and said that property taxes account for approximately 25% of the District's overall revenue sources. The proposed FY 2021/2022 budget includes increasing the property tax rate to 0.000380. He reviewed the process that would need to take place if the Board decides to pursue an increase in the property tax rate.

A discussion took place on whether or not to pursue an increase in the property tax rate. Mr. Christensen expressed reluctance to increase the property tax rate. Mr. Gibby said that a gradual increase in the property tax rate is preferable to a large increase later. Mr. Summers said he is concerned that there will be a rise in inflation that could hamper the District's ability to complete planned projects without a property tax increase. Mr. Rushton said he feels the 0.000400 property tax rate creates equity as growth continues in the District's service area. He also said the Revenue Stabilization Fund was created to provide relief to rate payers and not to use as a means to decrease property tax revenue. Mr. Forsyth suggested Mr. Martin present to the Board at the next Finance Committee meeting how water rates would be affected if the property tax rate is not increased. He also expressed concern that not having stable property tax revenue increases could negatively affect the District's bond rating, especially in light of the District's tremendous capital needs over the next five to ten year period.

Mr. Martin reviewed the cash flow projections in the various funds and explained the purpose of the Revenue Stabilization Fund and how it is used. He reviewed fees charged by the District and provided O&M budget totals for each department. Mr. Martin identified some department budget line items that

had increased by more than three percent and $1,000 and explained the reason for the increase in insurance premiums. The entire O&M budget for FY 2021/2022 is proposed to be $51,175,368.

Review proposed general equipment expenditures budget

Mr. Martin stated that the General Equipment expenditures budget includes items that cost over $10,000 and have a useful life greater than one year. He stated the General Equipment Fund is funded through transfers of money from the Revenue Fund, and the total General Equipment budget is $727,510 for FY 2021/2022.

Review debt service schedule and 10-year Financial Plan

Mr. Martin discussed the FY 2021/2022 debt service schedule and long-term debt summary with regards to all the District's outstanding bonds, including the 2021A bonds planned for FY 2021/2022. The FY 2021/2022 debt service budget is $23,660,075.

Mr. Martin reviewed the FY 2021/2022 10-year Financial Plan. He said that based on an estimated 2% water rate adjustment and raising the property tax rate to 0.000380, $6.6 million is needed from the Revenue Stabilization Fund to balance the FY 2021/2022 budget. This amount would fluctuate depending on the Board's decision regarding water rate and property tax increases. Mr. Martin said that funding from the Revenue Stabilization Fund and a rate adjustment is needed for the budgeted PayGo transfer to be sufficient to fund projected CP1 Capital Expenditures. He said large increases in planned CP1 Capital Projects for FY 2021/2022, 2023/2024, and 2024/2025 could affect budget strategy for funding CP1 for those years, and planned expansion for the JVWTP will increase Capital Projects for fiscal years 2023 through 2026.

Upcoming meetings

Mr. Taylor reviewed the upcoming meetings including the Finance Committee meeting, Monday, March 22 at 3:00 p.m.; regular Board meeting, Wednesday, April 14, at 3:00 p.m.; Annual Member Agency meeting, Wednesday, April 21, at 10:00 a.m.; regular Board meeting/Public Hearing, Wednesday, May 12, at 6:00 p.m.; regular Board meeting, Wednesday, June 9, at 3:00 p.m.; and property tax hearing/adoption of FY 2021/2022 budget, Wednesday, August 11, at 6:00 p.m. (if needed).

Adjourn

Mr. Taylor called for a motion to adjourn. Mr. Reed Gibby moved to adjourn. Following a second by Ms. Barbara Townsend, the motion was unanimously approved by those present as follows:

Mr. Christensen – aye
Ms. Lang – aye
Ms. Ramsey – aye
Mr. Summers – aye
Ms. Townsend - aye
Mr. Gibby – aye
Ms. Ohrn – not present
Mr. Rushton – aye
Mr. Taylor – aye

The meeting adjourned at 5:22 p.m.

John H. Taylor, Finance Committee Chair

Barton A. Forsyth, Clerk