



MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT

Administrative Control Board

Minutes APPROVED

May 14, 2020

Attendance: All Attendees participated via Zoom Meeting electronically

Board Members:

Mike Kobe
Bob Neumeister
Karin Wilson
Tim Dougherty
Ian Schofield

Staff:

Scott Morrison
Lisa Hoffman
Chris Braun
Steve Anderson
Brian Davenport
Marti Gee

Summit County Attorney:

Dave Thomas

Notice was given that the Administrative Control Board of Mountain Regional Water SSD, Summit County, Utah met in Regular Meeting session on May 14, 2020 via Zoom with anchor location at the Mountain Regional Water District Office at 6421 N. Business Loop Rd., Suite A, Park City Utah, 84098 at 6:00 p.m. All participants and public wishing to attend did so via Zoom using the following information:

Join Zoom Meeting

<https://us02web.zoom.us/j/86003156925?pwd=bjBKUXJSYzhHcFQrQ1ozRFc3dUI4Zz09>

Meeting ID: 860 0315 6925

Password: 747133

Dial In: 929-205-6099

1. Call to Order and Public Input:

Mike Kobe called the meeting to order at 6:00 p.m. No public attended there was no public input.

2. 2019 Audit Presentation: Dana Howell:

Dana Howell reported to the Board that the Audited Financial Statements have a clean opinion and reported with generally accepted accounting principles. She discussed a disclosure about the refunding of the 2012 and 2014 Bonds. Dana Howell reported that there is a 1.8 million dollar in cash flow savings with the refinance of the Bonds and a 1.5 million dollars in net present value savings. Bob Neumeister asked about the Management Letters and were there anything the Board needed to be aware of? Dana replied that there are a couple of letters she wanted to discuss with the Board. First, the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards. This report describes that there were no findings and internal controls are functioning well. The second letter to the Board is the Governance letter which describes significant accounting policies and estimates, difficulties or disagreements with management and other findings or issues. Again, there were no findings in this letter. The annual audit also tests for Budgeting compliance, URS Compliance, Open Meeting Act compliance, Treasurer's Bond compliance. There were no compliance issues found in this year's audit. Dana Howell also discussed the audit letter to the Board in the packet, there were no changes from the prior year and no difficulties reviewing any items during the audit in light of the COVID-19 pandemic, and no adjustments or disagreements with management. No other findings to report, it was a fantastic audit report.

Bob Neumeister asked if there were any issues with such a small staff and the separation of duties. Dana Howell replied that the duties were clarified by the roles and the separation of duties and they are well designed for the size of our organization.

Bob Neumeister asked about the Utah Pension Fund. Dana Howell commented that the Utah Pension Fund is well managed which is not common with other States Pension Funds. They have done a great job managing the funds for Utah State retirees. She does not expect a large increase in the pension fund requirements for MRW employees.

3. Executive Session – Personnel, Possible Litigation, and Property Acquisition:

Motion made by Bob Neumeister to move into Executive Session for Personnel, Possible Litigation, and Property Acquisition. Seconded by Ian Schofield. Motion carried, all voted yes.

Motion made by Bob Neumeister to move out of Executive Session for Personnel, Possible Litigation, and Property Acquisition into Open Session. Seconded by Ian Schofield. Motion carried, all voted yes.

4. Consent Agenda:

a. Approval of the April 16, 2020 and April 23, 2020 ACB Meeting Minutes: Bob Neumeister requested a correction to the April 16 meeting be made. Bob Neumeister asked in section 6. d. if there were any revenue recognition issues related to the updates for the corrected Billing System. Steve Anderson replied that there were no issues and no concerns.

b. Approval of the April 2020 Check Register:

Karin Wilson asked about the checks with the M at the end of the check and Steve Anderson replied that these were manual checks or ACH checks.

Ian Schofield asked about the refunds in the Check Register. Steve Anderson and Lisa Hoffman replied that the Security Deposits are refunded and Impact Fees rarely could be refunded.

Ian Schofield also asked about the refund check to Trailside School. Steve Anderson stated that when the new meter was installed, they were double charged for ERC's due to a data entry error. The funds were refunded to the Trailside School once the error was discovered in the review of all of the meters in the Billing System.

c. Consideration of Approval of P.O.: None.

d. Other: None

Karin Wilson made a motion to approve the Consent Agenda with the changes in the April 16 Board Meeting to include Bob Neumeister's comments. Seconded by Tim Dougherty. Motion carried, all voted yes.

5. Questions on Department Updates:

Tim Dougherty asked Scott Morrison about the Water Right Exchange. Scott explained that MRW received approval of an important water right Exchange Application to allow withdrawal of an additional 372-acre feet from the shallow wells along the Weber River. The shallow wells were originally developed to serve the Lost Canyon project before the intake structure was built. The District is actively working to get these wells back online. This effectively increases MRW's allocation of the Weber River by more than 30%.

Ian Schofield asked about the interconnection to the Regional System. Scott Morrison explained that at the Regional Water Meeting the interconnections and 2021 Water Rates were discussed. Scott explained that a rate study was being performed and Scott would let the group know later this summer the findings of the rate study. Lewis and Young should have the rate study completed to have the Board review in the June meeting. Brian Davenport discussed the pigging project of the Lost Canyon Pipeline no significant scaling or build up. It was pretty clean. Ian appreciated Sam's notes on the

project. Karin Wilson asked about Kathy Gratteau's role in the Finance Department. Steve Anderson responded that she does accounts payable and payroll. Karin asked about a replacement of Kathy Gratteau? Steve Anderson responded that he and Lisa Hoffman will be splitting Kathy Gratteau's duties for most of the summer and try to hire a replacement at the end of the summer or early fall. Bob Neumeister asked Marti Gee if we are making any adjustment to the annual Certified Liens that are placed on delinquent accounts for fees and charges. Marti Gee explained that we are only liening customers that were 90 days late at the end of February 2020. This is before the COVID-19 issues began. It has been Dave Thomas's opinion that this will not be treated any differently than the other years by the Summit County Council when they certify these liens to the Summit County Treasurer on the properties later in June.

6. COVID-19 Update: Scott Morrison and Dave Thomas

- a. District Actions
- b. Scott Morrison reported that there was another MRW Board Meeting in April to discuss and recommend to Summit County the leave policy and the face covering policy. The MRW board in that meeting recommended to the Summit County Council as the Governing Board for MRW to adopt those policies. Summit County Council approved the dates of the leave policy through May 16, 2020 and the face covering policy.

Summit County as well as MRW are following Gov. Herbert's Utah Leads Together 2.0 plan very closely. Effective Saturday the State will be in Yellow. Summit County will remain in Orange for a couple more weeks or so. Tom Fisher requested a Stabilization Plan from MRW. Scott Morrison submitted the plan to the County and also to the Summit County Health Department. They were satisfied with the plan MRW submitted to begin to re-open the District.

- c. County Actions
- Summit County got an exemption from the State to stay at Orange for a couple of weeks. The Gov will issue an executive order to move the rest of the State of Utah to Yellow. Summit County is working with the business and others to come up with protocols to open up the County when it is time. The trigger to move to Yellow is the R_0 value that computes the contagious levels. Census for Summit County residents is adjusted to 43,000 full time residents and used as the factors on cases of the COVID-19. The Park City Hospital is usually treating the COVID-19 cases for Summit and Wasatch County unless they are very serious and then they would be transported to SLC. The Heber Hospital is the non-COVID-19 hospital for Summit County and Wasatch County. Testing is still going on at the Summit

County Ice Rink. Bob Neumeister stated that the testing is not allowed for everyone, only if you have a fever will you be able to get a test per his experience. Bob Neumeister asked if there were Staff members that continued to need leave for the school children that could not attend school and needed care. Lisa Hoffman stated that the staff members that were having issues with leave due to children not in school have got things worked out and do not require leave currently.

7. Financial Management: Lisa Hoffman & Steve Anderson

a. Presentation of the April 2020 Highlights:

Through April the Change in Net Position (net income) is \$119,440 which is \$400,740 better than projected. As shown below, this positive variance primarily resulted from lower expenses of \$272,835 (8.4%), primarily due to lower repair and maintenance and personnel costs. Adding to the positive variance are higher revenues than projected of \$127,906 (4.3%).

As compared to last year, revenue is up \$247,246 (8.7%), primarily due to higher retail water sales of \$214,227 and Weber Basin Regionalization revenues of \$168,250, offset by lower revenues in other areas. Expenses are \$2.97 million, which are lower than last year by \$196,638 (6.2%). This decrease is due to the \$227,334 spent on treatment plant membranes and carbon by this time last year. A more thorough explanation of revenue and expenses will be discussed below, and a detailed change in net position statement (income statement).

Revenue through April is \$3.09 million which was \$127,906 (4.3%) ahead of projections. Retail Water Sales of \$107,570 and Development Related Collections of \$56,533 above budget, were offset by Park City Wheeling sales under budget by \$46,474 due to Park City not taking any water in March or April. As compared to 2019, revenue is up \$247,246 (8.7%). This variance is primarily related to higher Retail Water Sales (\$214,227) and Weber Basin Regionalization sales (\$168,250). These increases are offset by lower revenues of approximately \$45,000 each in Park City Wheeling, Development Related Collections, and Other Revenue.

Retail Water Sales were \$107,570 (5.9%) above projections and \$214,227 (12.4%) higher than last year. This is attributable to higher Residential and Wholesale sales (mainly Utah Olympic Park), offset by lower Commercial and

School water sales due to the COVID-19 pandemic. Park City wheeling fees are significantly below projections, a variance of \$46,474 (21.0%). Park City did not take any water during March and April and although it is possible they will still reach their anticipated usage (and revenue), it is hard to predict given the two months with no water taken and potential impacts of COVID-19 on their end consumers demand.

Weber Basin Regionalization take-or-pay contract is on budget for 2020. Last year 800 acre-feet were delivered under the Weber Basin Regionalization agreement, this year there are 1,1000 acre-feet in the take-or-pay contract. Thus, between the rate increase (but lower than requested) and the additional 300 acre-feet, MRW will receive \$168,250 more per quarter or \$673,000 for the entire year. Other revenue was \$10,377 (11.0%) ahead of budget mainly due to interest earnings being slightly higher than budgeted. However, this will most likely not continue as interest earnings were below budget for April, and this is likely to continue given the current financial markets.

As seen below Water Sales for April came in very close to budget at \$502,787, which was just \$2,113 under budget. Water sales were below budget in Commercial, Schools, Government and Industrial which was to be expected due to COVID-19. Residential sales were above budget which was also to be expected as people were asked to stay at home and the spring started warm and dry.

The Total Cash Expenditures of \$2.35 million are \$290,437 (11.0%) lower than budgeted, leading to the better than expected Change in Net Position through April. As compared to 2019 Total Cash Expenditures through April are down \$242,335 (9.7%), which as mentioned before is largely due to the purchase of carbon and membranes for the treatment plant last year during April.

Operations, Maintenance & Repairs expense through April was \$1.58 million - which is \$238,454 (13.1%) under budget. This is due to lower repair and maintenance costs, lower personnel costs and lower power costs than projected. These expenses are \$113,259 (6.7%) lower than last year primarily due to the replacement of carbon and membranes in 2019. The District anticipates repair and maintenance costs will increase in the upcoming summer months. Meanwhile Non-OM&R expense through April was \$384,241 – which was under budget \$55,259 (12.6%), primarily due to the time needed to replace the staff engineer position and not having hired a GIS specialist. These expenses were

\$25,121 (6.1%) lower than last year due to the reasons already mentioned in this paragraph. Non-cash Depreciation expense through April was \$616,636 which is \$19,036 (3.2%) above projections. Depreciation is higher than anticipated due to Community Water assets that have been brought onto MRW's books and other asset levels being higher than anticipated. Non-operating Expenses through April are \$1,843 (0.5%) above budget, trending very much as expected and lower than last year due to the decreased interest expense.

Total cash at the end of April was \$15.55 million, an increase of \$678,693 (4.6%) over April 2019. A portion of the increase, \$246,230, is Construction Cash from the Community Water loan and thus not an increase from normal operations.

Operating Cash & Reserves balance at April 2020 is \$5.16 million which represents a healthy 254 days reserves compared to 319 a year ago. Policy requires 120 days minimum reserves. Cash collections from customers held steady from March to April only down 3.3% or \$17,394. We will continue to monitor this closely.

Debt Reserves Held by the District decreased \$269,262 (7.1%) in April due to withdrawing \$125,000 from Impact Fees for debt service and \$191,219 also from Impact Fees to make a payment to Weber Basin for the Interconnect being constructed. As compared to last year the reserves are up \$594,765 due to the high Impact Fees collections last year from June through October, and the additional funds being put aside to pay the Community Water loan installment when it comes due. Debt Reserves Held by the Trustee increased \$295,061 during April as the normal monthly transfers were made and the next bond payments are not due until June. As of April, the \$1.89 million balance meets the required levels pursuant to bond covenants. In April Regionalization Reserves increased by \$128,045 (6.7%) due to the transfer of 30% of the Weber Basin Regionalization revenue (\$125,715) and interest earnings of \$2,115. These reserves can be used to help pay down debt in future years or to pay the Regionalization Reserve charge which started this year and is \$245,000 for 2020. Capital Facility Reserves have increased \$271,816 from last year due to the scheduled annual addition of 5% of the 2020 cash operating budget in January 2020. \$250,000 was transferred from this account in September 2019 to help pay for the meter change out program. Other Restricted Cash increased \$14,956 (1.5%) in April due to required deposits into the Treatment Plant reserve fund and increased customer deposits. Other Restricted Cash has increased \$272,475

(35.9%) since April of 2019, due to continued deposits into reserve funds without any major withdrawals. When carbon and membranes are purchased this summer a withdrawal of just under \$250,000 will be made. A more detailed change in cash balances (Operating Cash and Reserves).

The increase through April in new water connections and related impact fees is shown below. Through April there were 33 new connections which is just above the four-year-average of 32 new connections. The total impact fee collections are down by 63.2% over the four-year-average. Impact Fee collections of \$121,788 through April are below budget and it may be difficult to reach the budget for the year of \$500,000.

Through April water consumption by District customers was 19.8% above the average over the past four years at 329 acre-feet. Compared to last year, usage is up due to the large increase in customers from Community Water being added and higher usage in Residential and Large Residential homes.

Park City's consumption through April of 277 acre-feet is 45.7% lower than the average over the past four years. Park City as mentioned earlier did not take any water in March and April so it is difficult to predict exactly how much water they will take during 2020. Summit Water has taken 446 acre-feet of water through April, which is well above the 259 acre-feet taken at this point last year. Summit Water has a take or pay contract for 1,100 acre-feet for 2020 (as compared to 800 last year) so the higher usage is expected.

The Community Water projects are the largest part of the 2020 Capital Budget. The large encumbered amount is for the Hidden Creek project that should start just after Memorial Day. Once that is completed \$1.83 million of the \$2.6 million loan will have been spent. The Summit Park project, which is being done as part of a larger Summit County project, has begun and should be coming in well below the MRW budgeted amount. The 2020 Ford F-350 truck for \$42,677 has been received and will be capitalized next month and put into service. Usually a truck needs to be diesel to tow some of our equipment, however this truck is gasoline but has the horsepower and torque to pull most of our equipment which will help the Operations team. Mike Kobe asked about the improvements that are going to be built this summer in Community Water. Summit Park project has been started and looks like it is under budget also.

b. Discussion of COVID-19 2020 Budget Impacts

Lisa Hoffman discussed some possible adjustments that might need to be made due to the COVID-19. The MRW customers have turned on their sprinkler systems about one month earlier than usual. In other communities in the US a possible 20% reduction in water usage is contemplated due to concerns in the high water bills during the COVID-19 related concerns. Park City is not taking water currently due to some construction but they will be taking water soon. Operating Fees and Other fees may be less due to COVID-19. Not assessing late fees and shut off fees will also be a small decrease in the budget. Other water companies in the area are doing the same things with shut offs and late fees. Lisa recommends that MRW come on line assessing those fees when the other water companies in the area begin assessing the fees. Impact Fees may be affected. There are several Impact Fees in the process that could be completed this year. Interest earning will be down. Lisa is predicting that there will be very little revenue from the interest earnings. She has met with all of the department heads to try to find any savings in their budgets. MRW has been holding off on the hiring of employees. Staff have been running the Wells more to save on chemicals in the treatment plant. This year MRW has reduced the hiring of seasonal employees. There are some savings in the travel and training budgets for this year. MRW is still meeting the coverage requirements for our Bonds. Lisa Hoffman reported that she will keep the Board informed on all of the concerns above. The Board complemented Lisa Hoffman on her thorough review.

- c. Other: Rate Study for the regional water. Lewis and Young will make a presentation of the rate study for the Board in June.

8. Legal: Dave Thomas

- a. Consideration of a Recommendation to the Governing Board of Mountain Regional Water the Annexation of PP-38-3 the Wheeler Property into Mountain Regional Water Special Service District
Scott Morrison recommended that MRW annex both properties.
Consideration of a Recommendation to the Governing Board of Mountain Regional Water the Annexation of PP-38-3 the Wheeler Property into Mountain Regional Water Special Service District made by Bob Neumeister. Seconded by Karin Wilson. All voted yes, motion carried.
- b. Consideration of a Recommendation to the Governing Board of Mountain Regional Water the Annexation of LVDAM-LV6A-AM-X, the Canyons Workforce

Housing Project parcel owned by Summit County, into Mountain Regional Water Special Service District

This would be the Employee Housing Project.

Consideration of a Recommendation to the Governing Board of Mountain Regional Water the Annexation of LVDAM-LV6A-AM-X, the Canyons Workforce Housing Project parcel owned by Summit County, into Mountain Regional Water Special Service District once the Petition to Annex is provided to MRW made by Bob Neumeister. Seconded by Karin Wilson. All voted yes, motion carried.

c. Other: None.

9. General Manager Comments: Scott Morrison

a. Other: None.

10. Adjourn:

Pursuant to the American with Disabilities Act, Individuals needing assistance attending the meeting May 14, 2020 should contact Marti Gee at 435-640-5725 to make arrangements. The next MRW Administrative Control Board Meeting will be held on June 11, 2020.