

Summit County Service Area #3
March 9, 2020
APPROVED MEETING MINUTES
BOARD OF TRUSTEES MEETING
629 E. Parkway Drive, Suite 1,
Park City UT 84098

BOARD OF TRUSTEES

Suzanne Carpenter, *Chair* Scott Sharp, *Clerk* Vince Pao-Borjigin
Hally Hanssen, *Vice Chair* Larry Finch, *Treasurer* Dinah Clissold

In Attendance (Board): Suzanne Carpenter, Chair; Scott Sharp, Clerk; Larry Finch, Treasurer; Vince Pao Borjigin.

Electronic Attendance: none

Not in Attendance: Hally Hanssen, Vice Chair; Dinah Clissold.

In Attendance (Staff/Contractors): Robert Olson (Interim General Manager); Eileen Haynes (Assistant Clerk); Chris Bullock (Roads Master/Water Operator); Nathan Bracken (Legal); Jon Haderlie (Auditor); Marla Howard (former General Manager).

In Attendance (Public): Stefanie Padilla (Lot SL-H-468); Howard Phillips (Lot SL-C-191)

1. Welcome and call meeting to order at 5:30pm

a. Review of February 10, 2020 meeting minutes: No comments offered.

b. Approval of minutes: Larry motioned to approve pending meeting minutes as noted for February 10, 2020 which was seconded by Scott. Approval was unanimous.

2. Public Comment: Stephanie Padilla is present to answer questions about a request for water relief.

Howard Phillips stated he noticed Summit Dr cul-de-sac is on the agenda later. Howard hopes he will hear an update from Chris. Howard has had back and forth communications with Johanson Surveying. Howard feels Shane Johanson continues to ignore the survey Howard provided to Shane of Howard's lot showing the staking, rebar and ROW. Shane is relying on a revised survey of Lot 179 which just has a call-out for a property corner but it doesn't provide dimensions of Howard's lot. There is a recorded survey with the County showing the ROW. Howard has repeatedly attempted to have Shane justify putting the ROW 50-foot into his lot. Howard reported that Shane told him he is ignoring the existence of that survey. Shane's reply is to point to a rebar he believes is the property corner. Shane's position is in direct conflict with the stake Shane installed several weeks ago marking the property corner which is also very close to a metal flag we have discussed in the past. Howard is very dismayed at this prolonged confusion.

3. Water Rate Presentation: Curt Ludvigson, Development Specialist with Rural Water Association directed the Board's attention to a letter he sent them which explains that he based his analysis on the information he received from Marla as well as on information from funding agencies where the Service Area can receive financial assistance for our projects. On the first page he noted where the Service Area stands on our budget which is in the red. Larry replied we know we are in the red. We live on our summer overages. When we take the base rate and don't count the overages, we are \$44k short. Curt replied you have about \$80k in loan payments for future projects plus a \$30k annual expense for arsenic treatment. He confirmed with the Board that the dollar figures appear accurate.

Curt stated Marla told him the Service Area wants to increase the Standby Fees. Curt noted he is unaware of any other community with Standby Fees and he was unsure how to approach this. He received feedback that there is not a whole lot of logic behind our current standby fee amount. He made some adjustments based on his perception of relative value and determined an overall increase of about \$20k. He suggested property owners closest to the water line are the ideal candidates for a higher fee as opposed to an empty lot not very close to the water line.

Scott asked do we have comparables to other water districts standby fees. Curt replied his analysis was strictly based upon increasing your income. Nathan added he is aware of quite a few communities who utilize standby fees. They are almost always contentious. Curt replied people don't think they should have to pay anything until they've got the water. He typically encourages water districts to institute standby fees. His recommendations are not based upon another district. He urges the Board not to compare themselves to another water district. Nathan stated he doesn't recommend looking at other districts. He recommended the Board determine their costs. Chris stated Mountain Regional has standby fees with many different tiers which precludes our comparison. Curt advises we rely solely upon our budget. Suzanne agreed we should base it on our cost to deliver water.

Vince asked when did we last raise our water rates? Bob replied he has been on the board for eight years without raising water fees. Vince replied this is similar to our situation with property taxes. We should have been raising our fees incrementally through the years. We are playing catch-up. Suzanne agreed. Curt replied he has found that is very typical. **Bob suggested we should make the numbers divisible by 12 in order to provide customers with a monthly rate. Vince and Curt agreed.**

Curt does not feel there is a need for a separate commercial rate because we have very few commercial accounts. We have only one high-end commercial user. Nathan replied what happens when we get a high commercial water user and they have already dedicated water to us. If they have already dedicated water, how do we account for high water use in our rates? If we are going to accept dedications and allow people to build bigger homes, we don't want to penalize them in the rate structure.

Curt asked do you require people to come with their own water rights? Nathan replied the Service Area can only provide .75-acre-feet per lot for connected users. Lots that are connected to their own wells are using Service Area water rights for up to 1.0-acre-foot per lot, but we don't charge them a monthly usage fee because they are not using our system, although they do pay a fee to help maintain the water rights. Theoretically we could move beyond the .75 acre-feet allocation. He is unaware of any other public water supplier that has that but the challenge for us is that we have property owner's deeds that say they are entitled to .75 acre-feet from the Service Area. Originally this was intended to be a private water company but ended up becoming a public entity. Suzanne stated that is how we determined the capacity of our system. Our investment in infrastructure is based on .75 acre-feet per lot. If we don't constrain that then our capital needs for infrastructure will change.

Curt asked is it .75 acre-feet per lot regardless of the lot size? Nathan replied yes. Anything that is connected to our system gets .75 acre-feet and if you need more you must dedicate the difference to the Service Area. That is our problem with a standardized rate schedule. We charge everybody exactly the same regardless of how much water they use. This board is wrestling with the idea that if we allow someone to come in and dedicate water, do we just keep charging them the same rate when you hit these tier levels even though they dedicated the water to us. Curt replied the fact that they dedicate water to the Service Area really doesn't make much difference as far as your rates are concerned. Your water right is a whole separate issue. They are giving water rights to the Service Area so that the Service Area can access more water to provide a supply to your customers. It really has nothing to do with your rates. Nathan replied, the only difference is that in the past the Service Area would charge anything over 20k gallons each month at a higher rate schedule. Suzanne stated our tiers are built upon that. If you have .75 you get your 20k gallons per month.

Curt stated his proposed scenarios are not based upon .75-acre-feet per home. When he developed these scenarios, he was striving to meet the Service Area's revenue needs: your current needs plus the \$80k per year loan payment that you might be taking on plus the \$30k per year arsenic treatment media. Suzanne replied with everyone having the deeded .75-acre-feet we need to discuss whether they should be charged more if they aren't using more. Larry replied there is a cost to deliver water. Several people agreed. Nathan replied the easiest thing do would be to keep it the same. If you want to dedicate water because you want to use more than you have got to understand that you are going to be paying the same fee schedule. The reason you wanted to do a rate study was to see if you could get beyond that 20k gallons

per month because it essentially penalized users for using their .75-acre-feet allocation specifically in the summer. You wanted to move to a different rate so that they could use more water in the summer and less in the winter. Vince replied if every lot used .75-acre-feet on an annual basis we are actually limiting them to 20k gallons per month. We all know for six months out of the year no one comes close to that. Our challenge is how do we allow them their allocation without penalizing them. Right now, in some people's minds, that 20k gallon limit is penalizing them if they go over because it's based upon a monthly rather than an annual basis. We haven't raised rates in over a decade while the cost of delivery, maintenance and everything has increased substantially. Our challenge is how do we pay for it and not be in the red while at the same time being fair and allowing full allocations to the residents.

Curt stated, he does not recall the .75-acre-feet allocation per lot. Chris replied that is where some of the first scenarios came from. There are not real high penalties for over-usage like in scenarios #1, 2 and 3 but the base rate is extremely high. It's double. Curt replied he can easily explain his thoughts on his scenarios, but he forgot that we wanted our customers to be able to use .75-acre-feet per year. Larry replied we do not have consensus on the board for that. He seeks to promote conservation. He is happy capping people at a monthly amount of water per month. If you go over that amount of water, then you get charged for that water due to the cost of delivery. His family uses less than 2k gallons per month. We do that consistently throughout the year. He manages his landscaping appropriately. Should we penalize low water users for the few that use large amounts? We live in a desert. The State Engineer is mandating or promoting conservation. The question we are asking is, how do we get to the revenue number?

Curt replied, regarding .75-acre-feet, most other districts don't have this issue. This is a private company issue. He owns two shares of Sterling Irrigation water but that doesn't come with guarantees. You can break it down and determine the number of gallons that come with two shares. He can't hold the company responsible to make sure that, on a drought year, he receives the same amount of water that he receives in a wet year. Suzanne replied, it's different here. Everyone is deeded their .75-acre-feet and we don't shut off resident's water when they go over. Vince stated, we don't charge them for going over .75-acre-feet. We charge them for exceeding 20k gallons per month. There is a big difference. The only time they are really going to use that water is for three months out of the year. The question is, how do we fairly raise rates with respect for the low 2k gallon per month user such as Larry and others who use more without penalizing one way or the other? We have to find that middle ground. He wants to ensure we don't have government overreach by saying we as a board think you should conserve so we are going to tax you or penalize you.

Curt asked, what do you think of the idea of charging a base rate for zero gallons? He directed the board to look at Scenario #5 which retains the base rate but makes up the difference. Curt relied upon \$274k perhaps from the budget. Curt strived to come up with the needed revenue. In Scenario #5, for example, he proposed retaining your base dollar amount as it is currently without providing any water. You make up all the difference in your overages. \$7 per thousand for the first 20k gallons. \$9.75 per thousand for 20k-50k gallons. \$20 per thousand for 50k to 80k gallons. The reason it doesn't change is you don't have anybody using those higher gallon amounts.

Nathan stated the question you have long had is, how do we account for the summer months? The board is not on the same page with this. The concern you have expressed, particularly Vince and Suzanne, is that you can have somebody who is using less than their .75-acre-feet allocation annually but still get dinged for using more than 20k gallon in the summer. Can we have a higher minimum threshold in summer when the water is needed and a lower threshold in the winter and still get enough money to make ends meet? Curt replied you can have a summer rate and a winter rate. Keep in mind during the winter months your usage goes way down for almost everybody. Your overage charges in the winter are going to have to be significantly higher than in the summer in order to make up the difference.

Vince stated we need to combat the misuse of water without overreach. Once they reach a certain threshold that overage fee goes up substantially. Larry stated if you refer to the numbers here, we have 91 users in the summer using less than 45k gallons and 82 using less than 16k gallons. The vast majority of

users are under 20k gallon in the summer. He doesn't consider a conservation of a public resource overreach. We have got 25 households using 38k gallons each month and we have got 6 households using 57k gallons each month. Curt stated currently low users are greatly subsidizing the high users. Larry agreed. Vince replied that is why he is trying to find that middle ground.

Curt directed the board to Scenario #6 where we only raise the base rate \$1 but we are only giving them 5k gallons. The low users here would be scarcely penalized. The higher users are making up the difference. The 9k gallon user would pay \$90.

Vince stated one of the challenges before we established Pelorus was how do we administer different tiers. Pelorus allows a lot of flexibility on how we tier multiple rates. Curt agreed noting some of his clients have 15 overage tiers.

Vince requested that Curt take a few days to consider the .75-acre-feet and revisit summer and winter tiers. Suzanne agreed. Vince replied we already have a better starting point now than we ever did. Larry agreed stating this a water committee discussion, however what has been presented here needs to be presented to the whole board. Vince agreed.

Larry stated he has not heard residents complain they are paying too much for their water. Consider what Mountain Regional Water is charging for their water. Vince replied we can't compare. Larry disagreed stating a comparison is appropriate because we have neighbors that pay a base rate and for 5k gallons of water they are paying over \$150 per month. Vince replied he understands but they are in a different scenario than we are. Larry stated right now, we are funding our water system with water overage charges. If we eliminate a significant percentage of those overages, how do we stop losing money? Suzanne replied we have to increase the base rate.

Suzanne stated we must look at creating the flexibility we want between summer and winter but at the end of the day we have to pay the bills. Vince replied it ends up being a numbers game. Larry replied we been talking numbers for two and one-half years. He will not support a dramatic increase of our base water rate when almost two-thirds of our users do not exceed their base rate in the summer. Curt replied because your usage among the vast majority of your people is so low do you really think the .75-acre-feet is an issue?

Vince feels we should be concerned with the beautification of the Service Area. If you drive around Silver Creek you see properties that are a green oasis which is reflected in our high water users. The vast majority of property owners are reluctant to water their property because they know they will receive a substantial charge after 20k gallons when they are supposed to be allocated .75-acre-feet for the year. A professional arborist indicated a lot of properties are having issues with trees. Residents are not watering in the early stages to get their trees established because they are too concerned about going over their allocation. It's not only a financial game but it's also a matter of the appearance of our community with lots of dead trees. The increase in dead trees means more bugs and the more stressed they are the more trees die. When you consider that each lot is allocated .75-acre-feet we have to find a medium ground that not only meets our budgetary needs but also offers a choice for conservative water users at 2k gallons each month or to use .75-acre-feet per year. He wants to avoid government overreach that says you may be allocated .75-acre-feet, but we are going to make it impossible for you to reach that. Suzanne replied we can do that, but it will mean a really high base rate. However, we can offer a discount to our conservation-oriented users.

Curt stated you will have to borrow money to do a substantial project. What Suzanne is talking about is not done any more and it's called a *declining rate structure* which is where the more you use, the less you pay. Suzanne disagreed. If your allocation is 30k gallons each month the base rate is \$300 per month. If the user does not plan to have any overages the only other option is to offer discounts to those users not using their 30k gallons. Curt replied that would not be acceptable to the funding agencies. If you had that rate structure funding sources would require that you change it before they will give you any funding. Suzanne replied that is helpful to know. Curt added in order to qualify for funding from any funding

agency, and they all follow the same guidelines, you have got to have a conservation-based rate structure which means the more you use, no matter how high it gets, the more you are going to pay which he has incorporated into his scenarios. Vince replied that makes perfect sense except we are in a unique position.

Curt asked what would people say if they were required to turn in their certificates? Larry replied we hold the certificates. Vince added we own the rights. When this development was originally created it was set-up to be a private development. When Alan Lewis created the lots, each lot was dedicated .75-acre-feet. He had purchased enough shares to accommodate that. Curt asked are you built out? Vince replied 80%. Curt asked what about the standby lots? When they connect will you be built out? Vince replied yes.

Nathan added the real issue is Silver Creek should have been a private water company. The problem is, the shares Mr Lewis owned could not be divided down enough to provide the small amount of water for each lot. You have some stand-alone water rights but half of the Service Area's water rights are two irrigation companies: Davis and Weber Counties Canal Company which doesn't recognize a share less than one-half a share which means, for the Service Area, 3-acre-feet per share. Curt replied that is pretty typical. Nathan agreed it is typical except their shares were originally worth 8-acre-feet per share while now they are worth 6-acre-feet per share. The smallest we can divide that down is to 3-acre-feet which means you can't give one-acre-foot per lot. The other shares are the Wanship Irrigation Company #2 which also has a similar prohibition in their articles and bylaws which don't recognize anything less than a share which is equal to 3-acre-feet. That is why Mr Lewis couldn't give everybody their own proportionate share. If Nathan was setting this up it would have been a private water company and each lot would have a share for a certain amount of water. The Service Area owns all this water was because they couldn't divide it down enough to give one share to each lot.

Suzanne stated residents think the .75-acre-feet means that they can have access to that at the base rate. She is not sure we can deliver that. We can say they are entitled to up to .75-acre-feet before we turn it off. Curt asked how much water do you get out of your sources? Do you get .75-acre-feet per lot?

Suzanne replied that is what we are working on. Vince replied in an average year we are only using 40% of our source water. Suzanne replied 60%. Chris replied we can deliver it but we need to consider the increase in infrastructure costs, the additional wear and tear costs and costs such as electricity if we are suddenly to provide .75-acre-feet in the third quarter of every year.

Vince stated it costs us something to deliver that first gallon, but our unique position is that we don't pay for our water, so we are not like other companies that are buying water from Mountain Regional. Suzanne stated our financial statement tells us what it would cost us if we were to sell it. Vince stated the way he looks at it is, what does it cost us to deliver that first gallon? Because from there, it really doesn't matter. Suzanne replied yes it does, in capacity, flow rates and pumping speeds. Larry added arsenic media, water rights and meters. We just spent \$450k to purchase needed water rights. Suzanne added 6" lines versus 8" lines to make sure we can provide fire flow per the requirements. It's no different than what she does in her own home. She has a well and must consider the size of the line, the size of the pressure tank, running time and quantity of relief. If she wants to irrigate, her utility bill is going to go up in the summer. It is going to cost me more per gallon to water my trees because of the electricity cost. Curt agreed. Suzanne stated if we are going to try to keep our costs equal across the use of all .75-acre-feet she is unsure we will get there. Vince replied he is not saying we need to keep it equal. We need to find that middle ground.

Larry replied he doesn't view the .75-acre-feet in the same light. He has access to .75-acre-feet. There is no guarantee that water is going to be delivered to me for free. Vince replied he is not saying that either. Suzanne agreed but let's not make it punitive. Vince replied if we have access to .75-acre-feet don't penalize me one month for using a little more than how we currently allocate. At the end of the year, we only used .3-acre-feet. Curt asked what would happen if a severe drought occurred and your sources simply won't produce that much. Suzanne replied we are already in that situation because we can only run the Greenfield Well three months each year which will require an investment to make that capacity available. Larry added we have an increasing dissolved solid problem in the Echo Well which will

need to be addressed. We have got six to twelve years on that well. Suzanne added that is because our demand is going up.

Vince stated it is not an easy thing to figure out. The board must make our best recommendation. Chris stated he leans towards Scenario #4 because it raises the rates a little bit, but it lessens the penalties. It allows more of our residents to use a higher amount of water before they are penalized. He would love to support Scenario #1 but it's just not right. Curt agreed. When he does rates for anyone, his first scenario is always to leave everything alone except the base rate. In his opinion Scenario #1 is very unfair. Chris stated he leans towards Scenario #4 because it gives less penalties and you can use a little bit more water. June, July and August are our heaviest use months. Curt stated he is not trying to get out of doing more work for the Service Area, but he is not sure what we are doing here. Scenario #4 might be the closest to the middle ground you mention. Chris asked can we just have a third quarter rate. Three quarters out of the year we are running a base rate and in the third quarter it penalizes the heavy users. The numbers will change, and we will still have an increase. but it's stretched over nine months instead of twelve months.

Vince asked how many users exceed .75-acre-feet? Those are the ones who should be penalized. Curt asked how many gallons is in .75-acre-feet. Nathan replied an acre foot is 325k gallons and .75-acre-feet is 244k gallons. That is how we determined the 20k gallons. Somebody did the math and divided it by 12 and that is where you get your 20k gallons. Vince replied, if we are going to raise rates which we haven't done in 15 years, he recommends raising the base rate to \$95. Suzanne replied but that only gives you 10k gallons. Vince replied that is not going to be unreasonable to a resident who is aware this is the first rate increase in quite some time. He also believes we have to take the cost of delivery into account. We need to spend more time with this. Chris stated he has everyone's calculations and will develop it further. **Larry asked Chris to do a breakdown on the monthly usage.**

Bob stated we need to decide if we are going to have Curt do anything else. Curt replied he is glad to provide any additional assistance, but he feels Chris can play with it at this point. Suzanne agreed adding we can create scenarios 8-10. Larry stated Curt has given us a lot of insight.

Bob stated before we leave tonight, he wants to form three committees. Larry stated the water committee should be the same as the arsenic committee. Suzanne agreed. Larry suggested Vince and himself. Bob agreed but there are two other committees we need to create based upon previous discussions. Larry replied we have the finance committee, arsenic committee and the water rate committee. Bob stated we have been asked to form a connector committee. Vince volunteered for the connector committee. Larry stated he would like to see what the County's rough plan is before we get too far down the road. Suzanne replied we will show up and we will be educated. Larry stated when Radke was here he said they were a year away from a plan. Bob stated that's true, but they want people to be able to give input before they start making decisions.

Curt stated when the Service Area reaches the point of seeking funding for your projects, he is happy to assist through that process. He wants to ensure the board is aware of all available funding which is probably more than our current engineering firm is aware of. Vince replied we are very interested in taking advantage of that. Larry stated we are lumped in with Summit County as far as income is concerned. Vince stated he understands they base it on zip code. We may be in the zip code, but we are also very different. Curt asked, have you done a door-to-door income survey. Several board members indicated they don't want to do that. Suzanne replied the standard deviation in this community would be huge. Curt stated more than likely you are going to have to take a loan which he anticipated in his scenarios. Larry replied we figure we will have to bond. Curt continued but you should be aware there are 4-5 options available. Some engineering firms know all the funding options and they will shop around for the very best package they can put together. Other firms have their preferred funding agencies. **He offered to come back to explain the funding agencies.** Larry stated we have many projects that need funding. Curt asked how far along are you with HAL? Larry replied we have done the RFP, selected the technology, have an understanding of the budget for the arsenic plant and we have put out an RFP for the fire flow and water quality projects which came in double the engineering estimates.

Vince stated Chris and Curt should follow-up. Curt can give us some recommendations and some realistic timelines of funding. Suzanne added we need to know what we need to have pulled together to go out for funding. Curt replied your engineering firm should handle that for you. You are going to need financial statements and know everything about your finances. The application is very involved, but the engineers should do that. **Suzanne replied we want to understand what to expect because the engineers will charge us to determine what needs to be done and we need an estimate of the application cost.**

Curt stated Rural Development, Division of Drinking Water, Community Impact and all of the funding agencies have planning money to loan. You can get up to \$40k from the Division of Drinking Water from their staff without going to their board. He is a little disappointed with our engineer because they should have talked to the Service Area about this. As soon as you know you have to do a project, regardless of the type, you should get that money to pay the engineer to figure out what you need to do. Suzanne replied she doesn't want to borrow \$40k and only get half a project done. Curt advised there is nothing wrong with putting out an RFP to engineers to see if you want to use them. Curt offered to prepare an RFP and he offered to provide a list of Utah engineering firms within a day. **Let him know.**

- 4. Audit Review:** Marla Howard was present to discuss her preparation of the audit. She stated she made some assumptions regarding Class B Road Funds in order to facilitate the completion of the audit before her departure. All the field work and testing was completed prior to her last day. Jon Haderlie reviewed the audit report. They found no non-compliance issues in the required reporting areas. Because the URS is a contributory retirement system and you are paying the contribution on behalf of the employee, your board minutes should show authorization or approval that you are picking up the certified rate. The purpose is to allow the employee to prove to the IRS, if necessary, that the employee should not be taxed on the employer's contribution.

Nathan asked, would it be better to authorize the General Manager to complete the necessary paperwork needed to solidify this with the pick-up rate. Jon replied you probably should wait until somebody actually starts contributing or you start contributing for an employee. That way you will know what the rates are. **Nathan asked after we get the application process started, then when are actually ready to start funding the account, at that point in time, is when we show a discussion in the minutes showing we authorize the pick-up rate. Jon agreed.** URS will determine the rate you must contribute. If you hire someone that has been working for the government for more than five years, they will be in the Tier One. If it has been less time or they have been employed by the government less than five years, they will be Tier Two. There are different rates based on the tier assignment which will determine the entity's contribution. In a traditional 401K, your contribution would lower your tax liability or your taxable income at year's end on your W-2. It would be same as their own contribution to the URS which would be taxed.

Jon stated of the new pronouncements introduced in 2019 Governmental Accounting Standards, Board 88 (GASB-88) is the only one applicable to the Service Area which has to do with your debt disclosures. Because you only have one set of bonds, it really didn't affect the Service Area. You are required to separate any bonds from direct borrowing. If you were to get a loan directly with the bank, it would have to be separated on the financial statements whereas previously we were permitted to combine them as debt.

We had to disclose what collateralizes your bonds. If you defaulted on your bonds, the bondholders can't rip out the waterlines, for example, that were the main purpose of the bonds. We have collateralized it with your future revenue from water service fees which is a new disclosure in the financial statements. Remember there is always estimates in the financial statements which can change over time. Because we wanted to get the audit done on an accelerated schedule, we had Marla estimate the most recent Class B Road Fund payment. It could be off by \$200 but it is not going to be significant. A lot of agencies will estimate the final two payments so they can close their books to prepare for their audit. Accumulated appreciation allows for uncollected accounts. We strive to ensure those estimates are consistent, so your data is comparatively reliable year to year.

Jon continued, we had no difficulties performing the audit. There were no uncorrected misstatements or disagreements with management. The purpose of the management representation letter we requested you sign is to demonstrate full disclosure regarding fraud, litigation, non-compliance or conflict of interest. It intends to be comprehensive for potential areas of concern which we will consult to form our opinion. **If an issue or dispute between us arises, you may consult another auditor with the proviso that we can also consult with them to reach a resolution in order to complete the audit.** We had no findings this year either with internal controls or compliance. The district books are very well maintained and significantly improved from five years ago. Do you have any questions?

Larry stated he is concerned with our internal management continuity and the potential to lose our gains in this area. He asked if Angie was updating Pelorus? Bob replied yes. Larry asked can we access financials from Pelorus. Marla replied Angie can access Pelorus. The access disruption to the PTIF was due to a password problem with Wells Fargo. Bob replied that is correct. He sent an email to the Board about the need to skip the financial dashboard this month.

Jon requested the Service Area keep him informed of the new general manager and offered to assist as needed. Larry replied, we are going to have to do that because none of our candidates have a financial background. Jon stated we can be used as a resource where needed particularly with Pelorus who is very responsive to him. Marla stated she met with Pelorus who indicated they were willing to help in the transition. They actually find it easier to train someone without any familiarity with accounting software. Jon added they will be willing step in to get stuff done like reconciliations. Larry replied as the quarter closes at the end of the month we might want to take advantage of that to ensure our numbers are solid. Scott has been doing a good job of keeping up with the process. **Larry added we need to make sure Jon is in touch with Angie to ensure he gets what he needs. Suzanne stated after the transition we might want to do an interim mid-year to make sure our process is satisfactory before we start the budget process in August. Larry added, no later than July.**

Jon offered to upload the audit documents to the State of Utah. Marla replied he should do it. Jon replied the Service Area will have to go to financial certification. Who should he send that to? Larry said to send it to him as he is the treasurer and to copy it to the Assistant Clerk and to the Interim General Manager as well. Jon replied it is a template. You just have to change the names and sign it. Send it back to Jon and he will upload it.

5. Administrative & Financial (motion/voting):

- a. General Manager update: Bob stated he shared with everyone a letter from Clint McCaffey of Park City Municipal regarding the location of a new tank. He indicated he hasn't pursued approval due to waiting for our new general manager to begin. Bob told him to continue with the process. We need to buy it or lease it or get their approval to use it. **Suzanne suggested Bob arrange a conference call with Clint for Suzanne and Bob to keep our request moving forward. Vince suggested Suzanne become his contact because Bob is interim.**

Bob stated he would like to have a closed session regarding the general manager interviews after the closed session on the Church. Nathan told him he must state so in this portion of the agenda. Suzanne asked about the closed session for vacation. Nathan replied they must be done separately. You don't have to put a closed session in the agenda to have one. It is a good practice to do so as well as the statutory reference so the public knows. The code says you must have the item noticed on your agenda and be reasonably specific. The "General Manager Update" contemplates that the board is considering hiring a new general manager. You can do so at the end of the meeting or you can do it now. Suzanne asked the Assistant Clerk what is easier. Eileen replied it is easier to finish with the open session and then have the closed.

- b. URS Resolution and contract: Nathan stated the resolution in the packet is a draft prepared by Eileen which requires modification to include the Public Employee Health Program (PEHP) and correct the signatories. Nathan asked, who is getting the benefits? Bob replied he has not had that conversation

but obviously the new general manager. Nathan asked is the assistant clerk is getting the benefits too or is it just the general manager? Eileen stated the February 2020 minutes state that the URS benefits must be offered to an employee who works over 20 hours per week but she doesn't know the requirement for PEHP Nathan presented his revised version. Bob asked does Eileen's contract include vacation? Eileen replied it does. Bob stated he hasn't seen the contract. Nathan replied your contracts include vacation pursuant to your personnel policies. A part-time employee gets half of what you get if you are full-time. Bob asked how does he determine how much vacation remains available to Eileen? Larry suggested ADP will know. Bob is discussing ADP with Marla so he will ask her at that time.

Scott asked is there an employee contribution to URS and PEHP? Nathan replied he did not discuss this portion. He prepared the resolution which starts the process. Suzanne added then we come back to discuss this further such as the financial impact. Vince agreed. Larry stated if you look at last year's budget we were significantly under the payroll budget.

Nathan cited the Personnel Policy Article 10 Section 1, Length of Service Hours Earned, part-time employees will receive 50%. Part-time is defined as anyone who is working 30 hours or less. Eileen asked what is a pay period? Larry replied two weeks. Nathan stated sick leave is accrued at four-hours per pay period for full-time and two-hours per pay period for part-time. Your personnel policy was based upon a template and repurposed to allow you to hire Marla. The intent always was for the Board to contemplate it further and revise it where necessary however it appears to be working okay. Larry added it appears pro-forma. Vince and Suzanne agreed. Nathan noted it doesn't specify if you pay the annual leave upon departure from the position. We agreed to do that with Marla because, in his experience, it is generally accepted that annual leave belongs to the employee. Larry stated under Utah law it was withheld from him. Nathan replied, that's true. Unless it is specifically spelled out you don't have to do it. Larry stated he agrees, we should pay it out. Vince pointed out the annual leave is paid out but not the sick leave. Nathan added, sick leave in the public sector is typically treated a little bit differently. The State of Utah previously, in his past experience, did not allow you to cash out sick leave. You could, however, exchange it for health insurance premium payments.

Larry motioned to adopt Resolution 2020-03 authorizing enrollment in Utah Retirement Systems (URS) and the Public Employee Health Program (PEHP) for the benefit of employees working 20 hours or more per week as amended by Nathan which was seconded by Vince. Approval was unanimous.

- c. Staff reports (water relief, past due accounts): **WATER RELIEF:** Eileen summarized the *water relief application* noting that a staff report and repair receipts are in the packet. She recommended 75% relief noting the cost to deliver the water would be covered by the applicant's portion. Nathan mentioned we have discussed creating a new policy in which we would establish criteria allowing the staff to apply the relief without going to the board but it would go to the board upon appeal. He suggested implementation of that is delayed until all the water policy has been completed. However, you can do whatever you want. We want to create consistency. Vince agreed.

Larry stated he supports the staff recommendation. Vince asked if we can set up a payment schedule. Eileen replied we can so at the request of the resident. Bob replied we are always willing to set up payment schedules. Eileen stated the applicant has brought their account current except for the leak overage. The applicant stated her family will need a payment plan as she and her husband are currently unemployed due to her husband's health issues and asked if there was a specific repayment structure in place. Eileen replied we customize our payment plans based upon the needs of the customer and requested the applicant send her an email with her proposed plan. Vince recommended the applicant propose a repayment amount that they can handle. Bob stated they should remember they will have the regular monthly rate to pay for as well. The applicant agreed.

Vince motioned that the 75% water relief request as described in the staff recommendation be approved with a balance of \$3,590.68 and for the homeowner's and staff to work out a repayment plan which was seconded by Larry. Approval was unanimous.

Scott stated this is a lot of money. Our customers have got to be very very aware of their water. Do we ever decline relief? Vince replied we have denied water relief requests in the past. Chris stated usually the resident and staff agree on the cause of the leak and evaluate the situation from there. In this case there were two different opinions on the cause of the leak due to what Chris saw and what the resident presented, as you can see in the data provided, and therefore their request became very contentious. We covered our cost, but Chris would have preferred to offer 50% relief. Vince proposed two tiers for water relief: the current relief if you are on EyeOnWater and if you are not on EyeOnWater, our relief becomes more strict.

Larry stated he still can't figure out how to install EyeOnWater. We have not done a good job of pushing EyeOnWater. Vince replied he disagreed. Larry noted he has never seen a broad campaign such as posters, a link on our website or mention in XpressBillPay. Our metric remains lower than 25% adoption of EyeOnWater. Vince replied we may never get more. He has seen EyeOnWater in the bill pay and with our water invoices three or four times.

Scott stated it looks like the office catches leaks early. Larry stated staff is supposed to be checking for leaks a couple of times a week. We cannot put the responsibility for leak detection upon our customers. The responsibility should be on the Service Area. Vince and Suzanne disagreed. Larry stated we have not done a very good job of this. Vince replied there is no other utility that does that. It is up to the consumer to shoulder the responsibility.

Larry there is not sufficient awareness in the community. Suzanne suggested some posters. Chris offered to install a billboard at the mail center. Larry agreed. **Chris suggested a 3' x 5' right where the banner is. Suzanne suggested we place the EyeOnWater sign on top of the fireworks sign. Vince suggested the sign include XpressBillPay.** Suzanne suggested a marketing campaign. Chris suggested someone make a motion for the banner. Larry replied that is not necessary as it's within the general manager's spending limit.

Vince requested Chris draft a new relief plan showcasing with and without EyeOnWater tiers. **Scott suggested we offer a \$25 rebate for those who enroll in EyeOnWater. Larry and Suzanne like the idea.** Larry suggested a \$5 incentive for using XpressBillPay. Suzanne suggested that idea be tabled.

PAST DUE ACCOUNTS: Eileen stated there is a short staff report regarding *past due accounts* in the board packet. As of February 6, 2020 there were 31 past due accounts. Since then nine accounts were brought current. Marla has left instructions to submit the balance of 71% to the County for lien. She also provided a comparison with 2019's past due summary. Suzanne asked if there was a fee for applying a lien and do the past due accounts know about that? Eileen replied yes there is a \$50 fee which is paid by the account holder and they are informed of such in our past due letter.

Eileen shared that our biggest problem with past due accounts is the account holder fails to keep the Service Area apprised of their mailing preferences. Most of the past due account holders are not receiving their bill whether they stop using their mail center box or change their PO Box, our invoices to them are not being forwarded. Vince replied there is automated mail forwarding. Eileen replied they might not use it, or it might end. People are not getting their bills. This may be why our account holders are not using EyeOnWater. They are not getting our newsletters either. They also may not be on Nextdoor. Suzanne replied this is not our issue. Vince agreed. Suzanne stated we are being nice by keeping the water on because that wouldn't work with Mountain Regional. Vince added we are not responsible for a lack of responsibility on the part of our residents. Vince asked are we following all the legal requirements to take out a lien. Eileen replied yes. She works from a table provided by Marla and everything is verified.

- d. Invoice review: Bob stated because of the changes in the general manager position we have checks that need a second signature and the treasurer should look through these. There is a Hansen, Alan and Luce invoice needing approval which Chris should review and sign-off on. Bob stated we need to refund \$3.5k to Jonas. With the board's approval, Chris is going to put on the inspection report this

only covers the culvert and the public road portion not his paving going into the property. We want to ensure he knows we are not approving or condoning what he has done in the easement or driveway portion. Suzanne stated, Marla told her she had forwarded her assessment of the situation to the County. **Nathan added, we should make very clear that the return of his Roads Deposit should not be construed as an acceptance or approval or endorsement of the paving he applied to the ROW to create an extension of your private driveway without application, permission or inspection. Additionally, we should remind him that if he does not want his encroachments to be removed, he should work with his neighbors to create a private easement. Chris agreed to draft a letter and send it to Nathan. Bob stated he needs to know the last communication Marla sent to Jonas. Chris suggested Bob search his email.**

Scott asked if this driveway ROW issue is a problem elsewhere in the area. He believes his driveway does this. Bob replied it is not a problem anywhere else. Nathan replied it is a unique situation because Redden road was built in the wrong location and the plat wasn't corrected. Chris stated Scott went through the process and his was fixed or he would have the same issue with Maple Dr. As far as we know, the Jonas driveway is the only one left.

Bob expressed the need to understand the complete scope of our communication with Jonas on this issue. Nathan replied our communication with Jonas has been definitive. The neighbor's feel it is somehow the Service Area's fault that this wasn't corrected before. The Jonas' don't want to go through the process to vacate the right-of-way and obtain an easement. Nathan stated it's probably fine leaving it as it is, but they do need to remove their encroachments and understand we are not maintaining the illegal paving and that they don't have the right to maintain it. The encroachments will be subject to County Code Enforcement if they aren't removed. If, however, they want to maintain a private paved driveway and keep their encroachments their only option is to get an easement from the property owners.

Chris requested that he needs a witness to ensure Jonas doesn't create conflicting stories. Nathan agreed. Jonas claimed that Chris saw him doing the work and didn't say anything therefore Chris approved it. Chris replied he only saw them illegally using the fire hydrant water. The County Engineer would still need to do a pre-surfacing inspection prior to paving and that didn't occur. No part of the application and inspection process occurred.

Vince asked, what is the County's policy on the tracking of private driveway dirt and gravel onto the paved public ROW. Chris replied only during construction activities. There is nothing we can do. Vince continued that a driveway off of Wasatch Way is going to destroy Wasatch Way. Bob replied it is happening on Westwood Rd too.

Larry motioned to approve this month's invoices as presented which was seconded by Vince. Approval was unanimous.

6. Road (motion/voting);

- a. Engineer RFQ results: Chris provided a staff report in the board packet. He evaluated the submittals according to our RFQ and the potential benefits to the Service Area. He did not evaluate for pricing. He wants to discuss his suggestions and have the Roads Committee evaluate for costs because the costs are all different. One firm's submittal only covered two of the topics. The other two firms responded completely with a lot of detail. Two submittals had additional benefits to the Service Area as described in the report which include: one firm has a water engineer on staff which might be helpful considering our arsenic situation. WCEC Engineers' Project Manager lives within the neighborhood and was also a former Summit County Engineer and a prior member of the SCSA3 Board of Trustees. The Epic Engineering Principal-in-Charge, Joe Santos, has committed to be our main contact with the Service Area. Scott stated you said two out of the three have comparable pricing. Chris replied that is what we need to discuss as a committee because some pricing is comparable and some is not. Bob

added he needs to know who will comprise that committee. Chris stated that decision needs to be made after the committee evaluates Chris' input.

Suzanne requested volunteers for the committee. Scott, Larry and Suzanne volunteered. Chris stated all of the RFQ responses are uploaded to google drive under Roads, 2020 Projects, 2020 Engineering Svs. Chris shared with the committee members during the meeting and stated hardcopies are available with Bob.

Suzanne asked if there was a Trail RFP published or has that already been decided? Chris replied an RFP was published for trail repairs not for trail engineering. Chris stated two Road RFQ responses contain a trail component. Larry observed the public notice for trail repair RFP states submittals are not due until March 13th. Chris replied correct. Bob added next Friday we answer any additional questions. Submittals are due Friday March 20th.

- b. Summit Cul-de-sac: Chris stated the cul-de-sac project has been put on hold. We need to gather some more information. The Service Area has retained Johanson Surveying. They are consulting other surveying entities and other property surveys. We must wait a couple of additional weeks to ensure accuracy and we must wait for the snow to melt. Larry stated an adjacent neighbor called him to let him know they fully support what the Service Area is doing up there. Suzanne stated the property owner at the end has added his own stakes in order to inform the Service Area of potential disagreements with boundary identification. This is creating confusion. The challenge is the rebar for the corner in dispute is no longer in the ground. Larry stated we need to wait for the snow to melt, stake and have the fire department to define what they want. Scott asked was the County's definition, the GIS part, nailed solid? Chris stated we think so. We may be off two feet at a certain location, but he is not a surveyor and supports waiting for the snow to melt.

Suzanne stated part of the confusion was the survey for Lot 179 was incorrectly recorded with Summit County. We have been working with the surveyor who corrected it and it has been uploaded to the County to allow us to work through the math. Larry stated the neighbor who does not want to be identified also noted the road is not where it's supposed to be. It was built on their property. Some of their property is now across the street. They are not contesting that. Nathan asked are any of your roads built in the as-platted locations? Vince stated his property his two separate lots. He wonders if he can hook-up water to it. Suzanne stated we have promised Howard Phillips that once the mistakes have been corrected and recorded and the snow has melted, we will stake the road and cul-de-sac and sort out any problems. We will allow him to be heard before we start building the cul-de-sac.

Chris stated we issued an RFP for the cul-de-sac and we received numerous bids. We have not reviewed them. We have put them on hold. Larry stated we should inform those vendors of a delay. Chris stated those four vendors have been notified. **Larry stated we should send them a response in writing from the General Manager.** Suzanne agreed. Chris replied two of them stated they will need to resubmit pricing if the delay is over 90 days.

- c. Snow Removal RFP results: Chris stated although two vendors came to the pre-bid meeting, we only received one bid which is from our current contractor. As indicated in the staff report, they did not change any of their pricing. Larry asked do we want to award this tonight? Scott remarked, this submittal states their charges will increase 5% each year. Chris replied, that is written into the contract. Scott stated, regarding start-up costs, when he hires a contractor, he doesn't expect to have to pay for their saws and hammers. They are a wonderful company but is this legitimate? Chris replied this was negotiated with the previous General Manager. As a contractor he doesn't agree with it but it was negotiated in the prior contract. Suzanne stated when she hires work on her property, and they are bringing in heavy equipment there is usually a mobilization fee. Chris stated in his opinion that should be in your overhead.

Suzanne stated we can either proceed or revise the RFP. Larry observed he did not raise his prices. Vince pointed out he can raise his price 5% per season and asked is that in their current contract?

Chris replied yes. Larry stated this is a three-year proposal and rates for the next two seasons, meaning the two options, will increase 5% per season. This locks us in for three years and if we want to rebid it in three years or if we don't want to hassle with it, we can absorb the 5%. This is a three year deal with two one-year options. Vince asked is that how the RFP went out? Suzanne and Larry replied yes.

Nathan stated initially we solicited one-year bids. Then it was determined we would prefer a three-year contract. Suzanne stated we didn't want to run into a situation where we have no contractor to perform the work. Scott stated if we had some competition we might get a better price. Larry stated this is pretty fair actually. Bob stated there is probably just one other company who would bid and they are not very happy with us right now. Scott asked are we happy with them? Bob replied they are located in Coalville. They lost a lot of money when the Westwood water line was installed. Chris replied that company is bankrupt and gone.

Vince stated he would like Chris to go back for additional discussion about the wear and tear items which is what the board would like to reevaluate. Larry replied that is what we approved for his last contract. He asked Chris to see if he can get a best and final quote. Chris agreed. Larry continued he feels they do a good job with very few complaints. They don't overcharge us. He scrutinizes the invoices closely. Suzanne stated they are out there very early in the morning. Larry stated it basically costs us \$5k per plow of the neighborhood in round figures.

Chris stated he is very willing to engage in additional negotiation for item number one. Suzanne observed that is where there is a little flexibility. Chris replied the other 5% is agreeable. Larry stated look at that 5% increase in the outbound years because we can choose to rebid this thing in the winter of 2022. Chris stated he was grateful to see some competition come to the pre-bid meeting. He is disappointed they chose not to submit, probably because they saw that it was more than what they thought it would be. They have graders and loaders but it is 27 miles of road as opposed to a 900-foot driveway. Suzanne stated we will postpone a decision until the next board meeting.

d. Road update: no additional discussion.

7. **Water (motion/voting)**

a. Commercial Water fees: no additional discussion.

b. Concurrency report: Chris stated our concurrency information had a timely submittal to the health department. Their review of us will be in April. Suzanne reviewed the water supply demand report and asked are we losing 1.0-acre-feet per month. Chris replied the loss could be due to theft or the fire department usage or fire hydrant use. The State of Utah is extremely pleased with our reported number. Some Summit County water companies are in the double digits or higher. Nathan stated aging infrastructure is a huge challenge with most systems. Your system isn't that old compared to some others. Stuff leaks and the older it gets the more it leaks. Larry stated he is curious how much leakage there is in the Silver Bullet tank.

Suzanne observed our report says we produced 5mill gallons of water, but we billed for 6.4mill gallons of water. Chris stated Beacon auto-generates these figures just because it can. We are not altering a lot of this. Suzanne replied this is an opportunity to ensure accuracy of our billing. The discrepancy between what we supply vs what we bill is 2.7mill gallons.

Chris stated the concurrency annual fee is \$2.5k. He wants to discuss our request for an exemption because we are built out and not expanding unlike other systems. Larry stated he doesn't understand why they charge us \$2.5k. Chris stated the Gorgoza Mutual Water Company is exempt now because they are built out. Suzanne stated we are in a much better spot then we were in 2018. Once we get our infrastructure upgrades we can demonstrate we are on the right path and they don't need to monitor us.

- c. Arsenic Treatment update: Chris asked for proposed meeting dates of the water committee members to meet with HAL. They have done the evaluations like before. **Chris will send the committee members the evaluations without the cost element so you can assess their responses.**
- d. Greenfield Well update: Bob reported was able to reach the president of the Greenfield Ranch HOA. They will meet at 11am on Monday March 16th. Should we have a quit claim deed ready for his signature? Nathan replied we will need a legal description. **Bob replied we have the legal description and a survey which he will send to Nathan.** Larry asked if the County would go along with this and will we have to get a building permit. Nathan replied, yes, they agreed and yes we need to follow all applicable codes. The intent was they were going to deed this over to us. They tried to do it via plat dedication. The County determined that was insufficient so now we need a deed.

Larry motioned to move out of public open meeting into closed session which was seconded by Vince. Support was unanimous.

8. Closed meeting for potential litigation Per Utah Code Ann. § 52-4-205(1)(c)

Any motion/voting will take place in open meeting after closed session

- 9. Adjournment:** *Larry motioned to end open public meeting and adjourn at 9:23pm which was seconded by . Support was unanimous.*

APPROVED