

**MINUTES OF THE EXECUTIVE COMMITTEE MEETING OF THE
BOARD OF TRUSTEES OF JORDAN VALLEY WATER CONSERVANCY DISTRICT**
(Unapproved and Subject to Change)

Held January 7, 2019

The Executive Committee meeting of the Board of Trustees of the Jordan Valley Water Conservancy District was held Monday, January 7, 2019, at 4:17 p.m. at the District office at 8215 South 1300 West, West Jordan, Utah.

Trustees Present:

Corey L. Rushton, Chair
Greg R. Christensen
Wm. Brent Johnson
Scott L. Osborne
Stephen W. Owens
Ronald E. Sperry
Lyle C. Summers
John H. Taylor

Trustees Absent:

Karen D. Lang

Staff Present:

Richard Bay, General Manager/CEO
Alan Packard, Assistant General Manager
Bart Forsyth, Assistant General Manager
Brian Callister, Maintenance Department Manager
Jason Brown, Information Systems Department Manager
Matt Olsen, Communications Department Manager
Shane Swensen, Engineering Department Manager
Shazelle Terry, Operations Department Manager
David Martin, CFO/Treasurer
Reid Lewis, General Counsel
Brian McCleary, Controller
Debbie Petersen, Human Resources Manager
Kurt Ashworth, Human Resources Manager designee
Linda Townes, Public Information Manager
Beverly Parry, Executive Assistant
Jessica Morgan, Administrative Assistant

Welcome

Mr. Corey L. Rushton, Chair, called the meeting to order at 4:17 p.m. Mr. Rushton asked Mr. Richard Bay, General Manager, to proceed with the agenda.

**Review agenda
for January 9,
2019, Board
meeting**

Mr. Bay reviewed the proposed agenda for the January 9, 2019, Board of Trustees regular meeting. Some of the topics for discussion and consideration included: presentation by Mark Holden, Executive Director, Utah Reclamation Mitigation & Conservation Commission; five financial matters items; approval of engineering contract amendment for Southwest Aqueduct Reach 1; approval of contract to supply air blower equipment for the Jordan Valley Water Treatment Plant; approval of expenditure for construction change order for LocalScapes® exhibit in Conservation Garden Park; report on water legislative bills approved by the Natural Resources Interim Committee; report on Murray City Council visit; report on employee survey results; report on status of Water

Stock, Change Application, and Well Site Purchase Agreement with Lehi City; verification of compliance with selected legal requirements and internal District practices; and, various routine reporting items. A closed session was also proposed to discuss the sale or purchase of real property and/or water rights or water shares.

**Discuss
formation of
audit committee**

Mr. Sperry said that in a previous meeting, the auditors reporting on the annual financial audit report were asked if it was important for the Board to form an audit committee. The role of the committee would be to determine what is included in and review the external audit. Mr. Sperry suggested a few members of the Board meet and determine how to organize an audit committee and what its role will be. Mr. Dave Martin, CFO/Treasurer, explained the process of auditing finances and fixed assets. Mr. Osborne said that an audit committee would give an additional level in preventing fraudulent activities and protecting employees.

Mr. Taylor said this discussion pertains to deciding whether to form an audit committee, how it will be organized, and then let the audit committee give recommendations of how to proceed. Mr. Taylor recommended the formation of an audit committee, and Mr. Rushton said the Board seems to be in favor of doing so. Mr. Bay said the policy states that the Board can create any standing committee by resolution, and it would be best to avoid having more than five Trustees on the committee in order to have confidential meetings.

The Chairman of the Board, Finance Committee Chair, and Ms. Lang were selected to be on the audit committee. In addition, Mr. Johnson suggested an employee of a Member Agency with a financial background be a member of the audit committee. Mr. Owens recommended having a former Board member be on the committee. Mr. Bay said staff will create a resolution and schedule a time for the audit committee's first meeting.

**Discuss fund
transfers and
replacement
reserve fund**

Mr. Martin discussed the strategy, planning, and history of the District's budget and year end transfers of funds. The District's budget strategy for year-end transfer includes: funding 30% of capital projects costs using pay-go capital from operations; funding 100% of replacement project costs; collecting retail impact fees placed in the Development Fee Fund for qualified capital projects; funding 100% of budgeted general equipment items; and funding required minimum fund balances.

Mr. Martin reviewed the roles the 10-year Financial Plan and tentative budget plan in the year-end transfer of funds. He stated that staff anticipates, in the budgeting process, that funds will be used each year from the transfer of funds for planned CP1 projects.

Mr. Osborne expressed concern that the adopted budget does not include all funds needed to meet anticipated CP1 expenditures. Mr. Martin said that the transfer of funds is mostly to fund CP1 projects and an operating budget could be reopened during the year if needed. Mr. Bay said it is difficult to predict the exact funds needed during a fiscal year as there are variables that are unknown when the budget is adopted. Mr. Taylor suggested looking at a three-year budget history and plan two years into the future when proposing a

budget. Mr. Osborne said the 10-year capital projects plan should be a roadmap to be used in budget preparation and funding of CP1 projects should not be accelerated unless it will save the District money.

Mr. Martin presented four options for transfer of funds from fiscal year 2017/2018 for the Board to consider. Option A would lower the water rate adjustment for 2019/2020, fund 100% of replacement projects, and build a small balance in Replacement Reserve Fund. Option B would lower the water rate adjustment for 2019/2020, fund 100% of replacement projects, and fund other capital projects. Option C would use all pay-go capital to fund 100% of replacements projects and other capital projects. Option D would have no water rate adjustment for 2019/2020, fund 100% of replacement projects, and build a small balance in Replacement Reserve Fund.

Mr. Rushton suggested the Board come up with policy or legislative intent on what to do with excess net income revenue during the budgeting process. Mr. Bay suggested a guideline the Board can use is to look at the Replacement Reserve Fund as a reservoir where the balance rises and falls, and it could be a combination of the current balance in the Replacement Reserve Fund and the expected expenditures for CP1 over the next two years.

Mr. Johnson suggested having an option for a mid-year adjustment of the budget and encouraged a modest water rate adjustment each year. Mr. Summers and Mr. Rushton said the water rates ought to reflect the cost of service. Mr. Christensen and Mr. Owens said they would support a zero percent water rate increase for fiscal year 2019/2020.

After discussion of the four options of transfer of funds, the Board asked Mr. Martin to provide additional options and parameters for future fund transfers at the Board meeting on January 9th.

Adjourn

Mr. Rushton called for a motion to adjourn. Mr. Osborne moved to adjourn the meeting. The meeting was adjourned at 6:37 p.m.

Corey L. Rushton, Chair of the Board of Trustees

Richard P. Bay, Clerk