

MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
5455 West Old Highway Road, Mountain Green, Utah
**Minutes of the Rate Increase Public Hearing, 2015 Budget Hearing
and the monthly Board of Trustees Meeting**
Thursday, December 4, 2014

Board Members Present: Mark Devoe, Wendy Eliason, Zane Gray, Tina Kelley, Shane Rice and Lynn Peterson. **Excused:** Blair Larsen **Employees Present:** Robert Volk, Janet Boudrero and Dennis Baldwin. **Guests Present:** Paul F. Warner, Taylor Nielsen, Gordon Sant, Dale Casper and Duane Johnson.

Invocation: Zane Gray

Chair: Mark Devoe welcomed those present and conducted the Public Hearings and Board Meeting starting at 6:00 PM.

Item #1: Discussion/Decision: Public Hearing for Proposed Sewer Rate Increases
The Public Hearing for the proposed sewer rate increases was scheduled for the hour from 6:00 PM to 7:00 PM and began at 6:03 PM.

The Board is being asked to approve a rate adjustment in 2015 to \$36.00 per month plus four more years of automatic phased increases of \$2.00 per year. Starting on January 1 of each year, the following monthly service rates would go into effect without additional public hearings: 2015 - \$36.00; 2016 - \$38.00; 2017 - \$40.00; 2018 - \$42.00; 2019 - \$44.00. In addition, the Board is being asked to increase the lateral installation inspection fees from \$75.00 to \$100.00 per inspection to reflect the current cost of labor and administration.

Mark read Item #1 of the Agenda and then Robert gave a presentation with the substantiation for rate increases (*copy of presentation attached to office based record of minutes*). After the presentation, a comment period was opened for all in attendance.

Taylor Nielsen asked when the District plans to build the new plant. The answer is that there are several triggers based on the number of active connections to the system. The lagoon system is capped at 1,800 ERUs and we currently have 931 ERUs connected. When we reach 70%, or 1,260 connections, we are required to commence a final Option Study; at 80%, or 1,440 connections, we must start the final design; at 90%, or 1,620 connections, we must begin construction and the state has placed a deadline of January 1, 2020 to be in operation and meet the maximum Phosphorus discharge levels of 1.0 milligrams per liter. The manager is anticipating that we will not make the final deadline on time, but he expects the state to provide us leeway without fines because we will be actively seeking to meet all requirements.

Taylor also inquired about what staffing levels would be for the new plant and Robert responded that we would need about three operators, which is what we have now, but with more time allotted.

Taylor asked if our PER and estimates were based on current costs or inflation adjusted costs to which the answer was current costs. He then wondered if the District would be better off bonding now and beginning construction at the current costs instead of risking an inflated cost at a later date. Tina responded that in 2008 the general opinion was that the District was going to run out of capacity within the near future and the Board considered bonding to borrow the money and begin construction, but then the downturn hit and all growth stopped. Had the District borrowed that money, built the plant, and not had the anticipated subscribers to pay for it, the District would have had a difficult time making the payments and could have ended up in a situation similar to what is happening with the sewer plant at Jordanelle. Tina believes that there is a reason for moving forward with the construction of the new plant at a certain point, and that is why those connection based triggers are in place. It is better to be a little cautious than risk putting the District into a financial bind.

Taylor summed up that he wanted to verify that the District has advanced planning in place to ensure the quality of life here in Mountain Green is preserved and that he has no problem with the rate increase as long as it is backed up with a solid plan.

Gordan Sant then wanted to know if there was a requirement for everyone in Mountain Green to hook up to and participate in the sewer District. The answer was yes, everyone within the District perimeter that is within 300 feet of a sewer main is required to connect to the system, pay the impact fees and monthly sewer fees. Gordon said that he believes that part of this increase is due to growth and wants the District to make sure that everyone is paying their fair share.

Robert responded that this rate increase is entirely the result of depreciation to our capital investments and the inflation to our operating costs ~ not growth. The new growth is paying for itself in the form of Impact Fees. Robert added, that the increased numbers of new residents are helping to keep the costs down for the existing residents. For example, in southern Utah there are sewer districts facing the same dilemma of rising costs and higher state requirements, but the districts have no growth and/or negative growth. In those situations, the rate increases must be split between smaller numbers of people, resulting in much higher costs per individual. This is especially true with the requirement to remove Phosphorus. Our District is building the plant that will cost approximately ten million dollars with 80% of that number being paid for by new growth, so that the existing residents only have to pay one point eight million dollars for their share. If there were no growth, we could build a much smaller plant that would only cost about four to five million dollars, but then the existing residents would be responsible for the full amount. Robert then continued by reminding everyone that although our costs have gone up from 100% to 300% over the past twenty four years, we only need to raise the rates by about 28% because the District has been continually adding new subscribers at a regular rate which spreads the cost of operation over a greater number of people.

Mark confirmed for Mr. Sant that the District has the mantra stating "New Growth Must Pay Its Own Way." The impact fees were recently increased to \$5,271 per ERU based

on the cost estimates for the new plant and the District is ensuring that every new development pays those fees as the new homes go in.

Taylor Nielsen asked about the budgets for the line repairs, cleaning and videoing. He wanted to know what that entailed and whether we had an assigned contract. Robert let him know that the District manually inspects every manhole each summer and that we then contract to have one third of the system cleaned and then videoed each year. The state requires that we clean the entire system every three years, and the video allows the Manager to review the status of the pipes to check for damage and leaks.

Other general questions followed regarding inflow and infiltration into the system, repairs to the lines and manholes, etc., and whether this rate increase will be adequate to cover what the District actually needs. Lynn asked whether the rate increases shouldn't be a little higher in order to ensure we have the money we need for both the budget and the new plant. Robert responded that, as a manager, he could always use more money, but that he has to temper the request for more money with the sensibilities of the residents. Dennis added that the rates being asked for are what a "reasonable man" would do and that they are somewhere in an acceptable range for the residents. Zane also stated that we've done the best we can for the conditions and the variables that we've got.

In summation, some of the participants in the discussion believed the rates should be higher and others lower, but the rates presented should provide a good course to follow for now. The Board will monitor the approved rates and the budgets on an annual basis and, if necessary, hold another Public Hearing to adjust the rates accordingly.

Towards the end of the discussions, Tina let everyone know that Blair had sent an email to Wendy asking her to read it on his behalf as a citizen of Mountain Green. Wendy was not aware of this and could not locate the email before the vote was held. This ended the discussion period for the rate increase Public Hearing.

Mark now read the request for the Board to approve the proposed sewer rate increases effective January 1, 2015 through December 31, 2019.

Tina moved to approve the proposed sewer rate increases as presented. Zane seconded the motion. Motion passed with a unanimous vote.

Mark then read the request for the Board to approve Resolution 141204-A.

Shane made a motion to approve Resolution 141204-A. Wendy seconded the motion. Motion passed with a unanimous vote.

Item # 2: Discussion/Decision: Public Hearing to Review the 2015 Budget

The Public Hearing for the approval of the 2015 Budget was scheduled for the hour from 7:00 PM to 8:00 PM and began at 7:10 PM.

Lynn read Item #2 from the Agenda and then Robert went through the 2015 Budget in a slide presentation (*copy of presentation attached to office based record of minutes*). Robert was able to cut about \$1,400 from the 2015 budgeted expenses, when compared to the 2014 budgeted expenses and with the increased revenue from the new rates, the proposed 2015 budget will be close to balancing and should come out close to net \$0 by the end of next year.

When he came to the Administration costs, Robert stated that the District's auditing accountant advised him to disclose the annual pay rates to the Board so that they are on record. Robert added that the District has always provided a 5% cost of living wage increase for all of the employees and that this is what was presented to him by Dennis when he interviewed for the Manager's position. The Manager's base pay rate is about 6% higher than the other employees when compared on an hourly basis, but is paid as a set salary that does not vary by hours worked nor allow for overtime pay. On average the Manager's position requires more than forty hours per week plus on call response twenty four hours a day, including weekends and holidays.

Employee Name	Position	2014	2015	% Increase
Janet Boudrero	Secretary	\$22.00 Hr	\$23.10 Hr	5.0%
Dennis Baldwin	Operator	\$22.00 Hr	\$23.10 Hr	5.0%
Jim Wixom	Operator	\$22.00 Hr	\$23.10 Hr	5.0%
Robert Volk	Manager	\$23.36 Hr	\$24.53 Hr	5.0%
	Salaried @	(\$48,594 Yr	\$51,024 Yr)	
	Healthcare	\$591.86 Mo	\$612.92 Mo	3.6%
	Retirement	\$1,215 Qtr	\$1,276 Qtr	5.0%

The Impact Fee/Expansion part of the budget is separate and is expected to increase dramatically in 2015. We anticipated the Impact Fee Income to go from \$277,280 in the 2014 budget, to \$712,779 in the 2015 budget. Similar increases are expected in the outflow of this money through construction costs (payment for the trunk line installation) and developer reimbursements. Some of the expansion income and expenses are being reviewed by Wood Richards before sending the budget into the state, so we can verify exactly how to handle the exchange of the certificates with Gardner Development, which make up the majority of those numbers.

Zane made a motion to approve the 2015 Budget as presented. Lynn seconded the motion. Motion passed with a unanimous vote.

Shane made a motion to approve Resolution 141204-B for the Adoption of 2015 Budget. Wendy seconded the motion. Motion passed with a unanimous vote.

Item # Unscheduled: Discussion of lateral connection to sewer main

This item was not on the agenda but approved for discussion by the Board Chair.

The contractor for lot 72 in Cottonwoods Phase II has asked the District for permission to run a new lateral stub connection to the sewer main on Hidden Hills Drive. The lot is located on the corner of Sunset Circle and Hidden Hills Drive and is currently stubbed to the low pressure line on Sunset Circle and would require a grinder pump to service the sewer for the residence. The owners of the lot would prefer to use gravity flow lateral and not be reliant on the grinder pumps and at the mercy of power outages, maintenance and pump replacements. Their contractor supplied blueprints that show adequate fall for the proposed gravity lateral connection to the main line, and have acquired all of the necessary approvals and permits from the county for trenching into Hidden Hills Drive. The District Manager has reviewed the plans and given his approval to move forward with the connection, and will inspect everything to ensure that the work meets all District requirements. The contractor and the owners were made aware that the future operation, care and maintenance of this lateral will be their responsibility.

Dennis advised the Board that the same retrofit lateral connection to an existing sewer main has been done about half a dozen times to lots within the District, which includes the opposing corner lot on Sunset Circle. There were no problems with the main collection system or the residences after the work was complete. There is no decision required on this item as Robert only wanted to make the Board aware that this change was being made.

Item # 3: Discussion: Trunk Line service road

Mr. Duane Johnson is in attendance to address the Board in reference to the service road installation for the District trunk line that runs through his property.

The first issue he has with the service road related to several of the manholes on the east/west line that had concrete collars protruding about a foot above grade. Mr. Johnson believes that these need to be corrected in some fashion to bring them level with the surrounding ground so their farm equipment will not be damaged. He suggested that the District either use inverted lids or build up sloped dirt berms to surround the manholes in question. Robert responded by explaining that neither of those options would produce the desired results due to the uneven terrain created by dirt cones and that the buildup would eventually erode, leaving the concrete manhole rings protruding above ground. Robert stated that the original intention and design was to install a service road that is a foot above grade, which would make the tops of the manholes level with the service road and eliminate any danger of striking them.

The second issue was in regards to the easement that extends east from SSMH-7 to the property line that borders with Scott Baxter's property. Mr. Johnson asked the Board to consider relinquishing this section of the east/west easement and in return he will grant the District permanent access to the landlocked portions of the trunk line via his access roads and driveway. Without this access, two sections of the trunk line service road will be landlocked by the stream crossings because no bridges were

installed. Mr. Johnson understands that the Board will have to discuss this and make a decision at a later date, but before next spring.

Tina explained that the easement to the east property line was intended to allow for future development of the land to the east of Mr. Johnson's property, which would include the Scott Baxter, Bonnie Brown and Mike McMillan properties. In addition, the county has plans for a street and connections to go through those areas and it is important that we have the ability to connect them to the sewer system in the future through this easement to the trunk line.

Mr. Johnson responded that might be true, but it was his understanding, when he and the District worked out this agreement, that the entire trunk line would be put in at one time. He is disappointed that this final section was not installed while the ground was dug up, and does not like the idea of having to re excavate this last section of ground in the future as the construction and re-seeding process is disruptive.

In summation, Mr. Johnson agreed to allow the trunk line service road to be installed next spring, before July 31, 2015, per the signed easement agreement and approved plans. He asked that the road surface be level with the tops of the manhole covers and that the sides of the roads be tapered and compacted so rocks and gravel do not end up in the farming and harvest fields. MGSID will be responsible for installing access gates to the road at each of the existing fence access points, as well as ongoing weed control and maintenance of the roads. Access across the stream crossings will have to be worked out at a later date as there will probably be no immediate service needs on a brand new line and there is the potential for the developers to install their own bridges as the streets go in. Our only issue will be how to handle the weed spraying and maintenance along the roads.

Item # 4: Discussion / Decision: Proposed 2014 Budget Adjustments

The 2014 Budget is in good shape for End Of Year. We expect to exceed the budgeted income by about \$10,000 or more, and come in about \$12,000 under budgeted expenses. The following accounts in the 2014 budget need to be adjusted.

Categories to Decrease	2014 BUDGET	2014 EOY PROJECTION	OVER / UNDER
ADMINISTRATION EXPENSE			\$ -
Board Meeting Compensation & Expense	\$ 7,520	\$ 4,020	\$ (3,500)
Office Expenses	\$ 10,000	\$ 8,000	\$ (2,000)
Professional Fees	\$ 17,000	\$ 10,000	\$ (7,000)
OPERATIONS EXPENSE			
Building Maintenance	\$ 4,000	\$ 200	\$ (3,800)
Generator Maintenance & Fuel	\$ 5,000	\$ 2,660	\$ (2,340)
Utilities (Power)	\$ 28,000	\$ 25,000	\$ (3,000)
Manhole& Line Repair/Maint	\$ 30,000	\$ 4,000	\$ (26,000)
Clean & Video	\$ 40,000	\$ 39,000	\$ (1,000)
Grounds Maintenance/Landscaping	\$ 7,000	\$ 3,500	\$ (3,500)
Total Category Decrease	\$ 148,520	\$ 96,380	\$ (52,140)

Categories to Increase	2014 BUDGET	2014 EOY PROJECTION	OVER / UNDER
OPERATIONS EXPENSE			\$ -
Lagoons, Air & Chlorine Systems	\$ 5,060	\$ 21,000	\$ 15,940
Supplies, Repairs & Spares	\$ 9,000	\$ 35,000	\$ 26,000
Monte Verde Lift Station	\$ 2,000	\$ 10,000	\$ 8,000
Equipment / Controls / Instrumentation	\$ 5,000	\$ 7,200	\$ 2,200
Total Category Increase	\$ 21,060	\$ 73,200	\$ 52,140
		NET CHANGE TO BUDGET	\$0

Tina made a motion to approve the budget adjustments as presented. Lynn seconded the motion. Motion passed.

Item # 5: Discussion: District Operations ~ November 2014

The Board reviewed the District Operations notes for November 2014 as presented in the Agenda and had no comments.

Item # Unscheduled: Reading of Blair Larsen’s letter

This item is not part of the agenda, but was allowed by the Chair. Wendy located the email that Blair Larsen had sent to her and asked if she could read aloud on his behalf:

J. Blair Larsen: “I am working and will not be in attendance. As a matter of courtesy I will be available for electronic participation for an emergency as constituted. My number is... (not read aloud). As a citizen of the Mountain Green Sewer Improvement District I would like the following to be read into the minutes and become a public record of public hearing in regard to the service fee increase. I am not in favor of the rate increase in 2015 going up to \$36.00. That is too much. The current process which has been in place for years with the budget being reviewed annually has worked well. No one, in my experience, has been accurate 100% of the time in predicting the financial future. Therefore, I am opposed to the mandatory increases over the years in the future. I feel the budget is best handled on a year by year basis when the actual facts and figures can be determined to be the most accurate. It would certainly be easier if we lived in a make believe place where we just waived our wand over the village and the money appeared and made our job easier. But this is not never, never land. This is real, real money with real people, real life. I feel that is the duty of the Mountain Green Sewer Improvement District Board of Trustees to review the budget annually and to handle increases as needed or decreases as the case may be.”

Item # 6: Discussion: District Statistics as of November 30, 2014.

Board members reviewed the statistics on Impact Fees, ERU status, connections, bank statements and financial reports.

Item # 7: Discussion / Decision: Review and approval of November 6, 2014 Minutes.

Tina made a motion to accept the November 6, 2014 minutes with no corrections. Zane seconded the motion. Motion passed.

Item # 8: Discussion: The next Board Meeting is scheduled for the third Thursday, January 15, 2015 at 7:00 PM.

Adjourned: 8:55 P.M.

Signed: _____