

TIMPANOGOS SPECIAL SERVICE DISTRICT  
ADMINISTRATIVE BOARD MEETING MINUTES

APPROVED

November 16, 2017

6:00 p.m.

Conference Room

Board Members

Present:

Mark Johnson	David Bunker	Brian Braithwaite
Lynn Walker	Sullivan Love	Mack Straw
Chandler Goodwin	Dale Ihrke	Craig White
Chris Condie		

Excused:

Mark Christensen	Tracy Wallace	Commissioner Bill Lee
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District Staff:

Jon Adams, District Manager,  
David Barlow, District Engineer  
Shannon Hansen, Human Resource  
Danette Smith, Board Secretary  
Joe Martin, CPA  
LeAnn Bailey, Executive Secretary

Others:

Brandon Heidelberger, Brown & Caldwell  
Trevor Lindley, Brown & Caldwell  
John Crandall, George K. Baum  
Eric Hunter, Chapman and Cutler  
Taylor Kauffman, George K. Baum  
Matt Dugdale, George K. Baum

**Call to Order**

Mark Johnson, Board Chair, called the meeting to order. 6:04 p.m.

**Public Comment**

There was no public comment.

**Approval of Minutes**

**1. Approval of the October 19, 2017 Administrative Board Meeting Minutes**

Chris Condie made a motion to approve the minutes from the October 19, 2017 Administrative Board Minutes. Brian Braithwaite seconded the motion. Those voting "Aye" – Mark Johnson, David Bunker, Mack Straw, Brian Braithwaite, Chris Condie, Lynn Walker, Craig White, Dale Ihrke, Sullivan Love, and Chandler Goodwin. The motion passed unanimously.

**Consent Calendar**

**1. Approval of 2018 Board Meeting Schedule**

David Bunker recommended moving December's meeting up one week from December 20, 2018 to December 13, 2018. Dale Ihrke asked if the meeting on October 18, 2018 coincided with Fall Break. There has been some conflict in the past. Mark Johnson said the board could deal with that when it gets closer to see if it really an issue.

Chris Condie made a motion to approve the 2018 Board Meeting Schedule with the change to December's meeting. Lynn Walker seconded the motion. Those voting "Aye" – Mark Johnson, David Bunker, Mack

1 **Straw, Brian Braithwaite, Chris Condie, Lynn Walker, Craig White, Dale Ihrke, Sullivan Love, and Chandler**  
2 **Goodwin. The motion passed unanimously.**

3  
4 Mark Johnson, Board Chair, said they would like to move Action Item 6 up on the schedule for discussion as John  
5 Crandall and Eric T. Hunter are here to present to the Board.

6  
7 John Crandall thanked the board for accommodating the schedule and moving this up on the agenda. John  
8 Crandall said the House approved their tax reform bill today, and the senate is still working on theirs. There will still  
9 be work on this, but the area they do agree on is tax exempt advanced refunds. Both of them have the same  
10 prohibition after December 31, 2017. John said tax exempt refundings that are ready to go should be done before  
11 prior to the end of the year before they are prohibited. John said with him is Matt Dugdale, from the Salt Lake office  
12 of George K. Baum, Matt is also serves as the municipal advisor to Utah County and American Fork. John said  
13 Taylor Kauffman, also with George K. Baum is a citizen of American Fork and Eric Hunter with Chapman and  
14 Cutle. Eric is bond council for the District and has been for quite some time. John said there are two rating calls  
15 scheduled tomorrow, in order to meet the time frame by the end of the year. John said this can all be stopped if the  
16 Board does not approve the refunding. John asked Eric Hunter to discuss the parameters resolution with the Board.

17 Eric Hunter said the resolution is a delegating resolution, it does not lock you into anything, but establishes the  
18 parameters for the bonds and authorizes and delegates the chair or the District Manager to finalize the terms of the  
19 bond subject to the parameters that are set forth in the resolution. The parameters include a maximum principle  
20 amount of whatever is decided here. The most recent draft is up to \$35 million, which would be the maximum  
21 contemplated principle amount in the event the District were to contribute \$10 million of its own funds to defease  
22 part of the bonds. We also establish maximum parameters of 6% interest rate coupons, 19 years to maturity and not  
23 to exceed the maximum discount rate. The resolution also provides for authorization to publish notice of the bonds  
24 to be issued in order to comply with Utah law. The main open item would be to determine the maximum principle  
25 amount and the final copy can be conformed based on the Board's actions tonight.

26 David Bunker asked if this defeasance alters or changes, in any way, the master bond resolution we have. Eric  
27 said the master agreement would stay in effect until those bonds are paid off, until that crossover date. Eric said  
28 when the bond is to be refunded on June 1, 2020, all those bonds will be paid off from the escrow fund and the new  
29 2017 master agreement will take effect as a first lien indenture secured by the revenues of the system. David Bunker  
30 asked the total value of the 2010 B Series Bond. The total is just under \$50 million. David Bunker wanted to  
31 understand why we would just defease a portion of that remaining bond. John said the \$10 million is a potential  
32 cash contribution by the District. The amount of bonds that would be refunded today will be put into an escrow, the  
33 escrow will pay for those new bonds; all the principle and interest on the new bonds will be paid by the escrow until  
34 2020.

35 Brian Braithwaite asked if the board were to go through with this, would there be any payments from January 1,  
36 2018 through June 1, 2020? John said there would be no payments on the 2017 bonds until the crossover date.  
37 David Bunker asked about the remaining balance; it is still a debt service; how does that get out from under the  
38 master agreement? David Bunker said there is still going to be a remaining balance that is not callable. John said  
39 that is the portion that is not callable between now and 2020. John said you are going to take the \$49 million of new  
40 bonds you sell today, and you take the \$10 million the District contributes and before the end of the year those two  
41 items will go into an escrow, that escrow is structured in a way that those escrow securities will come due June 1,  
42 2020. The trustee will have been directed to send out a notice to the 2010 bond holders that have a maturity in 2021-  
43 2035 their bonds will be called away from them at par, on June 1, 2020. So, the escrow will pay off all the bonds  
44 June 1, 2020.

45 David Bunker said this resolution says up to \$35 million, wouldn't we want the full amount of the 2010 B Series?  
46 Brian Braithwaite said if we put \$10 million in, you have to subtract that off, so it is the \$50 million, minus whatever  
47 cash we put in, that is what the resolution will be. If we do not put any in, then you have to raise the resolution up to  
48 the full amount. Dale asked what would be the point of reissuing bonds, if the District does not put any cash in.  
49 John said the savings still remain the same. If the district prefers to use their cash for something else, the savings  
50 would still be about \$3.3 – \$5.8 million present value savings. This would also accomplish a rate covenant change.

1 That will get us out from those old covenants in June 2020. Brian said if we had to do other bonding between now  
2 and then, we would be stuck with the old restrictive covenants. Craig White said when we look at how much we are  
3 saving, use 3% as the basis, if you are below 3% you shouldn't do a refunding if your above 3% you should. John  
4 said you are between 7.5% and 13%, that is including negative arbitrage. John said Craig is right on the 3% rule.

5 John said you do not have to do anything, you can continue paying the debt service and receiving the subsidy and  
6 in 2020 you could say we want to pay these bonds off. The reason this was brought to you, is because there are  
7 healthy savings associated with this, and then you get the rate covenant change. Brian said part of it is there is a  
8 probability that rates would go up between now and 2020. John said if you choose not to do this, and this tax reform  
9 goes into place then your only option will be to cash defease and lose your subsidy or wait until June 1, 2020 and  
10 issue tax refunding bonds at that time. John said this is a great transaction, and there a lot of moving parts to it.  
11 There is no guarantee; these savings are not locked in until we price bonds. In your discussions later, you might  
12 consider a savings threshold. That savings threshold will halt the pricing if we are not to those thresholds.

13 David Bunker said he is interested in exploring the option of actually paying all the bonds off when they are  
14 callable, and not proceeding with this now and getting another bond. We do an analysis of our cash and see if we can  
15 pay those off when they are callable in June 2020, and we get out from under the old agreement. That analysis should  
16 include the interest we would be saving on an annual basis minus the loss of cash for that time period. David said,  
17 with the law changing, that is one of the things driving this, it will stop advanced refunding, but these are callable in  
18 2020. We are not that far away. That is an option, but that would need a further look. David thinks it would prove  
19 to be substantial savings. Brian said he thinks it would be too, the primary concern he has is if we spend all our cash,  
20 we would not be able to do any of the real capital improvement projects we have scheduled. We would have to  
21 forego a large portion of those projects until that time, to build up enough cash. David said this is going to lock us in,  
22 the next callable time for a 2017 series bond isn't going to be 2020, it is going to be 2027, typically ten years. The  
23 interest rates can change between now and 2020, so that is a gamble, but if we wait until 2020 and we can wait and  
24 decide what that bond amount would need to be. Right now, our revenues are healthy.

25 Chris said his thought is, instead of \$10 million, lets bump it up to \$15 million or \$20 million. Chris said he  
26 would love to pay it off, but thinks, as we have discussed many times, who pays for what versus the current rate  
27 payer and the future rate payer. Chris said if we increase it and pay more into it, it gives us more savings and gets us  
28 out of the master agreement, but it takes the cash we have collected in revenues over the last several years and helps  
29 to pay that off on behalf of the current rate payer. The expansion that we have built hasn't just helped the current rate  
30 payer, but also those future rate payers. Dale asked if we know what the split was in this last bond between current  
31 and future users. Joe said yes, 78% of the bonds were for growth. Dale said so 22% of the bonds were for  
32 improvements that current users need to pay for. Dale said he would pay off the 22% that is the current users. There  
33 is no reason for paying interest when we have money sitting in the bank, his concern is growth should pay for  
34 growth. Otherwise current users are going to pay for the bonds for future growth, unless we can get paid back.  
35 David Bunker said technically we already are, we do not have impact fees to cover our bond payment so right now  
36 the existing user rates are already doing that. Dale said our current debt service is \$5 million, our impact fee  
37 revenues are \$8 million this year. Craig White said we are \$40 million in the red. Dale asked if we use \$10, \$15, Or  
38 \$20 million of current user rate revenues, to pay off part of these bonds, will the user get paid back for that. Brian  
39 said that is the expectation.

40 Brian said we need an analysis to know our cash needs, without knowing that, it is basically a feeling. Brian said  
41 he said we could probably do \$10 million, but if we do \$20 million, how close is that pushing us to the line, he is not  
42 sure. Mark said we cannot rationally debate what we do not know, and we do not know what are needs are. Right  
43 now, we are looking at \$10 million cash contribution, we could do \$15 million contribution. The other option  
44 proposed by David is to wait, save money and pay it off. Mark said he loves that option unless we find ourselves in a  
45 position in 2.5 years, we cannot pay it off. David Bunker said you could still bond again then, but you do not know  
46 what interest rates will be.

47 David Bunker asked if we have been tracking the interest on the loan that we have been giving to the impact fee  
48 fund. Joe said no, we could take the PTIF rate we have been getting and make that as part of the calculation. David  
49 Bunker said that is another way to make it fairer, where new users pay their fair share and they are getting a good  
50 deal, because that rate is a lot lower than bond rate. At the same time, the existing users that have already bought in

1 are not fronting that. Brian said when they calculate impact fees, these are the kinds of things they plug in, so that  
2 interest rate would have to be paid back is that something that would pass of being able to put that into. Joe said that  
3 is a gray area, it could be argued against.

4 Chris said we need to know tonight yes or no, so the bond company can proceed tomorrow with their call. If we  
5 decide yes, we need to know what amount we are going to contribute, and the threshold so we know where to cut it  
6 off. Eric said the threshold is not embedded in this resolution, if you want to embed it into this you could. If you  
7 want to reserve flexibility to reserve that to a case by case basis, that would be an option. The decision on the  
8 threshold can be held off tonight. The other decision is whether we maintain our current payment and shorten years  
9 on the back end of the bond or we drop the payment and continue on to 2035. Eric said that is not on this resolution.

10 Mark said he would love to pay it off, but that is still 2.5 years away and what if we cannot set aside the funds to  
11 pay it off. Brian said our rates would go up in 2020 because we do not get that subsidy refund. Craig White said the  
12 rate does not go up, your subsidy stays in place. If you do not refund, your subsidy is going to stay there until the  
13 bonds are paid off. Congress can adjust that up or down, but it does stay there. Eric said the subsidy is connected to  
14 the BAB Bonds, which we are talking about refunding, the savings is the savings that you save on the unsubsidized  
15 new interest rates as compared to the subsidized taxable rates. The reason we are doing a crossover structure, which  
16 is a complex advance refunding, is to maintain that subsidy until the call date of 2020 instead of giving it up now, if  
17 you did a regular refunding.

18 Mark Johnson took a straw poll whether to move forward with the resolution. There were 5 in favor of moving  
19 forward and 4 not in favor. Mark Johnson said he likes the idea of paying it off and he is leaning towards no  
20 resolution which would be a 5/5 tie. Brian said if we're going to go that route, someone would have to convince him  
21 that we would have the cash to run this organization when we pay it that off. Craig White said he doesn't think it is  
22 possible to get debt free in 2.5 years, but he thinks it is possible in 5 years. We have \$40 million out there, we owe  
23 ourselves, we are bringing in \$8 million right now in impact fees, and we are in the height of the growth. Craig thinks  
24 in 5 years we can do it, and in his mind, that is better than extending the call date out for another 10 years. Chris said  
25 we have \$8 million coming in impact fees, but that has already been earmarked to go towards the \$42 million we owe  
26 ourselves. Craig said yes, but that immediately frees up the cash, so we can pay off other things such as debt,  
27 because it becomes unrestricted funds. Brian said but we are also spending an additional \$10 million on projects, that  
28 we haven't been doing in the past.

29 Mark asked how this affects our discussion on cash reserves. If we decide no resolution, then the reserves  
30 discussion changes. Craig White said if you are counting on paying off the debt, then you better be willing to set the  
31 cash aside and get a reserve fund for that. David Bunker said those are two different things, setting it aside in a  
32 reserve account saying we are going to pay off debt, is different than having a cash reserve for operations, and every  
33 year we are going to hold aside money. Mark said that is true and it doesn't matter what we call it. Mark said  
34 looking at the comments, it isn't so much about keeping cash, but putting it in the right accounts. David Bunker said  
35 whatever amount you want to plug into this refunding, it does not take into account the interest loss of using that cash  
36 to do this. These savings numbers are not accurate. If this number is \$0 contribution, then there is not a calculation  
37 to make, these numbers are not accurate on the savings. Brian said for clarity no one is making more money on their  
38 cash in the bank than they would be paying interest, so the net amount is not going to be as high.

39  
40 **Brian Braithwaite made a motion to move Action Item 6 before the Financials. Chandler Goodwin**  
41 **seconded the motion. Those voting "Aye" – Mark Johnson, David Bunker, Mack Straw, Brian Braithwaite,**  
42 **Chris Condie, Lynn Walker, Craig White, Dale Ihrke, Sullivan Love, and Chandler Goodwin. The motion**  
43 **passed unanimously.**

44  
45 **Action Item**

46 **6. Resolution authorizing the issuance by the Timpanogos Special Service District of Sewer Revenue**  
47 **Refunding Bonds; and related matters**

1 **Chris Condie made a motion to approve Resolution 2017-02, a resolution authorizing the issuance by**  
2 **Timpanogos Special Service District of Sewer Revenue Refunding Bonds; and related matters, and a**  
3 **contribution of \$15,000,000.00 be authorized towards the resolution. Brian Braithwaite seconded the motion.**  
4

5 David Bunker asked Chris if he knew what the ramification of contributing \$15 million is, as far as savings it  
6 would give us, or any kind of information on what the net present value would be or what it would do to our cash  
7 balance if we contributed \$15 million. Chris said no, not to the exact number, the first time John approached us, he  
8 gave the finance committee a sheet with the options and savings. It did show an option with \$15 million  
9 contribution, so he roughly knows the savings. On the cash on hand, Chris said in the last discussion about cash  
10 reserves, he remembers we had \$46 million cash on hand now, in the discussion we said if we kept about \$27 million  
11 in cash reserves it left about \$10 million left. Chris has rethought his position on the cash reserve policy and the  
12 budget and he believes we have that \$15 million. That would be around \$30 million that we have left cash on hand;  
13 that is almost three years operating expenses on hand. Even if the cash reserve policy was to be around \$15-\$17  
14 million, that still gives us around \$12 million cash on hand for projects that may come up. David Bunker asked if  
15 there were any other parameters in this resolution that Chris would modify. Chris said no, but he would be willing to  
16 entertain suggestions if there were any. Brian said if we do not get the right amount of benefit out of this, those that  
17 negotiate the bond can call it off and we don't move forward anyway. David Bunker asked if the terms would be to  
18 go out to 2030 or 2035. Brian said it is not something we have to decide today. Chandler asked when? It seems like  
19 we are running out of time. We still need to come up with our savings threshold, when are we deciding that, on  
20 December 14<sup>th</sup>? Chandler asked what is that number for the board, at what point does this not make sense anymore?  
21 Brian said what difference is it knowing that now versus 30 days from now, as long as it is within those parameters.  
22 Those parameters do not need to be set today. Chandler said he is uneasy without seeing the numbers in front of him.  
23 Brian said if we are going to save money contributing \$10 million and we will save more money contributing \$15  
24 million, then what is the argument. The argument is whether we can afford the additional \$5 million in cash. Mark  
25 said we can list \$10 million in the motion, and we can always add that additional before we finalize this refunding.  
26 Eric Hunter said yes, you can adjust that contribution. Chris said if the motion goes as is and fails, doesn't that open  
27 it up to another motion? Mark said yes, there can be another motion, do you want to keep the motion as is. Chris  
28 wanted to leave the motion as is.

29 Eric Hunter said we could follow up with John Crandall, but it is most common to have a ten-year call date, but  
30 they do see five and seven-year call dates for additional flexibility. That does cost a little bit in the pricing. John  
31 Crandall would be the one to run that analysis whether a shorter call to give additional flexibility, how much that  
32 would cost and impact the savings. Craig White said the resolution says up to \$35 million, is that what we are voting  
33 on. Brian said that \$35 million in the resolution is based on a \$10 million contribution, if we pass this today, do we  
34 need to pass another one for a different amount? Eric said if you want to go higher than the parameter you would,  
35 you want to build in as much flexibility as you might need knowing that you are not going to do a deal for more than  
36 you need. For today, we put it in as \$0 contribution and then we can put any kind of contribution that we want. Eric  
37 said yes, and \$55 million was the suggested parameter at \$0 contribution. Dale Ihrke said he is on board with \$10  
38 million and getting rid of user rate bonds, \$5 million is part of the growth part, are we going to track that and try to  
39 get reimbursed and is there any way to get interest on that money that we loaned. Brian said it is 22% so you would  
40 go \$11 million.

41 **Mark took a roll call vote on the motion.**

42 **Chandler Goodwin -Nay, Sullivan Love--Aye, Dale Ihrke – Nay, Craig White – Nay, David Bunker – Nay,**  
43 **Lynn Walker- Aye, Chris Condie- Aye, Brian Braithwaite- Nay, Mack Straw – Aye, Mark Johnson – Nay.**  
44 **The motion failed.**  
45

46 **Brian Braithwaite made a motion to accept Resolution 2017-02, a resolution authorizing the issuance by**  
47 **Timpanogos Special Service District of Sewer Revenue Refunding Bonds; and related matters, with the**  
48 **resolution reflecting \$55 million, \$0 contribution, so we have the flexibility of putting whatever contribution**  
49 **we decide. Chris Condie seconded the motion.**

50 **Mark took at roll call vote.**

1 Mack Straw – Aye, Brian Braithwaite – Aye, Chris Condie – Aye, Lynn Walker – Aye, David Bunker –  
2 Nay, Craig White – Nay, Dale Ihrke – Nay, Sullivan Love – Aye, Chandler Goodwin – Nay, Mark Johnson –  
3 Nay. The motion failed.

4 David Bunker said his biggest issue is that he is not convinced that we need to refinance, issuing that kind of debt  
5 getting another call period ten years out, does not give us the flexibility. Brian said, or it could be 5 or 7 years. David  
6 Bunker said we do not have the answers tonight. There is a cost to go to five years, he doesn't know what that is.  
7 Brian said we can get that, we can move forward and still address these issues. If we walk away from this tonight  
8 this is gone forever, he does not think that is the right decision. David Bunker said he is comfortable waiting until  
9 2020 and having a fully callable bond and evaluating it at that time. Chandler said to him, there is not an immediate  
10 savings, we do not realize a savings until 2020.

11 Dale said he doesn't personally like bonds he doesn't like to pay the interest, paying this off is great, he doesn't  
12 like the idea of the users paying for future growth. If he cannot be convinced that the users are going to get paid  
13 back, then he would vote yes on this and continue a bond that the future users have to pay their fair share. David  
14 Bunker said we are using unrestricted funds to pay our restricted debt, that is a calculation that we should be doing,  
15 showing how we are using that unrestricted cash to do that. Dale asked if there is any way we could have a special  
16 meeting after Thanksgiving for this topic, and let everyone gather their information. Brian said only if we move  
17 forward and pass this tonight. Dale said it sounds like there is a lot of information that needs to be gathered, if we  
18 could meet after the holidays he is more than willing to meet for a special meeting and hash this out, he would vote  
19 yes to keep this going. Brian said he would ask that whatever issues you have concerns about, he would want to see  
20 a list so those can be addressed.

21 Craig White said David made some points tonight that resonated with him, one is a call factor that extends it out.  
22 Brian said it could be a 5-year call date. Craig White said if we are not serious there are a lot of people who have to  
23 do a lot of work to get this moving through to go out on the bond market. To go two weeks and come back and say  
24 never mind, that is unfair to those people. You have a call tomorrow with the rating agencies, what happens if they  
25 downgrade us; we have just gone through \$30 million in debt, we have entities that do not have contracts with the  
26 district anymore. Craig White said normally when you go through a bond rating, you have time, you do it  
27 methodically, you answer all these question, this feels an awful lot like this is being jammed down our throat. You  
28 do not make decisions on a \$40 million issue in 30 days, it is obvious we haven't studied it. Mark said he changed  
29 his vote tonight, initially he was for the resolution, the arguments here swayed him. Mark likes the opportunity that  
30 we can pay this off, whether it is 2.5 or 5 years.

31 Mark Johnson said if anyone would like to reconsider and change their vote, he would accept that. Dale asked  
32 those that voted no, what is the probability that the users would get paid back when they loan money to the future  
33 growth. David said we are doing that right now, Joe is keeping track of that. This bond is already included in that  
34 calculation. Dale said if we pay this, using user fees, and continue to collect impact fees, and part of the impact fees  
35 include an interest rate on a bond, are we going to get sued again. Brian said if that was a calculation in the impact  
36 fee, there is a chance the answer is yes, depending on how material that changes the impact fee amount. David  
37 Bunker said we have to address impact fees in 2018, as part of the settlement. Dale Ihrke said are we going to go  
38 forward and start paying the bonds off with user rates now. Brian said no, that would be wrong to say we are paying  
39 this off on this date, therefore the impact fees are going to change. Brian said it puts us in a legal problem if we are  
40 announcing we are going to pay it off, the problem is what if we do no have the cash to pay it off. Brian does not  
41 believe that we will have the cash to do the capital improvements ever year, and come up with enough cash to pay it  
42 off, and still have enough cash to continue making the capital improvements after that. Brian said his gut tells him  
43 that cannot be done. Dale Ihrke said without some high probability that the users are going to get paid back the  
44 money they loaned, he would like to change his vote.

45 **Brian Braithwaite made a motion that accept Resolution 2017-02 a resolution authorizing the issuance by**  
46 **Timpanogos Special Service District of Sewer Revenue Refunding Bonds; and related matters, with the**  
47 **resolution reflecting a number of \$55 million, \$0 contribution, so we have the flexibility of putting whatever**  
48 **contribution we decide. Chris Condie seconded the motion.**  
49 **Mark took at roll call vote.**

1 Mack Straw – Aye, Brian Braithwaite – Aye, Chris Condie – Aye, Lynn Walker – Aye, David Bunker –  
2 Nay, Craig White – Nay, Dale Ihrke – Aye, Sullivan Love – Aye, Chandler Goodwin – Nay, Mark Johnson –  
3 Nay. The motion passed with a majority vote.

4 Brian said there would need to be thresholds set; the board needs that information, so they can establish those  
5 parameters. Dale said he would prefer that we pay them off earlier, keep the amount the same and pay it off early  
6 and be interested in hearing about a five-year call. Eric said he would give that information to John Crandall.

## 8 Financial Report

9 Joe Martin presented the financials to the Board.

## 11 Action Item

### 12 4. Approval of Task Order TSSD 2017-02 (Biosolids Evaluation)

13 Jon said the Engineering Committee met prior to Board Meeting to discuss the two task orders. Engineering  
14 Committee Chair, Dale Ihrke, said we saw these tasks about a month ago and then the board had some questions, so  
15 the committee met again today to review the task order and phasing for the phosphorus removal. We have to be out  
16 of the composting business by the end of 2020, which is a very short time, that task order is looking at alternatives,  
17 and selecting an alternative. Phase two will be developing that alternative in the short term so we can meet that 2020  
18 deadline. Dale said the Engineering Committee is recommending that both of these task orders be approved as is.

19 David Bunker asked for understanding on the phosphorus removal task order. David asked if the main purpose  
20 of that task order is to look at the plant to see if we can meet future, or current discharge limits? Jon said it is to  
21 make sure we can reliably meet the 1mg/L that would come in 2020, it also includes the activity with the state for the  
22 waiver. Then if the state were to ratchet that down to .1mg/L, or impost a mass limit, it would show us what we  
23 could expect and how the plant would perform as it reaches capacity. That would help us decide if we need to do  
24 chemical addition. If the waiver is granted and we have until 2025, we would take a different approach and put some  
25 long-term solutions in place, but would have to put some money towards short term. Jon said it also takes into  
26 account what they find in the biosolids study, there could be some things that really affect the process depending on  
27 what biosolids options we choose. Jon said Tracy Wallace had the concern at the last meeting that if we upgraded  
28 the blowers would we really need to do phase three. Jon said some of these tasks will be parallel and they will not do  
29 what they do not need to do.

30 Dale said the board knows that we have some aeration problems and the blowers need to be replaced, we have \$4  
31 million in the capital budget to replace the blowers. The controls are not very good either, the air valves are not  
32 automated, they are manual, so the operators have to go out and manually open and close valves in order to get the  
33 amount of air they need to each basin. Most plant are all automated, that is what this project does is not only replace  
34 the blowers, but automation so everything is more efficient. That is phase one of the Task order 2017-03  
35 (phosphorus removal), and phase two is a waiver support, if we can give strong justification to the state, we can get  
36 another 5 years to finish the implementation of improvements in order to meet that 1mg/L. Phase three is really a  
37 model, the plant has an existing model; Brown and Caldwell would be updating that model and optimizing that  
38 model and looking all the way to plant capacity at 30mgd.

39 Craig White asked what the logic was with our last expansion and why we did not automate the facility at that  
40 time. Jon said some of that was determined before he was here. We wanted to automate, some of the modeling that  
41 was done had indicated that the control system between Revere (our programmers at the time), that it would be  
42 adequate to give us the control we need, and it is just not. Then there were disputes we had with the contractors, and  
43 there were going to be no changes between MMC and K-Turbo. David Bunker asked Jon if he is recommending to  
44 the board that they amend the master services agreement and add these two task orders to the asset management  
45 contract. David Bunker asked Jon to explain the tie between asset management and modeling. Jon said there are  
46 some things, project wise, Brown and Caldwell had recommended we look into. It is mostly the nature of their  
47 master agreement. We have already been through the procurement process and we can amend it. Jon said if the  
48 board does not want to do that, it would put us down the road going out and doing that all over again. We already  
49 received competitive bids from the other major firms, so we felt procurement had been satisfied. David Bunker said  
50 he is good with the biosolids evaluation, he is not so sure about the contract for the phosphorus removal. He does not

1 know if he has seen any of the competitive bids, and that is over \$400 thousand for that task order. David Bunker  
2 said nothing against Brown and Caldwell, he is sure they are capable. Jon said these task orders were not bid out  
3 separately, we asked Brown and Caldwell to prepare these task order and bring to us, the competitive bids were when  
4 we selected them for asset management against the other firms who bid, and were interviewed. The way Brown and  
5 Caldwell bid their pricing, in the master services agreement, allows us to add tasks as we go. We wanted to use that  
6 as a mechanism to add on to the master services agreement, to move us along, and we felt we had satisfied the  
7 competitive requirements for procurement.

8 Dale said part of the problem is we have to meet the phosphorus rule by beginning of 2020. Brown and  
9 Caldwell's estimation is to go out, do the work, the design, the blowers, and controls, we are going to be running  
10 right up to that deadline. If we have to go out to do some procurement we are going to burn up another 6 months  
11 just getting another consultant on board. Brian asked if there were some advantage of having Brown and Caldwell  
12 knowledgeable about it. Going out to bid would cost time for the bid, and also for them come up to speed on what  
13 we have here at the District. David Bunker asked if Bowen and Collins are capable of doing it, they have been the  
14 District's engineers for a long time. Jon said it would be good to get a second set of eyes on it.

15 Mark Johnson said when we went through the asset management selection process, there were some add on items  
16 at the end, are these those items. Jon said no, that was the replacement planning model. Mark asked if the rates are  
17 the same rate schedule. Jon said yes, they are tied to the original master agreement.

18  
19 **Brian Braithwaite made a motion to amend the Master Services Agreement between Timpanogos Special**  
20 **Service District and Brown and Caldwell Engineers to include Task Order TSSD 2017-02 Biosolids**  
21 **Evaluation, Phase I, not to exceed the amount of \$148,828.00 that will be added to the Master Services**  
22 **Agreement which was dated April 11, 2017. David Bunker seconded the motion. Those voting "Aye" –**  
23 **Mark Johnson, David Bunker, Mack Straw, Brian Braithwaite, Chris Condie, Lynn Walker, Craig White,**  
24 **Dale Ihrke, Sullivan Love, and Chandler Goodwin. The motion passed unanimously.**

#### 25 26 **5. Approval of Task Order TSSD 2017-03 (Phosphorus Removal)**

27  
28 **Lynn Walker made a motion to amend the Master Services Agreement between Timpanogos Special**  
29 **Service District and Brown and Caldwell Engineers to include Task Order TSSD 2017-03, Phosphorus**  
30 **Removal Reliability Improvements, Phases I-III, as outlined in Exhibit B of the Task Order not to exceed**  
31 **\$406,549.00 added to the Master Services Agreement dated April 11, 2017. Sullivan Love seconded the**  
32 **motion.**

33 Chandler Goodwin asked if these are budgeted out of the current year, or the next year. Jon said there is money  
34 left in asset management, it will run over to next year, and there is money designated for that if the board approves it.  
35 Chandler asked if that is in the proposed budget the board has tonight. Jon said yes. David Bunker asked the full  
36 amount or just a partial amount. Jon said the full amount.

37  
38 **Those voting "Aye" – Mark Johnson, Mack Straw, Brian Braithwaite, Chris Condie, Lynn Walker, Craig**  
39 **White, Dale Ihrke, Sullivan Love, and Chandler Goodwin. Those voting "Nay" – David Bunker. The motion**  
40 **passed with a majority vote.**

#### 41 42 43 **1. Tentatively Adopt the 2017 Tentative Amended Operations and Maintenance & 2017 Tentative** 44 **Amended Capital Budgets**

45 Jon said they have adjusted the 2017 budget numbers based on projections and actuals. Jon said we still have  
46 expenses coming in, so those may change. The board will adopt a tentative amended budget, so we can advertise,  
47 have a public hearing, and meet the deadline by approving these before the end of the year. Jon said we will make  
48 some adjustments between now and the next board meeting, for example, we purchased the grinder, received the  
49 insurance check and we have some repairs to that grinder. We will have money left over and Joe will make the  
50 appropriate entries before the meeting to approve the final budget. We will also update any other expenditures that

1 come in. Jon said we have done our best on the amended to say we do not think we will spend more than that. Chris  
2 asked on the interest income, in 2016 our actual was \$473, 788.79, our approved amount in 2017 was \$350,000.00  
3 but we are amending to \$703,000.00, which is double; does interest fluctuate that much? Jon said we adjusted it  
4 down, thinking we may have a payout, but it didn't happen until later in the year, so you got the benefit of the  
5 interest. That increased it, so we amended to match that increase in interest, and then we dropped it down to  
6 \$500,000.00 for next year, because we had the two settlement payments come out.

7  
8 **2. Tentatively Adopt the 2018 Tentative Proposed Operations and Maintenance & 2018 Tentative**  
9 **Proposed Capital Budgets**

10 Mark said the wages increased over 29% between 2017 and 2018. Jon said he would explain the highlights. Jon  
11 said in the 2018 proposed budget, there is a 3.5% salary adjustment, that has been proposed. Approximately 0.05%  
12 of that 3.5 % would be needed to implement the newly completed compensation plan, if the board adopts it. There  
13 was one employee that was quite a bit below minimum, and that would bring that employee up, so it is like \$1,100.  
14 Jon said he is proposing one new position, which is the CFO, Chief Financial Officer, and that is \$110,250. During  
15 the compensation study we got some position descriptions from different entities and we had Mr. Swallow look at  
16 that to try to determine equity within the organization. Then we did a separate survey, where several districts went  
17 out, and one of the positions on there was a CFO. The \$110,250 is actually about midpoint on that survey. Craig  
18 White said the salary survey he did, because they are getting ready to hire their own finance director in their district,  
19 it came back with the average for a district is \$120,000.00 base wage. Jon said the employee annual increase is  
20 3.5% on the existing budget and it does not include the payroll taxes and all that, which would be approximately  
21 another \$65,000.

22 Jon said income was increased about the same as last year, from \$17.3 million to \$18 million.

23 In Administration, we had some increase in System IT, based on actual costs that has to do with annual licensing  
24 and maintenance agreements that we were not paying in the past with the Citrix platform and some additional work  
25 stations. Special studies were increased by \$150,000.00 to cover the CFP, IFFP and IFA and User Rate studies.  
26 Insurance was increased \$10,000.00. We had some flooding the year before last, and the grinder fire this year; we  
27 bid it out and our current provider was substantially higher, the new insurer would leave our deductibles the same but  
28 there was an increase in the annual premium. The new CFO position is included in administration. Legal was  
29 dropped \$50,000.00. Training was decreased \$10,000.00. Public relations was decreased \$7,000.00. As part of our  
30 Wasatch Research Council we have been asked if we want to participate in a group effort. Jon said he has not given  
31 them a commitment. If we were to participate with the research council, they are asking for \$1,000.00/month. That  
32 would be for advertising, brochures and news media, so Jon left a certain amount in there in case we wanted to do  
33 that.

34 In Operations, chemicals were increased \$7,500.00 that was based on increased costs.

35 In Maintenance, spare parts were decreased \$25,000.00, because we had not spent that. The year before when we  
36 had the flooding and we used quite a lot of that, we artificially inflated that. Chris asked what the amount was that  
37 the \$25,000 was dropped from. Jon said he would need to look at that, there is an error in that. John said machine  
38 shop/repairs was increased \$25,000.00.

39 In Collections, collections systems evaluations there is \$100,000.00 for the AMP, that is an O & M item that  
40 should be evaluated. Projects would need to be identified and done. Sewer line repair was decreased \$50,000.00.  
41 That is because we budgeted more money last year to have our lines inspected and televised, so that is being dropped  
42 on recommendation of AMP. We will review that annually, based on actual expenditures.

43 In Pretreatment, lab services were increased by \$3,000.00

44 In Solids Handling, solids disposal was increased \$120,000.00 based on the increase; we have a certain amount of  
45 growth every year, so we are going to haul more off based on that growth. We have to reduce the production of  
46 compost, that means we haul more off, and then we have an increase on the disposal fee. Those costs are going to  
47 continue to go up as we ratchet down.

48 In Electrical/Instrumentation, equipment replacement repairs were increased \$25,000.00 due to AMP  
49 recommendation. SCADA was increased \$25,000.00 due to AMP recommendation.

50 In Fleet, there were a few minor decreases.

1 In Laboratory, lab testing supplies was increased \$1,500.00. The amount of testing, and cost of testing is going  
2 up.

3 Chris Condie said he is on board with the employees needing an increase, but 3.5% seems high, he is not sure  
4 what the average is right now. Even though the economy seems to be doing well, people's pay is not staying at pace  
5 with that. Chris said on the new CFO position, when he first saw this, with this just being the salary and then you  
6 add the benefits, his initial thought was, we are either attracting an extremely overqualified individual or we are  
7 going to attract a very underqualified person to come in and make a very good salary with benefits. Chris asked if  
8 this type of position takes the place of another position that is already handling our finances, or are we looking to stay  
9 status quo. Jon said he proposed it because he feels the District is large enough to justify a full-time position. The  
10 part time position, which Joe serves now, would go away. The duties are expanded beyond that, like procurement, a  
11 liaison between the cities finance people and the District, and making sure procedures are followed. Chris asked if  
12 this salary was from the compensation study that was done? Jon said we took some salaries we received from other  
13 districts and put those in to see where the CFO would fit in the organization. The wage compensation was compared  
14 against a full-time position. Chris said he assumed, because of the salary, it was compared to someone who is a  
15 director of finance or chief finance director. Jon said yes, in some instances, there is just one position, you call him a  
16 chief finance, that may have clerical and billing and accounting reporting to them. Typically, it was a financial  
17 officer for the district. Chris said as an officer would that include authority to sign POs, to a certain amount, making  
18 financial policy? Is this the degree we need to go in a position like this with the other staff we already have on board,  
19 or do we need someone that understands accounting and procurement but is not at this executive level. Jon said this  
20 is a position that requires experience; someone that understands generally accepted accounting principles, works with  
21 the auditor's office, procurement, state purchasing, trains employees, oversees, and review requisitions. Chris asked  
22 who does that now. Jon said right now, he signs those and Shannon and LeAnn help.

23 David Bunker said he is in agreement with Chris' concerns. David thinks the salary is high for that and it may  
24 have been benchmarked with a matrix driven job value, because he is very familiar with the compensation study.  
25 David Bunker said his own finance guy is exceptional and doesn't make near this salary. David Bunker asked if we  
26 can get someone who can help out with the accounting and procurement and those things, but continue to have Joe do  
27 the higher-level accounting side. David said he is not saying the District does not need help in the accounting side,  
28 but he is not prepared to go with a full time CFO at this time. David said on the compensation study, there is a  
29 number in the budget for that adjustment, but the board has not seen it. David said he has a little knowledge on it  
30 because Jon has explained some of it to him, but he does not know if he is ready to authorize that right now, maybe  
31 we can budget amend that after we have that presentation. Jon said the it is just .05%, he does not have a problem  
32 with waiting until the board sees it. David said he thought it was .5%. Jon said the salary he drew from was not  
33 from the compensation study, the survey we looked at was more from other districts. David Bunker asked Jon if he  
34 was saying that adjustment was .05%. Jon said if you were to adopt that study, as they are going to propose it, it is  
35 .05%, because there is only \$1,100.00 to bring someone up to their range they should be. Jon said the 3.5% increase  
36 came from looking at the CPI, which was around 2% and then included a merit 1% - 1.5%. Jon said he called around  
37 and the lowest reported was 3% and he found up to 4.5%. Chris said this isn't a straight cost of living increase, this  
38 is also the compensation. Jon said in the past the board has given him direction on how to allocate that. Jon said the  
39 board needs to hear the presentation on the compensation plan. Jon said the way it is now, the evaluations we give,  
40 they have to meet standards to receive the cost of living. If they are meeting or exceeding standards, then they can  
41 get a percentage of merit. Chris said he would love that process to be Jon's as much as possible, if it needs to be  
42 presented to the board for approval that is fine. Jon said he would like to see the board be comfortable with the plan.  
43 Maybe start at the committee and then bring it to the board. It has been so long since there has been a study. It helps  
44 update all position descriptions. It also sets the protocol, and what to expect next year. We needed to get a basis  
45 where to measure from.

46 In the Proposed Capital Budget, there is \$100,000.00 for equipment. In the old budget it was \$50,000.00 for  
47 replacement and \$50,000.00 for new. It was combined. That is for portable generators, portable pumps, etc. which  
48 sometimes get shared with cities. There is \$1 million for land acquisition. For fleet, there is \$850,000.00 based on  
49 our replacement schedule. Jon listed a breakdown of those. Jon said contingency was taken out. The other Capital  
50 Projects are recommendations from the Asset Management Program. There is \$125,000.00 for Removal of Lehi

1 Flume. It is a carryover; this is in a swampy area and we are waiting for it to freeze so we can pull it out. There is  
2 \$1.5 million for the Influent Pump Station. There is \$4 million for the blowers. The task order that was approved  
3 for the phosphorus reliability, which has to do with the blowers and blower design is money that was budgeted to  
4 come out of that \$4 million. We postponed about \$4 million worth of AMP projects, but there are a couple more that  
5 we could push out if the board prefers, which would give us about another \$500,000.00.

6 Dale Ihrke asked if the update to the CFP was already put in the Administration account. Jon said yes, that is a  
7 redundancy so that will come out. Dale asked if the biosolids management for \$150,000.00 was what we approved in  
8 the task order? Jon said no, there are two options; it is in the capital because that is going to be a one-time study, but  
9 in the operations accounts, there is a special studies account in there. We have spent \$20,000. The testing and  
10 supplies also come out of there, or if we do a phosphorus study it comes out of there. Jon suggested leaving \$20,000  
11 in the operations budget and \$150,000 in the Capital Budget. This money is for the task order just approved.

12 Dale said we have talked at the Engineering Committee meeting about how to ramp up from a \$2-\$3 million  
13 Capital Program to a \$10 million Capital Program. Dale said he does not believe we have the resources, in house to  
14 do a \$10 million program. There are dozens of projects, each one needs an RFP, and to go out to bid. Someone has  
15 to identify them and understand what needs to be done. Dale said the committee has talked to David Barlow and  
16 given him a target to complete 95% of the projects in this next year. Dale doesn't believe with the resources we have  
17 that he is going to be able to do \$10 million worth of projects. We talked about bringing on engineering management  
18 consultants to work with David Barlow; someone in-house to kick these RFP's out and oversee them from in-house.  
19 It takes in-house to develop these projects. The Engineering Committee talked about earmarking \$200,000 for  
20 engineering support, and program management support. Dale said he is not sure we are going to use \$1 million in  
21 land acquisition, that has been on the budget for as long as he has been here and not been used. He would not add  
22 more money, but would earmark \$200,000 for engineering program support. Jon said if you do that, you would have  
23 to take those funds from capital to O & M.

24 Brian said he thinks Dale is spot on. Our biggest issue is, we cannot line things up and get them moving through  
25 the system fast enough. Brian said even if we did get them lined up, he is not sure we have enough resources to even  
26 implement some of them without adding additional people. We could start by trying this, and then if cannot do it  
27 then we will need to look at it. Brian said he would like to go this route with a consultant and then if this is the only  
28 way these projects will be done, then maybe bring them in full time. David Bunker said he would rather look at the  
29 projects individually and outline which ones are our projects. On the growth-related projects, let's get the consultant  
30 from the outside. That is an expense that can be associated with that project. David Bunker said the in-house  
31 projects, which are not growth related, that is where internally we should be taking care of those. Have these projects  
32 been split out in the capital budget. Dale said most of these came from the AMP, which were maintenance and  
33 repairs. David Bunker said the Engineering Committee probably looked at this more seriously than the rest of the  
34 board, this is the first time he has heard of it. Jon said this is the first time they have proposed it. David Bunker said  
35 it is worth looking at. Dale said we continue to budget close to \$10 million every year and do not come close to  
36 completing 50% of our projects we have on the list. If we want to get serious about spending \$10 million/year for  
37 the next 30 years we need to put the right amount of resources to the projects. Dale said some of these projects are  
38 for the electrical group has, some are for the maintenance department. If they do not get to them, the project doesn't  
39 get finished. We need champions, every one of these projects needs a name by it who is accountable for this project.  
40 Brian said the intent is not to spend \$10 million, it is to follow the plan to make sure we are maintaining our site.

41 Dale said since we have identified through the AMP, a \$10 million expenditure in capital needs, he does not think  
42 we need to have depreciation. He understands we need to do depreciation from a book standpoint, but we do not  
43 really need it as an expense. Brian agrees, but said this is our budget and we need to talk about the cash reserve part  
44 separate from that. Joe said the budget document we are working on is an approval to spend, and at the end of the  
45 year when we do our budget to actual financial statements, we want our budgeted amount in expenses to be less than  
46 what we actually spent, which will include depreciation. That is not how we are funding, that is a separate issue.

47 **David Bunker made a motion to tentatively adopt the 2017 Tentative Amended Operations and**  
48 **Maintenance and 2017 Tentative Amended Capital Budgets. Chris Condie seconded the motion. Those voting**  
49 **“Aye” – Mark Johnson, David Bunker, Mack Straw, Brian Braithwaite, Chris Condie, Lynn Walker, Craig**  
50 **White, Dale Ihrke, Sullivan Love, and Chandler Goodwin. The motion passed unanimously.**

1  
2  
3 **David Bunker made a motion to tentatively adopt the 2018 Tentative Proposed Operations and**  
4 **Maintenance and the 2018 Tentative Proposed Capital Budgets with the change that we do not include the**  
5 **CFO position in the tentative proposed budget, and to approve a 3% tentative salary adjustment based on**  
6 **merit in the operations budget. Chris Condie seconded the motion.**  
7

8 Dale Ihrke said he would like to amend the motion to include \$200,000 for engineering support in the operations  
9 budget, to be taken out of land acquisition in the capital budget. David Bunker said that is a manpower issue versus  
10 an actual project, it does not go over like that. David Bunker said he would like to take a look at that, but he does  
11 not have enough information, for him, to go forward with that. Brian said in David's proposal he is leaving in the  
12 update to the 2014 CFP, so we have the money there.  
13

14 **Those voting "Aye" – David Bunker, Mack Straw, Chris Condie, Lynn Walker, Craig White, Dale Ihrke,**  
15 **Sullivan Love, and Chandler Goodwin. Those voting "Nay" – Mark Johnson, Brian Braithwaite. The motion**  
16 **passed with a majority vote.**  
17

18 **3. Set the Public Hearing date for the 2017 Tentative Amended Operations and Maintenance and 2017**  
19 **Tentative Amended Capital Budgets and the 2018 Tentative Proposed Operations and Maintenance and 2018**  
20 **Tentative Proposed Capital Budgets. Suggested date for the Public Hearing is December 14, 2017**  
21

22 **David Bunker made a motion to set the date of December 14, 2017 as the date for a Public Hearing for the**  
23 **2017 Tentative Amended Operations and Maintenance and 2017 Tentative Amended Capital Budgets, the**  
24 **2018 Tentative Proposed Operations and Maintenance and 2018 Tentative Proposed Capital Budgets. Chris**  
25 **Condie seconded the motion. Those voting "Aye" – Mark Johnson, David Bunker, Mack Straw, Brian**  
26 **Braithwaite, Chris Condie, Lynn Walker, Craig White, Dale Ihrke, Sullivan Love, and Chandler Goodwin.**  
27 **The motion passed unanimously.**  
28

#### 29 **Cash reserve policy discussion**

30 Mark said he had received comments on the cash on hand policy which we will discuss. Brian said he will try to  
31 summarize the areas of feedback that were consistent. We have not put together a process where we look down the  
32 road and identify what the capital cash needs are going to be, moving forward. This really should be focused on the  
33 cash reserve side, not necessarily the cash needs for other things. As we go through this, the operating expense truly  
34 does tie in to cash reserves. For the most part everyone was in agreement that 6 months works, as a general rule. the  
35 asset management is where the cash piece comes in from a capital cash need. We need to pull that out from this and  
36 move it into another area. We still have the cash need, but it feels like we are trying to double dip because we are  
37 putting this in a cash reserve and also talking about the capital needs cash. It was almost unanimous that the debt  
38 service should be just one-year amount. Brian said the cash in depreciation is being moved from the operating  
39 expense down into the capital. Brian said to make sure everyone is clear; the operating expense will be expenses less  
40 the depreciation. The board members had different thoughts on the Impact fee related projects, so there will need to  
41 be further discussion about whether we need to leave that in or not. Board members who commented prefer that  
42 contingency be taken out because of other areas where there is cash. Mark said we need to verify the other areas of  
43 cash. Brian felt there was a consensus from the Board on the cash reserves for operating expense and debt service.  
44 David Bunker said he was assuming there was consensus on that. Brian said, he believed there was a majority who  
45 agreed with that, so let's have a discussion on all of them.

46 Brian asked if anyone objected to having the policy set as six months operating expense, less depreciation. David  
47 Bunker said he is comfortable at 25%. Chandler Goodwin said cities are limited at 25% and the district has a pretty  
48 secure revenue stream. David said at any time we can budget amend, if we put in a 25% number in for cash reserves  
49 and we start using up those cash reserves, we can budget amend. Brian said this is not a budget, it is a cash reserve  
50 policy for moving forward, so if you are going to adjust it up, where do you get the cash to adjust it. Brian said he

1 recommends we do just the opposite, we move forward with 6 months, we watch it year after year and we adjust it  
2 down, if we see that is not needed. It is a lot harder to bring that cash back in then it is to remove the cash. David  
3 Bunker said at the end of the day, it is all the same money, it is all revenues, all expenses, and we really only have  
4 one place to get revenue. Where you would get it is out of your unrestricted cash or slow down your capital  
5 improvement projects. Brian said the goal is to reduce the unrestricted cash because the amount that is in there is  
6 what the users have to pay to fund. We want that to be as accurate as possible, that is why we are going with the  
7 AMP; we want to see those costs. Brian said this a living document that we can adjust, if we want to start low and  
8 increase it that is an option or start high and adjust it down. Mark said we are looking at two different options, 25%  
9 or 50% of the operating expense. Mark Johnson took a straw poll. There were three members for 25% and 7  
10 members for 50%. David Bunker thought Mark Christensen comments said he would be 25%. Brian said he is not  
11 here to vote. Brian said this is just a straw poll, it is not going to be approved today, it is not on the agenda. When  
12 this is proposed at the next meeting it will show 50%.

13 Brian said they would remove asset management; there were no objections. Debt service would be 1-year debt  
14 service payment just over \$5 million, everybody agreed with that. David Bunker said impact fee related projects and  
15 asset management are the same, those are things you use your operating funds to do. Brian suggested pulling out  
16 impact fees and put it in the same place as asset management and discuss how we are going to manage the cash for  
17 those. Board members agreed.

18 Brian said contingency listed at 15%. Chris Condie said the reason he voted for 50% in the straw poll is because  
19 he believes we are being redundant with contingency and operating expense, so for him to stay at 50%, he would  
20 want the contingency line item taken out. The whole purpose of this cash reserve policy is to have a reserve for  
21 emergencies. David Bunker and Chandler Goodwin agreed. Mark Johnson said in Mark Christensen's comments he  
22 said there was a 30% contingency in capital already. Mark Johnson asked if we have a 30% contingency in capital.  
23 Brian Braithwaite said the argument about 30% is irrelevant because we have just pulled all the capital cash issues  
24 and put them somewhere else. Mark said he did not think we had contingency in our operating expenses. David  
25 Bunker said we just said we would put 50% of our total operating expenses in a contingency (cash on hand) fund.  
26 Mark said yes, we did, but there are other things that contingency covers, like unexpected legal risks. This is for  
27 unexpected things, not just operating expenses. Mark said 15% is probably high, but he cannot help but think we  
28 need some type of contingency for the unexpected costs that we do not plan for in operating or capital expenses.  
29 Chris said he was getting caught up on the line titled operating expense, it is really an operating reserve fund for  
30 contingencies. In his opinion this needs to be as simplistic and down to one number, as much as possible, that is  
31 inclusive of any contingency that could happen.

32 Dale asked if we are legally required to maintain 1 year of debt service. Brian said no. Dale said then there is  
33 basically \$9 million that you can use for anything. Brian said he sees it as we do have to have debt service, but it is  
34 cash available if something were to happen, we can use those funds. Brian said we have to have the \$5 million, no  
35 matter what, even if we have to pull a capital project out and put it over. Chris said if we take that contingency out,  
36 we are close to almost one year's operating expense in cash reserves. Jon said yes, but you would not be able to pay  
37 your debt service. David said what we are saying is this is a savings account, just in case. Jon said he does not agree.  
38 David said we are saying that we are going to reserve this and not touch it, we are going to hold this in a savings  
39 account type scenario, we are still going to budget to pay our bills, and debt service. Jon said this is not enough to  
40 run for a year and pay your debt service, not that you are going to have to. Jon said you have to have that income, he  
41 has not seen where things got so bad there wasn't any income, we have a pretty good source of income. Mark  
42 Johnson asked if the board wanted to take out all the contingency cash on hand. Jon said he can see where most costs  
43 are included in the operating expense and he wanted to make sure debt service was included, the only thing is if there  
44 is something that comes up unexpected for non-operating. Craig White said when you talk about operating expense,  
45 your debt service is included in that. Only interest is included in operating expense, principle is not. Joe said interest  
46 is below the line of the definition of operating, it is a nonoperating expense. Craig said so neither interest or principle  
47 is included in the operating expense reserves. Craig White said he would like to have at least 5% in contingency.  
48 Mark said we may need for unexpected legal, and emergency repair, so what amount could we keep in there as a  
49 buffer for that.

1 The board took a straw poll for the amount of cash on hand in contingency. There were 4 members for 0% and 6  
2 members for 3%. Brian said we would leave the contingency at 3% for the next meeting, recognizing if it is  
3 approved, we will run for a year and can make an adjustment, based upon what we see. Brian said the discussion on  
4 capital cash would be more work with engineering and will take a couple months to come back with the expectation  
5 for that.

6  
7

8 **Closed Meeting**

9 **There was no closed meeting.**

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**Adjourn: David Bunker made a motion to adjourn. Chris Condie seconded the motion. All present "Aye".  
Meeting adjourned. 10:23 p.m.**