

TIMPANOGOS SPECIAL SERVICE DISTRICT  
ADMINISTRATIVE BOARD MEETING MINUTES

**APPROVED**

November 19, 2015

6:00 p.m.

Conference Room

**Board Members:**

**Present:** Tracy Wallace Mark Johnson Spencer Kyle Dale Ihrke  
Chris Condie Jay Meacham Keith Blake David Bunker  
Craig White \*Sean Fernandez Brian Braithwaite

**Excused:** Craig Whitehead David Norman

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

**Others:** Brandon Wyatt, Bowen, Collins & Associates  
Carolyn Hoffman, Lehi City  
David Sanderson, Lehi City  
Jason Walker, Lehi City  
Alyson Alger, Lehi City  
Beau Thomas, Lehi City  
Robert Ranc, Lehi City  
Ryan Wood, Lehi City  
Cathy Jensen, American Fork City  
Cathy Allred, Daily Herald Newspaper

**Call to Order:**

Tracy Wallace, Board Chair, called the meeting to order. 6:09 p.m.

**Public Comment**

There was no public comment.

**Public Hearing**

**1. Hearing on the 2015 Tentative Amended Operations and Maintenance & 2015 Tentative Amended Capital Budgets**

Tracy Wallace opened the public hearing for the 2015 Tentative Amended Operations and Maintenance & 2015 Tentative Amended Capital Budgets.

Tracy asked for any public comment on the 2015 Tentative Amended Operations and Maintenance & 2015 Tentative Amended Capital Budgets. There were no comments.

Tracy Wallace closed the public hearing for the 2015 Tentative Amended Operation and Maintenance & 2015 Tentative Amended Capital Budgets.

**2. Hearing on the 2016 Tentative Proposed Operations and Maintenance & 2016 Tentative Proposed Capital Budgets**

Tracy Wallace opened the public hearing on the 2016 Tentative Proposed Operations and Maintenance and 2016 Tentative Proposed Capital Budgets.

1 Tracy asked for any public comment on the 2016 Tentative Proposed Operations and Maintenance & 2016  
2 Tentative Proposed Capital Budgets.

3 David Sanderson, Lehi City Finance Director, said he hoped everyone received a copy of the financial analysis  
4 that was distributed electronically the day before. There were also hard copies handed out. David Sanderson introduced  
5 city staff from Lehi and American Fork, who were present. David said they had prepared a power point presentation. He  
6 said they would like any dialogue with the Board as they give the power point. Tracy Wallace said because it is a public  
7 hearing, they could give the presentation, but there should not be great dialogue or discussion at this time. Discussion  
8 could be taken care of later in the discussion period of the meeting.

9 Carolyn Hoffman, Lehi City Treasurer, said they would like to give some input on the TSSD proposed 2016  
10 budget. Carolyn said they started out with the 2014 rate study. Carolyn said she and David Sanderson attended the work  
11 session two weeks earlier, though they did not have a lot of information on the updated rate study that was discussed. She  
12 said the 13.8% increase in user rates in 2014, does affect Lehi residents. Carolyn said one thing that piqued their interest  
13 in the District's financial statements is the cash balance. In reviewing the user rate study done in 2014, one big emphasis  
14 was the rate increase that was being driven by the need to have debt coverage ratios to meet the bond covenants. Carolyn  
15 said they have reviewed TSSD financials, listened to minutes from board meetings, reviewed the 2014 user rate study,  
16 tried to achieve an understanding of the bond covenant ratios, and GRAMA requested documents so they have a basis of  
17 understanding to the financial position and working of the District. From that, David Sanderson prepared a detailed  
18 financial analysis; this PowerPoint is a verbal presentation of that report.

19 Carolyn said things Lehi would like to see from TSSD is, revise budget estimates to come closer to actual  
20 historically and predicted current actual, discontinue funding depreciation, potentially reduce user fees (suggested 25%),  
21 and break out the impact fee budget from the operations budget; particularly in how the District is funding capital  
22 projects. That would help clarify to board members, and outsiders, where there seems to be confusion in the impact fee  
23 allocations.

24 Carolyn said when looking at budget to actual comparisons, they observed actual expenditures are typically  
25 significantly below budget. Because the rate studies are typically based on budgeted amounts, they see that as an issue,  
26 where it would lead the District to think they need to collect more than what is needed. Carolyn said in the proposed 2016  
27 budget, it appears that the debt service budget is overstated, because the District defeased about \$5 million of outstanding  
28 bonds. For 2014, the operating budget for revenues is actually close, whereas the total operating budget for expenses was  
29 significantly lower. The budget was \$8.6 million and the actual is \$6.7 million. Carolyn said in reviewing the 2014 user  
30 rate study, the operations and maintenance expenses were actually budgeted closer to \$9 million. Carolyn said operating  
31 expenses compared to budget are really in the 75% range. That is in not only 2014, but 2013 and 2012 as well. Carolyn  
32 said in the capital projects budget they noticed a similar trend, where amounts actually spent as compared to what was  
33 budgeted appeared to be significantly less. Carolyn said they do not know the total for 2015 yet, it looks like the capital  
34 outlay based on September 2015 report was close to \$4 million whereas the capital budget was \$11.7 million. In the prior  
35 year, there was a capital budget of \$13.7 million, whereas the amount spent was closer to \$1.5 million.

36 Carolyn said in the user rate study, one of the main reasons the rate was being increased was to cover the debt  
37 service ratio B. In the rate study, the cash balance was predicted to continue to increase. The coverage ratio in 2014 was  
38 1.67. That rate service coverage B has to be 1.0. In predicting 2016, it is a little uncertain, and with the additional caveat  
39 that the District defeased the \$5 million bonds that were outstanding, Carolyn said they still anticipate the District will be  
40 well over the required coverage ratios. Mark Johnson said the debt coverage ratio minimum is 1.0; but we do not want to  
41 go under that. Carolyn said the District defeased some of these bonds outstanding to help come in compliance with debt  
42 service ratio B. In the user rate study that is one of the reasons the rate was increased 13.8%. The District defeased \$23  
43 million in debt in 2014. Carolyn said that in the Board's discussion at the work session, there was talk about defeasing the  
44 \$50 million in debt that is currently outstanding. Another thing talked about was increasing cash to a \$70 million  
45 threshold, up to the point when those bonds could be called. Carolyn said it was a good idea to help with the debt  
46 coverage ratio, to defease some of the bonds, but increasing the charges to defease current debt really puts a debt on  
47 current residents. They are beyond their current costs and being asked to support the demands of future users. Lehi does  
48 not agree with the concept of trying to save on interest now, to save future users costs. They feel it is more equitable and  
49 reasonable to charge evenly, existing users for their participation in operations and future users for their participation in  
50 what future operations will be.

1 Carolyn said David Sanderson estimated, based on current trends of increasing cash, come the year 2021 the  
2 District would have about \$110 million. The new user rate study indicated about \$70 million accumulation to fund paying  
3 off existing debt and going forward on a pay as you go basis on capital improvements. Carolyn said they thought it might  
4 shed some light to compare TSSD to other sewer districts in the valley. In those comparisons, TSSD was a leader in the  
5 cash to operating expense ratio. Carolyn said it is their opinion that the District has set the cash reserve threshold to be  
6 \$38 million and if that were what the Board has determined, they would advocate the Board stick to that. One method to  
7 do that would be not to anticipate collecting depreciation in the current year's user fees. Normally as a method of funding  
8 ongoing capital outlay requirements, you would contemplate either paying for debt service or depreciation, not necessarily  
9 both. Carolyn said if you are trying to fund capital projects with depreciation and funding debt service, residents are  
10 paying for both. Carolyn said in their report there is a section called the "triple whammy period". Between the years of  
11 2010 and 2014 the residents paid the higher impact fee, they are incurring the increase of 13.8%, funding debt service and  
12 potentially also funding to accumulate cash to pay for future capital projects. Carolyn said she and David Sanderson do  
13 not have a good understanding of the District's capital facilities plan, as to what the timing and cost is going to be of the  
14 expansion. Trying to fund a dollar amount when it is unclear as to what the timing of cash flow is going to be, is a  
15 challenge to justify to ratepayers. Chris Condie said is not it safe to say that current residents, even now, are still paying  
16 two of those whammies; the debt service for existing construction and funding for depreciation. Carolyn said this goes  
17 back to breaking out the budgets, as it is not clear to what the District is intending the impact fees be used for.

18 Craig White said he is concerned with the statement that we paid a higher impact fee, and asked if they are  
19 implying that it is in error. Carolyn said they are acknowledging that impact fees were dropped in 2014. Craig White said  
20 the impact fee is tied to the Impact Fee Facility Plan, which is tied to the Impact Fee Analysis, which if those two  
21 documents are right, then the impact fee is what it is. It is not that it is higher or lower, it is what it is. We are charging the  
22 residents the capital component of what it results to be. Carolyn said it can just be higher impact fee than current residents  
23 not necessarily that there was an error, but just noting that residents during that time frame, bore a higher burden of capital  
24 projects funded by impact fees, than current residents.

25 Carolyn said recommendations they have made in the past are: 1) any amount beyond the coverage ratio of 1.0 be  
26 credited back to cities which in turn given back to customers 2) excess cash be used to defease bonds in order to lower  
27 debt service payments and help with the coverage ratio 3) a cash reserve policy be developed 4) impact fees and capital  
28 projects be budgeted in separate funds for budgeting purposes to be clear to any onlooker as to what is funding what 5)  
29 David Sanderson requested to be involved in the rate study.

30 Spencer Kyle asked if they would like to see an impact fee budget and an operations budget or capital and an  
31 operations budget. Carolyn said it is hard to discern, what portion of capital projects are you wanting to fund with user  
32 fees, and what do you want to fund with impact fees. Typically you would contemplate any capital improvement is a  
33 portion related to growth, and a portion related to existing. To help manage your funding method let us get that on paper  
34 so it is clear to everyone what that plan is. To see beginning cash balance that is available, your anticipated revenues and  
35 what your anticipated outlay is. Therefore, it is clear what that intention is. The reason they wanted bonds defeased so  
36 there was no need to increase rates to cover that debt service ratio, and that has not happened yet. Carolyn said those are  
37 their recommendations, and from this point forward, they would look to lowering user fees, starting at potentially 25%.  
38 Now that the board has established a cash reserve level, they would like to see any cash that is collected above that, the  
39 rate payers get the benefit, whether it is through reduced future charges or a refund. Because they noted that budget  
40 expenditures really exceed actual on a year-to-year basis, they would like to see the District take a close look at those  
41 budgets to make sure what you are using to base your user rates. Let us make sure that those are closer to actual. Carolyn  
42 said they are looking at 1.0% being refunded back to the cities but more like 1.5% on that debt ratio B. Carolyn said they  
43 thought it was a good idea to reduce the debt service obligation because rates were increased to meet that debt coverage  
44 ratio, increasing cash accumulation to pay off your existing debt overburdens current users. Carolyn said if the Board sees  
45 fit, Lehi thinks it would be great for them to get technical assistance, when it comes to performing the user rate studies, so  
46 they can consider everything, instead of relying directly on budgets that have not always portrayed accurately the  
47 operations of the District.

48 \*Sean Fernandez left. 6:36 p.m.

49 Tracy thanked Carolyn and asked if there were any other comments.

1 Tracy Wallace closed the public hearing on the 2016 Tentative Proposed Operations and Maintenance & 2016  
2 Tentative Proposed Capital Budgets  
3

#### 4 **Approval of Minutes**

- 5 **1. Approval of the October 15, 2105 Administrative Board Meeting Minutes**
- 6 **2. Approval of the November 5, 2015 Budget Work Session Minutes**

7  
8 David Bunker had a correction on the November 5, 2015 work session minutes. On page 2, line 36 it states  
9 “David Bunker said we used unrestricted cash to pay for growth improvements in combination with the bond covenants”.  
10 David said he did not believe he said we used bond covenants to pay. David said it should say, “David Bunker said we  
11 used unrestricted cash to pay for growth improvements in combination with impact fees to cover the bond covenants”.  
12 Dale Ihrke said he was not present at the November 5, 2015 work session, the minute’s show he was.

13 **Brian Braithwaite made a motion to approve the meeting minutes from the October 15, 2015**  
14 **Administrative Board Meeting and the minutes from the November 5, 2015 Budget Work Session Minutes with the**  
15 **changes proposed by David Bunker and Dale Ihrke. David Bunker seconded the motion. Those voting “Aye” –**  
16 **Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite, Chris Condie, Jay Meacham, Keith Blake, David**  
17 **Bunker, Craig White, and Dale Ihrke. The motion passed with a unanimous vote.**

#### 18 19 **Consent Calendar**

- 20 **1. Pay Request No. 7 Whitaker Construction/Alpine Highland Segment III Sewer Line Project**
- 21 **2. Pay Request No. 9 Bud Mahas/Laboratory Project**
- 22 **3. Change Order No. 2 Whitaker Construction/Alpine Highland Segment III Sewer Line Project**
- 23 **4. Change Order No. 4 Bud Mahas/ Laboratory Project**
- 24 **5. 2016 Board Meeting Schedule**

25  
26 Jon said the District would be reimbursed all but \$800.00 for Change Oder No. 2 Whitaker Construction/Alpine  
27 Highland Project.

28 **Chris Condie made a motion to approve the Consent Calendar as presented. David Bunker seconded the**  
29 **motion. Those voting “Aye” – Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite, Chris Condie,**  
30 **Jay Meacham, Keith Blake, David Bunker, Craig White, and Dale Ihrke. The motion passed with a unanimous**  
31 **vote.**

#### 32 33 **Finance**

##### 34 **1. Financial Report**

35 Joe Martin presented the financials. Joe handed out the financials with one change in the 2014 column it shows  
36 October 2014; the dropbox copy is September 2014. This will be added to dropbox. There were no changes to budget  
37 actuals. Spencer asked about the Impact Fee Report. Joe said he did not have one this month. Brian Braithwaite said  
38 Highland is paid up on their impact fees.

#### 39 40 **Action Items**

##### 41 **1. Tentatively Adopt the 2015 Tentative Amended Operations and Maintenance & 2015 Tentative Amended** 42 **Capital Budgets as the 2015 Amended Operations and Maintenance & 2015 Amended Capital Budgets**

43 Tracy asked if there were any questions on the amendments in the 2015 tentative budgets. Jon said they noticed  
44 that some of the projects in capital showed up twice so that was cleaned up. Dale Ihrke asked Jon about the \$5 million  
45 decrease in the capital budget. Jon said a there are two projects, the Compost Access Improvements, and the 2015  
46 Miscellaneous Plant Improvements, that the Board would be asked to award the contract tonight. They have been  
47 designed, bid, and the contractor selected, but because of the time of year, we want to wait and start those in the spring, so  
48 we moved that money into next year. Keith Blake asked if we are keeping a schedule on the capital projects. Jon said  
49 yes, the IFFP and CFP project ten years, but show five years. Sometimes those projects are moved, like when we delayed  
50 capital projects during litigation with the contractor. Keith asked how far ahead we are projecting. Joe said we track

1 those on a balance sheet and every project has its own account. Therefore, it goes until it is done and then we capitalize it.  
2 Tracy said we could have staff put it together to look at it over a five-year period to give us an idea of what has happened  
3 over the past five years with each of these capital projects. Keith Blake said we are tracking the impact fee cost and what  
4 percentage goes into each project. Joe said yes, they let us know what percentage is impact fee eligible.

5 **Keith Blake made a motion to Adopt the 2015 Tentative Amended Operations and Maintenance and 2015**  
6 **Tentative Amended Capital Budgets as the 2015 Amended Operations and Maintenance and 2015 Amended**  
7 **Capital Budgets. Brian Braithwaite seconded the motion. Those voting “Aye” – Tracy Wallace, Mark Johnson,**  
8 **Spencer Kyle, Brian Braithwaite, Chris Condie, Jay Meacham, Keith Blake, David Bunker, Craig White, and Dale**  
9 **Ihrke. The motion passed with a unanimous vote.**

10  
11 **2. Adopt the 2016 Tentative Proposed Operations and Maintenance & 2016 Tentative Proposed Capital**  
12 **Budgets as the 2016 Operations and Maintenance and 2016 Capital Budget**

13 Tracy said he appreciates the city of Lehi bringing forth items to reflect upon in this budget. We will have an  
14 opportunity to look at those along with currently looking at a rate schedule. Keith Larson is working hard, and we have  
15 given him directions on what our user rates may look like, and how they reflect within the budget. We are moving  
16 forward with that and trying to obtain as much information as we can. Tracy asked Jon if there were any changes to the  
17 operations and maintenance budget since the work session. Jon said they went through and cleaned up a few items, some  
18 line items were decreased. There were no real significant changes.

19 David Bunker thanked Lehi City for coming and presenting to the Board. The Board has discussed these  
20 concerns in the past. David Bunker said we appreciate Lehi’s expertise in presenting their thoughts. It is a difficult thing  
21 to know the right direction and policies to make to keep the District healthy and at the same time be fair to the users in our  
22 district. Obviously that is our goal, to make sure the District stays healthy and on track and balance that with the needs of  
23 our residents and what they should be paying. In the work session, it was difficult for Keith Larson to present exactly  
24 what we wanted. David Bunker said he does not feel that he has the answers he needs to make sure we have addressed  
25 the concerns we have discussed. He feels we could use another work session, before we pass the budget. We need to talk  
26 more specific about policies, direction, and how to make this a balanced, fair budget. We had a lot of discussion, but we  
27 did not ever finalize exactly what we wanted to do. David Bunker said we can modify the budget, but he prefers getting  
28 it as close as we can right from the beginning of the year. There are always going to be things that come up that you  
29 cannot foresee, but it is our responsibility to get it as close as possible.

30 Mark Johnson said he agrees with David Bunker, he thinks it is a necessity to have another work session. There  
31 is no harm in tabling this for another month. Mark said the information brought up by Lehi, needs to be looked at,  
32 analyzed, and discussed. There is no doubt there will continue to be debate on some of the core philosophies here. Mark  
33 said there are a few members and he is one that has not determined which side of the line he agrees with. We all want to  
34 make the most prudent decision for the entire District. He would like to hear the argument from both sides of the issue  
35 again, once we have a better analysis done. Keith Blake agreed that he would like to have another work session. This is  
36 one of the major decisions we make.

37 Chris Condie said some of the expenses that concern him in the proposed budget for 2016, were personnel  
38 proposed at 4.9 million, Lehi is suggesting we reduce that to \$3.8 million. Insurance is proposed at \$225,000, Lehi is  
39 showing we should reduce that to \$150,000. Chris thinks that something like personnel would be a straightforward  
40 number. There is X amount of staff, paid X amount of dollars. How could we possibly be off almost \$1 million on  
41 personnel, he doesn’t know how we would reduce that unless we had inflated the numbers there, or we are including a  
42 cost of living increase and Lehi is not. Tracy said there are some items here, because of the tumultuous period of going  
43 through the expansion; certain expenditures were not funded over time. In the financial report, through October 2015, we  
44 are almost at \$3.4 million, last year at this time it was only \$2.8 million. One of the reasons for that is we have now  
45 moved into the plant expansion being complete and have been able to hire those personnel. If the plant had been  
46 completed within the contract time, the personnel number for 2014 probably would have been closer to budget. You can  
47 see from this year’s budget where we are with the added personnel, which were needed with the plant expansion. If we  
48 have another work session, we are going to look at these numbers from 2013, 2014, and 2015 and see what the plant is  
49 actually going to need for 2016 with the new plant expansion.

1 Chris Condie said he appreciates that, he is questioning to get a better understanding. Chris said he only had 12  
2 hours heads up from the rest of the Board with this report from Lehi. He has gone through it 3 times and made notes. He  
3 thinks there are some good things that the Board needs to look at, and he would be in favor of another work session.  
4 Chris said when we look at the fixed costs it is hard for him to understand why there is such a large difference. We  
5 propose that wastewater revenue is \$15 million, and Lehi is projecting \$9 million. Chris said it is not that he is saying  
6 Lehi is right or wrong; there needs to be more consideration for him to understand where that number is. Tracy said the  
7 main thing is that we all fully understand every piece of this information. If there are questions, we need to make sure  
8 every board member understands where every number comes from. Chris said he appreciates Lehi for presenting this and  
9 appreciates TSSD staff as well.

10 Spencer said Tracy mentioned the plant expansion and increase in the personnel costs. With 10 months of the  
11 year passed, we are at \$3.3 million and the proposed budget is over \$5 million. We have been operating the expanded  
12 plant for most of this year. Spencer said that is part of it, but we have been hearing that for the past couple of years. We  
13 need a lot more detail because that explains a small amount but not the bulk of the \$1 million that we are over budgeting.  
14 Tracy said yes, it comes back to a work session to understand from staff that we have added two new people in the last  
15 couple of months and we still have positions to fill. That is the information we need to make sure everyone understands.  
16 Spencer said he would like to see a list of every position and the costs for salary and benefits. So we can see why actuals  
17 are so much less, if it is because they are unfilled and we are still recruiting, then great, but we need to see the details.

18 Jay Meacham asked how much we are still understaffed. Jon said we are not understaffed; part of the issue is that  
19 we did not fill those positions until we needed to. We were delayed for two years. We had equipment we knew we were  
20 going to get rid of, so we did not fix it if we thought we could get by. Jon said there are some numbers that we are low  
21 on, such as running the bioreactors, we did not have actual to go on, and so they were estimates. When you get actuals  
22 that is absolutely the way to budget. In personnel, we did not get close to full staff until 2015. That is why there is the  
23 million-dollar increase now. Some of those people have not been on for the full year, so looking at salary and benefits for  
24 2016 is wise and easy to explain. Spencer asked Jon if he could put something together for the next meeting that lists  
25 every position, the number of people in that position and the salary and the benefits. Jon said he thinks Shannon already  
26 has that. Jon said he wanted to remind the Board that he has left the rates at what they currently are, even though we are  
27 discussing a rate decrease. Depreciation is still in that budget, even though there has been a lot of discussion, so those  
28 items need to be decided. Jon said that is what Keith Larson is looking for; he is not sure which way to go. Jon said it  
29 would be great for him if those decisions could be made before the end of the year.

30 Brian Braithwaite said the Board has discussed why these numbers are off and Jon has given updates on why we  
31 are not on target with those. This is not something that is all of sudden popping up at the end of the year. With few  
32 exceptions, almost every month, we have had that come up and Jon has addressed this. Jon said yes, and to keep in mind  
33 things happen, sometimes it is not straightforward, or a position is held open because of legal requirements. Jon said we  
34 could look at that, we have a couple of line items where we buy supplies for the year at the end of the year, so they will be  
35 very low and all of sudden will be 85-90%. In 2012-2013, under our circumstances the actuals at that time were not  
36 reflective of what we would need to run the upgraded facility. We are trying to get a handle on that and this year will be  
37 the best year we've had as far as determining what the costs are.

38 Brian Braithwaite said in the rate proposal, he thought our rates are based upon what we have done in the past.  
39 One thing highlighted in the Lehi report, is our expenses were under budget, Brian does not think we have created our rate  
40 proposal based upon what was proposed, but on actual. The only one that would have been an exception would have  
41 been the current year. So if we were talking about 5 years, only one year would have been projected and if it was off  
42 25%. Spreading that over 5 years would not have been a big discrepancy. Brian asked when the rate study was done, did  
43 we look at what was proposed every year or did we look at the actual? Joe said he was not sure. Jon said he could not  
44 speak for Keith, because we gave him information on everything. Jon said he does believe that Keith used projected on  
45 some, not actual, because that is what he had to go on. Brian asked if he would have used actual for prior years to make  
46 projections into the future. Jon said Keith Larson would have to answer that. Tracy said most of those were actuals with  
47 the exception of power, which is something that we cannot use the actual, because with the new plant our power is a lot  
48 different from what it was in the past. Projections would have been used in that and we gave him those projected numbers  
49 based on what we have had over the last six months. Jon said the power was actually higher when the contractor was  
50 running it. We used those as projections for the next year, but then we were able to shut off a basin or something, so this

1 year it is a couple of hundred thousand less. Jon said there is no doubt in his mind that is what Keith Larson had available  
2 to him. Brian said he appreciative to Lehi for what they brought forward, and this gets us to ask the right questions. Brian  
3 said he does not think the report is completely accurate; it is not Lehi's fault. It is because they do not have the  
4 background information. The work session would be helpful for us to ask those questions. This is good to talk about  
5 this and have another work session.

6 Brian said statement made by Lehi that he would like clarity on is that we have a cash reserve policy. We have  
7 discussed a cash reserve policy, but we rejected having a policy. As a board, we have not adopted one. Craig White said  
8 we developed numbers as a Board; and came up with actual dollar amounts that we all agreed upon, when it came time to  
9 adopt it, legal counsel recommended against it. Brian said he does not know that we all agreed upon the numbers. We  
10 had a proposal, we were going to talk about it being a policy, and when we got into discussion, it was decided not to move  
11 forward with it. Brian said he liked the numbers as a starting point, but he was not in agreement with those numbers.  
12 Again, Lehi did not know that is not a policy, and they are basing it on certain things, and they did not know that we did  
13 not necessarily agree.

14 Keith Blake said we talked about funding by bonding or depreciation and paying cash. It is not an all or nothing  
15 situation. It can be a combination of those. We have been moving more toward the situation of trying to fund a larger  
16 amount through cash. Keith Blake said his understanding is the state was requiring us to do depreciation, because we are  
17 an enterprise fund, so we do not operate the same as a city. We are more like a processing plant. We get water that is not  
18 clean and we put it out clean, so it is more like a business fund, which has a huge asset in the plant. That is the reason we  
19 fund depreciation, is because there is a 30-50 year facility and you have to plan for new one. Where we live here where  
20 the population is growing, we are going to need to have a larger plant. We do not have the same parameters that a city has  
21 and we are able to fund reserves so Keith thinks it is a different picture when you look at \$38 million reserve fund. It is  
22 not that much when you have 10-15 years out with a \$100 million plant. That is part of the picture we need to keep in  
23 mind as we look at this budget.

24 Spencer said he does not think we are required to budget depreciation. When the audit is done, they will add  
25 depreciation. Brian Braithwaite said one thing Lehi said was to not have current rate payers pay for something in the  
26 future. Brian asked at what point in time you define who got the bad deal. If we were able to maintain a certain amount,  
27 that would actually save the residents who live here a period, is that not doing the right thing for those who are the patrons  
28 of the District. We should not be doing anything that the current ratepayers are covering that would affect the future.  
29 Brian said if they were to pay a little more now and in ten years, it cut off a big chunk for the rates, so they do not have  
30 any increase in ten years. Brian compared it to paying a mortgage, paying more now and saving on interest. Those who  
31 live here ten years or more are going to be the beneficiaries of it. Spencer said we do not want to save the future  
32 homebuilders from paying interest at the expense of our current ratepayers.

33 David Bunker said there has been some healthy discussion. There are some errors in some of the analogies; we  
34 need the work session to discuss it further. Brian said we want Lehi City and anyone else to bring the issues and let us  
35 talk about them. Brian is not convinced that he has a perfect description here and there is no way we will get it resolved  
36 tonight.

37 **Keith Blake made a motion to table the adoption on the 2016 Tentative Proposed Operations and**  
38 **Maintenance and 2016 Tentative Proposed Capital Budget and schedule a work session for December 3, 2015 at**  
39 **5:00 p.m. Mark Johnson seconded the motion.**

40 David Bunker said that would be two weeks prior to December's Board meeting, so if we discuss things that need  
41 to be changed that can be incorporated into a modified budget, if needed. Spencer Kyle asked if the Board could have, for  
42 the work session, the detail of each line item that goes into these accounts, where we were at the end of last year, where  
43 we are so far this year and the 2016 proposed budget. Tracy said he would work with staff and make sure the Board has  
44 all that information in detail.

45 **Those voting "Aye" – Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite, Chris Condie, Jay**  
46 **Meacham, Keith Blake, David Bunker, Craig White, and Dale Ihrke. The motion passed with a unanimous vote.**

### 47 48 **3. Approval of the John Deere Loader Repurchase/Buyback Agreement**

49 Jon said this is our third year doing this agreement. There are three loaders. We pay around \$17,000.00, and we  
50 own the loaders. They keep us in a new loader that is under warranty. It has been a great deal.

1 David Bunker made a motion to approve the repurchase/buyback agreement with Honnen Equipment for an  
2 amount not to exceed \$55,492.00 for three new 624 K John Deere Loaders. Jay Meacham seconded. Those voting  
3 "Aye" – Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite, Chris Condie, Jay Meacham, Keith  
4 Blake, David Bunker, Craig White, and Dale Ihrke. The motion passed with a unanimous vote.

5  
6 **4. Approval to Appoint a Member Representative and an Alternate Representative to the Utah Association of  
7 Special Service Districts**

8 Jon said we have been a member of the Utah Association of Special Districts and they have asked that our  
9 governing body approve the member representative and an alternate member representative. Representatives are invited  
10 to meetings and sometimes there will be items voted on. There are not set amounts of meetings that are required to attend.  
11 It is a formality that the Board approves the representatives. Jon said he and Shannon have attended meetings but have not  
12 been officially adopted to be the member representatives.

13 **David Bunker made a motion to approve Jon Adams as the member representative and Shannon Hansen  
14 as the alternate member representative to the Utah Association of Special Service Districts. Chris Condie  
15 seconded the motion. Those voting "Aye" – Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite,  
16 Chris Condie, Jay Meacham, Keith Blake, David Bunker, Craig White, and Dale Ihrke. The motion passed with a  
17 unanimous vote.**

18  
19 **5. Award of Contract for Compost Access Improvements Project**

20 Jon said we have been through the process for action item 5 and 6. Brandon Wyatt did the review and authored  
21 the letter of recommendation. VanCon Inc. is the successful bidder at this point. Keith Blake asked what improvements  
22 are being made. Jon said it is some roadwork and accessibility south of the main plant. Also, removal of concrete walls,  
23 and building up some of the roadways with asphalt and gravel. Keith asked if these were urgent needs or something that  
24 could be put off for a couple of years. Jon said this is something we have been meaning to do and some of it is safety  
25 related. We have a great deal of public driving out there and the roadways are currently too small for some of the  
26 machinery we have. Jon said this is a retrofit area, where it is the old sludge drying beds and this project will make it so  
27 they can drive in between the beds instead of around. It will take care of all of these issues. There are issues over and  
28 above composting. Dale Ihrke asked if this project reviewed with the odor settlement in mind. Jon said we looked at it if  
29 there was a settlement, but there is not a settlement at this point. Even if looking at the potential for a settlement you are  
30 looking at a few years down the road.

31 **Chris Condie made a motion to Award the Contract for the Compost Access Improvements to VanCon  
32 Incorporated for a contract bid price of \$1,090,731.20. Keith Blake seconded the motion. Those voting "Aye" –  
33 Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite, Chris Condie, Jay Meacham, Keith Blake, David  
34 Bunker, Craig White, and Dale Ihrke. The motion passed with a unanimous vote**

35  
36 **6. Award of Contract for 2015 Miscellaneous Plant Improvements**

37 Brandon Wyatt said this project includes tying some of the storm drains in the plant back into the plant drain so  
38 they do not go offsite. It also provides a new Vac-Truck unloading station, which has been needed for some time. There  
39 is also some curb and gutter work.

40 **Brian Braithwaite made a motion to Award the Contract for the 2015 Miscellaneous Plant Improvements  
41 to VanCon Incorporated for a contract bid price not to exceed \$223,000.00. Chris Condie seconded the motion.  
42 Those voting "Aye" – Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite, Chris Condie, Jay  
43 Meacham, Keith Blake, David Bunker, Craig White, and Dale Ihrke. The motion passed with a unanimous vote**

44  
45 **Communication**

46 **1. Manager's Report**

47 Jon said the plant was in compliance for the month of October. The daily average flow was 17.4MGD with a  
48 peak daily average flow of 18.40 MGD. Keith Blake asked what the capacity is. Jon said it is 30MGD, which is daily  
49 average flow. We upgraded from 18.3 MGD.

1 **2. Laboratory Project Progress Report No. 9**

2 Jon said this report proves the cabinets did come. They are being installed and flooring is being finished. Jon  
3 invited the Board Members to come down and look at it. We are hoping to get that finished up by the end of the year.  
4

5 **3. Alpine Highland Segment III Sewer Line Progress Report No. 7**

6 Jon said they have moved out of the heavy traffic areas. Brandon said the sewer work is complete at this point  
7 and they are putting in a pressurized irrigation line behind Best Buy. Jon said this has been a very successful project, but  
8 very challenging.

9 Brian asked for an update on the litigation. Jon said it was very little, but he could give an update.

10 **Keith Blake made a motion to go into Closed Session for purpose of litigation, property acquisition or**  
11 **personnel. Brian Braithwaite seconded the motion. Roll call vote Brian Braithwaite-yes, Spencer Kyle-yes, Chris**  
12 **Condie-yes, Jay Meacham-yes, Keith Blake-yes, Tracy Wallace-yes,, Mark Johnson-yes, David Bunker-yes, Craig**  
13 **White-yes, and Dale Ihrke-yes. The motion passed with a unanimous consent. 7:50 p.m.**  
14

15 **Closed Session**

16 **Chris Condie made a motion to go out of closed session and back into regular session. Mark Johnson**  
17 **seconded the motion. Those voting “Aye” – Tracy Wallace, Mark Johnson, Spencer Kyle, Brian Braithwaite,**  
18 **Chris Condie, Jay Meacham, Keith Blake, David Bunker, Craig White, and Dale Ihrke. The motion passed with a**  
19 **unanimous vote. 8:10 p.m.**

20 Tracy said in regards to Lehi’s financial report that was sent out to some Board members, and forwarded to the rest  
21 of the board, he would like communication to be sent out from the board to come from Jon or himself. Tracy said most  
22 of the time it is going to be accurate, and he trusts the board, however it was forwarded out and Tracy and Jon had not  
23 seen it. It was not sent to Jon or Tracy. Spencer Kyle said it was sent to Jon. It had the wrong email address for Jon.  
24 Spencer said he is not sure why there needs to be something Tracy and Jon need to have that the rest of the board is not  
25 privy to. Tracy said there may be times where a board member sends something out and Jon has not had an opportunity to  
26 look at his emails yet. The next thing Jon is getting a call from the news media, whereas the Board members or the public  
27 knows about it, but he does not. Jon, being the liaison for any public information that is going out, should be the first one  
28 that has it. Spencer said he received it the same time as everyone; he is confused why that matters. Tracy said others  
29 received it before him. Spencer said yes it came from someone else, but we cannot stop the public from emailing us.

30 Jon said he appreciates what Tracy is saying. Jon did not want the Board to think he was not responding, but he  
31 had not received it, until later. Spencer said Lehi City requested he forward it on to the rest of the Board. Tracy said if it  
32 goes through Jon and he sends it out, then everyone receives it at the same time. Mark said he knew this was coming and  
33 Chris Condie knew it was coming. Mark said it is fair to say they were caught off guard in a city council meeting,  
34 because it was not advertised on the agenda. Mark said it was the first time he heard of it and he probably got a little more  
35 vocal than he should have, primarily because he was caught off guard. Mark said he had communicated with Jon and  
36 Tracy early this morning to let Jon know to prepare to have a conversation with the Board. Mark said there are statements  
37 that some have questions on. Spencer said the reason he sent it out was that he knew they were coming and he thought it  
38 was helpful to read the report ahead of time. He is glad he had a chance to read it before tonight’s meeting and glad they  
39 came and made their presentation. Tracy said he is not saying they would not have sent it out, but the other part of it is  
40 Jon would have opportunity to look at it first and send it out to the rest of the board. If you have information, even if it  
41 went to a couple of board members, send it to Jon and let him send it to all the Board Members. This is just professional  
42 courtesy and there is the legal part of it; if we can give Jon the heads up of any information first Tracy would appreciate it.  
43

44 **Adjourn:**

45 **David Bunker made a motion to adjourn. Jay Meacham seconded the motion. All present “Aye”. Meeting**  
46 **adjourned 8:17 p.m.**  
47