

**Bear River Water Conservancy District
Board Meeting
Wednesday, September 24, 2014 @ 7:00 p.m.
Bear River Water Conservancy District Conference Room
102 West Forest Street, Brigham City, Utah**

Minutes

Present: Trustees: Vice Chairman David Forsgren, Financial Chairman Charles Holmgren, Roger Fridal, Brent Baugh, Tyler Vincent, Jay Carter, Jeffrey Scott, Richard Day and Russell Howe

Staff: General Manager Voneene Jorgensen, System Operators Robert Phippen and Robert Thayne and Administrative Assistant Cassee Harper

Visitors: Bill Bigelow – Hansen, Allen & Luce
Matt Millis – Zion’s Bank

Excused: Clinton Burt and Neil Capener

Pledge of Allegiance

Adoption of the Agenda – Vice Chairman Dave Forsgren

A motion was made by Board Member Fridal to adopt the amended agenda as written. The motion was seconded by Board Member Scott. Vice Chairman Forsgren, Financial Chairman Holmgren and Board Members Fridal, Baugh, Carter, Vincent, Day, Scott and Howe voted in favor of the motion.

Approval of the Minutes for the Board Meeting held August 27, 2014

The minutes of the meeting held August 27, 2014 were included with the packet that was mailed to the Board Members.

A motion was made by Financial Chairman Holmgren to approve the minutes for the meeting held August 27, 2014. The motion was seconded by Board Member Vincent. Vice Chairman Forsgren, Financial Chairman Holmgren and Board Members Baugh, Vincent, Fridal, Day, Carter, Scott and Howe voted in favor of the motion.

Financial Plan Proposal – Matt Millis, Zion’s Bank

General Manager Jorgensen asked Matt Millis from Zion’s Bank to do a Financial Plan Proposal for the District. The Financial Plan can have a lot of flexibility and can be updated every year. It will give us some goals to maintain and allow us to strive towards financial sustainability.

Matt Millis has worked with the District several times. He has done studies on impact fees and has done the rate study for the South Willard and the Collinson Water System, etc. While putting together this proposal he wanted the absolute best value for the Bear River Water Conservancy District.

You might think a Financial Plan like this would be good for big systems; however, it is more important for smaller systems. When a big system has something go wrong, they have a lot of cash and a lot of resources and the availability to get instant money from the bond market. Small systems don’t have quite as many resources as the big systems do so there needs to be a maximization of all your opportunities and a strong plan to hedge against future risks that could end up costing a fair amount of money, or allow you to be able to take advantage of opportunities to save money.

With this financial plan, every time you issue a bond you will put together coverage tables for the benefit of the rating agencies. These tables tell them whether or not you will have enough money to repay those bonds. These coverage tables need to be updated every year so you have all your new information on there.

We have built a lot of base models in the past so there are a lot of the models that are common and the calculations don’t really change between models. To get the greatest value for Bear River Water Conservancy District we will take some base model calculations that are the same for many different districts and we will adapt those to the District’s particular situation. The District has their overall general district financial position such as the District wide expenses, revenue and debt load, etc., but there are also separate systems each with unique characteristics and circumstances. Some systems are older and a bit more established and then there are new systems. Each system needs to be looked at individually to make sure that it is on a path to sustainability and to make sure that all the parts are financially working properly. If we need to do a rate study, this financial plan will do about 75% of the study for us. There have also been experiences where districts and cities would rather not bond so they set up the rates to be able to save up money so they can avoid bonding. This would save the District a lot of time and money by not having to bond.

We can test each scenario to find out what and where the needs are and then every year we get new data from the financial reports. It only takes a matter of a few hours to update the numbers to keep things current. We anticipate that entering new financial statements and updating the data will take approximately 5 hours per year. To add another system to the plan would take approximately 10 hours once the plan is all set up so it would not come close to building the initial model.

General Manager Jorgensen agrees a financial plan would be very beneficial in guidance and in knowing where we stand. It will allow us to look at different rates and different rate structure scenarios. This would give us a basis and the data to support a need to change rates or rate structures in the future.

Vice Chairman Forsgren asked if there is an area in our budget to cover these types of expenditures. General Manager Jorgensen said that we could use money from the exploration and studies line of our budget and we do have the money to finance this study. Board Member Day asked what the timeline would be to complete the financial plan. As Matt already has a lot of our data, he could have it done in about 90 days and could be done by the end of the year. General Manager Jorgensen said the Master Plan has been the best investment we have ever made because it gave us a plan to work towards. We have now completed the master projects outlined in the Master Plan. The District has grown and is to the point we need a financial plan to follow so the District is in a financially sustainable position.

Financial Chairman Holmgren made a motion to adopt the Zion's Banks Financial Plan proposal as stated. Board Member Day Richard seconded the motion. Vice Chairman Forsgren, Financial Chairman Holmgren and Board Members Baugh, Vincent, Fridal, Day, Carter, Scott and Howe voted in favor of the motion.

Collinston Project Updates – Bob Phippen

Bob Phippen presented a slide show of all the pictures taken of the construction of the tanks and the booster stations since the last board meeting. The south tank is almost completed. The soil at the north tank is different than the south tank requiring a bigger footing around the perimeter. To access the inlet and outlet to the north tank a lot of excavation had to take place at the site. The estimated completion date for the project is the end of the year.

South Willard Well – Bill Bigelow

Approximately six weeks ago, the South Willard well pump failed due to sand and gravel. The pump was pulled. Dewey Peterson from Peterson Well Drilling came in and cleaned the well, bailed the sand and videoed the well to give us a better look at the condition of the well. We found that there was about 50 feet of sand and gravel at the bottom of the well. To get the well up and running again we have several different options to consider. We asked the well driller for a quote to do several things to improve the well. First we asked him what it would take to deepen the well 100 feet. When the well was first drilled it was only drilled to about 500 feet and we originally wanted it drilled to 700 feet. Second, we asked him to add more perforations; originally the well wasn't perforated very aggressively. Third, we asked him to install a liner with small slots and put a gravel pack between the liner and well casing to help control sand. The bottom of the well will not have a liner but he will use a well casing that has smaller slots. Our expectations are that the sanding problem will be helped a great deal but we are not sure if it will solve it 100%.

Board Member Scott asked if we have to put this out to bid. General Manager Jorgensen said that considering the new procurement policy, we consider this an emergency because the well has completely gone down while in the process of serving our customers. Mr. Peterson, the well driller, is considered an expert in his field and the best person to help us in this particular circumstance. We consider him to be a sole source. The driller already has their rig set up at the

well site and to take that down and have someone else come in would be very expensive. We have to do what is in the best interest of the District.

Bill Bigelow went on to say it will take approximately 10 weeks for the deepening of the well. The slotted pipe needs to be special ordered and that will take more than 90 days. Board Member Baugh asked about drilling a whole new well since the cost would be approximately the same. Bill feels good about deepening the well as the advantages of going deeper are getting more water and the expectation of reducing the sanding problem.

Board Member Scott asked if they got the well to 600 feet, do they feel that it would be deep enough to supply water during a drought because we don't want to be having this discussion again in a few years with wanting to deepen the well to 700 feet.

Financial Chairman Holmgren asked how it would be financed and General Manager Jorgensen mentioned that the Division of Drinking Water has emergency money and the Division of Water Resources may have some money and said she would look at getting a three year loan through Zion's Bank at a low interest rate rather than depleting the District's cash. Also with doing a loan we wouldn't have to wait as long as we would if we bonded through the Division of Drinking Water or the Division of Water Resources.

Vice Chairman Forsgren said that we have customers that are expecting us to deliver water and a well driller that has given us a price to do the work so we really don't have a choice other than to give the driller the verbal approval to order the materials and set up his schedule so he can drill the well. The driller won't send us a bill until he is done and that will be around the first of the year so that will give us some time to figure out our finances.

Brent Baugh had a concern that if we have a bad well to start with, do we keep throwing lots of money at it or do we put a band aid on it. We don't have a lot of demand on water in South Willard yet but we hope to have a high demand in the near future. He feels better about doing the minimum to fix the existing well and then putting the money into a new well as a back-up well, which is our future plans.

Charles Holmgren had the same concerns but when he was in the meeting with Dewey Peterson, Mr. Peterson was pretty convinced that he could make this into a decent well. Also, someday we will have a second well there anyway; but a big concern is the time it takes for the permitting process to get a new well drilled. Board Member Fridal spoke up that he likes Brent's idea and feels that putting the money into the existing well is a gamble and it makes him nervous. He feels we need to plan for the future but there really isn't a demand for water in that area right now. Board Member Day said we are going to see some demand come up in the short term. There are a few developments going in soon and there may be demand sooner than later.

Board Member Scott made a motion to approve Peterson Bros. bid for \$275,858 as/is with the caveat that he go to 700 feet if it is possible. Financial Chairman Holmgren seconded the motion. Vice Chairman Forsgren, Financial Chairman Holmgren and Board Members Vincent, Day, Carter, Scott and Howe voted in favor of the motion. There were no votes in opposition. Board Members Baugh and Fridal did not vote. The motion passed with a majority vote.

Trustee Reports – Board Members

Charles Holmgren – There has been a notice that they are doing adjudication on the Bear River in Idaho. This hasn't been done since 1920 and at that time it was very significant on the water rights for everyone in the Bear River. There was even a law suit filed back then. The Bear River Canal Company is interested in this adjudication because a lot of the Canal Company's water comes from Bear Lake. There has been a draft proposal to do an evaluation on canal safety which costs about \$10,000 for that review.

Brent Baugh – No Report

Tyler Vincent – Everything is great in Brigham City.

Roger Fridal – We have two great producing wells in the Bothwell pocket but we have a delivery system that is not good; it can't deliver enough water. In the future, when we are looking for future growth, we need to consider upgrading the delivery system from the Bothwell pocket since we are about running at maximum capacity right now.

Richard Day – No Report

Jay Carter – No Report

Russ Howe – No Report

Jeff Scott – We are in need of water for some good, solid companies that want to come to our county. They are interested in locating in the agricultural park and we need a good delivery system from Bothwell. General Manager Jorgensen mentioned a program she heard about that has some incentives and money that will help with the electrical power in the Bothwell pocket. One of the things they would fund would be a storage tank for our wells so the pumps wouldn't have to turn on as much reducing those power costs tremendously.

Dave Forsgren – No Report

General Manager's Report – Voneene Jorgensen

We have completed the Conflict of Interest forms and they are on the table. If you want to sign it tonight we can have all of those done and we can check it off from our audit list. This is something we will have to do every year.

I attended the Prepare 60 event, sponsored by the big 4 water conservancy districts. It is a public relations type forum supplying information about how important water and conservation are to the State economy, also different facts about water usage and demand. It is about getting information out about the importance of water and funding for the large water projects in the State and the need for property taxes to be part of our revenue sources in addition to impact fees and water rates. It would be nice if they could do presentations to the county commissions, city

councils and the general public because most people just don't know what it takes to get water to the tap.

The Water Summit is on October 28th and it is an excellent program. Contact Cassee if you would like to register.

We are being required to add an amendment to the engineering contract for the Collinston Project so we can get reimbursed from the Division of Drinking Water for engineering fees that have already been paid. Bill Bigelow explained that when the Collinston Project was designed they estimated it would cost \$266,000 to finish the design but when it was completed it came in over budget. There are three main areas that consumed a lot of effort; 1) Easements and Right of Ways; 2) the Division of Drinking water asked for hydraulic elements to be added and more information in regards to the blending plan, and 3) Design: this is where we failed to budget enough for that task as it is difficult to predict how much engineering effort it is going to take. These engineering fees are reimbursable with the approval of the amendment and the Division of Drinking Water is requiring us to have this approval.

A motion was made by Board Member Day to approve the amendment to the Engineering Contract with Hansen, Allen & Luce. Board Member Fridal seconded the motion. Vice Chairman Forsgren, Financial Chairman Holmgren and Board Members Baugh, Vincent, Fridal, Day, Carter, Scott and Howe voted in favor of the motion.

Financial Business – Charles Holmgren Approval of Financial Statements

The financial statements for August 2014 were prepared and provided to the Board Members in the packet that was mailed to them. Financial Chairman Holmgren asked for the Board to review the financial statements and approve them.

A motion was made by Board Member Vincent to approve the financial statements as presented. The motion was seconded by Board Member Fridal. Vice Chairman Forsgren, Financial Chairman Holmgren and Board Members Fridal, Baugh, Carter, Vincent, Day, Scott and Howe voted in favor of the motion.

A reminder that on Wednesday, October 22nd there will be a special Board Member training held at the Box Elder County Commission Chambers at 4:30 p.m. The training will fulfill the State requirement for annual Board Training. The District Board Meeting will be held at 7:00 p.m. here at the District office on that same day. We will provide dinner for all Board Members here at the District office right before the meeting at 7:00 p.m.

Also, we have three expiring terms this year. Jeff Scott, Jay Carter and Neil Capener's terms will expire on December 31, 2014 and we will deliver a letter to the County Commission on October 1, 2014, notifying them of those expiring terms.

Adjourn

A motion to adjourn the meeting was made by Board Member Scott. The motion was seconded by Board Member Day. Vice Chairman Forsgren, Financial Chairman Holmgren and Board Members Baugh, Vincent, Fridal, Day, Carter, Scott and Howe voted in favor of the motion.

The meeting adjourned at 9:14 p.m.