

SOUTH DAVIS SEWER DISTRICT
BOARD OF TRUSTEES
REGULAR MEETING
22 February 2024

The Board of Trustees of the South Davis Sewer District, Davis and Salt Lake Counties, met in regular session at 5:00 p.m. at the District Office located at 1800 West 1200 North, West Bountiful, Utah, with the following members present:

Howard Burningham	Chair
Mark Preece	Vice-Chair
Len Arave	Trustee
Gina Hirst	Trustee
Brian Horrocks	Trustee (exc. 6:25 pm)
Kendalyn Harris	Trustee (arr. 5:30 pm)
Ryan Westergard	Trustee

Others meeting with the Board:

Matt Myers	General Manager/Treasurer
Mark Katter	Accounting Manager/Clerk
Lanese Hendrickson	Assistant General Manager
Susanne Monsen	Administrative Asst/Asst Clerk
Deby Marshall	Resident, West Bountiful
Matt Dugdale	Stifel
Beverly Westle	EIP Ventures

1. OPEN MEETING:

The Chair called the meeting to order at 5:02 p.m.

2. APPROVAL OF MINUTES:

The Chair asked for comments of the Regular Board Meeting held 18 January 2024. After consideration motion was made by Gina Hirst seconded by Brian Horrocks to accept the Minutes as presented. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Westergard voting "aye".

3. BUDGET REPORT:

A. SOUTH DAVIS SEWER DISTRICT.

The Budget Report ending January/2024 was presented for review. The combined Revenue Budget has received 31% in revenues. The Collection System is 13% expended; Treatment Plants are 9% expended; Industrial Pretreatment is 11% expended; Capital Expansion is 0% expended; Water Quality Group (JR/FB) is 9% expended; OU2 Remediation is 5% expended; Water Quality Group (UT LK) is 7% expended; and General & Admin is 9% expended. The budget ratio to calendar months is 9%.

B. WASATCH RESOURCE RECOVERY.

The Budget Report ending January/2024 was presented for review. The Revenue Budget has received 3% in Revenues and is 5% expended. The budget ratio to calendar months is 9%.

4. INVESTMENT REPORT:

Current investments (January/2024) are maintained by Zions Bank, Public Treasurers Investment Fund (PTIF) and Moreton Asset Management. Zions Trust held approximately \$5.7 million at an interest rate of 5.4817% (funds are with PTIF); PTIF held approximately \$7.1 million at an interest rate of 5.4817%; and Moreton held approximately \$1.9 million at an interest rate of 4.6163%.

5. APPROVAL OF DISBURSEMENTS:

Trustees reviewed Zions Bank check numbers 34709, 34744, 34754, 34795 and 34737. After further consideration motion was made by Len Arave seconded by Brian Horrocks to accept the Disbursements as presented. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Westergard voting "aye".

6. APPROVAL OF SEWER LINE DEEDS:

A. PROPELLER PARK - DISTRICT PROJECT NO. 7-21.

The Deed for Propeller Park, located in Woods Cross, has been received. The total sewer costs for this development are \$121,817.00.

Motion was made by Mark Preece seconded by Ryan Westergard to accept the Deed for Propeller Park. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Westergard voting "aye".

7. CONSIDER RELOCATION OR DISPOSITION OF SCHOTT GLASS:

Staff is not yet ready to make recommendations for the Schott glass. Matt Myers has contacted the Wisconsin facilities and reviewed experience with their algae processes. The Roberts facility may be able to utilize a small amount of glass, but that is yet to be determined. One concern the Roberts facility raised is that, if there is any chipping of the glass tubing, it will eventually break. As the weather improves and conditions allow, staff will try to move the glass to determine how feasible it is to successfully relocate and/or repackage it.

8. REVIEW STANDARD & POOR'S (S&P) RATING DOWNGRADE:

The District has been issued a developing CreditWatch based on the underperformance of WRR which affects the District's financial position. Our credit rating has been downgraded two notches from an "A" rating to a "BBB+". This will affect the interest rate on future bonding for the North Plant upgrade. S&P has indicated our ratings could be increased in the future based on how things develop. ALPRO has also been downgraded from "BBB" to "BBB-".

Matt Dugdale discussed the implications of the downgrade, noting that, if the District was in the market today to bond for the North Plant upgrade, the cost associated with higher interest rates based on the current bond rating would be approximately \$5-6 million over the life of the bonds.

S&P will follow up in 90 days to re-evaluate. Based on a discussion Matt Dugdale had with the analyst that downgraded the District, the primary concerns are liquidity and debt service coverage. It's not impossible for the District to be upgraded if we can address the primary concerns raised by S&P.

9. REVIEW RATE STUDY REVISION:

Matt Myers presented four rate scenarios for discussion with the Board, focused on worst- and best-case scenarios to ensure the District can cover all expenses with the North Plant upgrade project and meet required debt service coverage ratios to improve our position for bonding. The scenarios include an immediate significant increase in user fees to fund plant upgrades, mitigate inflation and improve the District's financial position for bonding the North Plant Project.

10. REVIEW FEE INCREASE:

Gina Hirst suggested that, as the District considers necessary increases, we evaluate them in terms of affordability based on modified adjusted gross income as a standardized benchmark. Matt Myers indicated that he thought the percentage for sewer rate affordability was 1.4% of modified adjusted gross income, but staff will follow up to confirm.

Mark Preece questioned what it would look like if we billed based on water usage. Additional discussions centered around the need to set a base rate to ensure we can reliably operate. Matt Myers noted that we owe it to the public to look into this option. Staff reviewed a table of local water rate usage scenarios with the board to help illustrate the differences in base rates and usage tiers between culinary local water suppliers. The District will continue to work to evaluate usage-based sewer rates, but near-term rate increases will not be able to include usage.

Matt Myers advised the Board that staff will likely be coming back next month to ask the Board for a recommendation regarding a mid-year increase.

11. REVIEW RESERVE POLICY:

At present, the District's reserve policy is 50% of annual operating expenses. The "gold standard" in our area is 100% of annual operating expenses. While more liquidity could help us when it comes to bond ratings, we don't know that we're currently inclined to change it. Kendalyn Harris indicated that this is another area where we don't want to be too high or too low. There is no recommendation to change the policy at this time, however rate modeling will incorporate attaining existing reserve policy objectives.

12. CONSIDER MUNICIPAL ADVISORY SERVICES AGREEMENT WITH STIFEL:

The Board reviewed the proposed five year agreement to retain Stifel, Nicolaus & Company, Inc., as municipal advisor/financial advisor to the District. The current agreement will end 3/19/24. Under the new agreement the compensation/transaction fee for Stifel's services in processing transactions shall be paid a fee with the range of \$1.50-\$2.00 per \$1,000 of par amount with a minimum fee of \$10,000 per transaction. The current agreement is \$1.25 per \$1,000 with a minimum fee of \$7,500 and a maximum of \$60,000. Len Arave questioned why the \$1.25/\$1,000 would need to increase. After some discussion Matt Dugdale offered to reduce the processing fee to \$1.25 per \$1,000, but would need to keep the minimum fee of \$10,000 per transaction. The Board agreed with that change. Matt Dugdale will provide a new agreement with the revision as discussed.

Motion was made by Gina Hirst seconded by Mark Preece to approve the new Municipal Advisory Services Agreement with Stifel with revisions as discussed. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks, Harris and Westergard voting "aye".

13. NORTH PLANT REHABILITATION AND NUTRIENT REMOVAL PROJECT - REPORT:

A. CONTRACTOR PREQUALIFICATION.

The Board reviewed the list of general contractors and electrical contractors who have prequalified to bid on the North Plant upgrade project. Based on the tentative bid schedule, a special board meeting was scheduled for Monday, 4/29/24, 12:00 noon, to award the bid.

B. PRELOAD PROJECT.

The MBBR preload project is complete. We have seen three inches of settlement to date with an additional inch expected. The preload soil will remain until 9/7/24.

C. FINANCING.

The District has made the decision not to pursue WIFIA or SRF funding for the North Plant upgrade project to avoid additional expenses associated with American Iron and Steel (AIS) and/or Build America Buy America (BABA) requirements and will, instead, focus only on private market bond financing.

D. REVIEW ADMINISTRATION BUILDING MEMO.

The Board reviewed a technical memo from Brad Rasmussen (Aqua Engineering), recommending that the treatment plant upgrades and the administration building be bid as a single project, citing economies of scale, overlap in work and the risk of delays resulting in additional costs if the projects were bid separately.

After further discussion, members of the Board remained unconvinced that bidding the work as a single project would be the most cost-effective way to construct the administration building.

Lanese Hendrickson suggested that the administration building be made a deductive alternate on the bid, allowing the District to bid it separately if the costs from the general contractor were not deemed to be competitive. Staff will work with the engineer and architect to make this modification to the bid documents.

14. WASATCH RESOURCE RECOVERY (WRR) PROJECT - REPORT:

Matt Myers reported that operations are going well and that we have been sending gas to the grid. However, earlier in the week a belt broke and we had to flare the gas. During the downtime staff took the opportunity to perform some needed maintenance. The repairs have been made and gas should be going to the grid the end of this week. We are at capacity with feed stock, but the strength is down a little.

15. GENERAL MANAGER'S REPORT:

A. WARNING LETTER.

Matt Myers reported that he had received a warning letter from the Division of Water Quality for failing to provide verbal notification of an event that occurred in December. The report was made in writing (via email) rather than by phone on Christmas Eve Sunday.

B. CONSTRUCTION PERMIT FOR NORTH PLANT UPGRADE PROJECT.

The District has received its construction permit from the Division of Water Quality for the North Plant upgrade project. According to the compliance schedule included in the North Plant permit, the Division should have issued the permit by December 1, but it was not issued until mid-February.

16. APPROVAL TO CLOSE THE MEETING TO DISCUSS THE SALE OF REAL PROPERTY:

Motion was made by Len Arave seconded by Gina Hirst to go into closed session. Motion carried unanimously via a roll call vote with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

The Chair declared the meeting closed at 7:05 p.m.

Motion was made by Ryan Westergard seconded by Len Arave to return to the open session of the meeting. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

The Chair declared the meeting opened at 7:36 p.m.

17. NEXT MEETING SCHEDULED:

The next regular meeting has been scheduled for Thursday, 21 March, 5:00 p.m.

18. DISMISSAL:

The Chair declared the meeting adjourned at 7:37 p.m.


Assistant Clerk


Chair, Board of Trustees