

TIMPANOGOS SPECIAL SERVICE DISTRICT  
ADMINISTRATIVE BOARD MEETING MINUTES

**APPROVED**

July 20, 2017

6:00 p.m.

Conference Room

**Board Members**

**Present:** Mark Johnson David Bunker Chris Condie  
Brian Braithwaite Craig White Lynn Walker  
Sullivan Love Chandler Goodwin Mark Christensen  
Dale Ihrke

**Excused:** Commissioner Bill Lee Mack Straw Tracy Wallace

**District Staff:** Jon Adams, District Manager,  
Shannon Hansen, Human Resource  
David Barlow, District Engineer  
Danette Smith, Board Secretary

**Others:** Craig Carlile, Ray, Quinney & Nebeker  
Brandon Wyatt, Bowen Collins & Associates  
Trevor Lindley, Brown & Caldwell  
Todd Godfrey, Hayes Godfrey Bell  
Steve Geary  
Val Teeples, Ten Point Sales/RS Technical  
John Crandall, George K. Baum

**Call to Order**

Mark Johnson, Board Chair, called the meeting to order. 6:05 p.m.

**Public Comment**

There was no public comment.

**Approval of Minutes**

**1. Approval of the May 18, 2017 Administrative Board Meeting Minutes**

**Craig White made a motion to approve the minutes from the May 18, 2017 Administrative Board Meeting. Lynn Walker seconded the motion. Those voting "Aye" – Mark Johnson, David Bunker, Mark Christensen Brian Braithwaite, Chris Condie, Lynn Walker, Craig White, Dale Ihrke, Sullivan Love, and Chandler Goodwin. The motion passed with a unanimous vote.**

**Consent Calendar**

There were no items on the consent calendar.

**Financial Report**

Joe Martin was excused. Jon asked if there were any finance questions. Chris Condie asked if the camera equipment was included in the budget. Jon said yes it was included in the capital budget under the fleet account. Chris asked if the detailed budget report would show a budget item for camera equipment. Jon said you would see an amount on the detailed budget. Brian Braithwaite said he didn't think it is broken down in complete detail and he is not sure there is a line item that specifically says cameras, where it is part of the fleet. Jon said we look at the replacement schedule and put the estimated amount in the budget. Chris said in this case there are a couple of trucks

1 that need to be retrofitted with new cameras and that money will come from the fleet budget, but it was not specified.  
2 Jon said during the work session it would have been explained what was included in that amount.

3 Mark Christensen said the financials shows \$650 thousand budgeted in the fleet budget, of which nothing has  
4 been spent for that camera purchase. Jon said yes, we have a couple of other vehicles to purchase and the camera  
5 equipment. We are waiting to see what we will get on the insurance claim on our grinder, and we may need to spend  
6 some money towards that.

## 8 **Action Item**

### 9 **1. Approval to Purchase Sewer Camera Equipment**

10 Jon said the District sent out an RFQ to four known vendors. It was also published in the newspaper. Three of  
11 the vendors came and looked at the trucks; two, Aries and RST, of the four vendors submitted quotes. Jon said it was  
12 a close bid between the two. We are recommending purchasing the RST equipment through Ten Point Sales. We  
13 have had really good results with their equipment and an advantage is the service is more localized, so turnaround  
14 time is a little quicker and they tend to be a little more responsive. Mark Johnson asked if these were off the shelf  
15 items or if they required additional items. Jon said we required what worked best for us in the past, so most of it is  
16 off the shelf. Our concern with the equipment is fitting it into the existing truck box, and both of the truck boxes are  
17 not the same size, so they have to look at the retrofit to get it to fit in that space. It is equipment that is industry  
18 standard and readily available.

19  
20 **Brian Braithwaite made a motion to approve the purchase of the Sewer Inspection Camera Equipment for**  
21 **retrofitting two District vehicles with equipment manufactured and installed by RS Technical Services**  
22 **through Ten Point Sales & Marketing LLC for the amount not to exceed \$169,525.00. David Bunker seconded**  
23 **the motion. Those voting “Aye” – Mark Johnson, David Bunker, Mark Christensen Brian Braithwaite, Chris**  
24 **Condie, Lynn Walker, Craig White, Dale Ihrke, Sullivan Love, and Chandler Goodwin. The motion passed**  
25 **with a unanimous vote.**

## 26 27 **Communication**

### 28 **1. Asset Management Progress Report – Brown and Caldwell**

29 Trevor Lindley, Brown and Caldwell, gave the progress report. Trevor said electrical, instrumentation, and  
30 structural engineers with Brown and Caldwell have been here with TSSD staff throughout June to do visual  
31 inspections. The engineers have also talked with operators about challenges they have faced, and reviewed TV data  
32 from the collections systems. Trevor said they have done the LOS workshop to establish how well we want the  
33 systems to perform, the criticality workshop to prioritize what we look for and what is the most critical, and they  
34 have done the condition assessments. Trevor said those three efforts are leading to prioritizing projects. There is a  
35 meeting on August 1<sup>st</sup> with staff to show these projects, and work to identify projects, and start to show some pricing.  
36 Trevor said they are gearing up for August’s board meeting to show CIP years 1-5 and the September Board meeting  
37 to look at the entire CIP including cash flow from the replacement planning model. Brian Braithwaite asked if we  
38 are on target to hit those dates. Trevor said yes.

39 Chris Condie asked about the photos in the progress report. Trevor said they took dozens of pictures to help  
40 remember what they saw and where they were. These are typical examples of the stuff we are logging as we review  
41 tv camera data or work with staff. Trevor said the first three are collections systems, showing infiltration, all sewer  
42 systems leak, it is hard to make them perfectly tight, but newer ones are tighter than older ones. These are areas that  
43 might be identified for either a lining project or replacement project. There is a photo showing corrosion with the  
44 rebar showing. Trevor said he has seen worse. Mark Johnson asked where that line is located. Jon said that is our  
45 54” which comes out Saratoga Springs and the 60” which is more into Lehi. Jon said years ago we did the Lehi Line  
46 Rehab, where we went in and lined certain sections. This is showing what has happened since then. David Bunker  
47 asked what the standard is for a new sewer line; are there different kinds of pipe that can be sealed better than others.  
48 Trevor said if it is in a location where there is not shallow ground water, you are really not going to have much  
49 leakage. New PVC or new well installed concrete should have low leak rates.

1 David Bunker said this line probably leaked from day one at some level, it is high ground water and concrete  
2 pipe. Mark Christensen asked how the District deals with this, do we line those with something like Insituform. Jon  
3 said yes, in the larger lines that is more typical; for some of the smaller pipe there are different types of linings.  
4 Consultants usually make a recommendation of the type of lining. An Insituform or an epoxy type is typically what  
5 we would do with a line like this. Trevor said the foremost common materials being used to line with right now are  
6 a polymer sock, steam cure, or UV cured in place. Central Valley is using a fiber glass resin pipe that has a long life,  
7 and they have slip lined miles of their main interceptors in this 50" plus diameter range. Slip lining is easier on the  
8 big interceptors where there are fewer laterals and connections. These district lines are candidates for some process  
9 of rehab.

10 David Bunker asked if the larger diameter pipes leak more than smaller diameter pipe, and is it harder to get the  
11 larger diameter pipes to seal tight. Trevor said it depends on when they went in and what the bedding conditions  
12 when they were put in. If you can get a good dry trench box and good contractors, any of them should go in fairly  
13 tight. Craig White said the biggest problem they are facing is the manholes themselves. Every manhole has eighteen  
14 holes, and cities are designing streets to be catch basins. Every time you have a storm that comes through, the cul-de-  
15 sac fills up with a foot of water and comes right down your sewer; it is acting as a drain. Trevor said they see a lot of  
16 infiltration at those connections. Craig White said if you have an active televising program you can fix them as you  
17 go and you do not have too much of a problem.

18 Jon said some of the structures were put in in 1976 and there have been several additions. They were not  
19 designed to be able to isolate those, and as we add on and now have a different system, those become more critical  
20 than when they were first installed. The 54" and 60" sewer line we are talking about, unfortunately will have access  
21 problems. We may have some access issues trying to get some of those new types of technology in there. Brandon  
22 Wyatt said all of the District's new pipes in the last ten years have been solid wall PVC or Hobas. Brandon Wyatt  
23 said we did Insituform lining on sections of the 54" and the 60". Mark Johnson asked if we are learning what the  
24 better pipes are with the new pipes and installs. Mark Johnson asked if we are using RCP still. Brandon Wyatt said  
25 we have stepped away from using RCP in the last several projects, given its propensity for erosion and some of the  
26 leak problems; PVC has fewer joints and longer pipe. When these pipes were originally put in, for large diameter the  
27 only option was concrete pipe. The more leak proof materials have advanced in the last few years to a point where  
28 you can, in the larger diameter, get a joint that is a better water tight joint in some of the PVC and Hobas. There are  
29 other products out there that are coming online, such as Sanitite, that are new but not quite as proven as these others.  
30 The solid wall products are proven and that is what the District has been using.

## 31 **2. Manager's Report**

32 Jon said we are meeting with Water Quality Board Members, working with Utah Lake Commission, and  
33 submitting nominations for positions on their steering committee. Jon said in the last board meeting the board  
34 authorized him to make a bid on the grinder that was for sale by South Valley Solid Waste. He did that and when our  
35 offer was taken to that meeting, Springville City wanted a chance to submit a bid. The SVSD Board made the  
36 decision to give Springville City until June 6<sup>th</sup> to submit. Jon said in a phone conversation they let us know they  
37 were going to sell the grinder to Springville. We were looking into how that happened and the approval. Jon said he  
38 will update the board later. There is another algal bloom, it started in the Provo Bay area and spread northward. The  
39 state is doing testing. Jon said he went to a meeting the day before board meeting; the toxicity is low and they have  
40 not found any in the open water.

41 The plant was in compliance for the month of June. There were higher than average daily flows. Jon said he  
42 attended a Utah Lake Technical Committee meeting Wednesday. They are going to appoint a member from TSSD  
43 on the steering committee, which helps review and guide the research. Jon said he would be on the committee and  
44 David Barlow will be the alternate. Also on the committee would be Mayor Sheldon Wimmer from Alpine with  
45 David Norman being his alternate, Gary Calder, Provo City, who has public utility experience and a public works  
46 director from Springville. There will also be a science panel selected.

47 Mark Johnson asked why the effluent phosphorous from June is higher than usual. Jon said we had reduced that;  
48 we had five bioreactors on line and we checked those and could not understand why it was going back up. We found  
49

1 on one of the bioreactors there was an airline that had come apart and was leaking into there. That is great for  
2 ammonia removal, but it is not great for phosphorus removal.

3 Jon said sometimes you can lose that phosphorus removal quick and when we are trying to switch ditches or do  
4 maintenance, that becomes a factor. We have to be able to level those out when the new standards are in place. That  
5 is where some of these replacement units become more critical. Mark Christensen said the effluent phosphorus for  
6 July was 2.13 mg/L, and asked what is the state standard. Jon said beginning in 2020 the state standard will be 1  
7 mg/L. Mark C. asked if we are looking at ways we will be able to meet that standard. Jon said yes, and in prior  
8 months we have had it as low as 0.24 mg/L and we have to find a way to level that out. We are hoping we can do  
9 that biologically. Mark Johnson asked if the state will enforce that, what the penalty is and how is it measured, is it  
10 a yearly or monthly standard? Jon said right now it is proposed as a yearly average, if we had a 1.4 mg/L and there  
11 were several months at a .024 mg/L – .035 mg/L we would be ok. Obviously, we want to get it down so it is below 1  
12 mg/L all the time. One of the more critical months is February and March. There are five basins running right now,  
13 but we have eight basins. We had some problems when we settled with the contractor, this is not the first air-line  
14 that has come apart; we are taking care of it and taking those basins down one at a time. If we had to have a basin  
15 down for a couple of weeks for repairs, phosphorus would go up that month. Jon said we are mindful of that 2020  
16 date. We have the ability to take the phosphorus out, if we could get rid of some of the other physical restrictions  
17 that were built into the treatment plant for the previous processes. Whenever you have a retrofit, you find those  
18 things out. Brown and Caldwell has been looking at that, and will be making some recommendations, and we should  
19 be in good shape by 2020. If the District wants a waiver to the 1 mg/L limit, it needs to be done by January 1, 2018.  
20 It would need to be filed now; we may do that as a precaution to buy us some time.

21 Mark Christensen said he would love to see our average for the year. Jon said sure. Mark C. said if Jon could  
22 include that in the report it would be very helpful to understand where we are at on target for the year. Jon said yes,  
23 that is something David Barlow could print out.

24 Brian Braithwaite asked for an update on the blowers. Jon said the format for the RFP is there, the problem we  
25 have had, through the state agencies, is we have been told what we can and cannot do. Now they are telling us that  
26 we either have to go into the design of the automatic valving control, not included in this last expansion, and have  
27 that design so we can go out to bid. One another option is to declare an emergency and try to do more of a design  
28 build. We are working right now to decide what is best for us. Jon said we want to make sure we get competitive  
29 pricing. Jon said he is leaning to declaring an emergency as the longer we go, the worse shape we may be in, then go  
30 out and select these blowers, and have the designing of the controls and valving done as one part of the package.  
31 Brian Braithwaite asked Jon when he will be at the point to make a decision. Jon said hopefully by the August  
32 meeting or the end of August. If you declare it an emergency, you can still pull it off this year, if you have to go  
33 through the design and bid it, you may get someone selected but you will not get the installation finished. We have  
34 been mixing and matching to keep these blowers going. As K-Turbo goes out of business and the problems are  
35 specific to K-Turbo, we are able to pick up some parts from people who are abandoning them. That has kept us going  
36 a little longer. On the east side, we are in pretty good shape, the west side is a little uncertain. Jon said he would be  
37 willing to take any of the board members on a tour.

### 38 **3. George K. Baum – 2010 B Series Bond Refunding – John Crandall**

39 Brian Braithwaite said John Crandall had approached the District about some policy changes that allowed a  
40 change in refinancing of certain types of bonds. The District has a BAB (Build America Bond) Bond, which has  
41 certain restrictions, and there is a refund for the interest paid. Back when the economy was down, if you had a  
42 shovel ready project, you could apply for these types of bonds. We were in a position where we were able to do it.  
43 You couldn't refinance those until just recently. John Crandall approached us and said they may be able to save the  
44 District several million dollars if we are interested in refinancing. Brian said The Finance Committee looked at a  
45 couple different scenarios, and thought it was positive enough to have John Crandall present it to the board. There  
46 would still be several months to act on it, but wanted to get the information to the board, so if they find it interesting  
47 enough there is still time.

48  
49 John Crandall gave a handout to the board. John said during the board retreat back in February one of the big  
50 discussions was how to manage cash reserves. That is an important part of this discussion. The BAB Bonds were a

1 unique creature created by the American Reinvestment Act. It was a taxable bond and The Treasury is providing a  
2 35% interest subsidy. The bonds were sold at taxable rates and then you submit through your bond trustee a request  
3 of the IRS and they provide a subsidy of 35%. That later decreased a little, through sequestration, which was about a  
4 7% decrease. Those were issued in 2010 and are the District's only remaining outstanding bonds.

5 There have been years of continued low interest rates and there is an opportunity to refund this. There will  
6 remain an opportunity, this is not a decision that needs to be made now, or in the next six months. It is whatever  
7 makes the most sense economically. John Crandall said we have found that the BAB Bonds require a certain type of  
8 refunding called a crossover refunding. If you believe that future rates will come down, you should not do this, if  
9 you believe rates will remain the same, you may consider waiting, if you think rates are going to go up, then you  
10 might consider locking in new rates at today's lower rates. There is an estimate as of July 19<sup>th</sup> that the District  
11 could have a \$2.18 million net savings after all costs of issuance, which is about 5% present value savings. John  
12 Crandall said, in his opinion, that is bare minimum. It is important to understand if you choose to do this refunding,  
13 you should start with what is your savings threshold; if the market is not there by the time we get ready to price the  
14 bonds, then you put the bonds on the shelf and you wait until the market comes back in your favor. If it never comes  
15 back into your favor until a call date or after, then you do not have to do anything and you do not have any costs  
16 associated with getting the refunding ready. It is important to understand that you should determine the type of  
17 savings you are looking for, your savings threshold, and then make decisions based on that.

18 John Crandall said if the District waited until 2018, and rates are 50 basis points higher, it would only save \$1.18  
19 million, which would be about 2.7% savings. David Bunker asked if these bonds were callable right now. John  
20 Crandall said they are callable, and they are refundable right now, but the key is if you advance refund them now and  
21 legally defease them, then you will no longer be eligible for the IRS interest subsidy. David Bunker asked if we  
22 would have been able to do a crossover last year. John Crandall said no, it is only because there was a recent IRS  
23 letter ruling that said they view a crossover refunding as not a defeasance of the outstanding BAB bonds. Because it  
24 is not a defeasance, you can do a crossover and not affect the subsidy you receive from the IRS. Refundings are not  
25 new, they have been around for decades. In this particular case, it is what is needed to keep the old bonds  
26 outstanding until the call date so you can continue to receive that subsidy. Mark Christensen asked if the call date  
27 was a 10-year call date from when these were issued, and we would basically be escrowing the next 2.5 years, and  
28 then refunding the residual bonds. John Crandall said yes that is right.

29 John Crandall said during the time when the bonds are issued and that call date, these new bonds are secured by  
30 the escrow. The new bonds are not obligations of the District; their sole source of repayment is that escrow. At the  
31 point when the old bonds are callable, then the escrow calls those old bonds, they are defeased and the District's  
32 obligations are the new bond at the lower interest rates. Mark Christensen asked if doing this, we would begin  
33 paying on the new bonds in an earlier year or is that deferred until the 10-year call date. John Crandall said it is  
34 deferred, there is no additional debt service payments, the escrow is structured so it pays 100% of the refunding  
35 bonds. Mark Christensen said moving forward, he would like to see are the fees that are going to be associated,  
36 because just like when you are refinancing your home there are fees. John Crandall said he is happy to do that.

37 John Crandall said the refunding analysis illustrates how many dollars are saved on an annual basis. It is between  
38 \$154 thousand on the low end up to \$207 thousand annually. These are estimates. John Crandall said yesterday  
39 they priced a bond for Central Weber Sewer District; they were BAB Bonds, and after watching the market there  
40 were \$4.2 million in savings, over 9 years. Craig White asked if Central Weber had to use cash in order to get some  
41 additional debt paid down. John Crandall said yes, they did, but these numbers are not inclusive of that cash. Craig  
42 White said the real value in a crossover refund is if you can add cash to the mix, then you can really start seeing some  
43 savings. John Crandall said it is important to do the analysis correctly. From a dollar to dollar standpoint, anytime  
44 you add cash and you reduce the amount of principal outstanding and you compare new principal versus old  
45 principal, it is going to look great.

46 John Crandall said Brian had asked him to look at some options if the District contributed cash. This would be a  
47 perfect time, if you were considering using cash, to put towards the bonds. John Crandall said they looked at five  
48 different options. If the District were to look at \$20 million, your net present value savings go up to \$3.1 million.  
49 You would think if you put in \$20 million, it should go up \$20 million savings, but you have to back out that original  
50 contribution. If you put in \$15 million, present savings would be \$2.8 million, you put in \$10 million, present

1 savings would be \$2.6 million. This is not giving you data on what this does to the debt service, this just shows  
2 what it does to present value savings. John Crandall said the first step would be a parameters resolution, as a board,  
3 your steps would be to determine what cash infusion you would want, and your target savings threshold. Once those  
4 were determined you would want to do a parameters resolution and get the process going. This is not an easy slow  
5 process, it takes a few months to get the process complete, but you do have the ability to delay this if your saving  
6 thresholds are not met.

7 Brian said there are two things he was looking at, a savings of 5% is fairly significant for him and the second key  
8 issue is that we obviously just expended a lot of cash, we have the potential of expending some more cash. We talk  
9 about what the cash flow will be and how much we want internally so that may create an environment where we do  
10 not put anything in there. The third piece is we have some obligations under our current bond, some restrictions that  
11 we would love to get rid of, they have perpetuated every time that we have gotten a bond, they have continued. If we  
12 do this, we can get rid of all of the covenants and restrictions that we have had on all our prior bonds and be free of  
13 that. This is a brand-new bonding and we will not be under the same restrictions that we have been under over the  
14 past several bond processes. That is pretty tempting as well. With those kinds of things, we thought it was  
15 important to talk about. David Bunker asked if our legal has looked to see if it truly eliminates that master bonding  
16 agreement. Brian said not yet, but that is the point of the crossover, you have now established new debt and it has  
17 nothing to do with the old debt. We would have to validate that, and we are not just going to jump into this without  
18 looking down that path. That is one of the tempting things, if it were true it adds to why we may not get as great a  
19 yield, but if we could get rid of that, it may be worth it. There is a pretty good chance the rates could go up so if we  
20 want to do this, we need to be looking at it now, so if we feel like it is going to happen we are far enough along that  
21 we can pull the trigger.

22 Mark Christensen asked if there is other debt that we have outstanding. Brian said no. Mark Christensen asked  
23 what the restrictions are on our bonds. Brian said the basics are what kind of debt coverage ratios you have to have  
24 and what is and what is not included. Mark asked if the BAB Bonds out of debt coverage ratios. John Crandall said  
25 the BAB Bonds do not determine the bond covenants, it is the District's outstanding master resolution, which trails  
26 all the way back to the 1980's. It is a little bit archaic and as the District issued bonds, issued bonds at different  
27 series, they could not make the changes to that master because there were always bonds outstanding under that  
28 master resolution. Mark said this would have, at the end of the escrow period, wiped out all those previous  
29 covenants. John Crandall said yes, and the new bonds would be sold knowing that during escrow period the  
30 investors know the only security they have would be in the escrow. They cannot look to the District for any net  
31 revenue pledges because that is not the way these work, but they are going to be invested in U.S. Treasury securities  
32 so it is still a very positive thing. Then, at the crossover points, the new covenants go into place, and those will be  
33 the District's only bonds outstanding. Brian said by eliminating the other bond we had, it put us in the position that this  
34 will do what we want to do. John Crandall said we will have more contemporary debt service coverage. Mark  
35 Christensen asked if John Crandall could get with him and get him up to speed with the District's debt structure he  
36 would appreciate it. John said he would be happy to.

37 Each Board member was asked if they wished to continue looking at this. Chandler Goodwin – yes, Dale Ihrke –  
38 yes, Sullivan Love – yes, Craig White – yes, David Bunker – would like to look at the legal side first to see if it does  
39 get rid of the master agreement and if so then willing to look at savings, Mark Johnson – agrees with David Bunker,  
40 Chris Condie – yes, Brian – yes, Mark Christensen – would like to see the structure of it.

41 Brian said there is no commitment, it is if the Board can begin to have those dialogues and spend a little money  
42 looking down the legal path and doing some prep work. John Crandall said that can be done without any costs, his  
43 responsibility is to provide a summary on the legal analysis with regard to the master resolution and updating that to  
44 a more contemporary resolution at the crossover point, and then to get with Mark Christensen to discuss the structure  
45 and go through it a little more in depth.

46 Mark Johnson asked about the letter from the Legislature in dropbox. Jon said it is from the Utah State  
47 Legislature and is signed by Wayne Niederhauser, President of the Senate, and Greg Hughes, Speaker of the House.  
48 They had the Legislative Auditor General conduct a survey of controls of Special Service Districts and there is a  
49 check list of best practices. The Board needs to be aware of it and if there are questions we can discuss that at a

1 future time. Mark Johnson said let's plan on putting it on next month's agenda with the assignment that everyone  
2 reviews it to see if they have any questions.

3  
4 **David Bunker made a motion to go into closed session at the Timpanogos Special Service District**  
5 **Conference Room to discuss pending litigation. Lynn Walker seconded the motion. Mark Johnson took a**  
6 **roll call vote on the motion. Those voting "Aye" – Mark Johnson, David Bunker, Mark Christensen, Brian**  
7 **Braithwaite, Lynn Walker, Chris Condie, Craig White, Dale Ihrke, Sullivan Love, and Chandler Goodwin.**  
8 **Those voting "Nay" – None. The motion passed with a unanimous vote. 7:16 p.m.**

9

10 **Closed Meeting**

11 **Brian Braithwaite made a motion to go back into regular session. Chandler Goodwin seconded the motion.**  
12 **Those voting "Aye" – Mark Johnson, David Bunker, Mark Christensen, Brian Braithwaite, Chris Condie,**  
13 **Lynn Walker, Craig White, Dale Ihrke, Sullivan Love, and Chandler Goodwin. The motion passed with a**  
14 **unanimous vote. 9:02 p.m.**

15

16 **Adjourn: David Bunker made a motion to adjourn. Chris Condie seconded the motion. All present**  
17 **"Aye". Meeting adjourned. 9:03 p.m.**

18