



1 Keith showed the available reserve fund balance, with each scenario. Keith said one question may be why  
2 we would be stock -piling cash associated with depreciation. The thing to emphasize is even though this is for  
3 projection purposes, it shows accumulating the cash, but the goal would be to not actually accumulate all that  
4 cash. It would be to reinvest it in the system in maintaining pipelines, and equipment in the plant.

5 Keith said there are an infinite number of rate scenarios that he could do. All of these scenarios are based  
6 on how much the rates would change initially and then how does it change from there moving forward. The  
7 assumptions that went behind these rate scenarios are: the District would like to pay down the bond as soon as  
8 they can, the District is only going to make a call on the bond once (that is the preferred way to do it),assumptions  
9 relative to growth and timing of improvements (everything is consistent with the capital facilities plan, but those  
10 could change one way or the other), we would do one initial change in rates associated with January 1, 2016, then  
11 hold rates steady as long as we could and then increase rates at the rate of inflation, basically 3% per year  
12 thereafter, all the scenarios needed to end up at the same cash number at the end of twenty years, and after the  
13 bond is paid off we would not need the debt service reserve fund anymore. Keith said also all of these scenarios  
14 are based on the assumption that there were no changes with composting.

15 The first scenario looked at the minimum allowable rates, based on the bond covenants. If we do this, we  
16 are good until 2023, but then the capital facilities start to kick in, we start drawing on our reserves and go negative  
17 by 2031, if kept at the minimum. David Bunker said we will not have any of those bond covenants after 2010 B  
18 Bond series. The next scenario was based on if we minimize current rates as low as possible and increase over  
19 time. The next scenario was to drop them to pre 2014 rates, hold as long as we can and increase at 3%. The next  
20 is to drop to \$22.00 then increase, drop to \$23.00 then increase. Keith also showed the board a graph which  
21 showed the rates in 2015 dollars instead of inflated dollars. What Keith found was if we drop initially we end up  
22 with higher rates in the long term, then if we keep the rates higher.

23 If we minimize rates, we do not accumulate fund balance as much, we start getting into those  
24 expenditures, and we are way out in 2030 before we can pay off the bond. At that point, we pay off the bond and  
25 then we accumulate. If we go to pre 2014 rates, it is almost identical. Dropping to \$22.00, we are able to pay it  
26 off a year earlier. It is not until we get to the scenario where it is \$23.00 where we accumulate enough so that  
27 before we hit the expenditures, we are able to pay off the bond. If we leave the rates where we are now, we can  
28 pay the bond off a year earlier.

29 Keeping the rates higher we save money in the long term. We are able to minimize the amount of interest  
30 we pay out. David Bunker said that is because we are getting today's dollars from the current residents, then  
31 saving and using those dollars later. There is time value of today's dollars. Keith agreed. David Bunker said that  
32 goes back to the rate payers today paying for everything in the system now, plus trying to pay off the bond.  
33 David said he wants to get rid of the debt; he doesn't like having it and the bond covenants. If we leave the rates  
34 the same anticipating that we are going to pay off all the debt, it makes the current users of the system pay off a  
35 disproportionate amount of the future of the plant. David Bunker said we used unrestricted cash to pay for growth  
36 improvements in combination with impact fees to cover the bond covenants. That is the reason why we had to  
37 raise the rates like we did.

38 Keith Larson said the \$5 million in savings relative to the scenario with no decrease is associated with  
39 interest savings. Right now we are charging about 80% of the interest to impact fees. If we actually followed that  
40 scenario, we would have to reduce impact fees, so 80% of that saving would go to new users. Keith Blake asked  
41 why it was 80%. Keith Larson said the debt is associated with facilities that have been built for future growth. .  
42 David Bunker said we could still charge the impact fee fund that way. Keith Larson said that is correct, until the  
43 bond is paid off and then you would need to redo the impact fees and lower those. David Bunker said we would  
44 go in and look at our methodology and how we assess impact fees, because there is more than one method to do  
45 that. Keith said you cannot charge impact fees for debt service you are not paying. Spencer said the significant  
46 savings that would come through no decrease would be savings in impact fees, not rates. Keith said yes. This  
47 debt is associated with money spent on expanding the plant. As a result, the people who are coming in later are  
48 the ones who are going to need to be paying that debt. If you pay that debt off early you cannot charge impact  
49 fees for debt you are not paying. David Bunker did not think that was stated correctly, you can still charge impact  
50 fees for that debt because you can borrow yourself the money, but not the interest. Keith Larson said that is a  
51 good clarification, you cannot charge for the interest that you are not paying, you still would pay the principal and  
52 the debt. Brian Braithwaite said the interest is a huge portion of it, when you are paying a bond. That is where  
53 the savings is here, instead of paying all that interest, we are able to drop that and the total cost drops. Spencer

1 said you also need to look at who the savings is going to the current or future users. Spencer said he would rather  
2 see the current residents receive the savings. Let the new people come in and pay for that. Keith Blake asked if  
3 that money saved is restricted in how it is used. Keith Larson said it is not money we have it is interest that is not  
4 being paid. Brian said bottom line, it reduces the cost of the plant expansion project.

5 Sean Fernandez said we were better to pay the bonds off, and have people pay an additional \$12 more per  
6 year, if we do not decrease the rate. David Bunker said we can still pay it off and have a rate decrease. Craig  
7 White said what makes this confusing as we talk about all these numbers is the fact we have co-mingled impact  
8 fees with our O & M. We need to get them separate. David Bunker said he had the same thoughts, we almost  
9 need to see the O & M and treatment (unrestricted) and capital projects (restricted) separate. The restricted funds  
10 should keep up with the growth, if we look at our impact fees every couple of years. Keith Larson said they do  
11 not and they are not allowed to by law. The law establishes what the impact fees are and as the entity, you have  
12 to make up any deficit that occurs. David Bunker said we can make it up, but we can also charge back, that is  
13 what we went through the last couple of years, and what Joe Martin has been working on. We can make it back  
14 up and put that back in the impact fee as we reevaluate that every couple of years. Keith Larson said that is right,  
15 that is what we are doing.

16 David Bunker said right now we are artificially inflated in our user rates, as of today our user rates do not  
17 need to be what they are to cover O & M and treatment. They are inflated to cover the bond due to the bond  
18 covenants we have. It would be nice to see what the number really is to cover our O & M and treatment. Keith  
19 Larsen said he is happy to do what the Board asks. He is not sure what is going to be done with that number in  
20 the end. David Bunker said it clarifies what the impact fees will need to be to keep up with growth. Where there  
21 are peaks and valleys, we can look at our unrestricted funds to cover that. We also need to define that any excess  
22 that we take out of unrestricted funds to help pay for that, we will get back. Brian Braithwaite asked Keith to help  
23 the Board understand why impact fees would never keep up with growth. Keith said the law is, you need to  
24 collect impact fees that are the actual cost of serving growth. It is based on historical expenditures, but also  
25 projected projects in the future. Most cases you have to build infrastructure ahead of development. For example,  
26 the big line coming from Saratoga Springs and Eagle Mountain, we will have to build that large line, even though  
27 the impact fees that pay for that line will not be received for 15-20 years. Keith Larson said he does not disagree  
28 that the accounting has to be there, to keep track of it. From his point of view Keith has taken that into  
29 consideration, in calculating the impact fees and rates. In the end, that accounting does not affect the rates you  
30 need to make the District solvent and to meet the needs.

31 Mark Johnson said Keith did a good job in following the Board's instructions, but things change over a  
32 short period of time. These scenarios were all based on the fact that we were going to continue to compost.  
33 Things could change that way and if it does that is a \$3.00 or more/per month change. Mark said if we are looking  
34 at a certain time period that should be included in the chart. Keith Larson said that is a little more straight  
35 forward, and it becomes a shift in everything. Mark said if this change occurs it will be over a period of time.  
36 Mark said it would be advantageous to go back to your city and talk to your elected officials and find out if they  
37 have an opinion on a rate increase or decrease. Mark said he that conversation with Lehi elected officials, and  
38 Chris Condie was there and could correct him if he misstated anything. Chris nodded yes. Mark said he has been  
39 in agreement with David Bunker, that we do not want to shift this burden off of the rate payers now and on to the  
40 rate payers of the future. It is not the responsibility of this Board to make that type of decision. The  
41 responsibility of paying off the fees is whatever current generation is responsible. Mark said the unanimous  
42 response from elected officials in Lehi, was they did not want to deflate the cost, and they want to keep the cost  
43 high. The one suggestion they had was once the debt service is paid off they would welcome a rebate back to the  
44 city. Mark said he is not sure how that would function, but that is unanimously the way they felt. Mark said it  
45 caught him off guard, and he believes it would be a good idea for Board Members to have a conversation with  
46 their elected officials. Mark said he thinks we develop opinions on what we think the public opinion is going to  
47 be. He believes the elected officials have a fairly good idea what the public opinion may be and how it may affect  
48 them. David Bunker said he was not sure how the Lehi officials thought of the idea of a rebate. David Bunker  
49 said he doesn't think the Board has ever talked about giving a rebate at the end of that. Mark said we haven't  
50 talked about it, it was just something they suggested, to keep rates high, pay off the debt and if there is additional  
51 money at the end, instead of keeping an unnecessary amount of money rebate it to the District Members. It helps  
52 answer the interest question. Mark said he thinks that is better than going with the decrease now.

1 Brian asked if the 3% is a rate increase every year. Keith Larson said at some point there would need  
2 be a 3% increase to maintain inflation. Brian said it really would not be \$24, it would be \$24 plus 3% at some  
3 time. Keith Larson said it would be \$24.00 until about 2022 then we would have to do a \$24.40 until 2026, then  
4 3% after that. Once we get out there we would be back again to reassess. Keith said the question he had when he  
5 left the last meeting was if the Board wants a decrease now and save existing users costs, which may cost a little  
6 more in the long run or keep higher now, get the debt paid off and potentially have some lower rates in the future.  
7 Tracy said if we decrease it now to \$22.00, we would be increasing in 2019. The more we decrease it now the  
8 sooner we are going to need to increase it. Brian Braithwaite said there is no value in decreasing it now and  
9 increasing it next year. All you do is cause pain, most people are saying just leave it the same if you are going to  
10 increase it in a year. Tracy said Keith has brought a great deal of information. Tracy said he would like staff to  
11 go through and look at the scenarios and put together one more piece of information that gets more to the point,  
12 more detailed to discuss later. We should apply a scenario without the composting.

13 Spencer Kyle asked Dave Sanderson, Lehi City, if he had any comments after listening. Dave Sanderson  
14 said he would need to study the information.  
15

16 Jon handed out an update to the tentative budgets the Board adopted at the last Board meeting. Jon said  
17 there were only a couple of changes that have been made. The 2016 tentative proposed budget includes a 3% cost  
18 of living merit increase, a 3% increase in health insurance and indicates a substantial drop in facility insurance  
19 after changing providers. There is also the possibility that there would be another \$500,000.00 drop as we are in  
20 the middle of negotiations. It includes two additional capital projects, that were in the CFP, but not included in  
21 the tentative budget, the digester cover project for \$500,000.00 and the Utah Lake Diking Improvements for  
22 \$825,000.00. It is for the second phase of the compost access improvements, to rebuild the dikes close to the lake  
23 and around the property that was purchased. Both of those projects are O & M funds, not impact fee eligible. Jon  
24 said when Keith was showing the scenario where the 54" line and lift station would go in to handle the growth  
25 from the west area. There is about \$16 million associated with that in CFP that was put under the new growth  
26 category. Based on the other projects it would be mostly impact fee eligible. Spencer asked about that project,  
27 because he thought there was a lot of capacity in the trunk line out there. Jon said that line would still remain; this  
28 is a new lift station over in the area of Boat Harbor Lift Station, anticipated for new growth. Spencer asked if we  
29 would need to replace the current lift station. Jon said no, it would feed into the current lift station. In order for  
30 that area to gravity flow they need to put in the new 54" trunk line and a new lift station to get it to B.H.L.S.

31 David Bunker asked why we purchased the land that we are going to dike around. Jon said we purchased  
32 that land partly as a buffer and future expansion. David Bunker said if we bought that land for future expansion,  
33 and we are being proactive, that project should be impact fee eligible, because a portion of that would be for  
34 additional operations of the plant. We should look at that and say if there is a portion that is due to growth, that  
35 we need it for expansion in the future, then that would be impact fee eligible, maybe not all of it. Jon said we do  
36 need to look into that. Mark asked how high the dike was. Jon said it used to be about 3 feet above, but it has  
37 settled about 2 feet. A couple of years ago the lake was lapping over the bottom dike. Mark said we have been  
38 here when it is high water, he wondered why we could consider building a facility behind a dike, why we  
39 wouldn't consider bringing in material and building it up now so the future facility is built at elevation. Jon said  
40 we would still need to do something as far as diking and erosion control. We could bring in fill to build that area  
41 up, but build that area up it would cost more money than diking. Mark is struggling with building a \$100 million  
42 facility at an elevation that has to be protected with a dike. Jon said we can look at it; we are a few years away  
43 from that. Mark said there are a lot of people trying to get rid of material, we can ask for a certain grade. We can  
44 accumulate material at a low cost and that may even qualify for impact fees. Jon said we could do that and  
45 rebuild a portion. If there is that type of material available it would reduce the cost. Keith Blake asked about the  
46 \$1.7 million in compost access improvements for 2016. Jon said that project has been bid, and will start next  
47 spring. David Bunker asked Jon to show the 2015 amended at \$0 and the 2016 proposed at \$1.7 million. Jon said  
48 yes. Keith Blake asked about the laboratory study. Jon said the lab project was bid and that would be paid in this  
49 year's budget and there is a carryover of about \$50,000.00. Tracy Wallace thanked staff for putting the this  
50 together.  
51

52 Meeting adjourned at 6:30 p.m.