

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

(Approved April 14, 2021)

Held March 22, 2021

The Finance Committee meeting of the Board of Trustees of the Jordan Valley Water Conservancy District was held electronically on Monday, March 22, 2021, at 3:00 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 (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
Kurt Ashworth, Human Resources Manager
Brian McCleary, Controller
Mindy Keeling, Administrative Assistant
Jess Morgan, Administrative Assistant
Martin Feil, Database Administrator

Others Present (electronically):

Shawn Koorn, HDR Engineering
Kevin Lorentzen, HDR Engineering

**Introductory
comments by
Finance
Committee
Chair**

Mr. John Taylor, Finance Committee Chair, opened the meeting at 3:00 p.m. All trustees attended the meeting electronically. He thanked Ms. Mindy Keeling for covering for Ms. Beverly Parry who was out of town.

**Review
proposed
capital projects
expenditures
budget**

Mr. Alan Packard, Assistant General Manager, reviewed the proposed FY 2021/2022 Capital Projects budget and the 10-year Capital Projects Plan. He reviewed assumptions used to develop the updated Capital Projects Plan. Mr. Packard said that JVWCD needs to expand the JVWTP earlier than was assumed a year ago. He explained that population projections, climate change, and conservation goals were considered in planning for future demands. Mr. Packard reviewed various scenarios for projected demand assumptions and future development that involve fairly rapid adoption of JVWCD Water Efficiency Standards.

Mr. Christensen asked what the capacity of the JVWTP is now, and what we project the capacity to be after the JVWTP expansion. Mr. Packard said JVWTP's current capacity is 180 MGD and the expansion is projected to add another 40 MGD. He said that MWDSL's capacity is approximately 50 MGD and they do not plan to participate in the expansion. Mr. Packard said that JVWCD will have 170 MGD capacity after the expansion project.

Mr. Packard reviewed the various proposed FY 2021/2022 capital projects, the water supplies that are currently available to JVWCD, and water supplies that will come online in the future. He noted that the largest CP2 project is for seismic upgrades at the JVWTP, costing over \$40 million. He said staff is applying for a FEMA grant, which could pay for \$25-30 million of that cost. Ms. Ohrn asked about the timeline for the FEMA grant. Mr. Packard said staff expects grant funds would be available in the Spring of 2022 if the grant application is successful.

Mr. Packard said the total Capital Projects Plan over the 10-year period is \$368.5 million. The total net FY 2021/2022 proposed Capital Projects budget is \$28,234,690.

**Review
personnel
expenditures
budget**

Mr. Kurt Ashworth, Human Resources Manager, presented the proposed personnel budget for FY 2021/2022. 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 an overall 4.1% increase, or \$701,861, in the proposed FY 2021/2022 personnel budget as a result of higher health insurance costs, salary increases, two proposed new positions, and restructure of maintenance positions, which support JVWCD's attempt to stay competitive as an employer. The total proposed FY 2021/2022 personnel budget is \$17,894,417. Staff is proposing either a 3.5% merit pay increase or one step increase for employees. He presented information from a salary adjustment survey of other local districts and Member Agency cities and stated that JVWCD falls close to the median in the comparisons. Also included in the budget are recruitment and retention incentives and structure adjustments. He said that despite the pandemic, salary increases given or proposed by the surrounding local districts and cities have not been impacted as much as was initially expected. He said the District had an 8% turnover rate between March 2020 and March 2021.

Mr. Ashworth reviewed the proposed restructuring of maintenance positions. It is proposed that all Maintenance I and II positions be converted to Maintenance Workers with advancement levels that can be reached over several years, once completing certain required training and experience. He

reviewed the needs of the proposed two new positions. Mr. Ashworth said the bonus program for maintenance workers has been successful and recommended its continuation.

Mr. Gibby asked what degree is required for the proposed new Systems Administrator position. Mr. Ashworth said it requires a Bachelor of Science degree. Mr. Christensen asked if a degree is necessary for this position in the current IT environment. Mr. Olsen explained that a bachelor's degree is a common requirement for a position at this level. Ms. Ohrn asked if the language could be changed to require a degree or comparable experience. Mr. Ashworth said staff can review that option. Mr. Taylor recommended staff makes sure the person hired as a Systems Administrator is well qualified for what the position requires.

**Review fiscal
year 2021/2022
water rate study
and calculated
water rates**

Mr. Shawn Koorn, HDR Engineering, presented an overview of the water rate study process, the three components for this year's study, 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 JVVCD 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 JVVCD's revenue needs, 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 \$6.5 million from the Revenue Stabilization Fund for FY 2021/2022, given the assumptions by JVVCD staff estimating a 2% average rate adjustment.

Mr. Koorn reviewed the process undertaken to add a potential new fourth tier to retail water rates, which included evaluating how the average customer uses water. He explained that, after a tiered rate analysis, it is proposed that Tier 1 be decreased, Tier 4 remain the same, and the current Tier 2 be split into two new tiers. Mr. Koorn reviewed the potential rates for the new tiers, which provide additional usage, and captures a slightly greater amount of consumption, in each tier.

Mr. Summers asked if there was any subsidization between wholesale agencies and retail service customers. Mr. Koorn said there were no subsidies based on how costs have been historically allocated. Mr. Gibby requested a copy of Mr. Koorn's presentation. Mr. Rushton said he is comfortable with the cost of service adjustment.

Mr. Christensen said the fourth tier creates a more conservation minded operation. He suggested that the Tier 1 rate should be in a higher price range. Ms. Townsend said she would like to see some content with respect to why it should be higher.

Mr. Rushton asked how JVVCD revenues would be affected by a cool, wet year if a four-tier system was implemented, and customers realize savings due to less water usage. Would a major rate increase be required the next year to compensate for the reduced revenues. Mr. Koorn said that the rate structure is built on the average retail customer characteristics, so revenues remain more stable. A cool, wet year could impact revenues, which is when the Revenue Stabilization Fund could be utilized to avoid or reduce the need for a water rate increase.

Mr. Forsyth said cool, wet summers reduce water consumption in both the retail service area and wholesale agencies. He said the Revenue Stabilization Fund is going to be very helpful to keep rates stable if we see a large reduction in water use in a certain year. Mr. Rushton said it is important to find the right balance between water rate tiers and the appropriate use of the Revenue Stabilization Fund.

Mr. Forsyth said one reason JWCDC is proposing to go from three to four tiers is because of meter sizes. Mr. Olsen said the new 5/8" meter size and fourth tier are natural mechanisms for conservation and enforcement of the Water Efficiency Standards in the retail service area.

Mr. Packard said the tier thresholds provide a good pricing signal for the typical new retail customer. Ms. Townsend asked how it works for existing customers. Mr. Packard said an existing low usage customer will save money; it is the high water users that will be most impacted.

Mr. Gibby said he supports the four tiers system and can see it being a positive move toward conservation. Mr. Christensen expressed concern that a lower Tier 1 rate would appear to wholesale agencies that they are subsidizing retail customer rates.

Mr. Summers said that in order for the new Tier 4 system to enhance conservation, a massive education program will be needed to make customers aware of the money they can save.

**Discussion of
fiscal year
2021/2022
budget review
and use of
funds from the
Revenue
Stabilization
Fund and
tentative water
rate adjustment**

Mr. David Martin, Chief Financial Officer, reviewed the 10-year financial plan. He showed comparisons of projected revenue with and without property tax increases, and the impact to the projected water rate increases. 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 transfer from the Revenue Stabilization Fund.

Mr. Taylor recommended increasing the property tax rate to the estimated 0.00038 as proposed in the budget. He said he is not a proponent for making large tax increases every three or four years but would rather make small increases more frequently. Mr. Gibby, Mr. Taylor, Mr. Christensen, Mr. Summers, Ms. Lang, Ms. Townsend, Ms. Ramsey, and Ms. Ohrn all indicated their support for a property tax rate increase to the estimated 0.00038.

Mr. Martin reviewed the objectives of the Revenue Stabilization Fund which was established in 2019. He said the Fund is funded from annual PayGo capital generated higher than budgeted, it can be used as a source of funds when budgeting, and it supports lower and stable annual water rate adjustments. After some discussion on the purpose and use of the Revenue Stabilization Fund, Mr. Martin recommended considering guidance for determining a minimum balance for the fund in the future. Mr. Rushton expressed surprise that unspent CP1 capital projects money was being transferred to the Revenue Stabilization Fund. Mr. Martin explained that it is transferred to the Revenue Stabilization Fund when a fiscal year is completed and audited, and then can be transferred back to the Replacement Reserve Fund when proposing the next year's budget. This improves transparency in the generation and use of these funds. Mr. Rushton suggested leaving unused capital projects money, that still need to be used for projects, in the Capital Projects Fund and only transfer unspent money to the Revenue Stabilization Fund if the project is cheaper than budgeted or the funds are no longer needed

for capital projects. Mr. Martin said this change can be addressed during the next audit and transfer of funds.

Mr. Summers left the meeting at 4:54pm.

Mr. Taylor recommended increasing the property tax rate to the estimated 0.00038, increasing the average water rate by 2%, and transferring approximately \$6.5 million, to be calculated by HDR, from the Revenue Stabilization Fund. Mr. Taylor asked if anyone was opposed to the proposal. Mr. Gibby, Ms. Lang, Ms. Townsend, and Mr. Rushton expressed support for the proposed water rate adjustment and property tax rate increase. Mr. Christensen expressed concern regarding the 2% water rate increase and how it impacts different agencies. Mr. Martin explained how peaking factors are used to allocate the extra capacity costs to the Member Agencies and retail system based on how they use JVVCD's system, and that changes to peaking factors can determine part of a Member Agency's water rate adjustment.

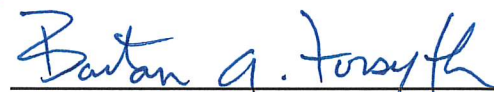
Upcoming meetings

Mr. Taylor reviewed the upcoming meetings including the 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 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 meeting adjourned at 5:13 p.m.


John H. Taylor, Finance Committee Chair


Barton A. Forsyth, Clerk