

SECOND PARTY OPINION

GREEN BONDS

SUMMARY

Kestrel Verifiers is of the opinion that the Water Revenue and Refunding Bonds Series 2020 (Green Bonds) conform with the four pillars of the Green Bond Principles 2018 as follows:



Use of Proceeds

Park City, Utah intends to use the proceeds of Water Revenue and Refunding Bonds, Series 2020 for new projects and refunding. The new money portion of the bonds will partially fund a net zero energy water treatment plant and other system improvements. Two bonds which were used previously to finance capital improvements to the drinking water system and purchase water rights from the Jordanelle Special Service District will be refunded with the Green Bonds.



Process for Project Evaluation and Selection

Identified needs for improved redundancy, expanded water treatment capacity, and improved water quality informed the selection and design of the 3Kings Water Treatment Facility and related system improvements. The funded projects and refunded bonds have been identified as green projects through their alignment with Park City's ambitious climate action goals to use 100% renewable energy for city operations by 2022.



Management of Proceeds

100% of the bond proceeds shall be allocated to the 2020 system improvements, refunding, and related financing expenses. Proceeds will be immediately allocated to the 2009C and 2010 Bonds to be refunded and a separate fund will be established for the new money and maintained distinctly from all other funds in the City.



Reporting

Park City commits to posting continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) done annually on the Electronic Municipal Market Access (EMMA) system.



ISSUER:

Park City, Utah

OPINION ON:

Water Revenue and Refunding Bonds, Series 2020 (Green Bonds)

GREEN CATEGORIES:

- 1) Sustainable Water Management
- 2) Green Buildings

EVALUATION DATE:

May 18, 2020

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SECOND PARTY OPINION

Par: \$75,515,000
Issuer: Park City, Utah
Issue Description: Water Revenue and Refunding Bonds, Series 2020 (Green Bonds)
Project: System Improvements
Green Categories: 1) Sustainable Water and Wastewater Management
2) Green Buildings
Evaluation date: May 18, 2020

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Green Bond Principles (June 2018) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the General Obligation Bonds issued by the District are aligned with the four pillars of the Green Bond Principles and qualify for green bonds designation.

ABOUT THE ISSUER

Park City, Utah (City) is approximately 30 miles east of Salt Lake City, Utah with a land area of approximately 18 square miles. The City's population was 8,504 in a 2018 Census estimate. However, the City is a popular area for secondary residences and short-term rentals and can handle up to 50,000 daytime visitors.

Park City has an ambitious Climate Action Plan with goals to be net-zero carbon and use 100% renewable electricity for city operations by 2022. The same goals have been set for the entire community by 2030.

The City operates the area's water system, including water rights, distribution lines, treatment, pumping stations and facilities. Sources include three ground water wells, a spring, two tunnels and two water leases (Jordanelle Special Service District Water and Weber Basin Water Conservancy District Water Lease). The City's water sources allow for production of up to 6,000 gallons per minute with some variability across seasons. The City's water system includes 10 storage facilities that hold up to 14.65 million gallons, and a total of 5,400 water connections in 2019. In regular accounting of the City's carbon emissions, the Sustainability Department identified water treatment and distribution as the source of more than a third of the City's emissions.

THE BOND-FINANCED PROJECT

The 2020 Projects: Proceeds of the 2020 bonds will finance significant upgrades to Park City’s complex water system. The projects will improve water quality, increase reliability, efficiency, and treatment capacity. An overview of the financed projects is shown in Table 1.

Table 1. System Improvements receiving new money from the 2020 Bond proceeds. Allocation of bond proceeds shown below is approximate and depends on future bonds issued by the City for the projects, among other factors.

Approximate 2020 Bond Proceeds	Description	Groundbreaking
\$50.2 million	3Kings Water Treatment Facility construction	Fall/Winter 2020
\$7.3 million	Transmission and distribution lines	April 2020
\$5.9 million	Quinns Junction Water Treatment Plant renovations	2019
\$5 million	Judge and Spiro Tunnel distribution	Fall 2020
\$2.1 million	Water tank construction (2)	2019 & April 2020
\$2 million	Water pump station and golf maintenance building	Conditional

3Kings Water Treatment Facility: A majority of the bond proceeds will be used for construction of the \$103.9 million 3Kings Water Treatment Plant, scheduled for completion by Summer 2023. The 3Kings facility is designed to meet net zero energy standards as described in City Resolution 28-2017 Net-Zero Energy Performance Requirements and includes many innovative and sustainable building features. The design process included energy modeling and building envelope commissioning to meet the City Council’s net zero energy goal. Findings from the energy modeling process informed selection of the HVAC system, lighting controls, and other building control systems. The facility includes micro-hydro power generation, solar panels and energy efficiency features throughout. When completed, the 3Kings facility will replace the City’s existing Spiro Water Treatment Plant and will have capacity to treat approximately seven million gallons of water per day, delivered from a spring and the Judge and Spiro tunnels.

Park City is uniquely located in an area with mining-influenced water, or water containing metals from historic mining operations. Drainage tunnels originally built for mine drainage are still in use today for drinking water, irrigation, and snowmaking. The metals in mining-influenced water can be toxic to aquatic organisms and can cause significant stream degradation if not managed appropriately. The 3Kings facility will improve the City’s ability to remove metals from source water, ensuring regulatory compliance and preventing ecosystem impairment.

Transmission, Distribution and Storage: Bond proceeds will fund improvements to the Judge and Spiro Tunnels, as well as other major water transmission and distribution lines.

Necessary renovations to the City’s existing Quinns Junction Water Treatment Plant will improve water quality by adding membrane filters and pre- and post-treatment enhancements. The renovations will increase treatment capacity and allow the City to provide wholesale water to the Weber Basin Water Conservancy District. These renovations will ensure efficient treatment and delivery of drinking water for Park City residents until the 3Kings plant is operational.

Two water tanks will also be constructed. The Kings Crown Water Tank slated for completion by April 2022 will store approximately two million gallons of water and provide essential storage for downtown Park City and Vail Ski Resort. The increased storage capacity provided by the Park City Heights Water Tank scheduled for completion in Summer 2020, will improve redundancy and water storage for emergencies.

Refunding: \$13,182,000 of the Water Revenue and Refunding Bonds will refund the City’s outstanding Taxable Water Revenue Bonds, Series 2009C and Water Revenue Bonds Series 2010. Proceeds from both refunded bonds were used for capital improvements including design, acquisition and construction of drinking water system improvements. Proceeds from the 2010 bonds were used to acquire water rights from the Jordanelle Special Service District and related improvements.

ALIGNMENT TO GREEN STANDARDS


Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bonds Principles (“pillars”) which include: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting (International Capital Market Association definition).

Use of Proceeds

The Water Revenue and Refunding Bonds will be used to finance water system improvements and refund outstanding bonds that financed similar capital improvements. Projects financed by the refunded bonds and the 2020 projects are eligible green projects as defined by the Green Bond Principles in the project categories of Sustainable Water Management and Green Buildings.

Park City’s all-encompassing approach to designing and building the 3Kings Water Treatment Plant is an exemplary model of sustainable design, which considers the impact of future growth in the region and the need to increase energy efficiency and generate renewable energy through micro-hydropower and solar. Environmental objectives, including a reduced carbon footprint and improved water quality, are met with a net zero energy facility and increased capacity to remove metals from mining influenced water, respectively. Additionally, increasing water storage capacity and improving transmission and distribution lines will help ensure the reliability and long-term sustainability of the City’s water system.

The project conforms with the Green Bond Principles:

BOND LABEL  The Green Bond Principles	ELIGIBILITY CRITERIA
Sustainable Water and Wastewater Management	Sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation
Green Buildings	Green buildings which meet regional, national, or internationally recognized standards or certifications

Process for Project Evaluation and Selection

Park City has multiple strategic and transparent public plans that prioritize environmental objectives in project selection. A city-wide long-term strategic plan establishes sustainable water management as a core principle and in Park City's 2030 plan, a sustainable water supply that meets the City's current and future needs is deemed essential to long-term viability. Additionally, the Water Division of the Public Utilities Department has a long-range plan called the Water & Energy Resiliency program which aims to reduce energy and water consumption and increase system optimization and renewable energy production. System Improvements funded with the 2020 Bonds have prioritized energy efficiency and renewable energy generation and are aligned with the City's broader goals of ensuring future resiliency of the water system.

Plans for 3Kings Water Treatment Plant have involved input from the public and City departments. Public Utilities, Park City Planning, Sustainability, the City Manager's Office, and the City Council all were involved in the planning process. The refunding portions of the 2020 Bonds were used for improvements to the City's drinking water system in accordance with the City's Capital Improvement Plan. In Park City, the City Council is made up of five councilmembers and the Mayor. On April 16, 2019, the City Council adopted the resolution to issue the bonds.

Management of Proceeds

100% of the bond proceeds shall be allocated to the 2020 system improvements, refunding, and related issue expenses. Proceeds for the two refundings will be deposited to retire the 2009C and 2010 Bonds. Original proceeds from the bonds to be refunded were deposited in separate 2009C and 2010 project accounts. Proceeds for the 3Kings Water Treatment Plant and other System Improvements will be deposited into a separate project account. City funds may be invested in investments approved by Utah's State Money Management Act.

Reporting

As a model for financial reporting, Park City, Utah City has been awarded The Certificate of Achievement for Excellence in Financial Reporting Municipal Corporation by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR) for fourteen consecutive years. So long as the Water Revenue and Refunding Bonds are outstanding, Park City, Utah will submit continuing disclosures to the Municipal Securities Rulemaking Board (MSRB). The City will also provide reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Additionally, 3Kings project updates are regularly described on the project's website (Accessed 5/15/2020 <https://www.parkcity.org/departments/public-utilities/engineering-construction-division/water-projects/3kings-water-treatment-plant>).

CONCLUSION

Based on our independent review, the Water Revenue and Refunding Bonds, (Green Bonds) conform, in all material respects, with the Green Bond Principles (2018). It is the opinion of Kestrel Verifiers that these bonds are in complete alignment with the Sustainable Water Management and Green Buildings categories of the Green Bond Principles. The System Improvements financed by the Water Revenue and Refunding Bonds will conserve natural resources and help Park City meet its exemplary climate action goals.

ABOUT KESTREL VERIFIERS



For 20 years Kestrel has been a trusted consultant in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (May 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

