

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

(Approved on April 13, 2022)

Held March 28, 2022

A Finance Committee meeting of the Board of Trustees of the Jordan Valley Water Conservancy District was held in person and electronically on Monday, March 28, 2022, at 3:00 p.m. at JVVCD's administration building located 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:

Corey L. Rushton, Chair (electronic)
A. Reed Gibby
Karen D. Lang (electronic)
Sherrie L. Ohrn (electronic) (Ms. Ohrn left the meeting at 3:35 p.m.)
Dawn R. Ramsey (Ms. Ramsey arrived at 3:37 p.m.)
Mick M. Sudbury
Lyle C. Summers
John H. Taylor
Barbara L. Townsend (electronic)

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
Mark Stratford, General Counsel
Kurt Ashworth, Human Resources Manager
Brian McCleary, Controller
Beverly Parry, Executive Assistant
Alicia Sekiller, Administrative Assistant (electronic)
Martin Feil, Database Administrator (electronic)

Others Present:

Greg Christensen, former trustee
Shawn Koorn, HDR Engineering
Kevin Lorentzen, HDR Engineering (electronic)

**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 either in person or electronically.

Review proposed operation and maintenance expenditures budget

Mr. David Martin, Chief Financial Officer, provided information on the proposed FY 2022/2023 Operations and Maintenance expenses by department, which totals \$54,869,891. He explained the largest proposed increases are in the Operations Department and Personnel expenses primarily due to inflation and the current labor market. Mr. Martin reviewed each departments detailed budget and the percentage change from the current fiscal year's budget.

Review proposed general equipment expenditures budget

Mr. Martin stated that the General Equipment expenditures budget includes items that cost over \$10,000, have a useful life greater than one year, are recorded as an asset when purchased, and is depreciated over its useful life. He stated the General Equipment Fund is funded through transfers of money from the Revenue Fund, and the total proposed General Equipment budget is \$903,100 for FY 2022/2023.

Review debt service schedule and 10-year Financial Plan

Mr. Martin discussed the FY 2022/2023 debt service schedule and long-term debt summary with regards to all the District's outstanding bonds. He said no new money bonds are being proposed in FY 2022/2023. The FY 2022/2023 debt service budget is \$23,164,500. Mr. Martin shared the Debt Summary which showed the currently outstanding bonds and debt service payments.

Mr. Martin reviewed the FY 2022/2023 10-year Financial Plan. He said the proposed FY 2022/2023 budget is based on 102,000 acre-feet of water deliveries, an estimated 3.5% water rate adjustment, increasing the property tax rate, and using approximately \$8.1 million from the Revenue Stabilization Fund to balance the FY 2022/2023 budget. He said the Debt Service Coverage is projected to remain above 1.30 over the next ten years. Mr. Martin reviewed the estimated PayGo transfers from operations, and explained the funding from the Revenue Stabilization Fund and rate adjustment needed for the budgeted PayGo transfer to be sufficient to fund projected CP1 Capital Expenditures. He explained the increases in the planned CP1 Capital Projects, the transfers from Capital Projects Fund to Replacement Reserve Fund for funding CP1, and that the planned expansion for the JVVTP which will increase the Capital Projects budget for fiscal years 2023 through 2027.

Mr. Rushton suggested adjusting the Debt Service performance metric if this is what is needed to keep an AA+ bond rating. Mr. Martin said that in order to maintain a higher debt service coverage, an increase in net revenues would be required.

Review proposed capital projects expenditures budget

Mr. Alan Packard, Assistant General Manager, reviewed the proposed FY 2022/2023 Capital Projects budget and the 10-year Capital Projects Plan. He reviewed assumptions used to develop the updated Capital Projects Plan, which includes conservation progress and climate trends; population projections and density trends; and the Major Water Demand, Supply, and Conveyance Study. Mr. Packard shared population projections and density trends and said continued development of high density population areas will affect gallons per capita per day (GPCD) conservation goals and peaking demands. He said that higher density new development tends to lower the per capita usage rates, but tends to increase the water supply requirements per unit of land area.

Mr. Packard reviewed the various proposed FY 2022/2023 capital projects, the water supplies that are currently available to JVVCD, and water supplies that will come online in the future. He noted that the largest CP2 projects are for process enhancement and seismic upgrades at the JVVTP, costing over \$40

million. He said staff has applied for a FEMA grant, which could pay for \$20 million of that cost.

Mr. Packard showed that the total Capital Projects Plan over the 10-year period is \$454.2 million. The total net FY 2022/2023 proposed Capital Projects budget is \$51,445,090. Mr. Rushton asked if staff has determined if any of the proposed capital projects would be eligible for state or federal funding. Mr. Packard reviewed the various state and federal grants JVVCD staff has applied for and the results of the applications. Ms. Ramsey encouraged staff to apply directly to the federal government for available funding.

**Review fiscal
year 2022/2023
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, received direction from the Board, and gave 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 \$8.1 million from the Revenue Stabilization Fund for FY 2022/2023, given the assumptions by JVVCD staff estimating 102,000 acre-feet of water deliveries and a 3.5% average rate adjustment.

Mr. Summers asked if inflation was taken into account when determining FY 2022/2023 revenue requirements. Mr. Koorn said historical inflation was included in determining the revenue requirements, but it was not included in the cost of service. Mr. Rushton asked if Mr. Koorn was aware of any water rate methodology that includes giving credit for water conservation as well as peaking factors when determining rates. Mr. Koorn said he is not aware of any entity that allocates and distributes specific costs based on water conservation, but he has worked on studies that have built in a conservation assumption.

**Discussion of
fiscal year
2022/2023
budget review
and use of
funds from the
Revenue
Stabilization
Fund and
tentative water
rate adjustment**

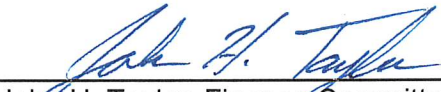
Mr. Martin recommended a balanced approach be taken for the FY 2022/2023 budget which includes a 3.5% average water rate adjustment, a property tax increase, and use of the Revenue Stabilization Fund.

**Upcoming
meetings**

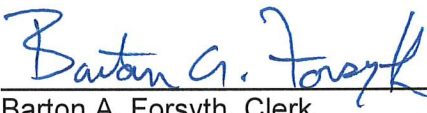
Mr. Taylor reviewed the upcoming meetings including the regular Board meeting, Wednesday, April 13, at 3:00 p.m.; Annual Member Agency meeting, Wednesday, April 27, at 10:00 a.m.; regular Board meeting, Wednesday, May 11, at 3:00 p.m.; Public Hearing, Wednesday, May 11, at 6:00 p.m.; regular Board meeting, Wednesday, June 8 at 3:00 p.m.; and property tax hearing/adoption of 2022/2023 budget, Wednesday, August 10, at 6:00 p.m. (if needed).

Adjourn

Mr. Taylor called for a motion to adjourn. Mr. Lyle Summers moved to adjourn. Following a second by Mr. Reed Gibby, the meeting adjourned at 4:31p.m.



John H. Taylor, Finance Committee Chair



Barton A. Forsyth, Clerk