

TIMPANOGOS SPECIAL SERVICE DISTRICT
ADMINISTRATIVE BOARD
WORK SESSION

APPROVED

Date: November 9, 2017 6:00 P.M. Conference Room

Board Members

Present: Mark Johnson* David Bunker Craig White
 Dale Ihrke Tracy Wallace Brian Braithwaite
 Chris Condie Sullivan Love Chandler Goodwin
 Mack Straw

Excused: Mark Christensen Lynn Walker Commissioner Bill Lee

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

Others: John Crandall, George K Baum
 Dave Sanderson, Lehi City

Conducting:
 Mark Johnson, Board Chairman. The meeting commenced at 6:08 p.m.

I. Budget Work Session to Discuss the Tentative Amended 2017 Operations & Maintenance Budget, the Tentative Amended 2017 Capital Budget, the Tentative Proposed 2018 Operations & Maintenance Budget, and the Tentative Proposed 2018 Capital Budget

Jon Adams, turned the time over to Brian Braithwaite, Finance Committee Chair. Brian presented what they believe should be part of the District's cash reserve policy. Brian said this has been gone through as a Finance Committee, but they want to make sure the board is in sync and adjust areas the board feels need to be changed. Hopefully next week, with the discussion and changes from today, we will be able to approve the policy and move forward. Brian said as the Finance Committee went through the numbers, they ended up with about \$10 million left over. Brian said he would go through how they reached that number. Brian said John Crandall has been here before to talk to the Board about refinancing the bonds. There are two key elements to that, one is we can lower our rate, the other is eliminating the bond covenants we have right now. Brian said John will talk about those covenants and what kind of new covenants we would be dealing with, so we are clear on what the covenants would be.

Brian said if we all agree that the money is there, and we use it to refinance, John will tell us what that process will be. This is important tonight because President Trump is proposing new legislation for taxes; if that goes through, this will not be feasible. We have a limited time frame to make that decision, it will be tough for us to get this done by the end of the year. We need to start moving on it immediately if we decide to do this. Brian said he hoped we could give an up or down vote whether we are going to pursue it. Then next week we can make a final decision when John brings back the final numbers, but he could start the process now and do some preliminary work.

John Crandall, George K. Baum, said we have been talking about this refinance since June. John said the House came out with their version of tax reform last week, and the Senate announced theirs today. John said he hasn't seen that yet, but in the language the House created, there is a wide variety of tax changes. The House is saying they would like to eliminate 100% of private activity bonds. They also eliminated advanced refundings. The last major tax reform was in 1986; where Congress disallowed multiple advanced refundings. Prior to that an issuer could issue tax exempt

1 bonds and refund on an advanced basis as many times as they desired. In 1986 they limited it to one. Now the House is
2 eliminating the advanced refunding exemption all together beginning December 31, 2017. That is what we are facing.
3 John said the board could do the homework whether this is something they are interested in doing or wait on.

4 John said you should not do any financing unless the metrics make sense. The savings we have been talking about
5 since June are about the same. It is roughly between \$3.5 million and \$5.5 million in net present value savings, after all
6 cost of issuance are taken into account. The other benefit of refunding is a change of covenants. The District currently
7 has a 2-prong debt service covenant, which means there are two parts to comply with. John said the first part of that is
8 having debt service coverage from net revenues which equal at least 110%, the second part is having debt service
9 coverage of net revenues, excluding impact fees, of 100%. This is something that has caused a little bit of problem with
10 the District, especially when there has been such a big increase in impact fees. That rate covenant is a holdover from a
11 1994 agreement. That was standard in 1994 and bonds have been issued subsequently so that covenant continued to have
12 life. Now there is only one bond outstanding, the 2010 B Bonds, these are the Build America Bonds, they are callable
13 in June 2020. If we refund the callable portion of the bond through this crossover mechanism, we can have a springing
14 covenant; the rate covenant changes will not go into effect until the crossover date in 2020. That is when the old bonds
15 are paid off and the new bonds that we sell with the new covenants then go into play. John said he would suggest
16 having a rate covenant at a 125% x debt service coverage. It is a higher debt service coverage requirement, but you do
17 not have to exclude impact fees, and it is not two-prong, it is single prong. We would still have to show the rating
18 agencies that you can meet debt service coverage from your operational revenues.

19 Chris Condie asked what happens with the payment that we pay upfront, if we choose to do this. John said there is
20 roughly \$50 million of bonds outstanding, if you were to use \$10 million of cash contribution, you would contribute that
21 to the refunding escrow. We would sell refunding bonds and between the two, the refunding bonds and the cash, that
22 would reduce your debt to \$30 million. John said you do not have to use your cash, you would still have savings if you
23 do not use any cash. It is an opportunity to use your cash at this time of refunding by issuing a fewer amount of bonds.
24 David Bunker said John is referring to the master agreement, as far as the covenants. David asked John if he has a
25 signed copy of that master agreement. John said he probably has it in the transcripts. David said he has been looking
26 for one of those for years, so if John could send one that would be great. John said he thought it was on a DVD that was
27 delivered. Tracy said he has one of the three DVDs, but all it had on it was the document, it didn't have the actual
28 signed copy. David Bunker said he is curious whether we have an actual executed version of it. David said if we go to
29 any rating agency they are going to look at the 100% coverage without impact fees anyway, it almost seems like that
30 will not change for us. What way is that going to benefit us? John said you seek a rating and you sell bonds, it is not a
31 covenant, it is a metric that the rating agency will look at. They will look at that, at the time we ask them for a rating.
32 For example, right now you have very healthy coverage, you have coverage that is 4x on your rate covenant, and 3x on
33 the prong 2. At some point in the future, if you were to do this refunding and make this rate covenant change, and your
34 rate covenant is 125%, which is higher than you have now, but you wouldn't have the second test. If you fail to meet
35 either one of these tests you have now, then you are obligated to spend the next year implementing a rate increase.
36 David Bunker said the last increase we had was because the second part of that covenant could not be met.

37 Tracy asked if we go through with this, are the covenants ever negotiated or does it depend on the time of the new
38 bonding. John said when you issue a master resolution, you have one document that controls the flow of funds, and then
39 you have supplemental indentures for every time you issue bonds. The supplemental indenture is a supplement to the
40 master, but all the rate covenants and additional bond tests remain the same for all the bonds. John thinks the 125% is
41 common enough that it wouldn't hurt your legal credit perspective. You would be going from a 110% to a 125%, but
42 with one test. Your contracts with your member cities affect the credit rating, some Districts have 50-year agreements,
43 this District does not, so that can affect the credit rating, because someone buying your bonds is going to want to know if
44 a member city can pick up and leave and build their own plant. John said his opinion is you need to put your best foot
45 forward on legal conditions you can live with, that are appropriate and fair. John thinks a rating agency would say "if
46 you have a history of operational variation in revenues, then maybe a debt service reserve fund would be needed." On
47 the flip side, in similar to a debt service reserve fund, is a rate stabilization fund. John believes this District still has a
48 rate stabilization fund right around \$7 million. That is a credit strength. When we go to the rating agency we will say
49 the District has a rate stabilization fund; it is to be used to stabilize the revenues in case something happens. John said

1 he thinks the District's rating right now is a AA- and the goal would be to not do anything with these new rate covenants
2 that weaken that.

3 John handed out a summary to the board which showed two options. Both options assume a District contribution of
4 \$10 million. The savings numbers calculated already account for the \$10 million. Whether you put in \$0, \$5 million,
5 \$10 million, it will not affect the savings much. The first option is taking the same footprint, with the final maturity out
6 to 2035 and refunding in today's interest rates, would save about \$3.2 million present value, about 7.5% in net present
7 value savings, and about \$1.1 million a year savings from 2021-2035. The second option is if you leave the debt service
8 footprint the same we have today, making payments of around \$5 million and continue making that payment with this
9 refunding, the result would be the debt would be shortened by about 3 years and the final payment would be in 2030
10 versus 2035. The savings would go up to \$5.8 million present value savings and 13% net present value. The primary
11 reason there is a difference in those savings, even though we are selling the same amount of bonds, is you eliminate
12 bond payments from 2031-2035. If you get rid of those last five years of the most expensive interest rate, you are going
13 to save a lot more money. Chris Condie asked if the payments stay the same in option two even at the end or is there a
14 balloon payment. John said the payments would stay the same.

15 Dale Ihrke asked about impact fees versus user rates reserves and how that plays out in paying off these bonds.
16 Craig White said right now we do not have any impact fees in reserve, we are actually in a negative, so this would be
17 100% user rates. Brian said we are about \$40 million in the negative in impact fees. Most of this is impact fee eligible,
18 so the majority of the savings will come back into our general fund to pay back as we collect impact fees. Craig White
19 asked what we need to get this going, we only have roughly 60 days to the end of the year. John said there is bond
20 council, and underwriter on contract. We anticipate there being a good rush to the market place with others doing the
21 same thing, so you would need to adopt a parameters resolution at board meeting next week which starts the 30-day
22 clock. John said he has already called the rating agencies and made a reservation for a call and we will be able to get
23 that out in the first week of December. We can cancel if the board decides to not move forward with this.

24 Brian said the goal of tonight's discussion is to give the board the information. No decision is going to be made
25 tonight. There is a high probability that interest rates will go up between now and 2020. If we are to do this, we have
26 two things happening now that might be worth it. We can get rid of some of the covenants and we can save some
27 money. Dale Ihrke said what are the cons? Brian said the cons would be that we could use that cash for anything we
28 want, we do not need to use it for this particular purpose. Another con that can be argued, is having the debt spreads that
29 over new residents coming in to the District. If we pay the debt off, then those who are users today have paid for future
30 users. David Bunker said that comes in to play if we do not have the cash we need to cover non-impact fee eligible
31 improvements. If we have to raise user rates again to cover those kinds of improvements, we are charging people who
32 helped pay for that bond, and raising their rates, so we are double charging them.

33 David Bunker asked if the Finance Committee looked at whether the remaining cash balance would cover our
34 unrestricted fund needs. Brian presented the Cash Reserves Amounts the Finance Committee put together.

35 Operating expense - \$5,939,293.12 - half of what the operating expense was the prior year.

36 Asset Management (not included in maintenance) - \$10,000,000 - in the past we have had a full depreciation,
37 where we financed, but we did not know exactly how much cash we needed for the capitalization. The \$10 million in
38 cash reserves for asset management, the next five years were taken from the asset management program and averaged
39 out. \$50 million for the next five years, so \$10 million per year.

40 Debt Service (rate stabilization fund) - \$7,383,423.40 - we have set this amount aside in the past. We believe that
41 it only has to be one-year debt service payment, which would be \$5,017,754.50. We have chosen to leave the
42 \$7,383,423.40 for one year to be conservative, then moving forward put it at one-year debt service. The primary reason
43 for this is when they come and look at our bond rating, because they have looked at that number in the past, if we change
44 it now it may raise eyebrows.

45 Impact Fee related projects - \$263,000.00 - you have to have a certain amount of cash to handle the impact related
46 projects. That description is only for the projects that have impact eligible pieces in them. We have a lot more capital
47 out there that we will be using during the year, but wanted to have clarity on that. Impact Fees fluctuate dramatically,
48 right now we are higher, because we are going through a huge growth spike. If we go into a situation where it changes,
49 this gives us the ability to finish any projects we have right now. David Bunker said anytime we are going to do an

1 impact fee related project, we are going to identify where that funding comes from up front. Brian said yes that is where
2 that number came from. David Bunker said his point is it is going to be fully funded, he does not know why we need to
3 have this extra amount in there. He does not see the relevance to have that in a cash reserve especially when you already
4 have a half years operating expense. Tracy said having that line item, we are assuring ourselves that we know what we
5 are doing for the next year. Tracy said it helps, within the budgeting process, understanding how much impact fees we
6 need for the following year after that. David Bunker said that is why we have an impact fee study, why we do an IFFP,
7 so we should be prepared for that. Chris Condie said right now, because we choose to put a line item in our financial
8 documents that says we have a - \$42 million in impact fees, for the next six years, at least, \$8 million impact fees
9 revenue is going to pay ourselves back. Therefore, we do not have impact fee funds to do impact fee projects, because
10 we are going to use the impact fee funds coming in each year to pay off this debt we have to ourselves. So, we have to
11 use user rate fees to pay for any project that we want to do.

12 Brian said if you were to take the \$263,000.00 off of the \$8 million that is what would actually go in to pay it.
13 David Bunker said this again goes back to the concept that we are using cash to fund future growth and it is not fair to
14 the existing people who have paid along the way to use user rates, which are artificially inflated, to fund all of these
15 projects. We are \$40 something million in debt to the impact fee fund, at some point we should be saying, if it is a
16 growth-related project, we should be borrowing for those growth-related projects and letting those people who are
17 consuming that capacity pay for that bond. David said we should be using our cash for those things that are O & M, the
18 asset management is depreciation on the system itself, that is where we should be using our cash. It is not a huge
19 number, but it is inappropriate to have in the cash reserves policy. Craig White said it is important to keep in mind why
20 we put it in this year, we are trying to get the District on the principle that the impact fees we are bringing in this year
21 are for projects next year. We want to be 12 months ahead.

22 Subtotal - \$23,585,716.52 -

23 Contingency (15%) - \$3,537,857.48 – Brian said we are a large facility, it is capital intensive, this is for emergency
24 and equipment failures that we are not expecting. It can have a huge impact on us, so the intent was to have something
25 there for that. This is for pieces that are unknown that can come up. David Bunker said we do not need to make it this
26 huge number, it can be something less. As soon as it starts to dip down at a certain level, we can replace it and we can
27 do that on an annual basis. Brian said that is the point of this policy, it will trigger the alarm, so we know it is below that
28 level. Mark said when we first looked at that we set it at 20%, the total number didn't feel right, the problem is we do
29 not know what an appropriate contingency is, so we just looked at things that might happen. That can be adjusted. Jon
30 said he took out the \$1 million that is usually in capital for contingency, the board can decide where they want it.

31 Brian said this operating expense is a 2016 actual number, when 2017 comes out those numbers will be plugged in,
32 the numbers will change, and we will begin with those. We will not have those audited numbers until March. That is a
33 policy we did because we didn't have some of these things in place, and as we put these in place, we give Jon and the
34 board comfort, and we can move forward because we have a clear path. David Bunker said at the end of the day, these
35 cash reserves are not money we allocating to be spent, it is just a protection. We are not saying we are going to spend
36 this money, this is just protection in case. David thinks the District needs that, it just needs to be an appropriate number.
37 Brian said he is pushing hard for this, not that it has to be these numbers, but it should be something we can agree and
38 move forward with.

39 Total reserves - \$27,123,574.00

40 Total cash on hand (9/30/2017) - \$43,373,020.97

41 Cash above reserves - \$16,249,446.97

42 Additional upcoming cash payments:

43 Debt payment (12/1/2017) – (\$1,542,092.75)

44 IRS Subsidy + \$500,000.00

45 Compost Cover - (\$259,000.00)

46 Blowers - (\$4,000,000.00)

47 CASH ABOVE RESERVES - \$10,948,354.22

48 Brian said this is where the \$10 million came in. We can do whatever we want with that cash, we can use to put on
49 the bonds, or we can return it users, we just need to make a good decision. Brian said before we make a change we

1 should finish our user rate fee and know what that is or at least have a comfortable feel that it is not going to change
2 much before we give cash back out to the cities.

3 Dale said we run somewhere around \$10-\$11 million, for O & M, including debt service; we throw on top of that a
4 \$10 million capital program. That is a revenue need of \$21 million a year and we are bringing in \$17 million. We
5 already have a shortfall. This reserve is going to get eaten up with capital programs, over time. Dale is not sure why we
6 would talk about giving money back, why would we do that? Brian said that is what we have to talk about at this point,
7 where does the cash go that we have out there. Dale said the key to him is to spend the money. As an Engineering
8 Committee we have been talking about whether we have the resources to ramp up to a \$10 million per year program.
9 When you do that you are going to start seeing your reserves used up, we are bringing in about \$7 million that can go to
10 capital, but we will spend \$10 million, we will be eating up \$3 million a year in reserves. Brian said he is hearing the
11 cash projection is beyond what the cash reserve is. We have to be able to see that we have these reserves on our
12 financial sheets, so we recognize these, this is part of what this whole discussion is.

13 Brian said we need to give John Crandall some direction of whether he needs to take the next step. We need to give
14 him some direction, so he can begin that process, and we do not want him to jump through a bunch of hoops if that is not
15 the direction we want to go. We need to make sure we are addressing our cash needs before we are allocating \$10
16 million to this. Brian said when these bonds are available to be repaid which is June 2020, we could do a refinance then.
17 The reason to do it now, would be to get better rates, and to lock in to get rid of those other covenants. If we do not
18 want refinance in 2020, because the rates go way up, we would be stuck with those covenants.

19 The board took a straw poll on the bond refinancing. The results were:

Refinance	Not refinance
Chandler Goodwin (w/some reservations)	
Sullivan Love (investigate)	
Dale Ihrke	
Tracy Wallace (get rid of covenants)	
Craig White (go w/option 2)	
David Bunker (w/some reservations)	
Mark Johnson	
Brian Braithwaite	
Mack Straw	
Chris Condie	

20
21 John Crandall, said for board meeting there would be a resolution. That resolution does not commit you to do the
22 refinance, it just starts the process.

23 *Mark Johnson left. 7:51 p.m.

24 Conducting: David Bunker, Vice Chair.

25
26 David Bunker turned the time over to Jon Adams. Jon said there was a 5-year asset management projection from
27 Brown and Caldwell. Brown and Caldwell came back with just a little over \$14 million worth of projects for 2018.
28 From that, the engineering committee met, and prioritized it down to around \$10 million. There were some items that
29 were removed because the committee felt they were O & M. Jon said the \$10 million, is to maintain the current assets,
30 not new assets going forward, which should be paid for by impact fees. Things like land acquisition and fleet, are not in
31 this. There would be another \$1-\$2 million in your capital budget above this \$10 million. When the board is saying we
32 are bringing in \$17-\$18 million in revenue and spending \$20 million, it is more like \$22 million. We have a fleet
33 schedule we can show the board, which shows date purchased, purchase price, life expectancy (7-10 years) and when it
34 should be replaced. This year there is \$850,000 in there. The other thing is the \$1 million contingency that has always
35 been in capital was removed because it was going into reserves, so we tried not to double count that. Jon said the

1 \$10.465 million, would be the proposed 2018 capital budget for this year, with fleet added in, and land acquisition still
2 in there. They had indicated that we would need to spend about \$2.5 million to fix the automation of the generators. We
3 took \$800,000 for the study and to begin that. That would come off the \$2.4 in the next year. Those are things we felt
4 priority wise that we would need to do. We took \$4 million of proposed projects out, if we want to do those we would
5 spread those out over the next few years.

6 Chris Condie asked Jon to what he said about spending closer to \$22 million. Jon said we are bringing in \$17
7 million in wastewater revenues; close to \$18 million in the proposed. If you take the \$10 million for cash reserves, and
8 \$10 million in O & M that is \$20 million. Jon said some things like fleet are not in that, so it is more like \$22 million in
9 expenses. Chris said last year our actual revenues were \$16.5 million, the reason we adjusted the proposed budget for
10 2017 is because we know by calculating the current growth, that was much closer to actual revenue. It is not that we
11 needed the money to cover O & M costs, it was actual revenue that was going to come in. Dale said we are spending on
12 average about \$10-\$11 million in actual O & M and debt service. From the asset management program, we have been
13 told that our liabilities are about \$10 million/year going out for the next 30 years. We do not spend \$10 million a year in
14 capital, last year we spent \$2.5 million, year before that we spent \$4 million. The big discussion we need to have is how
15 do we actually spend \$10 million. If we can start spending \$10 million year or the average of that, you are going to start
16 seeing actual expenditures in the \$20-\$21 million. We are bringing in \$17 million, that is \$4 million short, your reserves
17 are going to start seeing your reserves drop. Chris asked why do we have to force ourselves to spend \$10 million a year?
18 In the asset management program, we may only have to have \$6 million in repairs in that year that actually need to be
19 done. Jon said the board would make the decision on what level they want to fund that asset management program,
20 and move forward, but this will only be successful if we get the projects done.

21 Brian said if current user rates do not reflect the replacement and usage of it, and we end of pushing those down the
22 road into a bond, then those users in the future are covering the cost, and those users today are getting an advantage.
23 That is the point of the asset management program, to make sure user rate fees today, are truly covering the cost of what
24 users are using. Dale said he agreed.

25 Jon went through the 2017 amended budgets and 2018 proposed budgets. Jon said there was a 3.5% annual
26 increase for salaries with .5% relative to the compensation study. There would be a committee meeting on that to decide
27 how to proceed. Jon said in the capital budget there is \$10.465 million, which includes the asset management projects
28 the engineering committee prioritized down from \$14 million to just under \$10 million, with fleet and land acquisition
29 added in. David Bunker said our budget last year, we had a whole list of other capital projects that were on the list.
30 Dale Ihrke said they were incorporated in this. David Bunker said some of those capital improvements would be impact
31 fee eligible, which is totally separate from the asset management portion. Jon said this is the total proposed capital, it is
32 not necessarily whether they are impact fee qualified or O & M. Dale said Joe determines whether they are impact fee
33 or user rates. David Bunker said how we fund them is different. Craig White said at their finance Committee meeting
34 they determined there was only \$263 thousand for next year that was impact fee eligible. David asked if that was put in
35 the asset management side. Brian said the point is we have a bunch of projects we are doing next year, part of them are
36 going to be the asset management which is replacement, O & M, are the user fees. Sometimes they overlap; we may
37 expand a pipe that may needed to be replaced anyway, but only a portion of the cost is going to come out of the asset
38 management side of the calculation. Brian said Joe has created a separate spreadsheet that tells us how much impact fee
39 is owed to the other things. Dale said we need a breakout that says funding source.

40 Chris asked if this \$263 thousand, that we are putting aside for impact fees, stays in the cash reserves. Doesn't that
41 go toward the \$42 negative to make that number greater? Joe said the only thing that increases that number, is if we
42 spend impact fee qualified money. Chris said we are taking cash out of unrestricted funds, and through a cash policy we
43 are saying, this is only going to be used for impact fee eligible restricted fund projects. If that money is spent, then that
44 has to go over that negative column. If we take \$30 some million we have in unrestricted funds and we say we have
45 these two lawsuits, we have to pay them out, they are considered to be restricted fund monies, so we take from the
46 unrestricted transfer over to restricted to pay it out. But yet we are still saying we have a \$42 million negative, when we
47 don't. Joe said everything we spend that is impact fee qualified, we track. When impact fee money comes in, we can
48 use that money that comes in to reimburse ourselves what we pay out of general fund monies, for impact qualified
49 expenses. It is just a ledger balance.

1 David Bunker said we wouldn't need the rates we have today, because we are 4 times coverage on covenant 1 and a
2 3 times coverage on covenant 2, so we could lower rates if it were just a covenant issue. Brian said we may lower them
3 if the cash needs for our asset management aren't the same as what we are talking about here. If we are not
4 implementing those capital changes in the asset management then we are not truly covering the costs of what users are
5 using today. David Bunker said we did it differently because we funded depreciation. Brian said yes, it was giving us
6 the cash that we needed to be able to do that. The point is we have done it to a certain degree, but we have never known
7 if that amount was too much or too little. Chris said he thinks we are adding too much and artificially inflating the user
8 rate to bring in more income than what we need to sufficiently take care of the plant for the current users. Chris said we
9 have talked about a user rate study ever since he has been on the board, as soon as we defeased those bonds the point
10 was to do a user rate study to see where user rates needed to be and that has never happened. David Bunker said we
11 were waiting for the asset management study. Brian said the argument was, we are setting this money aside, we do not
12 have a clear picture of how it is going to be used. That was the whole point of the asset management. Chris said but
13 somehow our unrestricted balance kept going up every year, it is going up this year by more than \$1 million. We know
14 that we collected that much more revenue than what we are expending out of this plant. The cash is there, and we are
15 bringing in more cash than we need to fund operations. David Bunker said he would like to sit down with Chris and talk
16 about the balance sheet that started years ago. The district did not do a good job of keeping track and Joe has had to
17 clean up a lot. The balance sheet is to identify how much unrestricted cash we used to fund impact fee eligible (restricted
18 fund) projects.

19 Brian said we are not doing anything different here than anyone else is doing. You have to know what those
20 balances are because you can only use that cash for certain things. Brian said if you collect an impact fee you can only
21 use it for impact eligible items and if you don't use it in six years, you have to give it back. You have to keep that
22 separate, even though they go into the same cash account, we still have to keep track of it, because by law we are held
23 liable for that. Chris said that makes sense, but we had the ability to pay ourselves back and we haven't, why are we
24 keeping this negative balance. Brian said we have never had the ability to pay ourselves back. Brian said we have never
25 collected more impact fees than we have had expenses that needed impact fee money. We have spent cash to pay for
26 things that impact fees should have paid for. Joe said we can only pay ourselves back with impact fee money that we
27 bring in. David Bunker said in the past, the unrestricted funds were coming in at a higher rate, so we used those
28 unrestricted funds to pay for projects that we should have used restricted funds.

29 Joe said we know which projects are impact fee qualified, we budget impact fees, we know how much of those
30 restricted funds we are going to spend on projects next year. David Bunker said when you put that \$10.4 million and say
31 we need to fund our asset management, which we are funding through user rates, it is inappropriate to put the capital
32 projects that should be funded through impact fees in that list. Craig White agreed. Joe said they can change and modify
33 that, so it is separated. Joe said for the purpose of approving a budget for expenditure purposes, we have to approve all
34 of our expenses. Dale Ihrke said you can have all kinds of projects in asset management. David Bunker said the
35 definition of asset management means you already have the asset, or you need something different with that asset, but it
36 is not growth related or impact fee eligible. Dale said one of the projects in the asset management is biosolids, we are
37 going to have all new infrastructure that doesn't even exist. David Bunker said if we are going to do a biosolids
38 management program, part of that will be growth. We should identify the part that we will have to pay with unrestricted
39 funds, and maybe that is in the asset management portion and then there will be capital portion that we are going to take
40 our restricted funds to pay for. Brian said we have to have something from a payment standpoint how it is being funded
41 but we would not want to have the project in two different places.

42 Jon said there is one new position in the budget. Special studies, in administration, went from \$20,000 to \$200,000;
43 that is to cover the IFA, IFFP, CFP and the User Rate Study. Jon said there is going to be a few abrupt increases.
44 Solids handling went up dramatically, because we see a 5% rate increase on the tipping fee, and 7% increase due to
45 reduction of composting so we will haul more off, and almost another 7% increase because of growth. Jon said if board
46 members see any issues or concerns to send him an email.

47
48 **The meeting was adjourned. 8:50 p.m.**