

TIMPANOGOS SPECIAL SERVICE DISTRICT
ADMINISTRATIVE BOARD RETREAT

APPROVED

September 28, 2018 8:00 a.m. Conference Room

Board Members

Present: David Bunker Dale Ihrke Craig White
Jay Meacham Sullivan Love Lynn Walker
Chris Condie Blaine Thomas Mark Christensen
Brian Braithwaite Mack Straw Chandler Goodwin

Excused: Commissioner Bill Lee

District Staff: Richard Mickelsen, District Manager
David Barlow, District Engineer
Shannon Hansen, Human Resource/Administrative Assistant
Danette Smith, Board Secretary
Joe Martin, CPA

Meeting commenced 8:10 a.m.

David Bunker, Board Chair, said this retreat is to discuss the 2019 budget along with goals we want to accomplish this upcoming year. One of the topics the board needs to discuss is the expansion of the District, and whether we are going to increase our facility, and add extra lines. David said we discussed this last year; from his recollection, the District was not going to expand outfall lines unless required by multiple agencies. There are some unique circumstances throughout the District, especially for Saratoga Springs and Eagle Mountain. Chris Condie said another topic to discuss is whether the District would want to go from a special service district to a local district. Brian Braithwaite said, in his opinion, the board needs to come to a consensus. Once we are clear, we can take that to our cities. Brian said there are two ways the District can function; we do the operational side, but we also manage the capacity. If we put the responsibility of capacity on the cities, so the district only manages the facility, then, when the district expands, each city would buy into whatever capacity they want. Brian said they would own that capacity and they could trade it, sell it, or whatever they want. Today it is first come first serve from a city structure. Sullivan Love said Vineyard does have a specific amount of ERU's they have contracted for. Brian said Vineyard, Micron and South Valley Sewer are capped at a specific amount. Mark Christensen said he feels it needs to be discussed further.

Dale said another issue is staffing; we have talked about this for many years. A financial officer, and other positions keep coming up and we keep rolling the can down the road. Dale said without the right staff and resources, it hampers the District moving forward. Is the board willing to expand staff and resources if need be? Brian said we talk about doing certain projects in a year and we cannot do that without the staff. Mark Christensen said he would agree with that, but he wants to see how much work load there is, which is what he gets asked in his organization. If there is a shortage let's see it, look at it and understand what the work load is relative to that. Rich said he includes staffing, master plan, capital facilities plan, capital improvement projects, asset management all in one. Mark Christensen said he thought staffing would be driven by some of the other master discussions. David Bunker said he thinks the Master Plan will not drive staffing, as most of that is consultants, though it probably takes a lot of time for David Barlow to manage. Mark Christensen asked if any of those projects will create more workload. Dale said biosolids could have an impact on staffing. David Bunker said biosolids should be its own topic on the list.

Rich said we want to do the Capital Facilities Plan every three years, so we can do the impact fees. There are few things we need to grow in respect to the flow. We are in the process of doing that right now, our current flow is just short of 19 mgd and we are doing about 30,000 tons of solids per year. The other issue we have to contend with are rules from the state. We need to get phosphorus to 1.5 mg/L by January 2022, and to 1 mg/L by January 2024. Rich has to give the state a report, contingent upon our capital improvements plan we outlaid to them. Our effluent

1 phosphorus is about 1.6 mg/L right now. As soon as we get to October and the weather cools that will come down.
2 Rich said there are different ways to get that phosphorus down during those warmer months. Rich said he did a test
3 week ago, with a chemical to make sure we could hit the 1.5 mg/L. To treat the 19 mgd during the four warmer
4 months, and taking into account a 40% increase in solids, it will cost us about \$176, 000 for 4 months of chemical,
5 and about \$550,000 for solids disposal. During the eight colder months we are able to remove phosphorus down to
6 .3 mg/L. The ferric is pretty corrosive to the concrete structures, and pipes, so we will have to do something to
7 protect those if we go that route.

8 If we can maintain the air in the digester, it is perceivable that we will not have to do the chemical removal and
9 will not have increased solids. Therefore, we need to change what is happening in the blowers and finish doing the
10 evaluation on the blower capacity. Right now, it has a coarse bubble diffuser, and we are not getting the diffusion
11 that we need from a small fine diffuser. The coarse bubble does a nice job of mixing stuff up, but it does not add any
12 air to the system. So, if we can get more air into our aerobic digesters there is the potential chance that we would be
13 able to continue to do this biologically. Dale said oxygen saturation is dependent on temperature, so the warmer the
14 water the less oxygen that water can dissolve and hold; the colder it is the more oxygen it can hold. Dale said if you
15 go to fine bubble diffusers, you can diffuse more oxygen. That could potentially save a lot of money if that works.
16 Rich said in the capital plan, we have \$250,000 to build a backup system with chemical addition to cover this. Rich
17 said he did put it in the budget for this year, not to actually fund it this year, but for the board to be aware how much
18 it will cost in today's dollars to get rid of the phosphorus to meet the 2020 rule. We are not required to spend that
19 money until 2022, but he does not want to come up on 2022 and see if it works. Rich said he would like to try a
20 larger scale, with different chemicals that might be cheaper, and different flexibility. When we get to spring of 2022,
21 he will know what is going to work. Chris asked about the chemical being hard on concrete and pipe. Rich said we
22 could line the pipe where there would be concern

23 The blowers for the bioreactors are in the budget at \$4 million. Rich said the blowers and diffusers for the
24 digesters are not in the budget. Rich said we need to get diffusers in there and right now we have 36 in a tank. We
25 need to increase that 2 or 3 times to get better diffusion in the tank and add mixers. He does not know what that will
26 cost. Chris asked if the current infrastructure has the ability to add that capacity. Rich said it is doable. There are
27 other benefits and disadvantages to this too. Rich said to do this for four months it will add 20,000 tons of solids per
28 year. David Bunker said he agrees that we do not want to wait until 2022, his thoughts are we go ahead with
29 blowers, and change the diffusers in this next budget year. We really only have that four-month window to test, to
30 see if we can get that phosphorus number down and see if we can remove the phosphorus biologically versus
31 chemically. Mark Christensen agrees.

32 Rich said Brown and Caldwell will have their executive summary ready for board meeting. Rich said they had
33 introduced putting in a primary clarifier and anaerobic digester. The reason that is advantageous is the 30,000 of
34 solids would drop in half. Rich said the liquid train moves along nice, the way we are right now, if you introduce
35 this, you are going to settle out solids at a tune of 35%-40%, so you are going to increase the capacity of the overall
36 facility. Right now, the facility is a 30 mgd facility; you would get to a 45 mgd facility. The facility could go to
37 2050 by adding that system. The problem is you take the air out of the biology removal then you are going have
38 these bugs releasing all this phosphorus, so you would have to have different system to treat this side stream.

39 Dale said if you put in primary clarifiers and anaerobic digesters you cut your biosolids almost in half. You
40 expand the capacity of the biological plant because you just took 35% of the load off the secondary system. It saves
41 you oxygen because all the solids you just pulled out of primary do not have to be aerated and treated. It goes right
42 in to a digester and you save yourself power costs. There are disadvantages to it. Anaerobic digesters are a much
43 more complicated system than aerobic digesters, so staff would need training. There are potential odors, and you
44 have this gas you have to deal with which many plants use it to heat their buildings or to generate power. If you do
45 not want to get into cogeneration, which is taking that methane gas and using for electricity and heat that is a whole
46 other complicated system. Chris asked if there is a way to burn that gas off. Dale said he does not know if you can
47 flare it. Rich said Provo has this system right now and if they need to, they can burn it. Dale said it is a gas that is
48 usable so to just burn it is a waste. Dale said there is a power plant right down the street, you can clean it up to a
49 level that they can use it in their generators.

1 Rich said he has put a Master Plan in the budget for next year. He put \$150,000 in the budget for an engineering
2 firm to put numbers to these options. Brown and Caldwell introduced this project to us and they initially did not give
3 us any dollar value associated with it. Their executive summary does give a dollar value of how much it will cost for
4 the solids train, but they did not go in and address anything with the liquid train. This is something that should be
5 looked at to get the whole picture. David said Rich is talking about having a consultant come in and look through
6 these processes and do the calculations to see if this is going to work. We would need to understand, based on their
7 evaluation, how much capital it will take to put in a primary clarifier or digester. That needs to include operations,
8 and we may not have the staff to take on an additional process. Rich said he would like it to be more than to just give
9 a dollar figure, he would like to have some rough drawings, and feasibility level. Brian said it should also show the
10 savings. Dale said he is completely supportive of a Master Plan. He loves the idea of looking at the growth areas
11 and rolling that into the Master Plan and see what makes the most sense and whether we have a satellite plant. Dale
12 thinks \$150,000 to do a Master Plan is too low and he thinks it will be more like \$400,000. David Bunker said
13 \$400,000 seems like a lot. Dale said maybe, but he would go out 30 years and see what the growth is going to be and
14 how we should handle that growth as a District.

15 Rich said all the growth seems to be coming from west of the Jordan River. Rich said if we have as much or more
16 population west than we have to the east. Do we increase that line or put a satellite facility over there? Rich said to
17 him the 45 mgd will handle this area for quite some time. To have a satellite facility, is where you get into being a
18 Special Service District and Rich is not sure how that all works. Rich said someone has to have the bonding
19 capability to bond and build that facility out there. That is where board members have to give input.

20 Rich said he has been in discussions with Roger from North Pointe to lock us in to our solids disposal. Roger has
21 said they cannot handle the mass of solids we are sending to them. We are now going to have to deliver them to the
22 Elberta site, because they cannot keep hauling them. Roger is going to give us the tipping price of \$15/ton, but we
23 have to get it there. It is about 50 miles going freeway and 37 going around the other side of the lake. Rich said he
24 told Roger we are interested in a contract. Rich knows it used to be \$8/ton not too long ago. Then it was increased to
25 \$10, \$12 and now \$15. Rich told Roger he wants three years at \$15/ton. Roger agreed. Rich said after the three
26 years we would go with an CPI percentage increase. The question is how much it is going to cost us to haul that out
27 there. They are increasing our hauling cost from \$26.50 to \$27.50 starting in January. David Bunker said that makes
28 him think we should have a backup plan, so we do not have to haul it all. Rich said the Church of Jesus Christ of
29 Latter Day Saints has a farm right across the street from the Elberta Landfill. That farmer takes Provo's solids for
30 free and applies it to their corn silage fields. Provo takes about 5000 tons a year and they land apply that. If this the
31 direction we want to go, he only does land application once a year, so we would have to store our Class B solids, and
32 possibly do some type of agreement that he would do land application for a certain number of years. That would
33 mean we have to get out of the business of aerobic digestion. That is a decision the board is going to have to make
34 when we get this information.

35 Rich said as he has gone through the asset management, it comes down to how we want to manage the
36 replacement of some of these older assets we have. He said he is going to push most of that to 2020. Rich has a lot
37 on his plate right now that the board wants to happen according to the Asset Management Plan covering 2018 and
38 trying to get 2019 projects ready. David Bunker said the Master Plan, with our biosolids and the biological
39 treatment, is a different Master Plan than the District as a whole. A CFP is what we need to look at the District as a
40 whole because we need to update the impact fee study. We need to get that done and plugged in and make sure our
41 impact fees are the right number. Rich said we are moving forward on that. Mark Christensen said he doesn't like
42 the idea of us waiting to do improvements or upgrades until we get closer to that 30 mgd. The sooner we implement
43 some of these changes now, the sooner we get the new residents to help pay their portion of share along the way.
44 Mark said the difference now is between 20 mgd - 30mgd, he would like to distribute 33% of that across new growth;
45 especially if we are expanding the plant capacity. Rich said a Master Plan is like a 50-year plan, an overall scope.
46 The CFP is supposed to be done every 3-6 years, so we can set the user rates. David Bunker said he sees a technical
47 firm doing our Master Plan. The CFP could be a different firm. They may not get into the details but know the cost
48 to build something and plug that in to our overall plan. There is a six-year window to spend down money collected
49 in impact fees, but the impact fee study looks out 10 years. Mark Christensen said some of the Master Plan studies
50 we are doing is increasing capacity. Mark said he wants to fund as much of that with impact fees as we are legally

1 allowed to do. We can get benefit from that but as long as it is increasing capacity, it has some impact fee eligible in
2 it.

3 Rich said he drove out by Eagle Mountain, Saratoga Springs, and there is a lot of property out there. It kind of
4 makes sense to build a satellite facility that is going to handle Eagle Mountain and Saratoga Springs. Blaine Thomas
5 said about 15-16 years ago the board tried to put a satellite plant out in Saratoga Springs to take care of those entities
6 and it didn't really go through. David Bunker said it was a scalping plant, and one of the issues was with water
7 rights. From what David understands, that process was shut down by the state. We are now talking about a plant
8 that would operate like this one, maybe a different technology, but it would have discharge. Mark Christensen said
9 there are roughly 11 miles from the south end of Saratoga Springs to the connection point where TSSD's line begins.
10 Then you have about another 7-8 miles from that point to the district. Mark said they have already seen the corrosion
11 taking place and do not see upsizing that pipe being a long term viable solution. We need to ask ourselves what is
12 the total influence that can come to this plant and does it continue to make sense for us to transport that.

13 Brian said the good thing is we are talking about this, we have time and we should be planning for it. Mark said
14 developing communities are asking, if they will be asked to build out to a line that is already undersized. Between
15 that and a lift station, it may be cheaper for them to build another plant. It becomes what is the better long-term
16 solution? Sullivan asked if they are able to flow south without lift stations. Mark said yes, some. David Bunker said
17 some of the discussion is when is it the District's responsibility versus the city's responsibility to expand. David
18 Bunker said there was a huge discussion on outfall lines, and we can bring that discussion back. Mark said the
19 challenge he sees is anytime property is annexed in, it automatically becomes a portion of the District. David Bunker
20 said maybe this goes back to Brian's point, if you do not want to buy capacity in this plant for the expansion of your
21 city, maybe your purchase is another plant. Mark said from a permittee standpoint, they used to run a plant out not
22 too far from that location, then joined the District and gave that up, along with the permit and ability to do that. It is
23 much more complicated. Mark said there is a good portion of his city that it makes sense to be a part of the District.
24 Instead of having their sewer become septic over the current 8-mile trek, they build a filtration plant on the south end
25 that meets higher standards than what is discharged here today. The state would be easy to permit that. David said
26 we should look at that.

27 Brian said we are going to have to have a dialogue about whether we are ready or not and start making some
28 decisions. Mark said they are running numbers and looking at in concept to say, lets at least have a conversation. If
29 it doesn't make sense great, we'll back off the issue, if it does then 18 miles of flat pipe seems a really bad solution.
30 Dale asked how long before needing to make a decision. Mark Christensen said 18-24 months. Dale said this
31 should have been planned 10 years ago. It really bothers him that now we are having to make decisions in a very
32 short period of time for something that should have been planned a long time ago. Where did the ball get dropped?
33 Mark Christensen said when he asked Jon Adams a year ago, he was told, the city is responsible. David Bunker said,
34 in defense of Jon, the discussion we had last year was the District was not going to be expanding outfall lines. It is
35 up to the cities and however they develop they need extra ability to get flow here. That doesn't mean we cannot
36 discuss it. Mark Christensen said this a development that was approved in annexation back in 2007. Brian said
37 there is a problem with the cities not communicating with the District or vice versa. The cities are on the front line of
38 trying to make sure they know what capacity they have coming, and they are planning for it. Brian said you are the
39 one that sees your cities' growth, then you come back and inform TSSD to prepare for it. Mark said the district sees
40 that number every month in our impact fee report. Brian said those who experience the growth are the ones who are
41 going to be impacted the most. If we can shift that responsibility to them so they have control of it then it becomes a
42 win for everybody. The District can only do what it is supposed to do based on information from the cities. If you
43 are changing those numbers because you want to grow faster, or slower that is really your choice. Chris said he does
44 not know that the cities have the control to decide how fast or slow they want to grow, as cities we do not sell the
45 property, or develop the property. Brian said you are the one that approves whether the development can happen or
46 not. If you know you do not have capacity, then you can say "sorry we do not have the capacity." David Bunker
47 said the way cities have the ability to control the growth is annexations and zoning. If you have land in your city and
48 it is zoned, you as a city do not have a right to say no. Chris said right now, we have been collecting all these impact
49 fees and we know there has been an increase; we have collected a certain amount of money that should go towards
50 helping to address this issue now. Mark said the only entity who has all of the numbers in front of them is the

1 district. They know how many impact fees, they know what their capacity is, and they ultimately know how much
2 capacity is getting used by connection. Six months ago, we were saying we were at 18 mgd and now it is 19 mgd.

3 Mark said you keep saying cities need to buy up capacity. It is not as if we can cut the District a check and say
4 here is \$1 million we want to reserve capacity. As a city we do not have \$1 million to spend. Any impact fee
5 collected is passed along to the District and we cannot charge a reservation fee to developers. Mark said you could
6 today take total number of growth units anticipated in Eagle Mountain, Lehi and Saratoga Springs and all the
7 communities and we would have a global number that would say "here is our input at today's date". Dale said
8 impact fees should pay for growth, but he is not sure impact fees are paying for all the growth. The cities that are
9 built out are subsidizing with user rates for the cities that are growing. Impact fees are not paying for all the growth,
10 we have \$60 million we owe ourselves back from impact fees. To Dale it seems we are not collecting enough impact
11 fees, so user rates are paying the difference. David Bunker said we front loaded improvements, is why we have a
12 deficit in impact fees. In order to that we expensed this plant expansion up front. It doesn't mean impact fees are not
13 covering the true impact.

14 Mark said when impact fees were calculated, we said this is the maximum we can charge. Mark guesses the
15 attorney came in and said if you only charge 90% of that you will be safe, and people will not challenge it. David
16 Bunker said no, they asked what part of the plant is for existing users and what part of the plant is for growth. They
17 did a proportion share analysis, which is required by the impact fee law, that is what lowered that number from
18 100%. Mark said that is correct, but did we stay at what is 100% of what is impact fee eligible. Brian said the
19 lawsuit said the calculation numbers that were used were incorrect. Brian believes that our new analysis is going to
20 prove that the impact fee is too low, which means for at least a period of time we were too low. Mark said whatever
21 we are losing in impact fees, if they are low, is going to paid for in user rates. Dale said if we have to increase 10
22 mgd, several of those cities do not need any additional capacity. The way the system is set up now, they may end up
23 getting an increase in rates to pay for that. They just paid for increased capacity that they do not need. David Bunker
24 said they submit that application when they pay the impact fee, that is the only time they pay for that. Mark said
25 cities like Alpine have shut the door on density. For Alpine to say, they do not have any growth, it is your problem
26 to solve, means his city and others are going to get more density because the legislature is saying we need more
27 affordable housing/units. Unless you are bearing your fair share of affordable housing multi-unit family density, then
28 yes, you should pay that. Sullivan Love said Vineyard has used their cap as a tool to say we cannot go above that
29 unless we are able to negotiate and acquire more ERU's to TSSD.

30 David Bunker said he wanted to talk about staffing. David said in the past there has been a list of issues that each
31 committee is working on. David said that is not a bad thing to have goals to work toward but some of the items on
32 the list are beyond the capacity of our existing staff. In general, David said he has a problem with the board members
33 getting it done. It should be staff that gets those done, not the board members responsibility. David said the board
34 can guide and shape to help Rich and staff understand where we are headed. If we want everything done on those
35 lists, then we need to talk about what extra staff Rich needs to get those things done. Rich said he has heard safety
36 and asset management, in respects to staffing. Rich said it would be advantageous for us to hire somebody who has
37 those two skills. To be able to help incorporate all the asset management and have some computer skills, to be more
38 technical savvy than what our current staff is. Beyond that, Rich is hesitant to say we need any more staffing. That
39 person could also help with some of these projects in the capital improvements and some of the special projects going
40 on. Chris Condie said there was a financial position recommended to handle procurement last year, does Rich feel
41 like that is being handled? Rich said he does not have a full answer, but for right now, he feels it is advantageous for
42 him and his learning process to have a handle on that. Procurement is one of his direct responsibilities. Brian said
43 we have committed to asset management we need to do what it takes to get that on line. Rich said he is using the
44 asset management as a tool to get the staff involved so they have complete responsibility for a certain building or
45 assets. Rich said they are going to incorporate three different lists that we currently have: the depreciation schedule
46 from Joe, the asset list from manager's plus, and the asset management list from Phase I. Those three lists will be
47 incorporated together so there is one list for Rich to work off of. That list will be given to the person in charge of
48 that building/asset in addition to items found deficient in the asset management study. The asset management person
49 will be responsible for collecting the forms as they see things that are missing and entering those items in. That is in
50 addition to us operating the plant from day to day.

1 Mark Christensen asked if there is matrix that demonstrates you are out of capacity with all of your staffing. With
2 the safety program, Mark gets that is something in need here in the organization, but also something he is
3 questioning. Rich said he has not demonstrated that he needs that asset management person, as a board, you have
4 already determined that you are prepared to spend \$350,000 for Phase II of this project. Rich said he is implying that
5 we are not going to go out and get engineering firms to come in here. Rich wants someone in-house that is going to
6 be here and stay to continually manage those assets. Rich said he is going off the board's previous discussion and
7 direction. Mark said at his organization, they have put in a work order in asset management system, it didn't require
8 to add new bodies. The people, once trained on the systems, get to input, track, and show their maintenance logs.
9 Mark said he is willing to entertain the discussion, but he wants to know that cannot be handled under existing staff.

10 Blaine asked with the current setup, are they working to the full capacity or are we taking time away from them to
11 do other jobs? Rich said he does not know the answer to that. His experience in the waste water business is there are
12 certain things you have to do and if they do not get done, is doesn't mean the plant is not going to run, but also means
13 there are other things they have to get back in order to accomplish those tasks. Blaine asked Rich if the supervisors
14 are working to their full capacity. Rich said yes. Blaine said if there were a staff member added would that reduce
15 their workload capacity so that they can pay more attention to the operations. Rich said you can see the number of
16 projects that are not getting done, is that an administration issue, delegation issue? Rich said typically in the waste
17 water business people get years in institution, know how to run this facility, but do not know how to transfer that
18 information on to someone new. Rich is seeing that he will have to be part of that training process. Mark said he is
19 not asking for something he is not doing in his organization, he is just saying show justification and how to support
20 it. Absent a justification he has a hard time saying add another body. Dale asked how the District has added staff in
21 the past. David Bunker said it has never been that complicated, but maybe that is what we need to do if we are
22 talking about having an asset manager. David said if Rich can help the board understand the hours, projects, the skill
23 set they will need. Rich said he has gone through all that detail. Rich said over time here is handled internally with
24 comp time. Rich said he went back to 2005 to track comp time, there was a significant amount of comp time four
25 years ago; we hired someone, and comp time went down.

26 David said this was a broad question about whether we needed more staff. What we are hearing is to cover
27 safety, asset management and help assist with the capital projects. We will have Rich go back and say here is the
28 time allocation that it would take, and the skill set necessary. Dale said we may not need an additional body, maybe
29 just allocation. Dale said he has a list of areas where he thinks we need to look, engineering is one of them. There is
30 a \$10 million capital project list; rule of thumb is \$3-\$4 million capital program/engineer. We are doing a \$10
31 million program/one engineer. Brian said we have outsourced some of that. The discussion would be whether it
32 would be cheaper to bring it in house now. Mark said if we outsource that, capital cost gets added to the asset value
33 of the construction project, and then we can go back and collect those through impact fees. If we put another body
34 on staff, we are committed to pay that out of our pocket through user fees in perpetuity. David Bunker said that he
35 has been a city engineer, there is not a way to design a major capital project. We need to have outside engineering
36 firms come in and design, plan and do our capital projects. David Bunker said we need David Barlow to manage
37 those. The question is whether we need two on-staff engineers. Dale said we have made push this year to get all of
38 our capital done, but will probably only get 40% done, that is an area he believes needs attention. Also, asset
39 management, and back-up for Rich so we do not have another problem like we did when Jon left. Dale said in this
40 last case Alan stepped up and got nothing for it, it is great that he did, but we cannot expect that. Mark said there
41 may need to be an internal conversation about a bonus for Alan.

42 Rich said we have five Grade IV Operators. David Bunker said it is not just getting that certification, it is much
43 more than that, it is management ability and understanding the plant. David Bunker said he agrees with Dale that
44 something needs to be done, maybe that would be the person who is overseeing the CIP. Someone who Rich can
45 groom and teach what is happening with the plant in the future. Dale asked if there is a day to operations manager.
46 Rich said right now Alan is doing that because he is trying to wrap his arms around what the different committees are
47 trying to accomplish. Rich said he is changing the way leadership is being run around here, with asset management.
48 Dale said it makes sense to him to have a position that is an operations manager, we may not need to hire a new
49 person, hopefully we can convert an existing position to an operations manager. Someone that is designated in
50 charge and over the operations should not be Rich, and that person would be his backup. Craig White said at South

1 Valley there is an operations manager, besides the District Manager. Craig said he has succession, and three levels
2 down he knows who is replacing those positions. Dale said maybe we just take the position and change its
3 classification to a higher pay scale and call it an operations manager and they are in charge of operations. Dale said a
4 full-time finance position keeps coming up over the last four years, and there are people who support it and those
5 who do not. David Bunker said it goes back to the same thing, it needs to be justified.

6 David Bunker said he and Chris Condie talked to Craig Carlile about changing from a special service district to a
7 local district. Chris said the code dealing with this is 17D-1-604 - Reorganization as a local district. Chris said this
8 is the code that governs how we change from a special service district to a local district. Chris said to summarize it,
9 the governing body, in this case is the county, has to create a resolution which has to be noticed to the public and
10 open to a public hearing. That resolution will state the name of the district and the switch from a special service
11 district to a local district. Once the resolution is noticed, and the public hearing happens, it then goes back to the
12 county commissioners. They take a vote on it and if that vote approves the reorganization, that resolution needs to
13 state whether or not the first local district board is the current administrative board already in place for the special
14 service district or if the board will be reorganized. The board can be made up of appointed members, elected
15 members or a combination of both. Chris said it is the county commission that would have to create the resolution
16 and drive the process. Brian said we have to identify the reasons and pros and cons. If we think it should happen, we
17 need to take it to our city councils and get all of our councils to approve and then we take that to the commission. If
18 there are certain cities who are not interested that could cause the commission to say they are not sure. Brian said he
19 sees no downsides. The upside is we are doing it ourselves anyway.

20 David said if we were a local district it could be an option to impose a property tax. That is one advantage, if we
21 need to generate revenue and it felt more fair or equitable, then we could as a local district. The county can as well,
22 but they never will. Chandler asked if the county has any service connections to the district. David Bunker said not
23 that he is aware of. Mark said that is a good point, are there any extra jurisdictional issues that arise by settling from
24 the county? Chandler said he believes that cities pass non-binding resolutions directly with the County. He does not
25 think it is a slam dunk, can see them saying thanks, this is interesting, next item. Brian said it would be hard for them
26 to ignore these many cities and this big of an area. Chris said another thing on the resolution is it has to define the
27 boundaries of the District. Right now, our boundaries are out of our control. David Bunker said at one time, the
28 board said we do not see a reason why we are taking Vineyard, and the county said you are going to take Vineyard.
29 That is an issue and they do the same thing with any other entity. If it is a local district, it is local controlled. Mark
30 Christensen said he cannot see them giving up control of this board until we demonstrate, in their minds, that we are
31 capable of being a self-governed entity, without their needed oversight.

32 Mark said they think the district is messed up. He and Chris were at a board meeting two weeks ago, and the
33 affordable housing committee was using us as poster children for how messed up we were with our impact fees and
34 basically the whole management of the district. He does not think it is correct; impact fee challenged does not mean
35 we are doing anything wrong, it means they found a loophole, but there is that perception. David Bunker said he
36 thinks the other perception is that there are so many members on our board, and we do not get along, we're always
37 fighting. David Bunker said there is a lot of discussion on this board, but he thinks it is healthy. We are getting to
38 where we need to be, and we are making good decisions. Craig White said there are three different types of local
39 districts. If you create a local district here, anybody who is 100% within the boundaries of TSSD has the right to
40 appoint. Those that are not, the district determines whether they are going to accept you are not, then you determine
41 your governing body by that. Craig said you first need to decide why, what are the benefits and then what type of a
42 district. Are you going to stay in the collection business or are you going to get out of the collection business?

43 David Bunker said his thought is to do similar to South Valley, where cities within the District have a seat at the
44 table. That was the fight we had with the county, three or four years ago, where they were trying to reduce this board
45 down to their appointees, three people. The reason this District was formed was because cities needed to provide
46 treatment and they joined together to do that. Those four original cities were Pleasant Grove, Lehi, American Fork
47 and Alpine. If it weren't for the cities getting together to say we need to combine our efforts for treatment, then
48 every city would have been on their own. The By-Laws said if you provided the same service that TSSD does then
49 you get a seat at the table. Because that was in the By-Laws it stopped them from reducing this board to three
50 people. Craig White said once you create a local district you may not have that choice. David said that is true, that

1 may be a con and we need to look at that. David Bunker said, in his opinion, if we are making big decisions like
2 expanding the plant, or putting in another satellite treatment plant, he would hope that all the member entities who
3 are helping facilitate this district, have a voice in that. Craig White said if you create a local district, if Saratoga
4 Springs needs a new treatment plant, it would be up to them to finance and pay for it, not TSSD. TSSD can run it,
5 operate it, facilitate it, but it is up to the city to get the financing. Craig White said it is very intriguing when you
6 have entities that are built out and treatment needs to expand, those entities are the ones that are going out and
7 incurring the debt. Mark said the problem is if it is not in our IFFP, they cannot get credit for it, they cannot build the
8 plant for \$25 million and then pay the impact fee. They cannot get away from those fees if the study doesn't show
9 the need for a plant. You cannot double charge them for it. Craig White said you need to factor in if you are going
10 to charge property taxes or not, are you going to keep your billing structure how it is currently? Mark Christensen
11 asked if we have studied this as a district? David Bunker said no, nothing in depth. Mark said that sounds like a
12 good research project for Rich and Craig Carlile. Brian Braithwaite said we currently have the debt as a district, so if
13 we go down these other paths with the cities and debt that is a big change. Brian said we can walk away from the
14 County now, under certain circumstances, and then change it over time as we see benefits or not. Mark said all our
15 cities need to understand that if we go this route it has impacts on our debt capacity. Mark said we need to answer
16 the question, whether it is good for all of us, then it will work really well. David Bunker asked Rich if he will get a
17 time to have LeGrand Bitter to come down first part of next year. Rich said he would do that. Mark Christensen said
18 if the board could get a bullet list of the state code that runs this along with our options, then we could have the first
19 so there is time to read it and digest before getting into the next steps. David Bunker said the state code is what is in
20 front of you. Craig White said this tells you how to get to local district, but not once you are a local district.

21 Mark Christensen said if when we have a slide presentation for Board meeting and we have had a chance to
22 review it, could we make sure that we do not have consultants or staff re-reading those to us. Mark said he does not
23 want to pay money to have slides read to him or sit in a meeting. He asked the rest of the board how they feel about
24 that. Dale Ihrke said in the case of Brown and Caldwell, they will not come unless there is some change, they did
25 not present at the last meeting. David Bunker said he is fine with that, but as far as getting the presentation in our
26 packet and going through it in the meeting, sometimes that discussion is needed.

27 Rich went over the 2019 budget. Rich said he began by going through all the different departments and looking at
28 the asset management and capital projects. He took safety training budget dollars back to year 2016 and calculated,
29 there was \$150.00 for each employee so he put that back in for each department and added \$75.00 for part time
30 employees. This is new for all the departments. Computers are currently grouped in an administrative line item, even
31 though there are computer replacements for a few departments, they are included in that administrative line item.
32 Rich said capital projects need more discussion because some 2018 projects carry over to 2019.

33 Rich said he took all the departments and looked at the budget versus the actual for years 2016-2018, and 2019. If
34 there is an increase for 2019 he has included his reasons why. The operations and maintenance costs for each
35 department are in lines 12-20 and the wages, benefits, and taxes are in lines 24-32, and the total cost of each
36 department are lines 35-44. Mark Christensen said why is there such a big difference between what we are
37 budgeting and what we are spending in O & M costs. Rich said this year the costs are low because staff has been
38 very hesitant to spend any money. For example, \$65,000 for UV lamps, hasn't been spent yet, partly because there
39 wasn't somebody here to say spend the money and partly because they have been doing it every year at the end of the
40 year. So, that budget will be spent before the end of the year. Dale Ihrke said we have seen this same thing for years,
41 we typically spend 70% of our budget. This has been brought up before, we have 30% slush in the budget, the idea
42 was to be conservative to make sure we have the funds to do what we need to do. But this is same pattern we have
43 seen for years. Mark Christensen said this is not a slush. David Bunker said it is not excess money, it is allocated
44 money. Mark Christensen said if there is this 30% delta, are we over scheduling our budget. It should more closely
45 reflect the reality. Fundamentally, Mark is ok with a margin but not a 30% margin over a long period of time. Rich
46 said he is not sure why, but this time next year he will know more of these different aspects and be able to answer
47 that more thoroughly. Mark said he would like to see us go back show more years of history. Then we can say for
48 the last 10 years we have historically operated 30% less, and have a policy discussion, as a board, whether we want
49 to continue that trend.

1 Rich went through each department's budget. Rich said in discussions with staff, they have not been responsible
2 with their different line items. He has given them responsibility for their budget line items, so they know how much
3 they are spending and which line to spend them on. It has been common practice in the past to only spend money
4 where a particular line item had money. Rich told them to stop that practice because he need to know where we they
5 are spending money and we can adjust the budget up or down. Rich said he told them he is fine if they run over a
6 line item, but he would like to know if they are spending more money in an area, so we can budget appropriately.
7 We can adjust them down if needed, but Rich does not want to make those adjustments this year knowing they have
8 not put things in the proper line item. Rich said give him a year, so he can have a number to adjust up or down.

9 Mark said his philosophy is that you can solve a lot of problems with those numbers and he is fine if you need a
10 person and you adjust by reducing these line items that are hugely over and offsetting it with new costs. He fully
11 supports if you can solve the problem within your existing budget. Rich said for now, he has left them at what they
12 were last year, unless he sees the need, if he plans to increase or decrease he has it highlighted. Mark said
13 historically, your actuals in power have been right around \$1.1 million, he suspects it is going to go up as we deal
14 with more gallons per day, but there is a funding gap of about \$150,000/year. Mark why there is a 3% CPI if there is
15 already a \$150,000 deficit. Rich said he put this together, so we could have this discussion here and then have
16 something by November. Rich said if you want to decrease it by 30% he is fine with that, and then we can increase
17 the budget throughout the year. Rich said next year he will give actual numbers, but he is coming in not knowing
18 anything of this facility. He is trying to wrap his hands around all the things the board wants to do and put together a
19 budget that is going to be within the scope that we want to spend money on. Brian said in the past, when you look at
20 the power, because it was a new facility, we didn't know what the power would be, so we guessed high. If you look
21 at the chemicals and some of the other things we do which are pretty standard, they are much closer to being on
22 budget. Rich said if you take a look at 2017 actuals, and 2017 budget, you are off \$150,000, currently in 2018 we are
23 at 54%, we should be at 74%. If you want to move that number to \$1.2 million, we can do that. Brian said the
24 question he would have for staff is if we see that stabilizing. Rich said that is why we have the 2016, 2017 numbers
25 there so you can see where that has been. In the 2017 actual we are about \$1.1 million, Rich does not know what the
26 increase of power cost are going to be. Rich said we can do \$1.1 million for power for 2019 and can add an increase
27 because he thinks there will be a straight percentage increase. Rich said he would put more information in the capital
28 improvements list, so that can be worked on with the Finance Committee for Board meeting.

29 Joe gave the board a spreadsheet which shows where we are at with paying ourselves back with impact fees. We
30 owe ourselves \$52.8 million. Dale said we know how much our remaining capacity is, can divide that up into ERUs
31 to know impact fees that will come in before another expansion. Can we do that and see if we are going to pay
32 ourselves back enough? Rich said we are about 19 mgd right now, so we have 11 mgd capacity left. Rich said you
33 have to start design as soon as soon you hit 80% of 30 mgd. Rich said the ballpark figure is \$75 million. Rich said he
34 is proposing we put money in the Master Plan, take in to account all the options of side stream, and chemical addition
35 to keep us so we can get this phosphorus level. Mark said we have new projects that are coming on line, but we are
36 already owe ourselves \$52 million in impact fees for previous assets that have been acquired plus the new pieces
37 coming in. Dale said there is a \$1 million in interest every year. Mark said with the \$52 million plus \$1 million we
38 will get to \$75 million pretty quick. That also means all the new capital and plans are not being calculated, which is
39 why we need to get the study done. Every bit of time that goes on until we redo our impact fees is money that gets
40 left on the table and gets funded out of user fees.

41 Rich said he wanted to add another item in equipment replacement on the capital plan. Rich said after looking
42 over the asset management, there is the dry polymer mixer that is on the critical list. Rich said he had received
43 quotes for that, so he would like to increase that \$125,000. David Bunker asked how old that mixer was. Rich said
44 he is not sure how old it is, but it does need to be replaced. There is, increased costs in facilities insurance, in
45 Administration. Rich said that increase is coming due the next week. Joe said we pay facilities insurance once per
46 year in October. We book it as an asset and take a chunk of it every month. The \$207,000 includes worker's
47 compensation. Dale said if you look at 2016 it was \$165,000. We spent \$88,000, then in 2017 we had a budget of
48 \$175,000 and we spent \$222,000. If this is insurance and is the same rate every year, why are we fluctuating that
49 much. Mark said the better question is why they don't bill us quarterly, so we are not depreciating hugely in to the
50 next fiscal year. Joe said you usually get a better rate if you pay in one lump sum. David Bunker said we switched

1 insurance agencies last year. Dale asked if the claim with the flood increased this. David asked Joe if he knew what
2 the copay was on that. Joe said he was not sure, but he thinks our rates did go up after the flood. Rich said the
3 budget needs to be adjusted for the grinder with payout from the insurance. Joe said there is a line item for buying a
4 used grinder, but we also received cash from the settlement.

5 The board reviewed the cash reserve policy. Rich said the this was a discussion item from last year. Dale said he
6 thought this cash reserve policy was approved as a policy. Rich said he was not sure about that. Brian said he
7 thought we went over it as a policy but our legal said if this is implemented then it has to be followed to a tee. Brian
8 said the board approved it as our guiding direction. We call it a policy, but legal encouraged us not to make it a true
9 policy. Rich said he looked to see how close we are and if we are following our guidance and doing what we said.

10 1) One half of the prior year's expenses as listed in the prior years audited financials. The 2017 financials would
11 be \$12,893,047, divided in half would be \$6.4 million.

12 2) The average of one year of the Capital Improvement expenses as identified in the Asset Management Program,
13 based on the average of the flowing 5 year's expenses. Brian said it is the projected 5 year's expenses in the future,
14 and the average of those. Rich said he was looking at the past 5 years, he is not sure what number to put in that, he
15 would ballpark \$10 million because that is what keeps getting talked about. Dale said that was the average for the
16 next twenty years. For item 2 you would be at \$10 million.

17 3) Debt service requirements for rate stabilization of bonds (currently 1 year of principle and interest) Rich said
18 he spoke with Joe on that and we have 2- 2018 interest payments of about \$1.5 million each and a principle payment
19 of \$2 million. The debt service is about another \$1.1 million. That is \$6.1 million

20 4) All impact fee qualified projects in the new fiscal year. Fluctuating \$ - The portion of the projects that would
21 be impact fee money eligible. Brian said last year we had \$263,000 for impact fee related projects

22 5) A contingency amount equal to 15% of the total cash requirement in items 1-4 about. (covering emergency
23 repairs, legal, capital expense overruns).

24 Last year we had \$5.9 million operating, \$10 million for capital improvements identified in asset management,
25 debt was \$7.3 million, then we added the \$263,000 for impact fee projects. That totaled \$23.58 million, and 15% of
26 those (1-4) was \$3.5 million. So, total reserves were \$27,123,000. Brian said last year we had \$43 million in cash,
27 which was \$16.2 million above the \$27 million we had agreed was reserves. There was discussion about refinancing
28 the bonds, which did take place. Brian said by the end of the year we had some payments, the IRS Subsidy. We had
29 \$11 million in cash reserves based upon anticipated expenses before the end of the year. The \$4 million blowers
30 never happened. Mark Christensen said we are rolling forward almost \$10 million from 2018 to 2019 because we
31 haven't spent the capital. Mark said his concern is we missed the projects, we shouldn't take that additive and
32 continue to balloon the capital number. Mark said he does not know that David Barlow and the engineers can finish
33 \$20 million in projects. Brian said hopefully numbers 1-5 will account for projects that were not double accrued
34 each time.

35 6) Review of CFP (Capital Facilities Plan) and user rates reviewed at least every 3 years and adjust rates as
36 needed. Based upon a minimum of the future 5-year projected need/expenses.

37 7) Review of the IFFP (Impact Fee Facilities Plan) and conduct an Impact Fee Analysis at least every 3 years and
38 adjust fees as needed. Based upon the future 5-year projected needs/expenses.

39 8) Changes to the Asset Management program will be continually updated throughout the year as servicing and
40 inspections are completed.

41 Rich said he is currently working on those three items.

42 9) Future plant expansions will have a separate and unique impact on the TSSD Cash reserves needed and will be
43 determined separately from this project. Rich said this is the Master Plan that was brought up.

44 10) In 2017, execute cross over bonding (and contribute \$10 million to reduce total bond debt) to retire 2010 B
45 bonds in 2021 with new bonds. This will eliminate the prior restrictive bonding covenants and reduce future TSSD
46 expenses thus reducing future user expenses. \$15 million was contributed to cross over bonding.

47 Mark said we are projecting roughly \$27 million of cash on hand. Mark asked how much we are over on our cash
48 reserve policy. Joe said right now we have \$38 million of cash on hand, so \$11 million over. David Bunker said
49 when people look at our financials and see how much cash we have, they think we are over charging user rates, and
50 over collecting impact fees. That is the tough part about having that much cash on hand. Brian asked if we have a

1 bond payment. Joe said yes. Mark said the question is whether we adjust user rates. David Bunker said we held off
2 on that because of the asset management and we didn't know if we could lower rates because we didn't know what
3 we needed for the asset management. Mark said things haven't quite been resolved to make that definitive, but for
4 sure we should not be passing a user rate increase until those things are resolved. Rich said the CFP and IFFP have
5 to be in place first before we do the user rates. Mark asked how much we collect in user rates in a year and the total
6 plant operations. Joe said \$17 million in wastewater treatment and operating expenses were at \$12.9 million. Dale
7 said capital is \$10 million, so if you look out 20 years, and \$10 million projected in capital then you are short.
8 David Bunker said not necessarily because impact fees help pay for that capital. Dale said in the asset management,
9 existing infrastructure did not address growth. Mark said numbers 6-9 need to be resolved first before we can make
10 determination on that.

11 David Bunker does not think have enough communication with cities to help combat the perception of the district.
12 David said we have talked about PR efforts in the past and being more open to the public. We need to figure out how
13 to get information to our elected officials of the cities, so they understand how, why, and what we do, and the money
14 needed and the budget. David said once a year, to have Rich give a short presentation at a work session to let them
15 know who TSSD is and give information about the District. David Bunker said we have the infographic we created
16 last year. It would be nice to take that and hand it out to the cities. David Bunker said he would like to see in the
17 first 6 months of next year to have Rich visit with each of the communities for about 15-20 minutes. Dale said it is a
18 great idea, and it builds relationships. Sullivan Love said to let the cities know a little beforehand, so they can come
19 up with any questions they may have. Sullivan said he agrees and to tie that in with what we are doing for Utah
20 Lake. Brian said Rich ought to be prepared to talk about the lake, and the algal bloom, as it has a direct impact on
21 the phosphorus levels and other potential impacts in the future. Sullivan Love said DWQ has an algal page on their
22 website that shows all the lakes and their current status. It is interesting the lakes that do not have any waste water
23 facility discharge into them, that are having the same issues as Utah Lake. Rich said he would put together a 15-
24 minute presentation and give to the board first to get feedback.

25 Dale said he would like the board to set goals for the next year. David said the first would be that we accomplish
26 our capital improvement projects that are budgeted. Mark said put engineering money in engineering years and put
27 study money in study years. Dale said that is fine tune the capital program. Dale said another goal should be to
28 address staffing issues. David Bunker said a staffing review and update the organization chart. David said some of
29 these things are being worked on by the different committees. Brian said to come to a decision on what we type of
30 district we are going to be, so we can either move forward with cities or drop it. David Bunker said he agreed. The
31 county is on a calendar year with their budget, would this affect their budget. Brian said more relative to them is
32 whether it is an election year. David Bunker said to have a time frame that by the end of June, the board have the
33 pros and cons and be prepared to approach the cities. Dale asked which committee would work on this. Mark said
34 he thinks we are too dependent on committees to make decisions. This should be directed to staff and let them come
35 up with a plan. Mark is fine with paying for consultants to help outline the options, then come back to the board with
36 that information. Rich said he thought this is a board decision. Mark said he is not asking for a recommendation, he
37 is asking for staff to come back with the options and ask board how to proceed. Brian said to show advantages and
38 disadvantages. Dale said this should be put to one of the committees, so it is something they will be paying attention
39 to. He believes it has been the Administrative Committee.

40 Brian said a goal to finish phase II of asset management and have us up and running and fully functional. Rich
41 said the long term is to know what assets need repair/replacement by next year. Brian said we need an interim goal
42 to keep us on track. David Bunker said his goal is to find out whether we are going to absorb it within the whole
43 district or hire a new person to help launch and manage it. Rich said he had already assigned that to Alan and Shaun
44 Peters for operations. The next short-term goal is who we are going to hand those different assignments and then
45 give that packet for each of those buildings or assets. That is supposed to be done within three weeks for operations.
46 Then the same thing will have to be done in the other departments. Brian said we should have a timeline that all core
47 departments have to be done by end of the year. Rich said that is a reasonable short-term goal. Rich said there were
48 5 departments he has it divided into. The initial goal was to combine all three asset lists that we have: Joe's
49 depreciation asset list, the manager's plus list, and the asset management list done by Brown and Caldwell. Brian
50 asked Rich if he believes having that in the system this year, will put us on target for having everything up and

1 running by end of 2019. Rich said it is to have an idea of what your shortfalls are for the different assets. Rich said
2 his directions to them are to go through the operations and maintenance books to find out the required maintenance
3 schedule, replacement, and cost for each piece of equipment. Brian said this is a never-ending project, they never
4 finish it. Rich said he would like to have a dollar figure for the budget that says which assets need to be replaced
5 what they cost and put a dollar value in that line item.

6 Dale said we need the Master Plan during next year. Rich said the board has told him \$150-\$450 thousand needs
7 to be in the capital program next year for a Master Plan. Rich said the CFP, IFFP and User Rate Study, are in place.
8 Dale said he would just keep going with the IFFP, CFP and Rate Study. When the Master Plan is done, we will have
9 that information to feed into the next CFP and IFFP.

10 David Bunker thanked everyone for their time. It is good to get our arms around this and understand where we
11 are headed and give Rich and staff some direction. David said Rich and staff are doing a great job keeping us
12 moving forward. David feels a lot more comfortable having a District Manager here. We are starting to put some
13 plans together and talk about some important issues today. Dale said he wanted to make sure Rich meets with all the
14 cities that want to meet with him in 2019. Rich will give a dry run before the board. David Bunker said he would fill
15 the current chairman's term. Mark Johnson's term would have been up in January. David Bunker said to include
16 electing a new Board Chair and Vice Chair on January's agenda. **Meeting adjourned 2:05 p.m.**

17