

Central Iron County Water Conservancy District  
Board Meeting Minutes  
August 18, 2016



**Board Members**

Brent Hunter – Chairman  
Rick Bonzo – Vice Chair  
Spencer Jones  
Tim Watson

**Others In Attendance**

Citizens-Doug Hall & Roice Nelson

**District Staff**

Paul Monroe – General Manager  
Mandi Williams – Office Manager  
John Juergens - Operator  
Tracy Feltner – Operator  
Justin Wayment – Legal Counsel  
Kelly Crane – District Engineer  
Curtis Nielson -District Engineer

**CALL TO ORDER:** Board Chairman called the meeting to order at 6:32 PM. (1:19)  
Board Member Black led the pledge. Kelly Crane opened the meeting with prayer

**DECLARATION OF ABSTENTIONS AND/OR CONFLICTS OF INTEREST BY BOARD MEMBERS:** No abstentions (3:44)

**CONSIDER APPROVAL OF MINUTES FROM THE PUBLIC HEARING AND BOARD MEETING HELD JUNE 16, 2016:** Board Member Cozzens moved to approve the minutes from the meeting held June 16, 2016; Second by Board Member Jones.

Motion Unanimous at 6:37 PM. (4:36)

Board Member Black clarified that he was not at the meeting but voted “aye” based off the motion recommendation.

**CONSIDER APPROVAL OF PAYMENT OF BILLS AND ADJUSTMENT FROM JUNE 11, 2016 THROUGH AUGUST 10, 2016:**

•Monroe-We’ve gone through and highlighted any of those payments that are out of the ordinary. You will see throughout our reports that we have hydrant meter refunds. It is just a return of their deposit, less any charges for water usage. On page five is our invoice for the auditors. (6:05) You will see the yearly payment made to State Bank of Southern Utah. This is a loan payment for water rights that were purchased back in 2008. (6:17) The payments highlighted in pink are for the Water Festival. On page one, Applied Analysis was paid for their continued work on our Economic analysis. (8:13)

Board Member Black motioned to approve payments of bills and adjustments, as they are stated; Second by Board Member Cozzens

Motion Unanimous at 6:40 PM (8:32)

**REVIEW 2016 FINANCIALS:** •Monroe- (9:45) The District Runs on an enterprise fund and have put away \$1.3M since 2013. Some of these funds were never expensed as they were directed to projects that were not constructed. These retained earnings can be used for capital projects. The changes that we have decided to do are based on recommendations from our auditors and also our board of Directors to Capitalize the projects we need to and move money accordingly. (10:30) Some of those changes are as follows: The Coal Creek Recharge project budgeted \$100K between 2013-'15 of which nothing was expensed. It is proposed to budget

\$75K for 2016 the original budget had \$0. Water Development Projects. I've added an additional \$20K for piping and equipping of the well development (drilling of District #2). This project received a \$50K loan at 0% and \$50K grant from the Division of Drinking Water and the District matched \$100K for a project total of \$200K. The bid came in at \$168,140 and was awarded to Grimshaw. It is possible we could fully equip and pipe the well with the remaining \$30K, but an additional \$20K of wiggle room if we run into issues might be a good idea while we have the budget open. We do not have to spend this if we don't need it. West Desert we moved \$65K from the operational side of the budget to the capital side to account for the total project cost. This money came from the Professional and technical and west Desert Monitoring lines. Most of the expenses in this account this year will be for the Environmental Impact Statement on the West Desert Project. West Desert Water Right Acquisition (12:55) We moved \$150K from legal GL line to the Capital side of the budget. To account for the total cost of acquiring these water rights to date we have spent \$1,036,000. 2016 Water right Purchase of 26 AF of water for \$80,802.00. (13:22) The meter replacement project and the Eagle Valley booster pump and also the 2016 SCADA computer upgrade. (13:47)

With the proposed budget we would spend about \$217,000.00 over our budget. (14:05). This item will be considered for approval a little further along in the budget.

One thing to note as we went through our expense register, if you look down at the operational side of the budget. If you look at the line for Conservation Projects, those are all events done to date like the Water Fair and the Water Festival. We have spent \$5,385.00 of the budgeted \$10,000.00. We have been able to keep our spending low because of the donations made by Southwest Plumbing. They Donated \$3,000.00. (15:28) We are still processing payments from the Water Festival, but estimate that those payments left to pay are minimal. Those are the only planned expenses left. (15:50)

▪ Black-Do we have anything active with the school district? ▪ Monroe-Nothing other than the smart controller at the Three Peaks School. This school was very easy to plug into and very easy to monitor as we are the water providers for that property so we can see what is used each month. (16:18). Some of the older schools have so many controllers and areas within their landscape but we have been trying to think of ways that we can help other schools. We plan to continue to focus in this area so that we can help them conserve water. (16:40)

### **General Manager's Report: Began at 6:48PM**

▪ Monroe-The Water Festival was a huge success, there were a lot of people there and we cooked a lot of hot dogs. (17:15) It was another great year, and we were really excited to have Smart Utility Systems there. They sent a videographer. They put together a really great video with a lot of great shots of everything, including the fire truck. The fire truck is the big hit, once they blow their horn the kids come running. (18:11) I think it's a really good event. It gives the community an opportunity to come out. The kids enjoy the water aspect of it. There are lots of conservation booths that show a lot of new technologies that are available. (18:32) We did a Facebook contest about six weeks before the Water Festival where people entered photos of Iron County water. The winner got a smart water irrigation controller that can be controlled with their smartphone. We had about the same number of booths this year as last year. CAL Ranch and other businesses benefitted from the Water Festival last year. (20:00) ▪ Hunter- Any other operational issues you'd like to discuss with us?

▪Monroe-We mentioned earlier about the leak that we had. I'll turn the time over to John to discuss the leak and our Enoch project. (20:38) ▪Juergens-We finished the recharge project with the help of Enoch. They supplied the equipment and one of their guys. Tracy and our summer help, helped us finish that off. We're just waiting for Billy Grimshaw to be done watering his crops so we can start putting water back into the ground. (21:00) ▪Hunter-All we have to do is open your valve and shut his valve? ▪Juergens-Yes, it will dump into the old spring area. It is pretty porous, so it should take the water pretty well.

As of last night, I got a phone call from Enoch. One of their boosters went down. Tracy and I went down and repaired one of Enoch's boosters. It is a good thing that we have a good relationship with them. (21:55) We have another project next week with the parks. We're going to put in a check valve for a possible cross connection. Their supplying all of the parts and some of their guys. It's in the Three Peaks Rec area. Other than that, we've been doing a lot of maintenance. (22:45) ▪Monroe-We're going to do our fifth eagle project. ▪Juergens-That's next Saturday. We're going to finish painting the tank at Cedar Highlands. We're going to let them paint the whole bottom half of it. (23:17) ▪Monroe-We've got a couple more ideas for eagle projects if you know some boys. One issue for a possible project is to remove some timber around the Cedar Highlands spring area. Linford's cows keep getting in there. (23:40) We've got to repair a bunch of fence. We're work together to get some additional fence put in around there. There are some issues with them keeping it in Green Belt. (24:25)

▪Juergens-Cross Hollows has been having their well issues again, so we've been providing them water. They are interested in maybe coming on to the Conservancy. ▪Monroe-We're expecting to have a meeting with them soon. They may be trying to annex and if they are annexed into the city, how would that work? Those are questions we will be asking in our meeting and we'll need to get some more information on a number of things. (27:45) Currently, we're able to keep up with Cross Hollows at the rate of growth. It is only a six-inch line that feeds those two tanks. When we signed this agreement last December, it was with the intent that we'd be a back-up supply and only used when needed. John forwarded me a text from their operator today. They can run their well for four hours at a time and then it goes dry. Even if he's running it at four hours, their water levels are still declining. They don't have anything left in their well. They are out of money at this point. There are some other things we can tweak within our system, but we need to consider what options we can do to supply them water. (29:30)

George was their operator when he lived there. He made sure that everything they put in is up to District standards. The meters and everything would already be compatible with the software we use to read our meters. That part of it is okay. The other side of it is volume and demand long term. It has been our master plan to put in a larger transmission line and tank there eventually. (30:07) The issue there-as far as taking them over full time is how much of an impact fee do we charge them.

They've already spent a bunch of money hooking into us and on their well. They either need to put in a new well or pay impact fees for a new well that we'll put in to supply them. If you come into the district, you need either be self-sufficient or bring it in with you. What they're going to deed over to us is not operable. They have 130 connections. That is built out lots. There are 28 lots left to build on. (31:29) They lowered their monthly water base rates a couple of years ago and are now out of money. Conversation continues for several minutes. (34:00)

**CONSIDER APPROVAL OF AMENDED 2016 BUDGET:** Motion to approve the amendments made to the 2016 Budget by Board Member Watson. Second by Board Member Cozzens.

Motion Unanimous at 7:06pm (34:55)

**CONSIDER THE APPROVAL OF THE 2015 AUDIT REPORT:** Kimball and Roberts presented the 2015 CICWCD Audit.

▪Gabe Miller-The audit went well. On page one, the “Independent Auditor’s Report”, describes management’s responsibilities for the financial statements in the second paragraph. We come in and express an opinion on those statements. We conduct certain procedures that are governed by our standards.

The opinion that we issued on page two. There were no material misstatements. That is considered a clean opinion. (37:31) Pages three through seven are called “Management’s Discussion and Analysis” portion of the audit. It is a very condensed summary highlighting some of the key points for the District for the average. I’ll point a lot of those things out on the actual statements. Page nine is the “Statement of Deposition”. (38:25)

There was some talk earlier when Paul was talking about capitalizing expense and how those are recorded. This is a proprietary fund or a business type fund and so it’s on the full accrue accounting. Although you do have budgets, anything that you spend on capital accretions will not be reflected in your income statement. They will be reflected in your capital asset net of depreciation. (38:55)

What it ends up doing is increasing your equity or asset position when you have those types of expenses vs. expensing them, which takes them off of your net profit, so to speak. They will be depreciated over time. (39:15) We’ve got a memorandum there, so you can compare 2014 and 2015 capital assets. In the first column to the left there, December 31, 2015, you can see your current cash at the end of the year was \$3.5 million. You’ll see your net of depreciation has increased by about \$400,000.

There’s three accounts that were added to this statement that were not there before. That’s because of an accounting method change, GASB 68. (40:04) It was implemented for cities last year and counties and districts this year. The net pinch in asset you see there in the liabilities section (non-current liabilities \$51,875) (40:35) Those all figures that come from the Utah State Retirement office. They give us all of the information. The standard now requires you to report on the statements what the unfunded liability would be if the retirement systems were to go belly up. (41:03) The District would be on the hook for a net pension liability of about \$52,000 as of the end of the year.

▪Hunter-You mean if the state of Utah (retirement system) went broke? ▪Miller-Yes. It’s something that has always been there. Due to the accounting standard change, they felt that was something that needed to be reflected on your statements. It does take a hit to your net position. That’s why we have to make an adjustment to your net position and the adjustment was about \$33,000 in total. (41:55) Your total net position was \$238,681.62 which is more or less your equity position. Of that, \$3,940,000 is unrestricted or available to meet the needs of the District. ▪Hunter-That money is essentially in the PTIF fund (checking account), right? ▪Miller-

Some of it is, yes. (42:26) You'll see the restricted for debt service. Those are your bond reserves.

That is money that you also have available, but it is restricted to pay your required reserves on your debt. Page ten is your operating statement that shows your water sales revenue. This is much more condensed than the management statements you're reviewing. Overall you added \$679,000 to your net position (profit). That is a little over \$200,000 more than last year. (43:50)

Page 11 is your statement of cash flows. It shows based on the cash that came in, what was paid out as well as the sources of other non-capital sources and financing sources. It reconciles to your ending cash in the middle of the page. Pages 12-32 are the notes to the financial statements. The explain to the reader in more detail any of the amounts on the financial statements.

On page 16 is the cash note. (44:44) It shows the cash on deposit in your checking of \$2.7 million and your PTIF in the treasurer's pool of \$749,000. In the middle of the page, there's a paragraph, Custodial Credit Risk. As of December 31<sup>st</sup> \$2.5 million of the \$2.8 million was uninsured. The only way you can insure the cash you have is to spread it out among different financial institutions. If you want to minimize your risk there, you can put money in a bunch of different banks. You can have up to \$250,000 insured by any one institution. (45:28)

•Monroe-We moved one million dollars into a PTIF account. Can the same amount only be insured with them as well? •Miller-PTIF is not insured. None of that is insured. The only way to really minimize your risk is to have several different bank accounts. (47:30) It's not uncommon for public entities to have unsecure funds. It is just something you should be aware of. On page 18, we've got capital assets. This is a schedule of anything that you are not expensing and will capitalizing on.

Your debt schedule is on page 19. You'll see the beginning balances of your debts. You paid \$541,000 in debt in 2015. It goes on to talk about different notes and interest rates. If you're ever in a position to pay off some debts, you can refer to this page to see which is your highest interest rate. (48:55)

Other than that, pages 23-28 is what we get to add to your notes just for the pension (that adjustment we talked about). The state requires that it is added to your financial section. We are required to use the most recent data available, so that is why some of the dates are older on pages 32 and such. (49:50)

Pages 34-35 is our required report on your internal controls. When we come in and do the audit, we walk through the different procedures: cash receiving, cash disbursement, who does what, all those kind of things. We ascertain if those are effective in their purpose. We have to assess the controls and be aware of them as we do our testing. During our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses, however some may exist. It is not uncommon to have some segregation issues with a small staff. You guys have got a good system. (51:06)

The last report is on pages 36-37, the "Auditor's Report on State Compliance". You'll see a listing in the middle of page 36. Every year the State of Utah requires us to test certain things. This is not an all-inclusive list since we still test things like three-day deposit and bond requirements. These are specific items in the year 2015 that we're required to test. On page 37,

after performing those procedures, it is our opinion that Central Iron County Water Conservancy District complied in all material respects with the compliance requirements referred to that could have a direct and material effect on the Districts financial statements for the year of 2015.

(53:05) Does anyone have any questions? ▪Jones-On page 16, what is the average ratio you'd see for a district? ▪Miller-Most of the time they (The Districts) keep most of their money in PTIFs or 1-2 checking accounts. Most people will put the money in a PTIF because the interest is higher even though it is uninsured. I don't think this is an uncommon thing to see as far as a ratio.

(56:10)

Board Member Black motioned to approve the 2015 CICWCD Audit Report; Board Member Jones seconded. (57:07)

Motion Unanimous at 7:28 PM

**AQUIFER RECHARGE:** ▪Monroe-Earlier in the meeting we highlighted what has happened in Enoch. ▪Hunter-Let me ask you a question. We've got the pipe in the ground. Have we made any agreements with Union Field Irrigation Company? ▪Monroe-we haven't made any written agreements. We haven't drafted anything. We have protection with the land owners, but not the irrigation companies. If they said "no more" it might be an issue. It might be good to have an agreement.

▪Hunter-The touchy issue we may be dealing with is that once the first of December comes, historically, all of the water is turned out of all the irrigation ditches and goes down Coal Creek. The Union Field ditch has a right to that winter water. The Union field has the right to continue to use the water after the first of December. I think we'll want to have water in the ditch as long as we can. (01:00:00) Discussion continues about concerns about the water freezing up and taking care of the ditch. (01:02:40) ▪Paul-Justin and I will get together to draft an agreement with the irrigation companies. The Board suggests an agreement for a minimum of ten years with and the option of extensions. (01:04:50)

We talked with Nathan Moses about getting our groundwater recharge permit. He is going to push it through so it is a general place of use permit within our entire district boundaries (01:07:45) I met with Steve Platt and Alma Adams about creating a channel towards the Jones' property. They are all for it. They will run it through the Commission to approve a CAT or track hoe for this fall.

(01:13:10) I will talk to Senator Evan Vickers to see if there is anything he can help with on the funding end. ▪Hunter-As to the rest of the aquifer recharge project, where are we, Kelly? I think we need to be moving ahead with plans for diversion structures and those kinds of things. I had a meeting with Raymond Prestwich and Kit Wareham about the Woodbury Split. Our project needs to dovetail with what the cities doing with their flood control. I don't think we're on the same page, but we're talking. (01:15:20) ▪Crane-Kit said he has some of the same concerns as us. ▪Hunter-We need to have a unified project and make sure we're on the same page as Kit. I still think we need structures designed and other cost estimates because we're going to have to scare up some money to do this. ▪Crane-I've got preliminary designs, so we'll need to get together on that. We can have pretty solid cost estimates prepared for the next meeting. It would be nice if the state money could come in, but we may need to look at other

options. The completed Grimshaw was the top priority. The second priority is the Jones' property. (01:18:41)

▪Royce- On your recharge stuff, I found out some stuff this month that I didn't know. I spoke with the guy who used to be in charge of aquifers for the state. He recently retired. He said the reason that water stays in the pit on Bulldog Rd. is because there is clay underneath it. He said it would be a complete waste of effort to put water in those gravel pits. That was something I didn't know. (01:32:30) ▪Monroe-We've heard that before, but for ten years Kit has been putting water in right next to that pit for the past ten years. It's been going in and doing a great job. I agree that there is clay in some areas, but I don't think it is a complete waste of time. We're putting about 2000 acre feet by the airport every year. The aquifer has come up about 20 feet. I think he is a USGS guy. The best data we have is to look at adjacent wells. Conversation continues. (01:36:00)

**DEVELOPMENT PROJECTS: DISTRICT #2,** ▪Monroe- We ordered the screen and the casing. We decided to go with PVC casing and stainless steel perforations. We'll hopefully avoid any iron bacterial that could be in there. That is the issue that happened with the adjacent well. Using those materials was highly recommended by our pump guy. It has been ordered and should be installed the middle of next week. (01:25:02) We'll test pump it to get the volume measure first. ▪Crane-The difference in cost for those materials was only about \$3,000. I think it will be a really long lasting and well-built well.

▪Monroe- We could have saved money if we would have gone with PVC perms, but we went with stainless steel. We also did steel right where the pump is going to be. If anything slams against the casing when it is turned on, it won't shatter. (01:25:50) ▪Hunter-You're hoping to get how much? ▪Monroe-We could maybe get 600 GPM if all the stars align. ▪Crane-All the tests we've done so far look really good.

▪Monroe-I said that Mr. Bruno Gary could speak to us for five minutes about water. He's from France. It falls in line with water development projects. He's partnered with a company who works all over the world, especially in Arabia and Africa. It would be more of a partnership that the state would do, but he would like to share the company's ideas with as many municipalities as possible while he is here in the states.

▪Bruno Gary-Radar Technologies International is a French company. We use what is called the WATEX System. It is an hydrological tool designed to detect buried aquifers and soils in desert areas that are invisible at ground level. WATEX is a GEOSCANNER operated by satellite which can cover entire countries in few weeks, anytime, anywhere. WATEX is also an instrument used for quick mapping for emergency and development. We gather our data off of not just satellites but multiple reports from oil and gas companies. (01:31:53)

**SUBSIDENCE MONITORING:** ▪Monroe-I'm working with the USGS to identify those locations. According to their report of where some of those areas of concern are, we'll continue to proceed with that and install those this fall. (01:36:25)

**WAH WAH AND PINE VALLEY:** ▪Monroe-I'll turn the time over to Curtis or Kelly to talk about the wells we've got approved to drill out there-the test wells. We'll also need a notice to proceed on a well driller to select. (01:37:00) ▪Nielson- We've bid the test wells in Pine Valley. We contacted four well drillers-three in Southern Utah and one in Hanksville. We notified them of the project and answered as many questions as we could. We gave them the bid packets and held a pre-bid meeting where all four of them attended. We went over the environmental information that was done by the BLM, showed them locations on maps, and tried to resolve any concerns they had on water location, being able to access their rigs and all of that. (01:37:40)

We held the bid opening last Tuesday the 16<sup>th</sup> of August at 5pm. We had three bids submitted, but Shumway withdrew his bid a couple minutes before 5pm. He had some concerns about needing to start right away. So we ended up with two bids submitted-one from Grimshaw Drilling and one from Gardner Brothers. Gardner Brothers came in at \$346,000 and Grimshaw came in at \$474,250. (01:38:22) We've gone through and spoken with Gardner Brothers and they are confident with their bid. They are excited to be able to work with us. As Grimshaw was leaving, Aaron came in and talked with us about Gardner Brothers. He said Gardner Brothers would do a great job and not to hesitate going with them. We'd recommend that you recommend the project to Gardner Brothers at \$346,000. (01:38:50) We anticipate that we'll get the notice of award signed tonight. We'll get a notice of receipt and the contract documents put together tomorrow so that they can get started on the first of September. There will be five homes on a six-inch line.

▪Wayment-I'm concerned about the almost hundred-thousand-dollar difference in the bids. If they may have made an error, we have the duty to notify them. Did we go through their bid very detailed? ▪Nielson-Yes, we did. We thoroughly went over the bid on the phone with them. For example, they have mobilization fee of \$1000. The others were closer to \$30,000. They are willing to locate.

▪Monroe-Shumway was at \$611,000. This was his first time bidding something big like this. Nielson-This bid covers drilling up to 1000 feet deep. (01:41:00) There is no approval of the bid on the agenda. We can call a special meeting and possibly do it electronically. We'll have to do a special meeting on Monday by phone. (01:43:35) ▪Crane-Just to be clear, we did interview the other bidders. They indicated to us that they are very busy. Gardner's have been slow lately, so they have crews available right now. (01:44:10)

**WATER CONSERVATION:** ▪Monroe-We've pretty much covered that as far as the Water Festival goes. We talked about it in the General Manager's report. (01:44:37)

**PORT 15 DEVELOPMENT:** ▪Jones- I'll make a couple of comments and then turn it over to Paul Cozzens. The tax committee approved to add an extension with the same set up they've done in the past. Last night the agreement was sent on to the development agency. I was only there for part of the meeting that last night at the city council. (01:45:16) ▪Cozzens-We had a public hearing with no comments. Every tax entity will have to look at it. It goes to a resolution. (01:45:40) Once it is ready to distribute out for signatures and such, we should put it on the agenda.

**BOARD MEMBERS REPORT:** -Monroe-We had mediation and we're hopeful that it will be resolved. (01:47:30)

**Next meeting date: September 15, 2016**

**Board Member Black motioned to move from regular session to executive session**

**Second by Board Member; Second by Board Member Jones**

**Motion unanimous at 8:23 PM**

**Roll Call as follows:**

**Watson-Aye**

**Jones-Aye**

**Black-Aye**

**Cozzens-Aye**

**Hunter-Aye**

**Board Member Jones motioned to adjourn closed session and resume regular session board meeting Second by Board Member Black at 9:28PM**

**Board Member Cozzens motioned to adjourn regular session board meeting Second by Board Member Jones at 9:28 PM**