

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

DATE: December 19, 2018
PLACE : Cottonwood Improvement District Office
TIME: 3:00 P.M.

PRESENT:
Mark Katter, Chair
Wesley Fisher, Trustee
Kim Galbraith, Trustee
Greg Neff, General Manager/Engineer
Lonn Rasmussen, Assistant General Manager/Operations Supervisor
Spencer Evans, Chief Financial Officer
Jami Phillips, Board Secretary

Jeremy Cook, Attorney for the District was unable to attend

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: ADOPT 2019 BUDGET

Discussion and Adoption of Final Budget – Spencer Evans said there were no changes to the budget from the last meeting. Because Jeremy Cook was unable to attend, Greg Neff passed on information to the Board from Jeremy Cook. The Board can make changes to the budget and then adopt it or can adopt it without changes and address policy items such as compensation in future Board meetings.

Wesley Fisher explained there is much concern from certain members of the public about salaries and health insurance. Wesley said to keep the COLA but not give it to employees who have hit the max of the pay band until they're under the max. Kim Galbraith agreed with Wesley but added that the pay-band increases with the COLA and those already above the pay band max will get farther above the max if they get a COLA. Greg Neff explained pay-bands are a result of the compensation study and are a good tool to use going forward. However, the bands are based on averages so the four employees that are above the line are not necessarily the highest paid individual in that category in the study. They are high performers and that is why they are comparable to the other high performers in the industry being paid that amount. To the employee, not getting an increase could be punitive but Greg realizes the public pressure and that it is ultimately the Board's decision. Spencer added that prior to the compensation study the District did an annual in-house survey using market data and the criteria for an increase was that they couldn't be the highest paid person in the survey. Greg added that the Board would still give a COLA increase to these employees but not a merit increase. Spencer gave an example of two nearby sewer districts that have positions comparable to Jami with pay comparable or higher than Jami. Wesley Fisher said he doesn't think the Board needs to change things today, but he does want to address these issues in the future. Chairman Katter agreed.

Wesley asked why the COLA and merit increases are done at different times of the year. Greg explained that management performs evaluations and meets with each employee as part of the merit increase process, which is difficult to do in December. Kim Galbraith went through his understanding of the January 1 and July 1 timing of the COLA and merit and that the District could possibly save a little by giving a merit based on the amount prior to January's COLA increase.

Wesley Fisher brought up health insurance and said he's okay with the budget, but explained that before the next renewal, the District should look at health savings plans. He wants to see what can be done to save on insurance, that wouldn't be too drastic to the employees. Greg discussed possible areas of savings, such as higher deductible plans with the District funding a health savings account to minimize the impact on the employee. Chairman Katter agreed that other options should be investigated. Greg said the District will be doing that around May.

Wesley asked staff if there are other areas where savings could be realized. Greg explained that since he took over as General Manager over a year ago he has been looking at how to provide the same level of service cleaning the lines once a year with three Vac cleaning trucks instead of four. In recent years the requirements for traffic control have increased so it takes another person or two to keep those expensive pieces of equipment busy and out working. The savings from not giving four employees COLA is small compared to the savings of going from four to three flushers. Greg referred to a public comment in the public hearing about the District spending too much to prevent backups. Wesley said his goal is to never have any backups. He doesn't care if some member of the public thinks it's okay to have backups, he doesn't think it's okay. Chairman Katter agreed and also mentioned the bad publicity that comes with backups. Greg said that is our level of service, that's how we measure it.

Kim Galbraith said he's not prepared to make proposals now relative to salary escalation and health insurance coverages and costs. He wants to understand current operations and what makes sense and to not feel hurried or make changes without the best information. It would be crazy to try to do that now. He also asked that in a future meeting there can be a discussion about why the District has 10 pickup trucks, which he calculates to be one in three people having a truck, which is 2 ½ times more than he would think is needed. For every truck that the District doesn't have, there's \$50,000 dollars, plus gas and maintenance in savings.

After much discussion, a motion was made "to approve and adopt the final 2019 Budget." A copy of the approved budget is attached and thereby made part of these minutes. Wesley Fisher commented after his motion that the noted items be addressed in the future when the time is appropriate.

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

ITEM 2: PUBLIC COMMENT

Anthony Hale at 2825 East 7012 South said he lives in the District, is an employee of the District and has attended multiple Board meetings. He described that he has concerns about some of the complaints that are being made by a small portion of taxpayers in the District and how much it's resonated into management and the Board members. He thanked the Board for allowing public comment and being astute to public concerns and complaints and also for the concerns of District employees and their families. He owned a business for 32 years in Murray and started working at the District several years ago. He's heard past comments against employee longevity and management salary. He heard Bruce say independently that he was after the prior general manager and the higher echelon of the management at the time. There are long-term employees with capped wages like Russ Dangerfield. The first thing Anthony would do for a good employee is pay them. The District's sewer bill is already near the bottom and hammering people on their wages has little effect. He said his bill didn't drop a penny after the prior general manager and another long-term employee, Jeff Terry, left the District in 2017. The District isn't saving millions of dollars because four employees aren't going to receive a COLA. Three years ago District employees didn't receive a COLA. The COLA is a government index; it isn't something that you get every year. If an employee doesn't perform very well, he doesn't get a good merit increase.

He said there was another district hiring for an operator position, with no training whatsoever, starting wage was \$22.56 and it took them two months to fill the position. That is \$5.00 more an hour than the District's starting wage in the compensation study. There are a number of District employees that have unique skills that benefit the District. The District does manhole rehab; this would cost between \$2,000 to \$7,000 dollars if it was hired out. The District used to budget \$60,000 a year to have an independent company come in for root control. Now the District does it all in-house. A lot of District sewer pipe is either at its expiration or has exceeded it; but the District doesn't have issues because the lines are cleaned every year, there is video of every foot and the location of laterals is known. Without that the District could end up like Salt Lake City. They didn't have a good maintenance program and now their pipe diameters are small and they are paying a company millions of dollars to clean their sewer pipe and they still don't know what the problem is. Where does the wage factor fall into place in that situation? Pay the employees and have long-term employees that do a good job. Jim Faulkner (retired general manager) and Lonn Rasmussen, who is head of operations, implemented a maintenance program and the District has had no backups in many years.

Tony explained comparisons to the governor are irrelevant. The District deals with raw sewage and is responsible for every drop of water that comes out of both canyons through multiple cities and it's not just underground, it's transported in the District trucks that were talked about earlier. There are lift stations where it's necessary to physically remove the wet well water, raw sewage, and transport it elsewhere. The patrons own the District, it is an asset, let's not make it a liability. He again asked why is there such a concern with such a small body of people that are arguing compensation when they don't even want to compare real comparables. He has seen the numbers and doesn't think the District staff is overpaid. He brought up a past comment where someone argued that they wanted a 33 percent turnover. He responded that 33 percent would be training the new 33 percent so there would be a 66 percent reduction of service because the new guy isn't experienced and ready to go and then every three years you'd clean house. This District gives the best product with the least amount of liability in the most professional way possible. These are concerns that need to be addressed for the betterment of the whole community and the employees, not just a few people that have some argument or they didn't get something at their work. District employees deal with raw sewage. Every District employee's medical insurance should be fully covered for them and their family like some of the other districts. The District has been fighting this wage issue with a small amount of people since approximately 2016 and it's taking up a lot of District time, effort and energy; let's move on from that. He agrees that the District needs to start lowering more where it can, but the District provides more than just cleaning and televising sewer lines.

Doug Folsom at 7332 S. Chestnut Circle is a patron of the District and he is a Loss Prevention Manager for Utah Local Governments Trust. He explained that there are approximately 118 municipality and district systems insured through the Trust. He's been doing this for 13 years and directly works with risk management and loss prevention with these entities around the State. He appreciates the professionalism and the quality of service that's provided by improvement districts. Most people who haven't had any exposure to the business have no idea because a sewer system is something that's out of sight out of mind. The only thing they see is that their toilet flushes. It costs millions of dollars over time to keep that water flushing down. Doug said that he supports what Anthony Hale said earlier. Improvement districts are head and shoulders above municipalities. A municipality is much more likely to cut the legs out from under their sewer maintenance program because politically there's not a lot of support for it. If the budget is going to be cut, it's more likely to be cut from something that people aren't thinking about, rather than the new public park or rec center. He related his experience with a city that had a couple of backups that cost \$20,000 or \$30,000. He was once told by a city administrator that the city would save money by paying for the backups rather than maintaining the sewer system. After a year, the backups increased in frequency. There's a real fine line between having enough maintenance to keep things flowing consistently to where all of the sudden experiencing repetitive backups. When that line is crossed, the result is a lot of really upset people. Start getting sewage sitting in people's basements then you'll see who's going to come to your public meetings and express their opinions about how well the District is being run. The city ended up hiring an improvement district to come in and take care of the sewer lines at a significant increase over what they were paying. Lack of maintenance causes long term problems including lines that are broken down and issues that are going to keep causing problems over and over. Digging up all the streets to replace sewer lines is a huge expense. He appreciates what the District does as a resident and as a professional. He stated that Cottonwood Improvement District is one of the best operations in the State and in improvement districts overall.

Out of the 500 public entities and local governments throughout the State of Utah that the Trust insures, improvement districts are some of the best run organizations. Districts do an outstanding job with clean operations, safe operations and provide a service that is not appreciated.

Doug said it is important to have an aggressive maintenance program. When systems are only getting maintained every two years or more, the rate of sewer backups quadruples. He's spent a lot of the last ten years trying to help other improvement districts, but mostly municipalities, to try and have operations more like Cottonwood Improvement and the Trust has seen a huge improvement. About five years ago, because of the more aggressive maintenance programs, the Trust was able to cut the frequency of sewer backups down by about half. The Trust was spending sometimes close to a million dollars a year on sewer backups, now it's about 20 to 25 percent of that on average.

ITEM 3: APPROVE MINUTES OF THE NOVEMBER 14, 2018 PUBLIC HEARING AND BOARD MEETING

No corrections were made to the minutes. A motion was made "to approve the minutes of the Public Hearing and Board Meeting held on November 14, 2018."

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

ITEM 4: FINANCIAL INFORMATION

(A) DISBURSEMENTS

The disbursement list is attached to and thereby made part of these minutes. A motion was made "to approve and ratify the disbursements."

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

(B) FINANCIAL STATEMENTS

The unaudited financial statements as of November 30, 2018 are attached to and thereby made part of these minutes.

ITEM 5: UTAH LOCAL GOVERNMENTS TRUST, LIABILITY INSURANCE AND WORKERS COMPENSATION – APPROVAL

Spencer Evans said the 2019 Liability Premium is \$61,410. It has been this amount since 2012 when the District started using Utah Local Governments Trust. Rates on the property and auto haven't changed. The Workers Compensation premium has gone down substantially. The year 2019 is \$35,185. Last year the District paid over \$69,000. The decrease is based on E-Mod, Experience Modification Rate, which is a multiplier used to calculate your workers' compensation premium. It shows how your organization's workers' compensation claims experience compares to other businesses similar in size and types of jobs.

Doug Folsom explained that the District's E-Mod rating is low, which is beneficial. Chairman Katter said employees are saving the District money by working safe.

Kim Galbraith asked Doug Folsom what's the ownership of Utah Local Governments Trust. Doug said the Trust is a public entity and it's chartered by the State Legislature with a Board of Trustees that are made up by elected officials, representatives of member entities.

A motion was made "to approve Utah Local Governments Trust, Liability Insurance and Workers Compensation for 2019."

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

ITEM 6: CENTRAL VALLEY WATER RECLAMATION FACILITY UPDATE

Chairman Katter said that there is a lot of construction going on at Central Valley. There are three stainless steel tanks for the reuse water filter, each carry 5MGD. One of the proposers couldn't meet all of the requirements. CVWRF staff recommended to go with the bid that was \$80,000 more because it was a better quality tank.

The Co Gen is \$380,000 on a task order coming up. Part of that cost is included in CVWRF's 2019 budget.

Sixty percent of the nutrient design will hopefully be done the summer of 2019. The rest will be done in 2020. The total cost for engineering is \$5.7 million.

Central Valley is in the process of updating their Industrial Pretreatment Policy. It hasn't been reviewed since 1999; Central Valley's attorney is looking at it now. There were some minor issues regarding fee charges for pretreatment, the kind of fees and what kinds of waste can CVWRF accept. There will be a public hearing and notice prior to the final adoption of the new policy.

The State loan is going to be \$65 million, not \$80 million as previously anticipated, because Provo City and South Salt Lake are also getting money from the State. The money is expected to be available in early 2020. Central Valley will probably bond for the other \$15 million, which will cost 3 percent rather than 1.5 percent. Cottonwood Improvement's portion of the \$15 million will be approximately 20 percent. The money is expected to be available in early 2020. Having 90 percent engineering completion of the nutrient removal will give a better forecast of CVWRF's major cost and what Cottonwood Improvement's cash needs will be. The nutrient removal component is 50 percent of the rehab project, the other projects being worked on now are the ones that regardless of what is finalized on the design of the nutrient removal, are things that need to be done anyway.

During some construction, some old utilities were found from the original treatment plant that was there, which will require some remediation

ITEM 7: SET 2019 BOARD MEETING DATES AND TIMES

Kim Galbraith said that he would like to see more than two evening meetings during the year and he suggested four quarterly evening meetings for 2019. Wesley Fisher agreed and suggested to have the four evening meetings at 6:00 PM. A motion was made "to set the monthly Board meeting for the 3rd Wednesday of the month with the exception of February and November, which will be held on the 2nd Wednesday. The times are scheduled at 3:00 PM, with the following four months scheduled for 6:00 PM: March, June, September and November. A copy of the dates and times is attached to and thereby made part of these minutes.

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

ITEM 8: APPOINT COTTONWOOD IMPROVEMENT DISTRICT BOARD CHAIRMAN, CLERK, AND TREASURER FOR 2019

A motion was made "to appoint Mark Katter to be the Board Chairman, Spencer Evans to be the Clerk and Lonn Rasmussen to be Treasurer for 2019."

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

ITEM 9: APPOINT BOARD MEMBER AND ALTERNATE FOR 2019 CENTRAL VALLEY BOARD

A motion was made "to appoint Mark Katter to serve on the Central Valley Board and Greg Neff to be the alternate in 2019."

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

ITEM 10: APPOINT 2019 DISTRICT REPRESENTATIVE AND ALTERNATE FOR THE UTAH ASSOCIATION OF SPECIAL DISTRICTS

The District Representative is authorized to vote for the Utah Association officers when they are up for election. A motion was made "to appoint Spencer Evans to be representative and Greg Neff to be the alternate in 2019."

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

ITEM 11: MANAGEMENT REPORT:

Greg asked the Board to let him know if the Board has any comments, changes or anything to be added to the agenda next month and in future meetings. Greg wants to make sure that the District is addressing everything the Board wants to address on the agenda as well as the District matter of course. Greg said let management know if there is any information that the Board wants or needs. Management wants to make sure that the Board is getting all the information needed to make Board decisions and management will do its best to implement them. Chairman Katter said he receives a monthly disbursement list from CVWRF and thinks the other Board members should also receive it. Spencer Evans will provide it to Jami Phillips, Board secretary, to include it in the CVWRF section of the District Board book.

ITEM 12: BOARD REPORT

Wesley Fisher said for the benefit of the public's perception, he asked for the Board meeting minutes to have more description and for the minutes to reflect more Board comments and questions.

ITEM 13: INFORMATION ITEMS
(A) UTAH LOCAL GOVERNMENTS TRUST LIABILITY INSURANCE PREMIUM RELIEF CREDIT.

At 4:44 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:

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Jami Phillips, Secretary