



MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT

**Administrative Control Board
Meeting Minutes
September 12, 2019**

Board Members:

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

Staff:

Scott Morrison
Marti Gee
Lisa Hoffman
Chris Braun
Steve Anderson

Summit County Attorney:

Dave Thomas
Blaine Thomas

Guest:

Brian Baker Zions Bank
Susie Becker Zions Bank

The Administrative Control Board of Mountain Regional Water SSD, Summit County, Utah met in Regular Meeting session on September 12, 2019 at the Snyderville Basin Special Recreation District Office Board Room – Trailside 5715 Trailside Drive, Park City Utah, 84098 at 6:00 p.m.

- 1. Call to Order and Public Input:** Bob Neumeister called the meeting to order at 6:07pm.
- 2. Executive Session – Personnel:** Motion to move into Executive Session made by Ian Schofield. Seconded by Tim Dougherty, all voted yes, motion carried.
- 3. Move into Open Session:** Tim Dougherty made a motion to move out of Executive Session. Seconded by Ian Schofield, all voted yes motion carried.
- 4. Presentation Regarding Bond Refinance Options: Brian Baker (15 minutes)**

CONSIDERATION FOR ADOPTION OF A RESOLUTION OF THE ADMINISTRATIVE CONTROL BOARD OF MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT (THE

“DISTRICT”) RECOMMENDING TO THE COUNTY COUNCIL, ACTING AS THE GOVERNING BODY OF THE DISTRICT, ALL NECESSARY ACTION TO ISSUE CERTAIN TAXABLE WATER REVENUE REFUNDING BONDS, SERIES 2019; AUTHORIZING OFFICERS TO SIGN ON BEHALF OF THE DISTRICT; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS:

Brian Baker from Zions Bank made a presentation to the Board. His presentation is attached. After the presentation the Board had questions for Brian Baker and the MRW Finance Team. The Board unanimously made a recommendation to Summit County Council as the Governing Board of Mountain Regional Water Special Service District to consider refinancing the 2012 and 2014 MRW Bonds. All voted in favor of this recommendation.

5. Consent Agenda: (5 minutes)

- a. Approval of the July 11, 2019 ACB Meeting Minutes
- b. Approval of the July & August 2019 Check Register
- c. Consideration of Approval of P.O.
- d. Other

There were some questions about the large amounts of the checks to Promontory and the Colony. The Finance Team explained that these are the quarterly checks for the reimbursement cost of the developer for the funds the District has collected each quarter from customers that have purchased homes and Impact Fees. Tim Dougherty made a motion to approve the Check Registers. Seconded by Ian Schofield, all voted yes, motion carried.

- 6. Consideration of Approval, Notice of Award to Extreme Excavating for the Glenwild Water Main Extension Project in the amount of \$118,440.60: (10 minutes)** Scott reported in response to MRW’s easement request in the Red Hawk Ranches subdivision, the homeowners provided their list of requests which we believe are beyond the fair market value of the property right. At this point, the Summit County Attorney’s office recommended we initiate the eminent domain process, have the easement appraised, and respond to the homeowner with a fair market price. We continue to work through this process, we’re currently working with an appraiser to move forward. The easement requested supports the ability to install ~900 feet of water main, connecting the Glenwild and Red Hawk water systems and providing adequate water pressure to those customers living on upper Snow Berry Street. ~800 feet of this water main is located in Glenwild, where we have the easements necessary to complete the work. In

preparation for performing this system improvement, MRW requested pricing from Extreme Excavating, the low bidder in our Stagecoach water main extension awarded in July. MRW and Aqua Engineering believe the pricing received to be fair market considering the complexity of the work in the area within the easement requested.

MRW staff recommends approval to provide Notice of Award to Extreme Excavating and sign the subsequent agreement for the Glenwild Water Main Extension Project in the amount of \$118,440.60. This procurement action falls within budget, will fall under MRW's Emergency Procurement policy (protects the legal interests of the District) and will allow us to install the initial ~800 feet of water main on the Glenwild side of the proposed improvement. The final ~100 feet will be installed once the easement is secured. The Summit County Attorney's Office supports this action. The cost of the contract includes the entire ~900 feet to complete the system improvement.

The Board also discussed a Temporary Construction Easement that could also be part of the Appraisal. There was a motion made by Karin Wilson to authorize Scott Morrison to sign the contract with Extreme Excavating once all of the contract requirements are provided to MRW for the Glenwild portion of the project. Seconded by Ian Schofield, all voted yes, motion carried.

7. Questions on Department Updates: (10 minutes)

There was a question from Ian Schofield on the Tank and Future Well in Silver Creek. Scott stated that staff and consultants met on site and talked through sighting position of rig and how the well would be drilled. The Park City Fire District will allow a temporary construction easement for equipment staging on their property. MRW expects to be ready to close on the property the 3rd week of October and ready to drill the well in November.

8. Financial Management: Lisa Hoffman

a. Impact Fee Analysis Update: Susie Becker (20 minutes). This was a work session.

b. Presentation of the July 2019 Financial Report:

Through July 2019, change in net position (net income) is \$929,560 – which is \$608,310 better than projected. This positive variance resulted from higher revenue that exceeds projections by \$139,299 (2.3%), primarily due to higher impact fees of \$195,266 and higher interest earnings of \$112,496 (due to higher cash balances than budgeted) partially offset by lower retail water sales of \$152,442. Additionally, expenses are \$496,011 (8.0%) 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 \$213,386 (1.5%) to \$14.9 million during July 2019. The current Operating Cash & Reserves balance of \$5.9 million represents a healthy 305 days reserves compared to 227 a year ago. Debt Reserves Held by Trustee increased \$280,727 (19.1%) from transfers to make scheduled interest and principal payments during 2019. Debt Reserves Held by District increased \$150,849 (4.2%) mainly due to additional Impact Fees that have been deposited. The decrease of \$339,552 in Operating Cash & Reserves was due to normal cash disbursements made in the summer for repairs and maintenance. Total cash has increased \$2.4 million (19.4%) from July 2018.

Through July 2019 there were 85 new water connections and \$595,666 in impact fees. The 85 new connections is higher than the four year average of 70. Total impact fee collections are down 24.6% as compared to the four year average although there are more new connections. This is due to the fact that 29 of these connections have been paid for with prepaids and another 26 of these connections are in Promontory where impact fees are less. The average impact fee per connection is also lower than the four year average for the same reasons.

Year-to-date water consumption by District customers of 874 acre feet was essentially the same as the average over the past four years of 872 acre feet. Year-to-date Park City usage was 44.1% higher than the four-year average (although slightly down from last year) as they continue to take more water than they have historically. Summit Water has taken 290 acre feet year-to-date, which is 8.0% below the four-year-average of 269. It is anticipated Summit Water will make up this difference in the second half of 2019 and take their full contracted amount of 800 acre feet.

The Community Water annexation is complete, and the District has spent approximately \$38,510 through June, which is primarily related to \$27,000 of line work performed last summer, in an area of the project that was already under construction. The \$356,922 encumbered to date is for drilling the Community Water well in Silver Creek. The other Community Water infrastructure work will be bid in the coming months and it is anticipated the loan closing will occur in October.

The meter changeout program continues, with most meters changed out by the end of the year.

The Silver Creek “EPA Line” is complete and functioning. This completes the final phase in the Silver Creek Tank and Pump Station.

The 2019 RAM truck for \$31,622 will be capitalized next month and put into service. The dump truck for \$163,804 is expected to be received in August.

A new boiler (\$15,620) has been purchased for the treatment plant and will be installed this summer. This boiler will work with and provide redundancy with the older boiler that required repairs earlier this year.

c. Presentation of the Semi-Annual Cash Report:

MRW administrative policies require the CFO to provide the Administrative Control Board with a semi-annual cash report. This report is for the period ending June 30, 2019. The District’s cash position has increased the past three years due to hot dry summers, and a much-improved housing economy.

Financial Institutions

MRW uses three financial institutions with the following general ledger balances:

Wells Fargo Bank	482,156
State Public Treasurers Investment Pool (PTIF)	11,530,448
Zions Bank, Corporate Trust Division (Invested with PTIF)	2,694,449
	Total \$ 14,707,053

Cash Categories

Total Cash & Operating Reserves

This includes the District’s checking account, operating reserves, and capital repair and replacement reserves.

December 2016	5,123,034
December 2017	6,767,438
December 2018	9,136,547
June 2019	9,707,961

Unrestricted operating reserves are currently 322 days, compared to the minimum policy level of 120 days reserves; and as compared to 228 days reserves at this time last year. As of June 2019, operating reserves of \$6.2 million and the Regionalization Reserve of \$1.6 million accounted for 81% of the balance. The remaining balance of \$1.8 million are repair and replacement funds for District operations, Lost Canyon and the Signal Hill Treatment Plant. \$250,000 of these funds will be used in the coming months to pay for costs related to the meter change-out program. The slight increase of \$571,414 (6.3%) from December 2018 is primarily due normal scheduled deposits into the Regionalization Reserve and repair and replacement funds, offset by a reduction in the Treatment Plant fund of \$166,545, for carbon and membrane replacement earlier this year. Reserves are typically at the lowest level in March to June each year; and at the highest in November and December.

Debt Reserves Held by the District

Since December 2016 debt reserves held by the District have remained constant and decreased just slightly from December 2018, primarily due to decreased impact fees in the first half of 2019 as compared to prior years.

December 2016	3,380,655
December 2017	3,832,122
December 2018	3,410,984
June 2019	3,135,785

As of June 2019, impact fees of \$1.7 million and the Rate Stabilization fund of \$1.1 million accounted for 92% or \$3.2 million of the reserve balance. The current balance provides a cushion in case of future declines in revenue collections. These reserves could also be used to address an emergency, although certain amounts are restricted for use on specific bonds.

Debt Reserves Held by Trustee

This includes debt reserves and the bond fund balances from which debt payments are made, mandated by bond agreements. If the debt reserves portion of these funds are drawn upon, they must be replaced within 12 months or the District will be in default on its bonds.

December 2016 744,761
December 2017 802,122
December 2018 688,341
June 2019 1,467,537

These reserves are currently at the level required by bond covenants. The increases from December 2018 to June 2019 is due to the timing of bond payments with the significant bond payments made in December.

Other Cash

This currently includes customer deposits for new construction units. When a building permit is issued, customers are required to deposit \$1,500 with the District. Once the structure is completed, the deposit is returned, less the cost of any damage done to the District's water system.

The amount on deposit has remained stable over the past three years.

December 2016 305,855
December 2017 370,137
December 2018 352,354
June 2019 395,770

- d. Revenue Assumptions for 2020 (10 minutes) Karin Wilson stated that the Revenue Assumptions for 2020 was a comprehensive analysis and complemented the MRW Finance Team. No changes were requested by the Board.
- e. Other

- 9. Update on Meetings Between the Administrative Control Board, County Council, County Manager, and Summit Water Management and Board: Scott Morrison (20 minutes)** Scott Morrison reported to the Board: As we lead into budget season, we felt it prudent to inform the County Council and County Manager about MRW's need to increase the Master Agreement surplus water rate to lead to improved equity for MRW customers. We have attended two meetings on the topic; the first included Council members Chris Robinson and Doug Clyde, County Manager Tom Fisher, Karin Wilson

and Mike Kobe, and myself. The output from this meeting was that everyone agreed the rate needed to be increased but that a meeting should be held with Summit Water leadership to discuss our intentions. The second meeting was held and included Tom Fisher, Chris Robinson, Karin Wilson, Summit Water's General Manager Andy Garland and Board member Beatrice Peck. MRW provided its position that the rate needed to be increased. Summit Water disagreed and presented their position that this is surplus water that otherwise wouldn't be sold and that equity between our customer bases wasn't relevant since our business models were different. Further, Summit Water expected to pay the true cost of the water provided, increases above the true cost were not justified. MRW's finance team has dug into the details on true costs.

Lisa Hoffman and Scott Morrison presented the calculated true cost and other supporting data to the Board. Next steps include a meeting with Chris Robinson, and a Regionalization meeting on September 24th, which Chris will attend, where the topic will be discussed amongst Weber Basin, Park City, Summit Water, and MRW.

10. Legal: Dave Thomas (5 minutes)

- a. Consideration of Recommendation of Approval of Annexation to the Governing Board of Mountain Regional Water of Parcel SL-1-2-45 into Mountain Regional Water Special Service District: Karin Wilson made a motion of Recommendation of Approval of Annexation to the Governing Board of Mountain Regional Water of Parcel SL-1-2-45 into Mountain Regional Water Special Service District. Seconded by Ian Schofield, all voted yes, motion carried.
- b. Other: none

11. General Manager Comments: Scott Morrison (10 minutes)

- a. Update on Community Water:
The Hidden Creek homeowners filed an appeal of the Conditional Use Permit granted by the Snyderville Basin Planning Commission for construction of a valve station on an adjacent parcel upon which they have an open space easement. Scott Morrison and Julie Cobleigh are working with the homeowners on an alternate location for the valve station. A list of requirements and associated timelines was presented to the homeowners, all parties are working toward an agreeable solution.
- b. District Recruitment Needs: Discussed during Executive Session
- c. Update to Engineering Service Contracts: Notice of the request for statements of qualification was posted on MRW's website. Seven firms responded. Chris,

Julie and Scott evaluated each of them, interviews for the five down selected firms begin next week.

d. Other:

12. Adjourn: 9:06

Pursuant to the American with Disabilities Act, Individuals needing assistance attending the meeting September 12, 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 October 24, 2019.