



# Second Party Opinion

## EXECUTIVE SUMMARY

### ISSUER

Park City, Utah

### OPINION ON

Water Revenue and Refunding Bonds, Series 2021 (Green Bonds)

### GREEN STANDARD AND CATEGORIES



- Sustainable Water Management
- Green Buildings

### EVALUATION DATE

September 22, 2021

### SUMMARY

Kestrel Verifiers is of the opinion that the Water Revenue and Refunding Bonds, Series 2021 (Green Bonds) ("2021 Bonds") conform with the four core components of the Green Bond Principles 2021 as follows:

#### ▪ Use of Proceeds

Park City, Utah ("City") intends to issue Green Bonds to finance and refinance improvements to the City's drinking water system. The new money portion of the 2021 Bonds will partially fund construction of a water treatment plant and other system improvements. Excluding certain water treatment and distribution equipment, the water treatment facility is designed to meet net zero energy standards. Proceeds will also be used to refund two bonds which financed capital improvements to the drinking water system. The 2021 Bonds align with two eligible project categories under the Green Bond Principles: *Sustainable Water Management* and *Green Buildings*.

#### ▪ Process for Project Evaluation and Selection

Identified needs for water supply reliability, 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 clear alignment with Park City's ambitious climate action goals to use 100% renewable energy for City operations by 2022, and alignment with zero net energy mandates for new municipal buildings.

#### ▪ Management of Proceeds

Bond proceeds shall be allocated to finance water system improvements, refunding, and related financing expenses. Proceeds will be immediately allocated to refund the outstanding bonds to be refunded and a separate fund will be established for the new money and managed separately from all other funds in the City.

#### ▪ Reporting

The City commits to posting continuing disclosures to the Municipal Securities Rulemaking Board ("MSRB") annually through the Electronic Municipal Market Access ("EMMA") system. Periodic updates on the status of the primary bond-financed project will be made available on the City's website.

#### ▪ Impact and Alignment with United Nation Sustainable Development Goals

By financing the construction of the water treatment facility and improvements to a water system to increase resilience and efficiency in operations in alignment with climate action goals, the 2021 Bonds support and advance multiple UN SDGs, including Goals 6: *Clean Water and Sanitation*, 7: *Affordable and Clean Energy*, 9: *Sustainable Infrastructure*, 12: *Sustainable Use of Natural Resources*.

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# Second Party Opinion

<b>Issuer:</b>	<b>Park City, Utah</b>
<b>Issue Description:</b>	Water Revenue and Refunding Bonds, Series 2021 (Green Bonds)
<b>Project:</b>	Water System Improvements
<b>Green Standard:</b>	Green Bond Principles
<b>Green Categories:</b>	Sustainable Water Management Green Buildings
<b>Par:</b>	\$66,135,000
<b>Evaluation Date:</b>	September 22, 2021

## 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 2021) 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 Water Revenue and Refunding Bonds, Series 2021 ("2021 Bonds") are aligned with the four core components of the Green Bond Principles and qualify for green bonds designation. In May 2020, Kestrel Verifiers provided a Second Party Opinion on the designation of Park City's first issuance of green bonds, the Water Revenue and Refunding Bonds, Series 2020 (Green Bonds).

## ABOUT THE ISSUER

Park City, Utah ("City") is located in the Wasatch Mountains, approximately 30 miles east of Salt Lake City, Utah with a land area of approximately 18 square miles. The City's population was 8,526 in a 2019 Census estimate. Park City is a popular area for second homes and short-term rentals and regularly accommodates up to 50,000 daytime visitors.

The City has recognized that climate change is deeply affecting the community through changes in weather patterns including droughts, volatile snow events, and warmer temperatures, and has acted with urgency to address climate change. The City has partnered with the Global Covenant of Mayors for Climate and Energy, The Climate Reality Project's 100% Committed initiative, the Carbon Disclosure Project (since 2008) and is a member of the International Local Governments for Sustainability.

It follows that Park City has prioritized emission reductions through adopted resolutions, plans and policies. In 2009, it became the first community in Utah to conduct a baseline greenhouse gas inventory.<sup>1</sup> On March 24, 2016 Park City Council passed resolution No. 04-16 to achieve Net-zero carbon by 2022 for the municipal government and by 2032 for the broader community. On September 22, 2016 the resolution was amended to include the clause that the electricity portion of this goal be achieved using only renewable electricity. In

<sup>1</sup> "Carbon Footprint and Roadmap for Reduction," Park City, Utah, accessed September 16, 2021, <http://www.parkcitygreen.org/Documents/Park-City---Community-Carbon-Footprint.aspx>

October 2017 the City Council voted unanimously to approve a net-zero energy performance requirement for all municipal buildings and facilities. Furthermore, the City has a robust Climate Action Plan with clear goals and targets.

Park City operates the water system that serves the area (5400 connections), including water rights, distribution lines, treatment, pumping stations and facilities. Water 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 seasonal variability, and 10 storage facilities hold up to 14.65 million gallons which are critical to resiliency, fire protection and flexibility of operations.

The tunnels are somewhat unique. Park City Public Utilities maintains two former mine tunnels that were originally constructed in the early 1900's as ground water drainage tunnels that redirected water out of other active mining tunnels. Now abandoned from mining activities, the tunnels produce a constant flow of water and are a substantial water source for Park City, in addition to being the headwaters of McLeod Creek. With proper treatment, water from the tunnels is used for drinking water supply, irrigation, snowmaking, and release into the environment.

Park City monitors long-term sustainability of its total water supply and has developed a program that is responsive to monitoring results. Water conservation programs that have reduced water demand from residential water customers by 50%.

The City has identified a clear nexus between the its water supply sustainability goals and its carbon emissions goals: water treatment and distribution are the source of more than a third of the City's emissions. For this reason, Park City has placed its focus on zero net energy facilities for water treatment.

**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 Bond Principles (International Capital Market Association definition).*

**Use of Proceeds**

The 2021 Bonds will be used to finance and refinance significant upgrades to the City's drinking water system (collectively, "Water System Improvements"). The 2021 Bonds will refund the City's Water Revenue bonds Series 2012 ("2012 Bonds") and the City's Water Revenue and Refunding Bonds Series 2012B ("2012B Bonds"). The financed projects will improve water quality, increase reliability, efficiency, and treatment capacity. An overview of the projects to be financed with new money is shown in Table 1. The Water System Improvements are eligible projects as defined by the Green Bond Principles in the project categories of *Sustainable Water Management* and *Green Buildings*.

Green Standard



The Green Bond Principles

Eligible Project Categories:

- Green Buildings
- Sustainable Water and Wastewater Management

*Table 1. System Improvements receiving new money from the 2021 Bond proceeds. Allocation of proceeds shown below is approximate and depends on future bonds issued by the City for the projects, among other factors.*

Approximate 2021 Bond Proceeds	Description	Groundbreaking	Environmental Benefit
\$53.8 million	3Kings Water Treatment Facility construction	Fall/Winter 2019	Increase treatment capacity, including for mining influenced water; Designed to treat 7 million gallons per day and align with net zero energy standards
\$2.5 million	Kings Crown Water Tank	2023-2025	Increase system reliability and redundancy

Approximate 2021 Bond Proceeds	Description	Groundbreaking	Environmental Benefit
\$1.2 million	Transmission and distribution lines	April 2020	Support effective delivery of treated and untreated water to and from 3Kings
\$13.4 million	Water infrastructure upgrades	2021	Reduce water loss and increase system resilience by replacing infrastructure in poor condition

**3Kings Water Treatment Facility:** A majority of the 2021 Bond proceeds will be used to construct the \$104 million 3Kings Water Treatment Plant (“3Kings”), scheduled for completion in Summer 2023. Excluding certain water treatment and distribution equipment, the 3Kings facility is designed to meet net zero energy standards and includes many innovative and sustainable building features.<sup>2</sup> The design process included energy modeling which informed selection of the HVAC system, lighting controls, and other building control systems. Major loads of the building will be segregated (i.e. sub metering). 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 City spring and the Judge and Spiro tunnels. 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:** 2021 Bond proceeds will fund installation and replacement of transmission and distribution lines to convey water to and from the new 3Kings facility. The Kings Crown Water Tank will store approximately two million gallons of water and provide essential storage for downtown Park City and Vail Ski Resort. The increased storage capacity will improve redundancy and water storage during episodes of drought.

**Refunding:** 2021 Bond proceeds will refund \$1,925,000 of the 2012 Bonds that financed transmission lines for Quinn’s Junction and improvements at the Quinn’s Water Treatment Plant. The 2021 Bonds will also refund \$5,525,000 of the 2012B Bonds that financed water system improvements at Judge Water Treatment Plant, Quinn’s Water Treatment Plant, pipeline replacements, other infrastructure improvements, and refunded \$390,000 of Park City’s Water Revenue Bonds, Series 2006. The Judge Water Treatment Plant treats mining-influenced water from the Judge Tunnel. The Quinn’s Water Treatment Plant treats water for the Weber Basin Water Conservancy District. Improvements to these facilities have ensured efficient treatment and delivery of drinking water for Park City residents, through transfers, until the 3Kings plant is operational.

### Process for Project Evaluation and Selection

Park City has multiple strategic and transparent public plans that prioritize environmental objectives in project selection, including climate-related objectives. 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. A City-wide long-term strategic plan establishes sustainable water management as a core principle. System Improvements funded with the 2021 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 and climate action.

The City’s Sustainability Department leads community engagement efforts. Many stakeholders have had a say in the specific plans for the 3Kings Water Treatment Plant, including City residents, the Public Utilities, Planning and Sustainability Departments, the City Manager’s Office, and the City Council.

<sup>2</sup> See City Resolution 28-2017 *Net-Zero Energy Performance Requirements*

# Management of Proceeds

2021 Bond proceeds shall be spent to finance improvements to the water system, refund the outstanding 2012 Bonds and the 2012B Bonds, and to finance related costs of issuance. Proceeds for the two refundings will be deposited to refund the 2012 Bonds and the 2012B. Proceeds for the 3Kings Water Treatment Plant and other System Improvements will be deposited into a separate 2021 project account. Bond proceeds may temporarily be invested in instruments approved by Utah’s State Money Management Act. Approved investments include, but are not limited to in-state and out-of-state financial institutions, US Treasury obligations, and certain federal government agency securities. Original proceeds from the bonds to be refunded were managed from separate bond-specific subaccounts.

# Reporting

The City intends to submit continuing disclosures to the Municipal Securities Rulemaking Board (“MSRB”) so long as the 2021 Bonds are outstanding, and 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, construction updates for the 3Kings project are regularly available on the project website: <https://www.parkcity.org/departments/public-utilities/engineering-construction-division/water-projects/3kings-water-treatment-plant>.

The City will also voluntarily produce an annual report on the allocation of bond proceeds to the drinking water system improvements and confirm the energy performance of the building once it is operational. These reports will be posted on the City’s website and made available until all proceeds have been spent.

# IMPACT AND ALIGNMENT WITH UN SDGS

By financing projects that increase the reliability, sustainability and efficiency of the water treatment and distribution system, the Bonds are helping to address UN Sustainable Development Goals 6, 7, 9, and 12. The effective treatment of mining-influenced water to reduce the potential negative impacts of pollutants supports Target 6.3. By funding the installation solar arrays at the 3Kings facility, the Bonds advance Target 7.2. The incorporation of efficiency features in the 3Kings plant supports Target 7.3. The construction of a treatment facility largely aligned to net zero standards and maintenance and upgrades to water transmission and the distribution systems directly advance Targets 6.3, 6.5, 9.4, and 12.2.

Full text of the Targets for Goals 6, 7, 9, and 12 is available in Appendix A, with additional information available on the United Nations website: [www.un.org/sustainabledevelopment](http://www.un.org/sustainabledevelopment)



**Clean Water and Sanitation (Targets 6.1, 6.3, 6.5)**  
Possible Indicators

- Increased drinking water storage capacity
- Amount of treated mining influenced water
- Documentation of integrated water resource management



**Affordable and Clean Energy (Targets 7.2, 7.3)**  
Possible Indicators

- Installed renewable generation capacity
- Reduction in greenhouse gas emissions as a result of on-site power generation



**Sustainable Infrastructure (Target 9.4)**  
Possible Indicators

- Increased resource-use efficiency
- Documentation of energy performance



## Sustainable Use of Natural Resources (Target 12.2)

### Possible Indicators

- Decrease in water loss due to distribution and transmission line upgrades
- Reduction in grid energy demand due to on-site generation

## CONCLUSION

Based on our independent external review, the 2021 Bonds (Green Bonds) conform, in all material respects, with the Green Bond Principles (2021) and are in complete alignment with two eligible project categories: *Sustainable Water Management* and *Green Buildings*. The System Improvements will conserve natural resources and help Park City meet its exemplary climate action goals.

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## ABOUT KESTREL VERIFIERS



For 20 years Kestrel has been a trusted consultant in sustainable 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 certified Women's Business Enterprise.

For more information, visit [www.kestrelverifiers.com](http://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 (September 2021) 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 for regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. Kestrel Verifiers relied on information provided by the City and publicly available information. 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 City, 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 reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the City or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

## Appendix A.

### UN SDG TARGET DEFINITIONS

#### **Target 6.1**

By 2030, achieve universal and equitable access to safe and affordable drinking water for all

#### **Target 6.3**

By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

#### **Target 6.5**

By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate

#### **Target 7.2**

By 2030, increase substantially the share of renewable energy in the global energy mix

#### **Target 7.3**

By 2030, double the global rate of improvement in energy efficiency

#### **Target 9.4**

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

#### **Target 12.2**

By 2030, achieve the sustainable management and efficient use of natural resources





## Appendix B.

### PARK CITY RESOLUTION 32-2018

RESOLUTION 32-2018  
A RESOLUTION BY THE PARK CITY COUNCIL TO ACHIEVE NET-ZERO CARBON BY  
2022 FOR THE MUNICIPAL GOVERNMENT AND BY 2030 FOR THE BROADER  
COMMUNITY AND FOR PARK CITY TO INVITE OTHER LOCAL GOVERNMENTS TO  
JOIN US WITH THE GOAL.

WHEREAS, Climate Change is deeply affecting our community through changes in weather patterns including droughts, volatile snow events, and warmer temperatures; and

WHEREAS, the State of Utah is seeing record wildfires, droughts, intense storms, heat waves, inversions, and extreme weather events that are having negative impacts on its economy.

WHEREAS, Climate Scientists have issued dire warnings that systematic change must happen to avoid the most severe impacts of climate change.

WHEREAS, transitioning to the new energy economy will provide significant economic benefit to the community and the State of Utah, and Utah could become the leader in renewable energy for the West.

WHEREAS, Park City is nestled in the Wasatch Range and is dependent on world class snow and moderate temperatures to sustain our resort economy and support our high quality of life; and

WHEREAS, our community has expressed deep concerns for the environment we live in. Many citizens have chosen to move to Park City because of our beautiful natural setting, clean air, expansive open spaces, and snow covered mountains; and

WHEREAS, local governments are the front line of Climate Change, inaction by the federal government pushes the burden on local communities to act. In addition, community based efforts are nimble and more directly able to address the impacts of Climate Change; and

WHEREAS, our community came out with strong support, asking that we address this issue, not just for our municipal government, but for our broader community impact; and

WHEREAS, as a resort community, we have an opportunity to broadly influence opinions on Climate Change. We are an international brand known for our natural setting and recreation.

WHEREAS, we have a disproportionately sized carbon footprint due to our mountain climate, large homes, visitor travel and complex infrastructure. This is not sustainable utilizing our current energy sources; and

WHEREAS, Park City cannot solve Climate Change alone. We need other communities to join us in solving Climate Change as soon as possible.

NOW, THEREFORE, BE IT RESOLVED that the Mayor of Park City and the Park City Council strongly urge other local governments to join us in our goal of becoming a net-zero carbon government agency by 2022 and a net-zero carbon community with the annual electricity needs coming from 100% renewable resources by 2030.

FURTHER, BE IT RESOLVED, that the City engage with other interested communities to adopt the same goals.

PASSED by the City Council of Park City this 29th day of November, 2018.