

MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF TRUSTEES
COTTONWOOD IMPROVEMENT DISTRICT

DATE: June 19, 2019
PLACE : Cottonwood Improvement District Office
TIME: 6:00 P.M.

PRESENT:
Mark Katter, Chairman
Wesley Fisher, Trustee
Kim Galbraith, Trustee
Greg Neff, General Manager/Engineer
Lonn Rasmussen, Assistant General Manager/Operations Supervisor
Spencer Evans, Chief Financial Officer
Jeremy Cook, Attorney for the District
Jami Phillips, Board Secretary

Public: A list of public in attendance is attached to and thereby made part of these minutes.

At 6:00 p.m., Mark Katter called the meeting to order.

The Pledge of Allegiance was recited.

AGENDA:

ITEM 1: APPROVE MINUTES OF THE May 15, 2019 BOARD MEETING

The following amendments were made to the minutes: Mark Katter was for the motion on Item 8 and clarification was added to the last sentence of Item 9.

Kim Galbraith asked the percentage of the District participation of the Central Valley \$65 million loan from Utah Water Quality Board. Spencer Evans said it will be approximately 20 percent, because South Salt Lake received their own loan through the Division of Water Quality and will not be participating in the \$65 million.

A motion was made "to approve the minutes of the Regular Board Meeting held on May 15, 2019 with the amendments made."

MOTION BY: Kim Galbraith
SECOND BY: Wesley Fisher
FOR: Kim Galbraith, Wesley Fisher, Mark Katter
AGAINST: None

ITEM 2: PUBLIC COMMENT

Frank Christianson of 8817 Shady Meadow Drive mentioned the District memorandum regarding Central Valley, Item 5 and asked for some background discussion to help him understand what's going on with Central Valley funding and bond issues.

ITEM 3: FINANCIAL INFORMATION

(A) DISBURSEMENTS

Greg Neff briefly explained the needed maintenance repairs that staff did on the Sandy shop sewer and storm drain. After review and discussion, a motion was made “to approve and ratify the May disbursements.”

MOTION BY: Wesley Fisher
SECOND BY: Kim Galbraith
FOR: Wesley Fisher, Kim Galbraith, Mark Katter
AGAINST: None

(B) FINANCIAL STATEMENTS

Copies of the unaudited financial statements as of May 31, 2019 were provided to the Board for their review.

ITEM 4: ADOPT 2019 CERTIFIED TAX RATE

The certified Tax Rate for 2019 provided by the Utah State Tax Commission is .000169. A motion was made “to pass Resolution No. 2019-01 adopting the Certified Tax Rate of .000169 for 2019.”

MOTION BY: Kim Galbraith
SECOND BY: Wesley Fisher
FOR: Kim Galbraith, Wesley Fisher, Mark Katter
AGAINST: None

Wesley Fisher brought up District revenues received from fees and property taxes, which led into a discussion about the differences, the difficulty and concerns regarding the increases of one versus the other.

ITEM 5: CVWRF CAPITAL CONTRIBUTION PROJECTION UPDATE AND DISTRICT FINANCIAL FORECAST

Greg Neff explained the financial forecast has been update and should provide a basis for discussion with the Board on how the District will fund these costs at Central Valley. Spencer Evans explained that CVWRF recently updated its forecast on the estimated cost of the new treatment plant rebuild. Cottonwood Improvement owns part of the treatment plant; in 2017 Central Valley started a plant rebuild because of new required state and federal regulations that will go into effect in 2025. The cost from 2019 to 2025 are estimated to be \$291.8 million. The District’s portion of this cost is \$54.6 million using the 2019 contribution rate. CVWRF issues bonds and allows member entities to participate in the bond or fund with cash instead. The District participated in the CVWRF 2017A bond; the District’s share was approximately \$10 million and those proceeds are almost spent. CVWRF is issuing another bond in July, 2019 for \$38.5 million. It’s a 20-year bond and the interest rate is 2.79 percent. CVWRF gives the member entities the option to participate in that bond, which means the District would get a share of the proceeds allocated to be used to satisfy the District’s portion of the capital obligation until those proceeds run out. The District did budget to participate in the 2019 bond; the District’s share of the 2019 proceeds will be \$11.5 million, which will fund the District’s portion through mid-2021 if CVWRF spends as forecasted.

Spencer put together and discussed two financial forecast scenarios. The two forecast scenarios are: 1) Bond at CVWRF in 2019, cash fund thereafter. 2) Bond at CVWRF in 2019 and 2021. The revenues in the forecast are constant based on our current rates. Based on the two conservative forecast scenarios, District reserves will run out year-end 2022 or the beginning of 2023. Frank Christianson of 8817 Shady Meadow Drive said with either scenario, it looks like an increase will be

necessary sometime in the near future. There was discussion regarding future increases. Management proposed including in next year's budget the possibility of a request for proposal (RFP) for a rate study combined with an update to the District's impact fee analysis. Kim asked how much a rate study would cost. Greg said combining the impact fee and the rate study is estimated around \$50 thousand, but could be less. Wes asked if management could do the study. Management thinks having an outside firm adds value to the whole process, helps the Board make decisions and can also help in the public hearing. The District hasn't had a rate study in a while. Spencer will include in next month's meeting a summary page showing different rate increases and times projecting dollar amount reserve numbers through 2025. A copy of the Update on CVWRF Funding and District Financial Forecast memo is attached to and thereby made part of these minutes

ITEM 6: CENTRAL VALLEY WATER RECLAMATION FACILITY UPDATE

Greg Neff gave the following report on CVWRF: The state loan closing costs will be carried forward to 2020, because the bids for the nutrient removal portion of the project likely won't be back in time. It is anticipated that the bidding will be sometime in the fall. CVWRF was issued a AA bond rating on the 2019 bond.

A new lift station is being designed and six new pumps are being selected to pass all of Central Valley's flow through those new pumps and the new pump station; some videos were shown. Utah State post-grad students did some modeling of the lift station and the influent channels to make sure that the kind of pumps chosen will work, since the pumps are very expensive. Air blowers are being selected, which is a big dollar item and is part of the nutrient removal. Because they are so costly, there is a lot of effort in making sure that the best air blower is selected. A request to issue a purchase order for the blower will likely be in the July meeting. A committee, including one of the board members, will be put together to evaluate the blowers and help as part of the selection, along with a business risk for possibly choosing a company that has lower costs, but hasn't been in business for as long. There will be some updates and possibly a proposal to approve the side stream treatment equipment.

The South Interconnect Project is getting flow from the trickling filters on the west to the trickling filters on the east to keep the plant in operation while the trickling filters on the west are demolished. As construction started for the interconnect pipeline they got down to the level where the pipeline is located and noticed this yellow colored sand, which turned out to be tailings from processing uranium. These tailings degrade into radon gas, so buildings can't be built on top of them. There is around 800 yards that will need to be disposed. The top material is fine; some design changes will be done to minimize the amount of material that will be disturbed. CVWRF is working to determine the cost to remediate.

Greg reiterated that Tom Holstrom had retired and Phil Heck was appointed as the General Manager. Brandon Heidelberger was hired as the Assistant General Manager. Greg said that Phil and Brandon are doing their best to keep costs down and make good purchasing decisions.

A construction drone video was presented and is also posted on CVWRF's website.

ITEM 7: ADOPT INVESTMENT POLICY

Spencer Evans said the purpose of the investment policy is to allow the District to be able to invest with the certified investment advisor and to follow the Utah Money Management Act. The Board is responsible for authorizing the selection of the investment advisor. The proper segregation of duties are as follows: The general manager and treasurer can authorize the investment activities. Spencer is responsible for the recording and bookkeeping. Everything else is stated in the Act. The Board reviewed Cottonwood Improvement District's Investment Policy. A motion was made "to adopt Cottonwood Improvement District's Investment Policy." A copy of CID's Investment Policy is attached to and thereby made part of these minutes.

MOTION BY: Kim Galbraith
SECOND BY: Wesley Fisher
FOR: Kim Galbraith, Wesley Fisher, Mark Katter

AGAINST: None

- ITEM 8: DECLARE SURPLUS EQUIPMENT:
A) TV INSPECTION EQUIPMENT FROM UNITS, 14, 77
B) UNIT 14 TRUCK CHASSIS
C) UNIT 134 – EASEMENT MACHINE
D) UNIT 17 – HOT SHOT FLUSHER

Greg Neff explained the reasons for the District surplus items listed and asked the Board to declare them surplus equipment so the District can sell the items. As the TV equipment is updated, the truck chassis for Unit 14 will be sold, along with the outdated TV equipment inside Unit 14 and 17. However, the box part of the unit will be kept and the new TV equipment will go back in the boxes. A motion was made “to declare the four items listed in Item 8 as surplus equipment.”

MOTION BY: Wesley Fisher
SECOND BY: Kim Galbraith
FOR: Wesley Fisher, Kim Galbraith, Mark Katter
AGAINST: None

- ITEM 9: WEFTEC 2019 OPERATIONS CHALLENGE, CHICAGO, IL – SEPT 21 THROUGH SEPT 25, 2019

Greg Neff discussed the WEFTEC 2019 Operations Challenge in Chicago, IL, September 21 through September 25, 2019. Management finds this conference to be valuable. District supervisors will typically attend and any Board members who are interested in attending. One District operator will compete with the all-star team. Wesley Fisher said he attended two of them and he learned a lot, but doesn't think it's worth spending the money for him to go again and thinks someone else should attend.

- ITEM 10: MANAGEMENT REPORT
(A) TV INSPECTION SYSTEM SELECTION – SUBSITE ELECTRONICS/RS TECHNICAL
(B) ENTITY REGISTRATION
(C) 2019 CERTIFIED LIST OF CANDIDATES

The Subsite TV selection are the ones chosen to replace the two outdated TV systems that were declared surplus as discussed earlier in Item 8. The two bids are attached to and thereby made part of these minutes.

The entity registration letter requires the District to be registered with the Lieutenant Governor's office website as a local district, along with a copy of the resolution of the District's creation document, pay a \$50 registration fee, list the Board of Trustees and submit some other information. The District was created by a Resolution of the Board of Salt Lake County Commissioners in 1955, since then the District had a name change. A copy of the Lieutenant Governor's Entity Registration letter is attached to and thereby made part of these minutes.

The District had four people file a Declaration of Candidacy for the two trustee positions up for election. The certified list of candidates is attached to and thereby made part of these minutes.

- ITEM 11; BOARD REPORT
None.

ITEM 12: INFORMATION ITEMS:

None.

ITEM 13: CLOSED SESSION TO DISCUSS LITIGATION

A motion was made “to move into a closed session to discuss pending and imminent litigation.”

MOTION BY: Wesley Fisher
SECOND BY: Kim Galbraith
FOR: Wesley Fisher, Kim Galbraith, Mark Katter
AGAINST: None

A motion was made “to move from the closed session back into the regular Board meeting.”

MOTION BY: Wesley Fisher
SECOND BY: Kim Galbraith
FOR: Wesley Fisher, Kim Galbraith, Mark Katter
AGAINST: None

At 8:03 p.m., a motion was made “to adjourn the regular Board meeting.”

MOTION BY: Kim Galbraith
SECOND BY: Wesley Fisher
FOR: Kim Galbraith, Wesley Fisher, Mark Katter
AGAINST: None

PREPARED BY: Jami Phillips, Board Secretary