

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

DATE: May 15, 2019
PLACE : Cottonwood Improvement District Office
TIME: 3:00 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 3:00 p.m., Mark Katter called the meeting to order.

The Pledge of Allegiance was recited.

AGENDA:

ITEM 1: APPROVE MINUTES OF THE March 20, 2019 BOARD MEETING

No corrections were made to the minutes. A motion was made "to approve the minutes of the Regular Board Meeting held on April 17, 2019."

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

ITEM 2: PUBLIC COMMENT

Bruce Blanchard of 8802 Shady Meadow Drive thanked the Board for putting on today's agenda the consideration to post online the District's monthly Board book packet.

ITEM 3: FINANCIAL INFORMATION

(A) DISBURSEMENTS

After review and discussion, a motion was made "to approve and ratify the April disbursements."

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

AGAINST: None

(B) FINANCIAL STATEMENTS

Copies of the unaudited financial statements as of April 30, 2019 were provided to the Board for their review.

ITEM 4: INDEPENDENT AUDITOR'S REPORT – KEDDINGTON & CHRISTENSEN

Marcus Arbuckle of Keddington & Christensen was in attendance to report to the Board on the completed independent audit of Cottonwood Improvement District's 2018 financial statements. The audit report had an unmodified opinion and there were no findings. Marcus mentioned a couple other reports that are issued with the audit 1) Internal Controls, which were not audited but taken into consideration for audit planning purposes, were found to be adequate. 2) State Compliance, the areas reviewed were found to be in compliance. Marcus stated that Keddington & Christensen audit dozens of governmental agencies and it can be very rare to have no findings on an audit and complimented Spencer Evans for a great job. A motion was made "to approve and accept the independent audit of the 2018 financial statements."

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

ITEM 5: UTAH LOCAL GOVERNMENTS TRUST TAP AWARD – DOUG FOLSOM

Doug Folsom, Loss Prevention Manager with Utah Local Government's Trust, was in attendance to make a presentation to the Board for a plaque that the District recently received from the Trust for the 2018 Trust Accountability Program Award (TAP). Doug said this is the fourth consecutive year that Cottonwood Improvement District has received the TAP award. It's an award that's given to member entities that implement best practices in safety and risk management and make safety a priority in their operations. Along with this presentation piece, there was a cash award that was received for approximately \$3,000 that was already sent, along with extra discounting received on workers compensation insurance premium rates. Doug expressed his appreciation working with District staff and management and thanked the Board for their commitment to the safety of the District staff.

ITEM 6: INVESTMENT ADVISORY PRESENTATIONS:
A) MORETON ASSET MANAGEMENT
B) ZIONS CAPITAL ADVISORS

Jason Williams, Managing Partner at Moreton Asset Management, introduced himself and his team. Jason briefly discussed the firm's scope and background. He talked about structuring the investment portfolio, the firm's investment philosophy, principles of successful investing, and fee structure. Kim Galbraith asked questions about custodianship, fees and purchasing direction on behalf of the District. Wesley Fisher asked what is Moreton's incentive to invest wisely when there is only a base fee and how long have they been in business. Jason responded to the questions. Chairman Katter disclosed that his employer's investment advisory firm is Moreton Asset Management.

Scott Burnett, with Zions Capital Advisors, thanked the Board for the opportunity to respond to the District's proposal. Scott described the longevity and experience of the Zions team. Scott described the online reporting, which allows full access and insight to the District Board and management. Scott discussed some past experiences with investments, duration and yields. Wesley Fisher asked about Zion's fee structure. Chairman Katter asked for clarification regarding the custodian. Scott said that Zions is the custodian and has a portfolio management team that oversees the portfolio, everything is done locally in-house. Spencer asked if there are any conflicts of interest with Zions products and being an advisor. Scott said they do not have any dealings with their own capital market's team.

After the advisor's left, Jeremy Cook asked if there was to occur another collapse in the financial market and the custodian of the financial institution somehow goes under, is the investment somehow protected, like the FDIC insurance for a bank. Management said the custodianship of the investment will remain in the District's name; but otherwise, the District faces the same risks as investing in the PTIF. After some discussion regarding fee schedules, customer service and management's recommendation, a motion was made "to select Moreton Asset Management for the District's investment advisory firm for a portion of the District's liquid reserve funds and leave the invested dollar amount to the discretion of management and recommend a discussion regarding a reduction of the base fee."

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

ITEM 7: MUNICIPAL WASTEWATER PLANNING PROGRAM – ANNUAL REPORT

The Board reviewed Cottonwood Improvement District's 2018 State of Utah Municipal Wastewater Planning Program – Self-Assessment Report. A motion was made "to approve Cottonwood Improvement District's 2018 Municipal Wastewater Planning Program Annual Self-Assessment Report". A copy of CID's Municipal Wastewater Planning Program Annual Self-Assessment Report 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: DISTRICT POLICY MANUAL UPDATE:
A) VEHICLE USE
B) JOB TITLES

Management worked with Jeremy Cook, to make updates to the District's vehicle use policy. There was a new state law passed and management wanted to make sure the District is in compliance. Jeremy explained to the Board that the new state law clarifies for any abuse of government assets. Updating the vehicle policy helps to protect the District and its employees. A motion was made "to amend/revise the District vehicle policy."

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

Greg Neff explained that the Chief Financial Officer job title needs to be added to the policy manual. Spencer Evans was hired as the CFO several years ago. A motion was made "to change the job titles in the District policy from Controller to Chief Financial Officer for Cottonwood Improvement District."

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

ITEM 9: HEALTH INSURANCE PLANS

Greg Neff explained that the District's health insurance policy renews at the end of June and it is the open enrollment period. The current plan has 2.2 percent increase. Management has spent

a lot of time talking with PEHP and looking at different plans available that will save the District money. In the past, the District has offered two low deductible traditional plans. Most employees usually select the Preferred Traditional 1 plan. Management plans to keep that plan and offer two high deductible plans and fund a \$3,000 health savings account each year for those two plans. The Preferred HSA plan would save the District about 2.6 percent on a family premium including the HSA contribution. The Advantage HSA plan has a smaller provider network, but greater savings. To incentivize employees, the District would cover 100 percent of the premium. The saving after the HSA contribution and covering the premium would be approximately 5 percent. There is an issue concerning the District's current Flex Spending Account (FSA). It starts on December 1 and goes through November 30. The insurance plan renews July 1 through June 30. When the FSA accounts are up for renewal this December, they will be renewed for 6 months only in order to line them up with the insurance plan, open enrollment, renewal calendar dates. At that time, an employee can choose to stay on the Preferred Traditional Option 1, with an FSA or change to a STAR HSA plan. This will likely limit the number selecting the HSA option this year and more would be expected to choose these options next year. Greg noted that the increase came in less than what was budgeted for 2019. After much discussion, the Board directed management to stay within the budget and left the insurance options decision up to management within the three plans discussed.

ITEM 10: CENTRAL VALLEY WATER RECLAMATION FACILITY UPDATE

Chairman Katter said there was discussion regarding a term used in CVWRF's 2018 audit. Central Valley received an unqualified, aka unmodified opinion on the financial statements. Both terms are correct.

CVWRF's Board acknowledged Tom Holstrom with a send-off and an award.

CVWRF received a Utah Water Quality Board Construction Loan Authorization Letter with some compliance requirements approving the \$65.1 million construction loan. The loan is a 1.5 percent interest rate and should be available in approximately September/October. There is a 1 percent origination fee.

Ron Roberts retired.

CVWRF's team won a bunch of awards at the WEAU competition in St. George.

There was a three-minute power outage, which caused the UV system to be down; however, there were no permit violations.

Chairman Katter said it was reported that CVWRF's new cash account policy is working out well.

A group representing CVWRF had a meeting in San Francisco with the ratings agencies regarding the 2019 bonds expected to be issued in July. It was reported that the meeting went well.

ITEM 11; MONTHLY BOARD BOOK FURNISHED DOCUMENTATION POSTED ON DISTRICT WEBSITE – DISCUSSION

There was some discussion in April's Board meeting about posting all of the board book documentation on the District's website. Chairman Katter was unable to attend April's meeting and the other Board members wanted his input in the decision. Management looked at other districts; some do and some don't post this information on their websites. Once the Board minutes are approved, they are posted on the District website usually the next day. Kim Galbraith asked about posting the other agenda item information to be discussed as opposed to just an agenda. Jeremy Cook expressed concern that if the packet is large, it's time consuming trying to get all the information posted on time, especially if there are last minute changes. The pending minutes are not a concern, because the minutes are marked pending and are a public record, which can be made available to the public. Jeremy's preference is to have the public inform the District the information they would like to see and District staff can have it available at the meeting for public view. The purpose of the agenda is to let the public know what the District will be discussing at the meeting as required in the Open Public Meetings Act, no other

information is required. Jeremy thinks it would be burdensome and in certain situations could be an issue regarding changes for accuracy or last minute updates on information (insurance for example) as non-disclosure because of the timing. Management is going to put more information on the TV screen during the meeting so the public can follow along. Management will be descriptive as possible on the posted agenda. After much discussion, the Board decided not to post Board book documentation on the District website.

ITEM 12: MANAGEMENT REPORT

In the April 17, 2019 Board meeting, the Board directed management to have some sewer information brochures made for the District's website and for the office counter for the District's walk-in patrons. Greg Neff used a local artist and had some brochures made to show the Board. The Board liked the brochures. Wesley Fisher thanked Greg for making them and having this helpful information available for District customers.

Greg Neff talked about the needed office parking lot repair that was budgeted for 2019. The repair will be done in phases. The District received three proposals that came in under the budget amount allocated. Management will award the bid to the low bidder for two of the phases. The left over repair and final phase will be put in the 2020 budget.

District's skilled staff is doing some repairs behind the office shop to solve some drainage and concrete issues.

ITEM 13: BOARD REPORT

None.

ITEM 14: INFORMATION ITEMS

- (A) ENTITY REGISTRY WEBSITE – SENATE BILL 28 AND SENATE BILL 29.
- (B) PUBLIC UTILITY EASEMENT ENCROACHMENT BY PROPERTY OWNER – LOT 8, COTTONWOOD MEADOWS, PUD (7823 S. MYSTIC MEADOW LANE).
- (C) PUBLIC UTILITY EASEMENT ENCROACHMENT BY PROPERTY OWNER – LOT 35, TANGLEWOOD SUBDIVISION (6508 S. HICKORY LANE).

A motion was made "to move into a closed session to discuss pending and imminent litigation the purchased lease or exchange of real property."

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

At 6:10 p.m., a motion was made "to move from the closed session back into the regular Board meeting."

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

Kim Galbraith disclosed that he is an employee of US Bank and his employer competes at times in various banking business against Zions Bank. Kim said that he has no experience dealing with Zions Asset Management and stated that they are not his specific competitor. They are just another division of the bank that he competes with for corporate trust business.

At 6:14 p.m., a motion was made “to adjourn the regular Board meeting.”

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

PREPARED BY: Jami Phillips, Board Secretary