

TIMPANOGOS SPECIAL SERVICE DISTRICT
ADMINISTRATIVE BOARD MEETING MINUTES

APPROVED

April 16, 2015 6:00 p.m. Conference Room

Board Members:

Present:	Tracy Wallace	Mark Johnson	Craig Whitehead	Craig White
	David Bunker	Chris Condie	Spencer Kyle	Sean Fernandez
	David Norman	Brian Braithwaite	Dale Ihrke*	

Excused: Jay Meacham Keith Blake

District Staff: Jon Adams, District Manager
Danette Smith, Board Secretary
David Barlow, District Engineer
Joe Martin, CPA

Others: Ken Spiers, Bowen, Collins & Associates
Craig Carlile, Attorney
Kyle Greene, Squire & Company

Call to Order:

Tracy Wallace, Board Chairman, called the meeting to order. 6:12 p.m.

Public Comment

There was no public comment.

Approval of Minutes

A. Approval of the March 19, 2015 Administrative Board Meeting Minutes

Chris Condie made a motion to approve the minutes from the March 19, 2015 Administrative Board Meeting. Brian Braithwaite seconded the motion. Those voting "Aye" – Tracy Wallace, Mark Johnson, David Norman, Spencer Kyle, Brian Braithwaite, Chris Condie, David Bunker, Craig White, Sean Fernandez, Craig Whitehead. The motion passed with a unanimous vote.

Consent Calendar

A. Pay Request No. 5 Bud Mahas Construction/Laboratory Building

B. Change Order No. 2 Bud Mahas Construction/Laboratory Building

Pay request #5 is for \$164,635.00. Change order #2 is an increase of \$2,797.00, with no increase in time. Jon said there was a section of asphalt that was in bad shape, and we asked the contractors to take care of that. There were modifications to the soffit and fascia the engineers made suggestion to improve.

Craig White made a motion to approve the Consent Calendar as presented. Brian Braithwaite seconded the motion. Those voting "Aye" – Tracy Wallace, Mark Johnson, David Norman, Spencer Kyle, Brian Braithwaite, Chris Condie, David Bunker, Craig White, Sean Fernandez, Craig Whitehead. The motion passed with a unanimous vote.

1 **Finance**

2 **A. Financial Report**

3 Joe presented the financial report. Joe said Brian had questions on some of the percentages related to
4 benefits and keeping those even between departments. Joe said he and Shannon would look into that, and try to have
5 an answer for next meeting. Joe said we are 25% into the year and the revenues are right where we would expect
6 them to be. Wastewater is at 25%. Expenses are below 25%, due to budgeting conservatively. The Impact Fees are
7 a little behind at 15%, but that may pick up in the summer months.

8 ***Dale Ihrke arrived. 6:21 p.m.**

9
10 Joe said Squire & Co. is here to present the audit report, but first he wanted to review a couple things with
11 the board. Joe encouraged the board to read the Management's Discussion & Analysis in the report. It is a summary
12 of what happened during the 2014 year. It says the District is in good financial shape. We increased our net assets,
13 not quite as much as the prior year, because we brought in less in impact fees. Joe said there was also the defeasance
14 of the debt. Brian asked Joe if that showed in the financials. Joe said yes, if you look at bonds payable for the year,
15 we began the year with \$28 million in revenue bonds and a reduction of \$23 million. That \$23 million included our
16 normal bond payment in June, which reduced it by \$1-\$2 million. Brian asked if the cash we had at the end of the
17 year, includes that. Joe said no, the \$47 million cash at the end of the year is cash we have in our bank accounts.
18 The restricted cash account is \$831 thousand, which is tied up in retention money. We used to have more money in
19 the restricted cash account, which included bond reserve money, and impact fee money. The impact fee money was
20 used to pay down the debt. Chris Condie said it states on page three in the financial highlights, that the District used
21 cash to defease \$20 million in debt. Joe said it was \$19.7 million defeased; the rest was actual bond payments made
22 in June.

23 Joe said page four and five are a summary of the financials. In net position, we have \$124 million in net
24 assets, \$47 million of that are unrestricted and can be used to meet our ongoing obligations and \$76 million is tied up
25 in the plant, building, interceptor lines and equipment. The revenues and expenses compared the last three years.
26 We are consistent with our operating revenues, most of that is wastewater. The non-operating revenues and expenses,
27 includes impact fees and interest.

28 Joe said he wanted to address the Letter to the Management. He said Kyle from Squire and Co. would cover
29 the other audit reports. There are two items in the management letter. The first is the Impact Fee Reconciliation,
30 which was discussed with the Finance Committee before board meeting. Joe said the finding says the District does
31 not have a process in place to reconcile impact fees collected at member cities and ensure they are remitted to the
32 District. Joe said late in the audit the auditors were trying to get the confirmations from the cities. Two
33 confirmations were received, one said they overpaid the District last year and would reduce the payment in 2015 for
34 the overpayment. The auditors asked Joe to make an adjustment to reduce impact fee income. Joe said it was too
35 late; he would not be able to make the adjustment. It was not material to the financial statements. The other
36 confirmation received, said they overpaid and then underpaid, but by the end of the year it was right. However, when
37 looking at what they said in their confirmation, their prior year's confirmation was also wrong. Some of the
38 information stated was wrong went back to 2012. That prompted a finding that needs to be discussed with the cities.
39 The auditors recommend we find a way to make sure the District is receiving the impact fees promptly and correctly.

40 David Bunker said this is tough, because cities are collecting the fees and remitting to the District. There
41 needs to be some kind of reconciliation. David said an idea they discussed, his city generates a permit index
42 monthly, which tells where construction was. Impact fees remitted to the District could be compared to that permit
43 index. The city could confirm with the District, the impact fees collected and remitted to the District are accurate on
44 the cities books.

45 Joe said if the cities systems generate a receipt with a description; a copy can be made of receipts for impact
46 fees. Then when remitting those to the District, you can reconcile back to the printed receipts. Brian said most of the
47 board members do not know what process the cities use. He suggested contacting the city financial individuals to

1 identify what they are doing. Brian said he is in complete support and is willing to help, but he is uncomfortable
2 trying to solve something that he does not have responsibility for or know the process.

3 Joe said it is something they can do if directed by the board. It is a gray area, because it is the District's
4 impact fee, but we have no authority over the cities. We cannot tell them how to track it. We can work with them in
5 outlining some internal controls. This is actually a finding for the cities; it is written to us, but it is not something we
6 can actually correct without the cities help. Brian said the argument a couple of years ago was why we have the
7 cities involved in collecting District fees. Brian said the reason they are involved, is because the cities own the
8 revenue coming in. As long as they have that responsibility of collecting the fees, they need to have a voice here on
9 this board. Spencer said he looks at it that the cities are doing the District a favor in collecting the impact fees. The
10 cities are charging the District's impact fee, when it should be the District charging it. Spencer said he realizes it is
11 difficult from a staffing prospective and is a convenience for the builders. Spencer said he does not want any other
12 organization dictating to his finance director how they need to be doing their job. Joe said that is true to some
13 degree, but the cities are actually doing the citizens a favor. Joe said we could make them come here and pay the
14 impact fee, but it would be an inconvenience for the citizens.

15 Craig Carlile said historically, the District did not want to do impact fees, the District wanted to charge the
16 cities. The cities wanted the impact fees, so the District said they would support that by doing the studies, and let the
17 cities decide how to approach those fees within the cities. Eventually, the cities decided to have the District charge
18 the impact fee and the cities would collect it. Craig Carlile said he believes the easiest thing for the District would
19 be to charge the cities a capital facilities fee, and have the cities decide how to pass that fee on to the citizens. That
20 would solve this problem.

21 Brian said it partly has to do with convenience, but the city owns part of the infrastructure and the District
22 owns part of the infrastructure. Spencer agreed, but said their city attorney informed them that state code says,
23 "Cities are allowed to charge a sewer impact fee." Most of the cities charge two sewer impact fees, one for the
24 District and one for the city. Spencer said we might have a little bit of exposure in this area. David Bunker said Joe
25 is trying to get to the accuracy of reporting because it affects the audit at the District. He is asking Board members to
26 go back to their entity and find the best way to verify fees remitted to the District equal the fees collected. Brian said
27 he would prefer District staff talk directly to city staff, and if they cannot get something figured out, he could help to
28 get a resolution. David Bunker asked the Board to give the green light for District staff to contact the finance
29 directors of each entity and copy the Board member from that entity so they know contact has been made.

30 Tracy said staff should contact the member cities and find out how they are reconciling the fees and get input
31 how to best approach it. At the same time, it can be brought to the Administrative Committee to see if there are other
32 ways to resolve this. Joe said training with city staff might work as well. Spencer thought we had this issue in the
33 past and the report cities are turning in with the impact fees was meant to solve that. Joe said he is not sure where the
34 discrepancies are, but two confirmations were received and one said they overpaid the District last year, so they
35 would short an upcoming payment. Another city said they underpaid, then overpaid and now it is worked out.
36 Those monthly reports may not have been accurate. Brian said why not go back to those two cities to see what may
37 have been done, if it was something systemic or maybe they had brought in a new clerk. Maybe we do not need a
38 change, it may have just happened because a new clerk was hired. Joe said he would contact the cities; maybe we
39 could get a copy of the confirmation.

40 41 **C. 2014 Audit Presentation – Squire & Company**

42 Kyle Greene, Squire & Company, thanked Joe, Shannon, and District staff for their help with the audit.
43 Kyle said the auditor's report outlines the management's responsibilities, and the auditor's responsibilities. The
44 auditor's opinion states; the basic financial statements present fairly, in all material respects, the respective financial
45 position of Timpanogos Special Service District as of December 31, 2014 and 2013, and the respective changes in
46 financial position and cash flows thereof for the years then ended in accordance with accounting principles generally
47 accepted in the United States of America.

1 Kyle said The Independent Auditor's Report on Internal Control, is a required report for government
2 auditing standards. Kyle said no significant deficiencies or material weaknesses were found.

3 Kyle said The Independent Auditor's Report on State Compliance identifies five items that are required
4 to be tested. 1) Budgetary Compliance 2) Utah Retirement Systems 3) Government Records Access Management Act
5 (GRAMA) 4) Utah Public Finance Website 5) Open and Public Meetings Act.

6 The auditor's opinion is Timpanogos Special Service District complied, in all material respects, with the
7 compliance requirements, that could have a direct and material effect on each general compliance requirement tested
8 for the year ended December 31, 2014. Kyle said a couple of matters were identified, which did not modify the
9 auditor's opinion on compliance. The first matter is the Transparency Upload. Kyle said the requirement is for the
10 District's financial information to be uploaded quarterly to the state's transparency website. It has been done
11 annually. This was due to a miscommunication. Kyle said that has been fixed. The first quarter of 2015 has been
12 uploaded and will continue quarterly as required. The next matter is Training. The Open and Public Meetings
13 training was not completed for the current year as required by Utah Code 52-4-104. Some of those trainings may be
14 completed at member's respective cities, but it is required for all District Board members. The auditors recommend
15 those trainings are identified and are completed. Brian asked staff to prepare early next year and have it on the
16 schedule, so we will comply with the yearly training. Jon said Craig Carlile could hold an open meetings training
17 with Board Members in a short amount of time. Tracy said he would make sure that is completed.
18

19 **Action Items**

20 **A. Contract approval and payment to Utah County for North County Boulevard**

21 Tracy said a couple of years ago we did some work with Utah County in preparation for North County Blvd.
22 There were several board discussions regarding this. In December of 2010, there was a motion to approve and move
23 ahead with the project. The work was completed we did not receive a bill for it. There is an agreement from Utah
24 County in tonight's board packet. The work was completed, and the engineer has reviewed the work. Jon said Utah
25 County administered the project. Clyde Naylor was the county's representative and Horrocks was the project
26 engineer. American Fork City asked for a line extension, from the tracks on 2000 West (now N. County Blvd) to 50
27 South. The District agreed and were to pay that out of the contingency fund. The county was going to make the
28 payment to the contractor and we would reimburse them based on an agreement, but that agreement never came from
29 the County. Clyde Naylor retired and it fell through the cracks. The project was plagued with problems that drew it
30 out another two years before it was finalized. Now, Richard Nelson from Utah County has contacted us to pay. Jon
31 said we know we owe the money, and it is actually a few thousand less than what we agreed to pay. District's legal
32 counsel believes that because it is after the fact, the Board should approve to make payment to the county, but
33 recommends not signing an agreement.
34

35 **David Bunker made a motion that the District pays Utah County \$279,104.50 for work related to the**
36 **North County Boulevard Construction Project. Brian Braithwaite seconded the motion. Those voting "Aye"**
37 **– Tracy Wallace, Mark Johnson, David Norman, Spencer Kyle, Brian Braithwaite, Chris Condie, David**
38 **Bunker, Craig White, Dale Ihrke, Sean Fernandez, Craig Whitehead. The motion passed with a unanimous**
39 **vote.**
40

41 **B. Approval to sign the amendment to the Interlocal Cooperation Agreement and authorization to pay** 42 **the annual assessment to the Jordan River – Farmington Bay Water Quality Council**

43 Tracy said the Board has discussed this for a long time; there have been other issues that have come up that
44 have held us up; we are ready to move forward with it. The money is budgeted for this. Jon said the Board gave
45 approval to join this group and he has been waiting for an amendment. The amendment is a couple of pages; it adds
46 some contract language and signature pages for us, Orem and Provo. Jon has heard that Orem is going to sign, but
47 there has been no word from Provo. This would also allow us to pay the annual assessment. We need to get it signed
48 and returned. They are ready to start research that would directly benefit the District for our permit impacts to Utah

1 Lake. The sooner we get this started the better. This will make us an official member of that group. Brian asked if it
2 would make a difference if Provo does not join. Jon said it would not.

3 Brian asked if Jon had something from them that shows our amount is \$100,000.00. Jon said yes, Dal
4 Wayman, Manager of the South Davis Sewer District, and serves on the water quality council, will send us an
5 invoice. The assessments vary from \$75,000.00 to \$150,000.00 and the District's is \$100,000.00. They look at it
6 each year and do an assessment based on size. Brian said the agreement says it is extended for 5 years through 2018.
7 Since we are tying into the agreement, our commitment is 3 years; if we choose to not continue at that point, we
8 could as that would be a change in the contract.

9 Jon said a benefit we will receive is the Council will share information with us from prior years, before we
10 were a member. Dale asked if they are going to start focusing on Utah Lake now, and will we get a schedule of what
11 they plan on doing. Jon said yes, Dr. Theron Miller and another employee would meet with us. An advantage to us
12 is we have access to the lake right out our south gate, and this will be a focus point. Jon said we have offered them a
13 vacant office in the new maintenance building. They will put a scope together. They will start with nitrogen first.
14 Based on information the state has released, this is what needs to be focused on first. They have two full time
15 employees and may also use university students for data collections. District employees would help with sampling
16 and monitoring stations.

17
18 **Brian Braithwaite made a motion to approve that Chairman Tracy Wallace sign the amendment to the**
19 **Interlocal Agreement with the Jordan River – Farmington Bay Water Quality Council and authorize payment**
20 **of \$100,000.00 annual assessment from the Council. Chris Condie seconded the motion. Those voting “Aye”**
21 **– Tracy Wallace, Mark Johnson, David Norman, Spencer Kyle, Brian Braithwaite, Chris Condie, David**
22 **Bunker, Craig White, Dale Ihrke, Sean Fernandez, Craig Whitehead. The motion passed with a unanimous**
23 **vote.**

24
25 **C. Acceptance of the 2014 District Audit by Squire & Company**

26
27 **Chris Condie made a motion to accept the 2014 Timpanogos Special Service District Audit by Squire**
28 **and Company. David Bunker seconded the motion. Those voting “Aye” – Tracy Wallace, Mark Johnson,**
29 **David Norman, Spencer Kyle, Brian Braithwaite, Chris Condie, David Bunker, Craig White, Dale Ihrke, Sean**
30 **Fernandez, Craig Whitehead. The motion passed with a unanimous vote.**

31
32
33 **Communication**

34 **A. Manager's Report**

35 Jon said UDOT has filed suit against Flatiron Construction for the SR-92 project. We are going to watch that
36 situation and see if we can get our record drawings owed to us from that project. Our work was done, but we never
37 did get record drawings and a close out. Jon said we have advertised and will be interviewing for a laboratory
38 director. We have a good field of applicants to draw from. The plant was in compliance for the month of March,
39 with an average daily flow of 16.96 MDG and a peak daily average flow of 17.40 MDG. Jon said as the temperature
40 comes up, we see the effluent phosphorus go down. Jon said that process has not been fine-tuned yet; the training
41 process has started with staff. If we get this plant to denitrify, Jon thinks we will get some good numbers. We are
42 well under our current permit limits; it is the new limits coming that could cause us stress.

43 Craig Carlile said the trial has been set in the odor litigation. It will be held in Heber City. It starts October
44 18, 2015, and goes through November 4, 2015 and is 8:30 - 2:00 each day. All fact discoveries are over, and expert
45 discovery is essentially over. We are moving into motions and hoping it will result in this being less than a two and a
46 half week trial.

1 **B. Laboratory Building Construction Progress Report No. 4**

2 Jon said the laboratory project is looking good. They are sheet rocking and doing some internal work. Ken
3 Spiers said they are making good progress and we have every confidence they will finish on time. Jon said he is
4 pleased with the quality, and the contractor has been very cooperative and reasonable.

5

6 **Closed Session**

7 There was no closed session.

8

9 **Adjourn:**

10 **David Bunker made a motion to adjourn. Spencer Kyle seconded the motion. All present "Aye".**

11 **Meeting adjourned 7:10 p.m.**

12