

BOARD OF TRUSTEES MEETING MINUTES

April 18, 2022
** District Office**
5:00 p.m.

I. CALL TO ORDER

The April 18, 2022, Board of Trustees meeting was called to order by Chair Jan Wilking at 5:00 p.m. Other Board members in attendance were Mary Ann Pack, Robert Richer, and Dick Pick. Ryan Dickey arrived at 5:15 p.m. Staff in attendance were Mike Luers, Brian Passey, Dan Olson, Chad Burrell, Kevin Berkley, Bryan Steele, Corey Shorkey, Scott McPhie, Gary Tackman, Eric McPhie, and Kim Dudley. Also, in attendance were Jeremy Cook, Cohne/Kinghorn, and Erin Andersen, Carollo Engineers.

II. OATH OF OFFICE – Ryan Dickey

Mr. Passey administered the Oath of Office to Mr. Dickey at approximately 5:20 p.m.

The Board welcomed and congratulated Mr. Dickey.

III. CONSENT AGENDA – Approval of Board Meeting Minutes for March 21, 2022

Mr. Richer made the motion to approve the Consent Agenda, Mr. Pick seconded the motion carried with Mr. Pick, Mr. Richer, Ms. Pack and Jan Wilking voting in the affirmative.

IV. PUBLIC INPUT – There was no public input.

V. APPROVAL OF EXPENDITURES – Bills in the Amount of \$926,934.84 – Mr. Luers reviewed the Expenditures with the Board. He said there was approximately \$240,000 for the design of ECWRF. He asked the Board if they had any questions. They did not.

Ms. Pack made the motion to approve the Expenditures, Mr. Pick seconded the motion carried with Mr. Richer, Mr. Pick, Ms. Pack and Jan Wilking voting in the affirmative.

VI. SERVICE AWARDS – Eric McPhie 5 years

Mr. Wilking congratulated Mr. Eric McPhie on his service award for 5 years and said that he appreciates all his hard work.

Mr. Luers told the Board that Mr. Eric McPhie is a master electrician that we hired 5 years ago. We share him throughout the District.

Mr. Burrell wanted to highlight the fact that prior to hiring Mr. Eric McPhie we did not have a full-time electrician and he's been an asset. We had to contract out a lot of work prior to him coming along. The nice thing about Mr. Eric McPhie is that he's not afraid to jump down a manhole, to fix an actuator, and to work on the dreaded splitter. Mr. Eric McPhie's willingness to do a lot of things that might be perceived as outside of his area of expertise, but his area of expertise is very large. Mr. Burrell thanked Mr. Eric McPhie.

Mr. Scott McPhie stated that Mr. Eric McPhie approaches every day with a great attitude. Whatever you ask him to do he is on board and does whatever it takes to get the job done. Mr. Scott McPhie said he appreciates everything Mr. Eric McPhie does for the District.

Mr. Olson reiterated everything that has been said about Mr. Eric McPhie. He said that he worked with him when he worked for Tooele City and knew his skill level and how he would fit in the District. Mr. Olson said he has been pleasantly surprised that he fits in with the crew better than expected. It is amazing what he does for us, and we are very pleased with his service.

Ms. Pack presented Mr. Eric McPhie with his 5-year certificate and a gift.

Mr. Eric McPhie said that everyone has been great to work for and that's why he is willing to do whatever needs to be done. The leadership is unbelievable, he's never seen such willingness to help him get what he needs to do the job. He also thanked the Board.

Gary Tackman 20 years

Mr. Wilking said he appreciates all the contributions that Mr. Tackman makes to the District. He certainly gets so involved in all the mapping and all the development and keep us on top of all of that. Mr. Wilking thanked Mr. Tackman for all his efforts and 20 years of service.

Mr. Berkley told the Board that Mr. Tackman is a man of many hats. He does our GIS and mapping; he is our IT Manager. He really helps with our security. Mr. Berkley said that if multi-tasking is a thing Mr. Tackman does it all. He really has made his mark on our District.

Mr. Luers stated that Mr. Tackman is one of a kind. To give you an idea of what Mr. Tackman developed and continues to maintain is projecting the growth for each of the individual water companies for the District. The water companies, the county, the city, and recreation district all come here and use our information to help them project their needs and that started a decade ago. He does not only serves the District but also serves the community. Mr. Luers thanked Mr. Tackman for all his efforts it's been tremendous.

Ms. Pack presented Mr. Gary Tackman with his 20-year certificate and a gift.

The Board congratulated Mr. Eric McPhie and Mr. Tackman on their service awards.

VII. SUBDIVISION PROJECTS

Estimated LEA REs Year to Date: # Above Splitter 1; # ECWRF 0; # SCWRF 242.17; Total 243.17
 Proposed this Meeting: # Above Splitter 0; # ECWRF 0; # SCWRF 0; Total 0

VIII. DISTRICT MANAGER

A. Discussion Items – Financial Impacts of Current Markets Conditions – Mr. Luers presented the Financial Impacts of the Current Market Conditions with the Board as follows:

East Canyon Water Reclamation Facility Expansion

Estimated Cost as of:		Increase	Percent Increase	Bond Interest Rate Increase
<u>July 2021</u>	<u>April 2022</u>			
\$91,713,000	\$111,072,000	\$19,359,000	21.1%	3.00%-3.50%

- 1) Estimates include a 15% standard Contingency plus a 10% Bid Environment Contingency.
- 2) Estimates are for the entire project cost, including design, construction management and construction.
- 3) 99% of this project will be paid with impact fees from new connections to the system.

**Capital Projects for next Ten Years
 (2023 to 2033)**

Estimated Cost as of:		Increase	Percent Increase
<u>July 2021</u>	<u>April 2022</u>		
\$21,410,000	\$28,282,000	\$6,873,000	32.1%

**Next Step:
 Calculate Impact Fees and User Fees based
 on Updated Cost**

Capital Expenditures	Estimated Cost as of: July 2021	Estimated Cost as of: April 2022	Increase	Percent Increase	Bond Interest Rate Increase
ECWRF Expansion	\$91,713,000	\$111,072,000	\$19,359,000	21.1%	3.00%-3.50%
Capital Expenditures For next Ten Years (2023-2023)	\$21,410,000	\$ 28,283,000	\$ 6,873,000	32.1%	

Mr. Luers stated that there are two group of projects that we need to discuss. The first is the expansion of the ECWRF. We have been working on this for several years. We've been in design for roughly 18 months. Mr. Luers introduced Erin Andersen, Carollo Engineers, a senior design consultant on the project, in which the numbers shown came from Carollo Engineers.

The first thing to discuss for the project is what the cost have been historically and what the project cost are now. As you can see in July 2021, we had an estimate of \$91,713,000, which included a 25% contingency. Based on the numbers we are looking at now the project cost is \$111,072,000, approximately a \$19,000,000 increase or 21% and discussing with Zion Bank and our Financial Advisors we are looking at about a 3.50% bond interest rate.

A couple of foot notes, 25% contingency is included in both numbers. The \$111,072,000 is an educated guess at this point and time. There are so many unknowns when it comes to supply chain, and it is the best number that Carollo Engineers can come up with at this time.

Mr. Luers stated that this is a very complex project given that the design of this project is about \$4,000,000. It has many dozens of engineers working on it at any given time. This project is a little different than some of our other projects in that it is mostly inclusively being built to service new development thus being paid for with Impact Fees. As you will see in our report later in the meeting, we are seeing strong growth. With this project being paid for by Impact Fees there is a risk there that if we build and the growth is not there, we will have to burn through our bond reserves and worst-case scenario existing customers would have to pick up the slack until which time Impact Fees would pick back up to make the payments. We're somewhat in a catch twenty-two, if we don't build it then we don't have capacity for new growth.

Mr. Luers continued to our Capital Projects for the next ten years. We have updated our estimate from July 2021 of \$21,410,000 to April 2022 and have increased the price to \$28,282,000 with an increase of \$6,873,000 or 32.1%. This is a list of projects that is mostly, not entirely, paid for by User Fees. These are for rehabbing existing pipes, lining project, maintenance, those types of things.

Mr. Luers stated that what we are proposing to the Board is the next step is to go back and recalculate our Impact Fees and User Fees based on revised costs then bring it before the Board. He said that he could recommend that we will need to increase the Impact Fees and User Fees to pay for the increase that we are looking at.

Mr. Luers stated that he will take any questions at this time.

Mr. Pick asked when we would be able to start the project with the increased rate? Mr. Luers replied spring of 2023. Mr. Luers said that Carollo Engineers is bidding a project out now and that will give us a snapshot of what the bid situation is right now. He said that there is close to a billion dollars of wastewater work in the state of Utah.

Mr. Richer asked if the preferred contractor list can grow. Mr. Luers said we have already been contacted by some of the national firms of Utah, so the list is growing. There is a lot of work elsewhere but there are some contractors that are moving into Utah.

Mr. Richer then asked if this was 100% or nothing. He asked that there isn't a situation that we can phase this out. Mr. Luers said that this is Phase I of II.

Mr. Richer asked if we did have slow down and the project wasn't being paid with Impact Fees how large of an impact would that be. Mr. Luers said it would depend on the percentage of the slow down.

Mr. Luers told the Board that the next step will be to restart the Impact Fee Analysis which is quite lengthy. We would complete that by the end of the summer and bring it back before the Board. At that time, we would also ask Ms. Andersen and Mr. Ashcroft with Carollo to take another look at the cost of the project.

Mr. Richer said what happens if we were ever in a case where growth just exploded, and we truly weren't ready to take on any additional capacity. Mr. Luers said excellent question. He said that at the intersection of 248 at 224 we have a splitter that we set at 50-50 and the wastewater that comes out of Park City is split between the two treatment plants. If growth were to go crazy, we would shift the splitter to go the SCWRF and lighten up the load to the ECWRF to give us some breathing room. If we had to on a temporary basis, we could run our SCWRF plant at maximum capacity. Between the splitter and maximizing the SCWRF to give us some breathing room to speed up or do something else. That is about the extent of our flexibility.

Mr. Dickey asked if the growth projections were based on raw projections. Mr. Luers stated that Mr. Tackman takes every single parcel in our service area, and we look at what is zoned for and if it's open space and we apply a model to the remaining buildable lots and put those into categories, such as active projects and total availability of growth and we make projections. The rapid growth that we have seen in the last two years is faster than our model of projections. Because of the growth we have started our ECWRF Expansion project sooner than expected.

Mr. Richer asked when we can lock in the interest rate. Mr. Luers stated as soon as we complete design, Carollo Engineers can say with greater certainty what the cost are.

Mr. Luers said going forward we would calculate the Impact Fees and User Fees. About the time we get that completed Carollo will have the design complete and we will take another look at the \$111,072,000 and proceed from there.

Mr. Wilking asked Mr. Luers if the Board needed to take action on this item. Mr. Luers said no action was needed at this time. He said he wanted to inform the Board of the Market Conditions and the need to review the Impact Fees and User Fees.

Mr. Wilking asked if we would need to increase the Impact Fees and User Fees before our budget meeting in December 2022. Mr. Luers replied yes.

- B. Information Items
 - 1. Financial Statement
 - 2. Impact Fee Report

IX. FUTURE AGENDA ITEMS

- A. Projects
- B. Operations
- C. Finance
- D. Governmental Matters

Mr. Luers introduced Mr. Steele as the new Finance Manager. He was hired 5 months ago as the Assistant Finance Manager and will be replacing Mr. Passey when he retires in May 2022.

Mr. Luers stated that we are in the process of filing the Assistant Finance Manager.

X. ADJOURN

Ms. Pack made the motion to adjourn at 5:37 p.m., Mr. Pick seconded the motion carried with Mr. Richer, Ms. Pack, Mr. Dickey, Mr. Pick, and Mr. Wilking voting in the affirmative.



A handwritten signature in blue ink that reads "Mary Ann Pack".

Mary Ann Pack, Vice Chairman

A handwritten signature in black ink that reads "Kim Dudley".

Kim Dudley, Administrative Specialist