

**MINUTES OF AN ORIENTATION MEETING OF THE WEBER BASIN WATER
CONSERVANCY DISTRICT BOARD OF TRUSTEES HELD MONDAY,
NOVEMBER 28, 2022, 10:00 A.M., AT DISTRICT HEADQUARTERS**

Present:

Chairman Marlin K. Jensen
Trustee Mark D. Anderson
Trustee Kym O. Buttschardt
Trustee Randy B. Elliott
Trustee Scott K. Jenkins
Trustee Angie Osguthorpe
Trustee Christopher F. Robinson
Trustee Paul C. Summers

Excused:

Trustee Jared Andersen

Scott W. Paxman, General Manager/CEO

Brittney Bateman, Economics Planning Coordinator
Calysta Bravo, Finance Manager
Suzy Eppens, Contracts Administrator
Darren Hess, Assistant General Manager
Brad Nelson, Assistant General Manager
Jon Parry, Assistant General Manager
Kendall Searle, Administration Manager

Fred Philpot, Lewis & Young - telephonic
David Robinson, Lewis & Young
Becky Jenkins

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DISCUSS DISTRICT 4 WATER RATE PRICING REVIEW

Chairman Jensen welcomed all back from the Thanksgiving holiday and invited David Robinson from Lewis and Young to begin the meeting. Mr. Robinson reviewed the financial ratios and the District's financial goals in setting District 4 rates. The goals are as follows:

- Revenue Sufficiency – ensure capital and operation expenses are covered
- Capital Cash Reserves – maintain a minimum of \$10M
- Debt Service Coverage Ratio Minimum – 1.25 times the required minimum, although the District's ratio is 1.75

Mr. Robinson presented three scenarios for the makeup of the District 4 rate. The first scenario was to collect the impact fee entirely up front. The second scenario is to include the impact fee within the annual rate, and the last scenario is a hybrid approach with the impact fee being paid partly as a one-time, up-front charge and partly blended into the annual rate.

Chairman Jensen asked if all three scenarios would bring in the same amount over time, and Mr.

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Robinson confirmed that is correct. Trustee Robinson further clarified that the stream of cash flow does not account for time value considerations. Discussion continued regarding Trustee Robinson's question and the internal rate of return was debated. Coord. Bateman mentioned that this model also looks at balancing the District's bonding requirement.

Chairman Jensen asked if the District is wanting to give all three scenarios as options. Gen. Mgr. Paxman explained that currently the District gives our wholesale entities the option but our retail entities do not get the choice, so we are looking at giving a few options to our wholesale entities. Discussion continued regarding the assumptions that are made for each scenario and if each option is equally advantageous for the District. Fiscal impacts of each scenario were discussed, particularly the need for up-front cash flow for capital projects on the horizon.

Trustee Summers asked if District 4 is for water the District currently has in possession or water we are developing. Gen. Mgr. Paxman stated it is mostly water we have in Willard, but there is some new well development and stock purchases included as well. Coord. Bateman added that this includes upgrades to treatment plants to expand capacity, purchasing water stock, and developing current rights into wells.

Trustee Osguthorpe commented that part of what we are trying to accomplish is making the purchase of water less draconian to our wholesale customers and that we need to keep this in mind as decisions are made. Trustee Robinson stated that in certain scenarios it feels like the District would be giving an interest free loan, since the 4% increase included in the model seems to be just an inflator. He brought up the possibility of amortized payments and charging an interest rate. Mr. Robinson replied that he has done this with other entities, but indicated that the model was flexible enough to take this in account. Trustee Osguthorpe stated that charging the interest would ensure the options are more equal. Discussion continued.

Coord. Bateman began presenting the updated District 4 rates. She explained the retail pricing options and how they differ from the replacement water pricing. Trustee Robinson pointed out that the replacement water rate is less than the retail secondary rate. Coord. Batman explained that it is due to replacement water being cheaper to maintain because the customer has their own well that they are responsible for maintaining. The difference is only in the operations, maintenance and replacement (OM&R) portion of the water rate. She presented treated and untreated wholesale pricing next. In summary, the proposed District 4 rates are as follows:

RETAIL PRICING

Secondary Water

- Impact fee:
\$15,000/AF
- 2023 retail rate:
\$495.36/AF
+ connection fee

Replacement Water

- Impact fee:
\$9,750 per residence (.65 AF)*
- 2023 retail rate:
\$279.06/per residence*
+ state engineer/admin fee

TREATED WATER WHOLESALE PRICING

Annualized Capital Charge

- \$0 up front
- 2023 retail rate:
\$1,602.00/AF

Full Capital Charge

- \$22,000/AF
\$9,900 per ERU
- 2023 retail rate:
\$302.00/AF

Hybrid Capital Charge

- \$15,000/AF
\$6,750 per ERU
- 2023 retail rate:
\$727.00/AF

UNTREATED WATER WHOLESALE PRICING

M&I/Secondary

- \$0 up front
- 2023 retail rate:
\$1,432.00/AF

Replacement

- \$0 up front
- 2023 retail rate:
\$1,404.00/AF

Trustee Jenkins asked if we collect the impact fee now. Gen. Mgr. Paxman explained that we do this in two areas currently, West Haven and South Davis. Coord. Bateman explained that moving forward, when a retail customer wants to connect to the District system, regardless of service area, they will pay an impact fee.

Trustee Osguthorpe asked District staff if we feel this is the best option. Gen. Mgr. Paxman replied yes, absolutely, but it is not going to be popular. He said this will encourage entities to exhaust their other water options before coming to the District to contract for water and further encourage better conservation of the sources they currently have.

Trustee Jenkins asked if District 1, 2, and 3 water has an expiration date. Gen. Mgr. Paxman replied that the contracts do not expire but that we have been raising these rates so that each block of water is collecting their share of the replacement costs. Trustee Summers asked about our customers bearing the entire cost of this, and Gen. Mgr. Paxman explained that there are some Grants, already received by the District, that were factored into the model.

Trustee Robinson asked about the perpetual contracts and asked if the rates on these contracts were also perpetual. Gen. Mgr. Paxman explained that the capital component of the rate is typically fixed and perpetual, but the OM&R portion of the rate is adjustable by the Board annually. More discussion followed.

Gen Mgr. Paxman explained that the District 4 water rate hearing might need to be different from the hearing to raise the current District rates across the board. Having one hearing for both items would be convenient, but we could separate the hearings for the sake of general understanding.

Trustee Jenkins commented that there is another side to this and that we represent citizens. For every dollar we increase, we make development harder and harder and we will make it difficult for our children and our children's children to build or purchase a home. Gen. Mgr. Paxman

replied that is another reason why these discussions are essential in making the decisions to take to the public at the hearing. It is also the cost of continuing to supply water for future growth.

Gen. Mgr. Paxman stated that staff recommendation is that we offer all of the options as discussed.

Chairman Jensen asked the board for their thoughts on offering these options. Trustee Buttschardt commented that she also recommends offering these options. Trustee Robinson stated that he is fine with the options if the finance interest charges are added on the options that do not pay the up-front capital charge to make up for the time value of money.

Chairman Jensen asked for a consensus, and it was given to proceed with the presented options, knowing that there will be further discussion on Thursday's board meeting.

II ADJOURNMENT

Chairman Jenkins thanked the presenters and adjourned at 11:48am leaving the additional agenda items for discussion at a later date.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Scott Paxman", written in a cursive style.

Scott W. Paxman, General Manager / CEO