

SOUTH DAVIS SEWER DISTRICT
BOARD OF TRUSTEES
REGULAR MEETING
21 September 2023

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 (via videoconference)
Len Arave	Trustee
Gina Hirst	Trustee
Kendalyn Harris	Trustee (arr. 5:10 pm)
Ryan Westergard	Trustee (via videoconference)

Excused:

Brian Horrocks	Trustee
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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
Matt Dugdale	Stifel
Deby Marshall	Resident, West Bountiful
Ron Mortensen	Resident, Bountiful

1. OPEN MEETING:

The Chair called the meeting to order at 5:05 p.m.

2. APPROVAL OF MINUTES:

The Chair asked for comments of the regular Board Meeting held 17 August 2023. After consideration motion was made by Len Arave seconded by Gina Hirst to accept the Minutes as presented. Motion carried with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

3. BUDGET REPORT:

A. SOUTH DAVIS SEWER DISTRICT.

The Budget Report ending August/2023 was presented for review. The combined Revenue Budget has received 75% in revenues. The Collection System is 57% expended; Treatment Plants are 79% expended; Industrial Pretreatment is 61% expended; Capital Expansion is 35% expended; Water Quality Group (JR/FB) is 57% expended; OU2 Remediation is 48% expended; Water Quality Group (UT LK) is 58% expended; and General & Admin is 65% expended. The budget ratio to calendar months is 67%.

B. WASATCH RESOURCE RECOVERY.

The Budget Report ending August/2023 was presented for review. The Revenue Budget has received 60% in Revenues and is 58% expended. The budget ratio to calendar months is 67%.

4. INVESTMENT REPORT:

Current investments (August/2023) are maintained by Zions Bank, Public Treasurers Investment Fund (PTIF) and Moreton Asset Management. Zions Trust held approximately \$6.6 million at an interest rate of 5.0314% (funds are with PTIF); PTIF held approximately \$7.5 million at an interest rate of 5.0314%; and Moreton held approximately \$1.8 million at an interest rate of 4.5786%.

5. APPROVAL OF DISBURSEMENTS:

Trustees reviewed Zions Bank check numbers 34173 and 34217. After further consideration motion was made by Gina Hirst seconded by Len Arave to accept the Disbursements as presented. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

6. APPROVAL OF SEWER LINE AGREEMENTS:

A. THE BROOKS PUD - PROJECT NO. 4-23.

Matt Myers recommended the Agreement for The Brooks PUD, located at 220 North Main Street in Bountiful, known as Project No. 4-23, be accepted.

Motion was made by Kendalyn Harris seconded by Gina Hirst to accept the Agreement for The Brooks PUD. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

7. APPROVAL OF SEWER LINE EASEMENTS:

A. 5TH WEST OFFICE PARK - PROJECT NO. 1-18.

This Easement covers a small area in this development where the sewer line is not located within the dedicated street.

Motion was made by Len Arave seconded by Gina Hirst to accept the Easement for 5th West Office Park. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

8. APPROVAL OF SEWER LINE DEEDS:

A. 5TH WEST OFFICE PARK - PROJECT NO. 1-18.

The Deed for the 500 West Office Park, located in Bountiful, has been received. The total sewer costs for this development are \$5,500.00.

Motion was made by Kendalyn Harris seconded by Len Arave to accept the Deed for 5th West Office Park. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

9. DISTRICT RESERVE POLICY - REVIEW:

At its Board Meeting in April, 2017, the Board adopted the following Capital Reserves Policy:

Capital Reserves Policy

The District's reserve balances have been established by Board actions, bond covenants, and by informal historical procedures. The purpose of this policy is to strengthen the District's financial position, keep funds available to respond to emergencies, and accumulate funds to meet anticipated repair, replacement and improvements needs.

The basic goals for reserve balances are:

- Operating Capital-50 percent of one year's operations & maintenance budget.
- Self-Insurance Reserve-The District is self-insured for vehicle casualty and accepts responsibility for sewer backups on a no-fault basis. Fund balance set by Board action.
- Emergency Reserve-While the District is insured for many risk exposures and liabilities, and can rely on FEMA aid for major disasters; it takes time for claims to be processed. This reserve provides funds to address emergencies immediately. Fund balance set by Board action.

- Equipment Replacement-Some major equipment is replaced on a scheduled basis. This reserve fund accumulates monies for this purpose. The target balance is based on budgeting for those purchases.
- Capital Projects-The District's operations involve large capital assets. These assets must be replaced at intervals. From time to time capacity needs and changing technologies must be addressed. This reserve fund accumulates funds for this purpose. The target balance is based on planning and forecasts for these needs.

It is the District's intent to review and, if needed, update the policy every five years. Reserve funds are accumulated and designated at the Board's sole discretion. These funds can be used for any lawful purpose as directed by the Board. This policy/statement is included in the Annual Consolidated Financial Report each year.

Matt Myers indicated that it was likely the District adopted the formal policy in preparation to bond and wanted to improve its bond rating.

Matt Dugdale, of Stifel, reviewed the policy of a few other sewer districts which included having one full year of cash on hand to cover budgeted operations and maintenance. When it came to high bond ratings received by these districts, very strong reserves were mentioned in the rating reports. Mr. Dugdale indicated that the District's current policy is strong and that the District is in a good place, but recommended that the District work toward 365 days cash on hand, which could lead to a higher bond rating and lower interest rates.

Matt Myers discussed potential uses of reserve funds, including replacement of critical equipment or infrastructure that fails unexpectedly or incremental upgrades to treatment processes without the need for borrowing. At present, we are slightly under our reserve goal.

The Board felt additional review would be beneficial. Staff will look into this and provide a recommendation at the next Board Meeting.

10. CONSIDER THE FINDINGS AND RECOMMENDATIONS OF THE SEWER RATE STUDY:

The Board reviewed a model showing the financial needs of the District for the next several years and the funding required to meet those needs. Options included increased property tax revenues only, sewer service fee increases only and a combination of both. A sewer service fee increase is charged to each residential account regardless of the size or number of household occupants. A property tax increase is assessed on the value of the property and is more equitable overall (larger homes are assessed a higher tax, smaller homes a smaller tax).

Matt Myers indicated that the rate study will be revised every year to ensure we limit increases to the greatest extent possible. When it comes to funding options and the project costs that are driving this and future increases, Aqua Engineering is working with contractors to do a constructability assessment to determine costs more closely, but we won't know until we close on funding what the interest rate will be.

After further discussion Trustees felt a property tax increase would be the preferred option. A fee increase may be necessary in the future, but not at this time.

Ron Mortensen and Deby Marshall were asked to comment. After some discussion they both felt a property tax increase would be more acceptable. Mr. Mortensen suggested a notification of some sort be posted to the District's website, Facebook, etc. outlining the reason for the increase. This would help residents better understand the need for the increase. Matt Myers noted the District would put together a fact sheet that would be mailed to each property owner with this information.

11. CONSIDER AND DECLARE INTENT TO INCREASE 2024 PROPERTY TAXES:

A. PURPOSE OF THE INCREASE.

In 2014 the Utah Division of Water Quality (DWQ), passed a rule mandating an increase in removal of phosphorus from all Utah wastewater treatment plant discharges effective January 1, 2020 (R317-1-3.3, Utah State Administrative Code). In addition to the new phosphorus rule, DWQ issued South Davis Sewer District more stringent ammonia limits for both of its treatment plants.

These more stringent regulations have necessitated substantial infrastructure improvements at both of the Districts treatment plants. The upgrades to the South Plant have been completed and we are now working on upgrades for the North Plant. The effect of constructing these improvements is an increase in costs for capital construction and operation of much more sophisticated treatment facilities. The District has a long-standing tradition of fiscal responsibility.

B. PERCENTAGE INCREASE.

The proposed tax increase is 50%.

C. DOLLAR AMOUNT INCREASE.

A home with a market value of \$556,000, would have a taxable value of \$305,800 (55% of market value) which would be an increase of \$4.00/mo. or \$48.01/yr. Based on current values this increase would generate approximately \$2,100,000.

Motion was made by Gina Hirst seconded by Len Arave to Declare the Intent to Increase the 2024 Property Taxes as presented. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

12. STAFFING CHANGES - REPORT:

A. ELECTRICIAN APPRENTICE.

Kevin Page, Master Electrician for the District, has been forthcoming regarding his future retirement. He has offered to apprentice an employee who is interested in filling the role of electrician following his retirement. This is a four year commitment which Kevin is willing to accommodate.

B. RETIREMENTS.

The District had one of its long-time treatment plant operators retire a month ago and expects additional staff to retire in the next few years. Matt Myers is preparing a succession plan to address future staffing needs.

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

In 2022, the North Plant lost two trickling filter bearings almost back-to-back, which necessitated quick replacement and drove some of the ammonia violations leading to the District's current Notice of Violation. The bearing on one more trickling filter needs to be replaced and that work will begin next week. The District was going to include replacement of all trickling filter arms as part of its North Plant Upgrade project, but is going to pro-actively replace them with the remaining bond proceeds from the bond acquired for South Plant upgrades and do the work in-house, which should reduce the project cost that would have been part of North Plant upgrades.

The west digester at the North Plant was recently emptied, cleaned and repairs made before placing it back in service.

The plant upgrade drawings have been submitted to the Utah Division of Water Quality in accordance with the North Plant compliance schedule and we are awaiting a response. In the meantime, we continue to work with Aqua Engineering to finalize plans and specifications for bidding.

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

The Gas Upgrade Skid (GUS) has been down this week to complete routine maintenance and replace coalescing filter cartridges to knock out more water and get better gas throughput.

Operations staff is working with the sales team to get delivery drivers to bring in their badges to reduce the amount of time wasted responding to badging issues at the scales and allow them to focus on other operational priorities. Routine acid cleanings are ongoing to deal with scale build-up throughout the system.

We have had an increase in odor complaints the past two weeks, but are not sure where the odors are coming from. Collections staff inspected the duct work from the dewatering building to the biofilter and discovered that there weren't any blockages. Smoke testing will be performed to evaluate flow through the biofilter.

15. SCHEDULE ENGINEERING AND PERSONNEL COMMITTEE MEETINGS - 2024 BUDGET:

A. ENGINEERING COMMITTEE.

In preparation for the 2024 Budget, the Engineering Committee (Gina Hirst, Kendalyn Harris, Brian Horrocks) will meet at the District Office on Thursday, October 19, 2023, at 3:00 p.m.

B. PERSONNEL COMMITTEE.

In preparation for the 2024 Budget, the Personnel Committee (Ryan Westergard, Mark Preece, Len Arave) will meet at the District Office on Thursday, October 19, 2023, at 3:00 p.m.

This will be a work session for both committees.

16. APPROVAL TO CLOSE THE MEETING TO DISCUSS:

- A. POTENTIAL LITIGATION.
- B. SALE OF REAL PROPERTY.

Motion was made by Gina Hirst seconded by Len Arave 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 7:30 p.m.

Motion was made by Gina Hirst 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 8:20 p.m.

17. CONSIDER EXECUTING TERM SHEET AGREEMENT:

Motion was made by Len Arave seconded by Mark Preece to authorize the General Manager to sign the term sheet as presented with the changes/revisions as discussed and pending review by the District's legal counsel. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Harris and Westergard voting "aye".

18. NEXT MEETING SCHEDULED:

A work session for the 2024 Budget has been scheduled for Thursday, 19 October 2023, 3:00 p.m. The next regular meeting has been scheduled for Thursday, 19 October 2023, 5:00 p.m.

19. DISMISSAL:

The Chair declared the meeting adjourned at 8:23 p.m.



Clerk


Chair, Board of Trustees