

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

(Unapproved and subject to change)

Held April 5, 2018

The Finance Committee meeting of the Board of Trustees of the Jordan Valley Water Conservancy District was held Thursday, April 5, 2018, at 3:00 p.m. at the District office at 8215 South 1300 West, West Jordan, Utah.

Trustees Present:

Corey L. Rushton, Chair
Ronald E. Sperry, Finance Chair
Scott L. Osborne, Vice Chair
Karen D. Lang
Stephen W. Owens
John H. Taylor

Trustees Not Present:

Greg R. Christensen
Wm. Brent Johnson
Chad G. Nichols

Staff Present:

Richard Bay, General Manager/CEO
Bart Forsyth, Assistant General Manager
Alan Packard, Assistant General Manager
Jason Brown, Information Systems Department Manager
Brian Callister, Maintenance Department Manager
Matt Olsen, Communications Department Manager
Shazelle Terry, Operations Department Manager
David Martin, Chief Financial Officer/Treasurer
Debbie Petersen, Human Resource Manager
Beverly Parry, Executive Assistant

Others Present:

Terry Pollock, General Manager, Magna Water District

**Introduction
and summary
of budget
process**

Mr. Richard P. Bay, General Manager, explained that staff has been working since December on preparing the proposed fiscal year 2018/2019 budget that will be presented at this meeting. In preparing this budget, staff has discussed issues occurring in member cities, member districts, and Salt Lake County that will influence the FY 2018/2019 budget. Some of these issues include rate of land development and building permits, the economy and work force, the water supply and sources, the projected amount and timing of water deliveries, along with other issues. Mr. Bay documented these issues in a memo and discussed it with the Board in January.

In discussions with the Board, Mr. Bay noted some of the issues, expenditures and expenditure controls, and revenues. He said this is a year in which the District could have a lower adjustment to water rates than has been in past years. He also noted property tax plays an important role as CWP and other large capital expenses are brought on, and staff will recommend a property tax

levy increase from the certified rate back up to the statutory maximum in this year's budget.

Mr. Bay said a budget strategy was established in January and then Department Managers were given budget parameters, along with additional guidance. Department staff then submitted their budget items to their Department Managers, and adjustments were made to comply with the parameters. The Assistant General Managers met with each Department Manager to review their proposed budgets, and the budgets were then submitted to Dave Martin, Chief Financial Officer. Mr. Martin and Mr. Bay met with each Department Manager to review their budgets and made cuts as needed in every department. Mr. Martin compiled the budgets and met with the General Manager and Assistant General Managers to make sure the budget met all the District objectives.

**Introductory
Comments**

Mr. Ron Sperry, Finance Chair, stated the purpose of the meeting was to review the proposed FY 2018/2019 budget that staff has prepared. If needed, this meeting will continue at the Monday Executive Committee meeting on April 9. He stated the FY 2018/2019 tentative budget will be adopted at the June Board meeting, and the final budget will be adopted at the August 8 Board meeting.

**Proposed fiscal
year 2018/20189
budget review**

Mr. Martin reviewed the proposed operating budget for FY 2018/2019 that covers a projection of revenues and operating expenditures, the capital improvement budget, and the personnel budget. The FY 2018/2019 budget is based on 96,000 acre-feet of water deliveries, a 3.5 percent water rate increase, a property tax levy and O&M expenditures increase, and no new personnel positions. The proposed FY 2018/2019 total budget is \$122,980,247.

**Budget
overview**

Mr. Ruston asked if the Granger-Hunter Improvement District (GHID) holdover water, from when a pipeline was down in December, was taken into consideration in determining the FY 2018/2019 water deliveries of 96,000 acre-feet.

Mr. Bart Forsyth, Assistant General Manager, explained the Jordan Aqueduct was taken out of service because of construction on Bangerter Highway in December 2017. The GHID minimum water purchase contract amount was reduced for 2017 and they will be allowed to take the difference in amount of water in 2018.

Mr. Martin reviewed the revenue detail of the proposed FY 2018/2019 budget. He included projected revenues from water sales, property tax revenue, investment income, connection fees, and other revenues. Total projected revenues have been budgeted at \$73,931,800. Proposed property tax revenues for FY 2018/2019 are projected at \$18,493,700.

Mr. Martin noted a change has been made on the Overview – 2018/2019 Budget worksheet in that the JVCGF contributions have been included in "Other Revenue" in the past, and they are now listed separately, below Capital Projects.

**Department
budget detail**

Mr. Martin reviewed the detailed budget of each department. Departments were shown with all line items and their budgeted amounts.

Mr. Osborne questioned the practice of creating a reserve of funds sufficient to replace one hundred percent of an asset, which is paid for by existing users, but will also benefit future users. He stated that future users should shoulder some of the replacement costs when it becomes necessary to make that capital investment and fund it by bonding rather than building a reserve. Mr. Bay said it is an important philosophical and strategic question for the District to consider. The direction the District has taken to-date has been that the cost for maintaining the current service is paid for by current users and new capacity capital improvements paid for by future users through bonding and spreading the cost over the years.

Mr. Osborne asked what the legislative requirement for investing reserve funds is. Mr. Osborne also asked the District to consider investing in local district bonds, even if there might be a penalty if sold early.

In the packet, Mr. Martin identified those line items in each department that had increased and then explained the increases. Specific budget items reviewed were ones that increased by three percent and more than \$1,000. The entire O&M budget for FY 2018/2019 is proposed to be \$44,779,785.

O&M budgeted assets account

Mr. Martin continued with a detailed listing of the O&M budgeted capital assets. This budget includes items that are greater than \$10,000 and depreciated over the life of each asset. These items are not expensed in one year.

The O&M budgeted capital assets are funded by a year-end fund transfer from net income. The proposed year-end fund transfer would fund conservation assets, information systems equipment, new vehicles, and general equipment. The proposed FY 2018/2019 general equipment budget is \$1,653,000. One of the more expensive items included in this budget is a pilot plant at JVVWTP. This item will cost \$330,000, but it will allow the District's staff to improve and optimize plant processes. Over time, it will save the District money.

Debt service schedule and 10-year financial plan

Mr. Martin discussed the FY 2018/2019 debt service schedule and long-term debt summary with regards to all the District's outstanding bonds. He reviewed the bonding process and stated the District's current strategy towards bonding is for principal payments to start immediately after bonds are issued and the debt service payments will be uniform throughout the bonds maturity, normally 30 years. The FY 2018/2019 debt service budget is \$21,476,393.

Mr. Owens asked if it is possible to have a third party review the District's bonding strategy and practices. Mr. Bay said the best third-party commentary, that has no financial interest in whether the District issues bonds or not, is the credit rating agencies. Credit rating agencies rate the District on the strength of the District's financial and philosophical practices. Mr. Martin stated it may be possible to have a third-party audit the District's bonding practices occasionally, and staff will take it under consideration.

Mr. Martin also reviewed the FY 2018/2019 10-year Financial Projection Plan. There are updates that have been incorporated into the financial plan. There is a proposed property tax increase for the 2018/2019 fiscal year. The average water rate increases over the 10-year period were lower than projected last year, due to recent bond refunding and the proposed 2018 property tax increase. There has been a slight decrease in capital projects expenditures

and amount of proposed bond issues.

There was discussion about the replacement cost of the CUP Project infrastructure, and CUWCD's proposed increase of replacement reserve fund fees. There was also discussion regarding 6,300 acre-feet of CUP Project water that is currently being "turned back" for stream flows in the Provo River. The turn-back will expire in 2020/2021, after which the District will begin purchasing that water.

Mr. Martin reviewed various options the District can consider with regards to property tax, such as: continue to increase the property tax rate to the statutory ceiling when necessary, raise water rates to replace revenues from no property tax increases, reduce the performance indicator for debt service coverage ratio to less than 100%, reduce the CP1 projects in the Capital Plan, or a combination of these options.

Mr. Osborne thanked and commended staff for their efforts to keep water rate and property tax increases to a minimum.

**Personnel
budget detail**

Ms. Debbie Petersen, Human Resources Manager, presented the personnel budget. Staff is proposing a 3.2 percent merit pay increase or step increase for employees. She 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.

Ms. Petersen presented wage change statistics and a salary increase survey of other districts and cities to justify the recommended salary increase.

Mr. Osborne stated he is uncomfortable with the proposed 3.2 percent pay increase, as well as the benefits package, for District employees. He recommended staff investigate alternative insurance programs.

The total proposed FY 2018/2019 personnel budget is \$16.6 million, which is a 2.36 percent increase over last year's personnel budget. Ms. Petersen noted there are no new positions and grade changes for two positions are proposed for FY 2018/2019.

Adjourn

Discussion of the remaining two items on the agenda, Capital Projects budget and water rates for FY 2018/2019, will be continued at the Monday, April 9, Executive Committee meeting at 3:30 p.m. The meeting was adjourned at 5:20 p.m.

Corey L. Rushton, Chair

Richard P. Bay, Clerk

