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BOARD MEETING MINUTES

June 18, 2015

BOARD MEMBERS IN ATTENDANCE: Board Chair Brent Hunter; Board Members: John Black; Rick Bonzo; Tim Watson by electronic means pursuant to Utah Code, Section 52-4-207. Excused from this meeting: Paul Cozzens and Spencer Jones.

STAFF PRESENT: District Manager Paul Monroe; and Office Manager Mandi Williams.

OTHERS PRESENT: Kelly Crane, Kelly Chappell (Ensign Engineering); Doug Hall (CICWCD Water Conservation Advisory Board); Roice & Andrea Nielson (Citizen); Paula Mitchell (Citizen); Rick Roberts and Gabe Miller (Kimball & Roberts CPA)

CALL TO ORDER: Board Chair Hunter called the meeting to order at 6:33 PM

DECLARATION OF ABSTENTIONS AND/OR CONFLICTS OF INTEREST BY BOARD MEMBERS: No abstentions by Board Members

CONSIDER APPROVAL OF MINUTES FROM THE BOARD MEETING HELD

JUNE 18th, 2015: Board Member Bonzo moved to approve the minutes of the meeting held June 18, 2015 as they are written; Second by Board Member Black; vote unanimous at 6:37 PM (4:40)

FINANCIAL REPORT: CONSIDER APPROVAL OF ADJUSTMENTS AND PAYMENT OF BILLS FROM May 16, 2015 THROUGH June 15, 2015.

Monroe- You'll see the charge for the new RTU install on Booster #3, this includes labor and service. We did purchase the new pump for Derby #1 and we will be install that within the next few weeks. We are just waiting on Bert to schedule us in. As we discussed last month you will notice that there are payments of invoices for our Water Festival that will be held this Saturday June 20th, 2015. On the Transaction Register you will notice the only adjustments made were deposit refunds and the reversal of late fees due to customer's good standing payment history with the District. Board Member Black motioned to approve the adjustments and payment of bills from May 16th, through June 15th, 2015; Board member Bonzo Seconded; vote unanimous at 6:42 PM (8:42)

REVIEW 2015 FINANCIAL REPORT: Monroe-We are halfway through the year. You can see that displayed on the financial sheet. Those lines that are above the 50% budgeted are things that, for the most part are taken care of in the Late Winter and spring. Black-On the Water System supplies line, why is that so close to the budgeted amount at only half way through the year? Should we be expecting that number to double? Monroe-We have completed the projects that were budgeted for in that line. I do not anticipate much change throughout the remainder of the year. Hunter-Looking at the income side of the budget, things look really positive. Monroe-Our connection fee and impact fee revenues are above



our projections. ■Bonzo-Do you know how many connections we have had so far this year?
■Monroe-We have had around 26 new connections. We originally only budgeted for 25, so at halfway through the year it is great to see that we've already exceeded that number.

CONSIDER APPROVAL OF THE 2015 IRON COUNTY TAX RATE: (12:32) ■Monroe-

The proposed tax rate is .000664 the previous year was .000719 that is a decrease of 7.65%. The reason for that decrease is due to the increase in property values. It is just a balancing factor. We receive the same amount of money and in order to receive the same amount of money they have to lower that rate. The new growth taxable value was \$33,000,000.00 if you multiply that amount by our rate we should receive \$22,000.00 in additional revenue. ■Black- This is not the certified rate correct? ■Monroe-No this is not, this is just the proposed rate that has to go through the process of approval through the county.

■Board Member Black motioned to approve the tax rate but hold it open since it is uncertified depending on determination from The County, if there is any change we can bring back the rate for approval; Seconded by Board Member Bonzo at 6:47 PM (14:34)
Motion was passed unanimously.

CONSIDER APPROVAL OF 2014 AUDIT OF CICWCD FINANCIAL STATEMENTS

Time was turned over to Rick Roberts and Gabe Miller at 6:48 PM. ■Rick R.-The State requires us to test you and your staff, to see that the District is following all state requirements. Upon the audit performed by our office, we had no findings which means that we did not find any noncompliance in your District. A lot of times with a small entity this isn't the case, you all should be commended. (17:39) The Management's Discussion and Analysis. (Board Members) This report takes last year's figures and compares them with this year's figures in a consolidated manner. This is so the reader can look at this and see what's happened to the entity in the last year. You will see in the financial highlights that it says that the District's net position increased by \$468,110.00 in 2014. The total net position or your equity is \$22,304,406.00 ■Hunter-Are those statements a value related cost? There isn't an appraisal done, it is just what everything cost. ■Rick R.-Right, there are no appraisals are done, it is just basically what each thing costs. (22:24)

Operating revenue is at \$590,845.00, in 2013 it was \$514,000.00 so you've increased, probably by adding customers.

In the operating expenses, \$1,580,000.00 compared to \$1,660,000.00 last year. So the district has decreased its expenses. Notice on your non-operating revenues or the property taxes (23:22) this year it was \$1,458,000.00 last year was \$1,490,000.00. I think the collections on property tax was a little lower than it was the prior year, however your cash flows are up. (23:41)

The bonds payable current also went up, your bond interest was higher than the year before. (26:14)

The District's net system is depreciating at \$665,000.00 a year at this time. Every year you can plan around that amount as expense or cost.

Page #15-16 show the note of Cash & Investments. You have a lot of cash on deposit, however, it is all in the same bank. As you are aware you can only have \$250,000.00



insurance in one bank. I would recommend spreading the financial risk out, you may want to consider opening accounts with other banks and deposit in those accounts up to, but not to exceed 250,000.00

The State Bank Management Act doesn't require you to do that, because they allow the bank to except public funds up to a certain amount. The state sends out a report twice a year telling you which bank accepts public funds. So this isn't a big issue but it is something to really think about. We are required to disclose to you your financial risk, so the report reads. As of December 31st, 2014, \$1,175,585.00 of the District's \$2,221,585.00 were uninsured. (32:28) *The District's long term debt is discussed on (page #18 of the audit report).* As Gabe and I have looked over some of the interest rates on these bonds. It may be a good idea to review those. Then when the District has any excess funds, retire some of those bonds with the higher interest rates. You will want to verify that the bonds we are looking to retire don't have restrictions on early payoff. 7:10 PM (33:56). *Discussion on bond payments and refinancing continues until (38:00)*

Gabe began to cover the compliance reporting.

•Gabe M.-I just want to give an understanding on what we do when we come in to perform an audit. Four of us that came in to work on this audit. Once we are set up and before we begin testing we have to assess the risk as to how much or how little has to be tested based on the standard required through GASB.

We read through your meeting minutes. The District is to be commended, and it is refreshing to see and witness how your meetings are conducted. The minutes are efficiently done, the motions and report review etc. are all done the way the State wants them done. Therefore, there are no compliance issues in that regard. (40:50) During the audit we also conduct a walk through. We ask either Paul or Mandi to walk us through the cash receipt procedures, or disbursements procedures. With such a small staff we can see that you go to great lengths to meet all the State compliance standards. (44:29)

One thing that we are not required to test but we are required to consider and report is internal controls. As we go through the audit process we stay mindful of internal controls, and try to identify weakness in internal control. We have reported that given these limitations during our audit we did not identify any inefficiencies in internal control that we would consider to be material weaknesses. (47:00)

The last report I will cover is State Compliance. The State of Utah requires auditors to do certain testing on specific items, in those specific items that we give our opinion on Central Iron County Water Conservancy District complied in all material respects with the compliance requirements that could have a direct and material effect on the District for the year ending 12/31/2014. We have also noted that there are no other auditing procedures disclosed or instances that would need to be disclosed for non-compliance. As I mentioned, we actually test more than is required and I just echo Rick's feelings that it was a clean audit and report. You have great personnel and we enjoy working with them. (50:16) conclusion at 7:22 PM (1:00:02)

•Board Member Black motioned to approve the 2014 Audit as presented Bonzo Second Unanimous at 7:33 PM (1:01:19)



WATER CONSERVATION: 7:24 PM-Agenda Item discussed before Item #7 due to lack of quorum. Once Tim Watson is contacted meeting will move back to #7. ▪Doug Hall-We are moving forward with things. Cedar City has committed next year to install a couple new controllers. We have also been able to confirm with Hunter Schaheen that he will be installing additional controllers throughout the Iron County School District. ▪Monroe-One thing I failed to mention is that the general ledger line for conservation projects should about break even for the year. We have Southwest Plumbing's sponsorship to thank for that as well as Ensign and many other sponsors from our community. We are really excited to host this event we feel like it is going to be a great opportunity for us to educate the public by just letting them know what is out there. 7:30 PM (59:31)

CONSIDER APPROVAL OF CROSS HOLLOW HILLS SUBDIVISION AGREEMENT

▪Wayment-We agreed to let them hire a bonded contractor rather than bonding with us. The other change was a typographical errors. The final change is that we agreed if they had the water they could lease it to use for one year. If they didn't want to lease it to us they could transfer title to us. They didn't like the term take title to us, so we took out that phrase and made sure that they are aware if the water isn't being used they run the possible risk of losing it. ▪Hunter-So you are satisfied with this agreement? ▪Wayment-Yes I am.

▪Board Member Bonzo motioned to approve. Second by Board Member Watson
Unanimous at 7:35 PM (1:03:10)

CONSIDER EXTENSION TO INTER-LOCAL WATER SERVICE AGREEMENT FOR CONTRACTORS ON THE IRON COUNTY BELT LOOP PROJECT

▪Monroe-Steve Platt presented in a 2013 meeting and the board approved Iron County to use Fire Hydrant water without charge. Last week a contractor came in to get a hydrant meter and was informed by Mandi what the deposit and charges for the hydrant meter were. (1:04:04) shortly after speaking with the contractor Steve Platt contacted the office. He was upset because he had already made agreement with that contractor that there would be no charge on the water, because of the approval from the board to use the water. I spoke with him the following day and told him that the way the agreement is written, the District only agreed to supply Iron County with water, for a six week time period that has past. Steve is now in a bind because the contractor did not include the cost of water in his bid, and because he has other project jobs that are going out to bid Monday. (1:05:28) I know that we made the initial agreement in good faith and to keep a positive relationship with the County. There are pros and cons associated with charging the County for the water. The revenue at this point will be coming out of the County's pocket. Our power cost to deliver the amount of water that is estimated to be used by the contractor on the upcoming job that is going out to bid Monday is around \$660.00. There are a couple of options for the board to consider: Continue to allow the County to use the water at no charge, or charge them full cost; or cover our cost to deliver the water. ▪Bonzo-It's my opinion that we have to cover our costs. It's coming out of our budget. The County has a budget that they can work with to. They charge rent on our building every month. It is only logical that we cover our costs. ▪Wayment-What will be done with the



current issue? Steve has bound himself to a contract with the current contractor. ■Black-Even with that being said. We have to cover our costs.

■Board Member Black made a motion that the current contractor that is working right now will be charged only to cover our cost to deliver the water. For the future bids going out it will be both water and the cost of delivery, which is the Fire Hydrant Construction Use water rate, \$2.00 per 1,000 gallons plus the base rate of \$65.00. *Clarification is repeated by Paul to Tim Watson.*

■Board Member Bonzo seconded the motion (1:10:12). Unanimous motion carried at 7:48 PM (1:16:45) *Discussion on approved motion continues until (1:16:40)*

AQUIFER BALANCE PROJECTS: ■Crane-We've been forging ahead quickly on the work we've been assigned on the West Desert. *Tim Watson disconnected from meeting at 7:49 (1:17:38) PM* We had the opportunity to meet with the State Engineer and USGS. We received a lot of great information that really supported everything we thought. While we were up North we also met with the Barnett's and discussed these large projects and possible projects. One thing that has worked for Barnett's is to create a template for assessing multiple projects and select a panel of experts and narrow it down to projects that are most feasible to develop and implement, then decide where to spend our money.

You recall the project list that Paul and I brought to you last month. We would like to add to that by asking those people who have ideas for projects to fill out this form and get into the details and provide us enough information that we are able to really evaluate the project and the viability of that project. For example, reuse of the sewer effluent, we'd like those that are proponents of that to put into detail how that is going to work. How will we be able to put that to use and what are the challenges that we might face in doing so.(1:20:24) We have developed the template and we would like to move forward and release these items to the public and ask for any public ideas to be submitted. We would give probably a sixty day time period for those submittals. We would like to have all of these things in place and finalized before the State Engineer comes in to do a ground water management plan in our Valley. 7:53 PM ■Hunter-We'd love for you to move forward, I think I can speak for all of us when I say that this is moving in the right direction. *Discussion on until 7:59 (1:27:31)*

WATER RESOURCES PRESENTATION: ■Roice Nelson-(1:27:40) 8:00 PM I would like to talk about the data I've collected with the technology that I introduce to the District four or five years ago. Part of what I will be presenting is how water comes down into the quartz monzonite. I've spent the last eight years developing a new geophysical data type based on lightning databases. *Presentation link included in minutes until-8:34 (2:02:40)*

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WAH WAH AND PINE VALLEY: ■Monroe-(2:03:01) I would like to talk about the meeting we had with USGS. They updated us on the water chemistry. We confirmed what we had hoped. That the water is moving North to Tule Valley, this is a good thing because all there is there are phreatophytic vegetation. The State is okay with drying up those areas and letting them go away.



There are also no water rights in that area. (2:04:24) This really helps us as we proceed through our Environmental Process. As for the water chemistry, I don't think it sounds like they are going to come out in the report and definitively say that the water in the underground is connected with the springs up above that discharge around the rim of the valley. However, they do say that it blew their minds that the water quality out of the springs was a poorer quality than all of the wells that they tested. That is not something that happens. They are left to believe that the water in that valley is not from snow pack but regular precipitation that goes directly into the aquifer. ▪Crane-The separation on the chemistry side of things between the basin fill and the springs, does definitively say they are not connected, but they sound like they'd like to continue testing. The USGS seem excited for us to continue on to learn more, they expressed that they would love to be part of the process as we go into testing wells next year. I think we would benefit from keeping them as the scientific arm on this project. They will be monitoring things to ensure that the valley is staying stable. ▪Monroe-In this meeting we collectively (Paul, Kelly, and Barnett's) would like to continue to monitor out there and James Greer from DWR said that he would like to partner with us along with USGS, this brings out number to around \$500.00 a year to continue monitoring multiple wells out in that area. (2:08:48) I spoke with the State Engineer and asked him about the groundwater management plan. He said that they are gearing up and we can start planning for that in the next few months. Discussion on groundwater management plans concluded 8:45 PM (2:13:28)

AQUIFER RECHARGE: ▪Monroe-We have two applications on file with the State Engineers' office for recharge waters. I think we need to move forward on those and clean them up. It will be a good idea to have it done before he goes ahead with the groundwater management plan. We will continue to work on things and on our relationship with the National Guard. 8:48 PM (2:16:08)

SUBSIDENCE MONITORING: ▪Monroe-Nothing to report, this will be discussed later in the fall.

GENERAL MANAGERS REPORT: ▪Monroe-Russel Reber is putting in a subdivision called Peak View. Cedar City required him to install a pump station or a lift station. To do that he had to pay impacts on a 1" water line meter and wants us to waive the impact fee. I did tell that I would take it to the board. 8:50 PM (2:18:41) Our next meeting is July 16th, 2015 and please be at the Water Festival on Saturday. (2:19:07)

BOARD MEMBERS REPORT: None

ADJOURN:

Board Member Bonzo moved to adjourn. Second Board Member Black; vote was unanimous at 8:51 PM. (2:20:17)