

**MINUTES OF THE TRUSTEES MEETING OF THE
KEARNS IMPROVEMENT DISTRICT
HELD DECEMBER 8, 2009 AT THE DISTRICT OFFICE
LOCATED AT 5350 WEST 5400 SOUTH, KEARNS, UTAH**

Trustees Present:

George Sadowski
Royce A. Gibson (electronically)
Rodney W. Bushman

Staff Present:

Carl Eriksson	General Manager
Pamela Gill	Assistant Manager
Dale Birch	Controller
Mark H. Anderson	Attorney

Others Present:

Kelly Record	Trustee Elect
Randy Larsen	Bond Counsel

Call to Order:

Chairman Sadowski welcomed all those in attendance and called the meeting to order at 6:33 p.m. The invocation was offered by Mark H. Anderson and the pledge of allegiance was led by Carl Eriksson.

Public Comments:

There were no public comments.

Approval of Minutes (November 10, 2009):

After noting one correction to the minutes (the insertion of the word “than” in the first full paragraph on page 9) it was moved by Trustee Bushman and seconded by Trustee Gibson as follows:

That the minutes of the November 10, 2009 Board meeting be approved as corrected.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting “aye”.

Consider General Manager's Report:

Mr. Eriksson's written report was included in the Board Book and a separate memorandum dealing with individual agenda items was distributed to the Trustees prior to the Board meeting. Mr. Eriksson supplemented his written reports by noting that planning for the construction of the Mountain View Corridor Highway is moving ahead more rapidly than originally expected. As a consequence, KID must fund its betterments to be installed under the highway sooner than was originally anticipated. Mr. Eriksson indicated that the projected costs of the betterments are rough estimates to which the District must commit.

Trustee Gibson noted that the loan from the Utah Division of Water Quality (with zero percent interest and \$1,200,000.00 of the principal balance to be forgiven) will save the District the equivalent of \$14.00 per customer per year over the next twenty years.

Consider Check Register:

The October, 2009 check register was included in the Board Book. It was moved by Trustee Gibson and seconded by Trustee Bushman as follows:

That the October, 2009 check register be approved and ratified as presented.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting "aye".

Consider Financial Report:

The October, 2009 financial report was included in the Board Book. Trustee Gibson noted that, on page 11 of the report, year to date operating expenses are approximately \$1,000,000.00 less than the budgeted amount. Mr. Birch responded that the difference is due in part to reduced water purchases by the District which, in turn, are offset by lower income from water sales than anticipated in the 2009 Budget.

Consider Training Requests:

There were no training requests to be considered by the Board.

Consider Purchases Over \$25,000:

There were no purchases in excess of \$25,000 requiring Board approval.

Consider Bond Releases/Reductions:

Mr. Eriksson referred the Trustees to the Board Book, calling their attention to the Bond Release Memo prepared by Blake Anderson, who is an employee of the District, recommending that a bond release be approved by the Board for the Westridge Estates Phase 4A Subdivision, the warranty period having expired on November 13, 2009. The original bond amount was \$158,467.00. A prior \$126,773.60 bond reduction approved by the Board reduced the bond amount to \$31,693.40, which is the amount to be released. It was moved by Trustee Bushman and Seconded by Trustee Gibson as follows:

That the recommended bond release for the Westridge Estates Phase 4A Subdivision be approved.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting “aye”.

Consideration for Adoption of a Resolution Finalizing the Terms and Conditions of the Issuance and Sale of Water and Sewer Revenue Bonds and Related Matters:

Mr. Anderson briefly reviewed minor errors in the bond documents which either have been or will be corrected. Randy Larsen, an attorney with the Ballard Spahr law firm, stated that the closing documents would be ready tomorrow. The total bond will be for \$5,025,000.00, with \$3,825,000.00 of that amount to be repaid at 0% interest and the remaining \$1,200,000.000 principal balance to be forgiven. The favorable loan from the state is possible due to federal stimulus funding. Mr. Larsen stated that he has never seen a better deal for a borrower, a sentiment with which Chairman Sadowski agreed. Mr. Larsen provided signature copies of the various documents for execution by Chairman Sadowski. It was moved by Trustee Bushman and seconded by Trustee Gibson as follows:

That Resolution 09-12-1 entitled “A RESOLUTION OF THE BOARD OF THE KEARNS IMPROVEMENT DISTRICT, UTAH, FINALIZING THE TERMS AND CONDITIONS OF THE ISSUANCE AND SALE OF ITS WATER AND SEWER REVENUE BONDS, SERIES 2009 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,025,000.00 (THE ‘SERIES 2009 BONDS’); AWARDED AND CONFIRMING THE SALE OF SAID SERIES 2009 BONDS; AUTHORIZING THE EXECUTION OF AN EIGHTH SUPPLEMENTAL INDENTURE, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; PROVIDING A SEVERABILITY CLAUSE; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS” be adopted.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting “aye”.

Consider Revisions to 2010 Proposed Budget and Rates:

As a result of the public hearing held in November, and with input from Board members, staff prepared alternatives for the Board to consider, as stated in a spreadsheet that was included in the Board Book. The spreadsheet contained almost thirty itemized changes for consideration by the Board, which were reviewed point by point by the Trustees and staff. Staff noted that some of the proposed cuts are really deferrals – items that will show up on future budgets and eventually will need to be acted upon.

The proposals included three salary alternatives to the 2010 Tentative Budget, which contains a 1% cost of living adjustment (COLA) and a 2% merit increase. Under option one, there would be no COLA increase and a 2% merit increase. Under option two, which was preferred by Trustees Gibson and Bushman, there would be no COLA increase and only a 1% merit increase. Option three, which was preferred by Chairman Sadowski, provided for no

salary increase, either COLA or merit. With the approval of two Trustees, option two was selected.

One of the proposed adjustments was the deferral of the purchase of a truck for the backyard sewer project. The truck to be replaced is eight years old and staff is concerned that it is getting to the point where significant maintenance may be required. Chairman Sadowski supported deferral of the acquisition while Trustees Gibson and Bushman favored replacing the truck now.

The largest proposed deferral was for replacement of water meters. The 2010 Tentative Budget includes \$652,700.00 for that budget item, which staff recommended reducing by \$500,000.00. Mr. Eriksson stated that this deferral is wise, particularly since the District is waiting for the results of iPerl meter testing, which is scheduled to start in February. All three Trustees concurred.

Ms. Gill explained that the work that would be performed by the proposed \$3,000.00 check processing machine can be done by hand during 2010.

Staff suggested a \$5,000.00 reduction (from \$70,000.00 to \$65,000.00) in the "training expense" budget item. Mr. Eriksson defended the importance of training for both staff and the Trustees. Chairman Sadowski stated his belief that this budget item could be cut even more. Trustee Bushman sided with Mr. Eriksson, stating that "education is always valuable." This budget item will not be cut more than the \$5,000.00 staff recommendation.

In response to a question from Chairman Sadowski, Mr. Eriksson stated that a list has been prepared of what constitutes "miscellaneous expenses". It includes such things as flowers and lunch reimbursements. The 2010 Tentative Budget includes \$15,000.00 to cover miscellaneous expenses. Staff recommended that the amount be reduced by \$10,000.00, down to \$5,000.00. All other expenses have been identified and included in specific line items. Mr. Birch briefly left the Board room to retrieve a miscellaneous expense list, which was then reviewed with the Trustees.

Staff recommended reducing the \$11,000.00 "events" budget item by \$1,000.00 through the elimination of hams and gifts for employees at Christmas. Citing the importance of employee morale, Trustee Bushman argued against cutting the employee hams out of the Budget. Trustees Sadowski and Gibson, however, supported the cut.

The 2010 Tentative Budget includes \$100,000.00 for vehicle repairs, which staff recommended reducing by \$5,000.00. However, staff acknowledged that there is some risk in making this cut, as vehicle repairs on older vehicles can be large and unexpected. Trustees Gibson and Bushman favored leaving the vehicle repair line item unchanged.

The list of possible changes to the 2010 Budget also included cost increases such as \$225,000.00 for sewer line and \$75,000.00 for water line "betterments" to be installed under the Mountain View Corridor Highway. Mr. Eriksson again stressed that the cost is an estimate, and he is hopeful that the District will have to pay only a percentage of that amount. The proposed increases also include a \$3,100.00 postage meter which will, over a very few years, represent a net savings to the District as compared to leasing a postage meter. Staff also recommended that

\$5,000.00 be added to the “bank charges” line item, with the explanation that the \$55,000.00 original budget amount may have underestimated this expense. The proposed new expenses total \$308,100.00. In addition, the 2010 Budget will reflect a \$669,000.00 “carryover” expense for the backyard sewer line replacement project. This is the remaining cost of the 5415 South project which was budgeted in 2009 but will be completed in 2010.

A majority of the Trustees supported all of the proposed additions to the 2010 Budget and supported all but two of the proposed budget cuts (deferral of purchase of a truck for the backyard sewer project and a \$5,000.00 reduction in vehicle repairs were not supported). Of the three alternatives presented for employee salaries, a majority of the Trustees selected option two (no COLA increase and a 1% merit increase).

The Trustees and staff also discussed proposed 2010 rates and fees, which were also the subject of a public hearing that was held during the November Board meeting. Staff recommended abandonment of the proposed one time \$10.00 credit as an incentive for customers to sign up for auto pay, with which the Trustees agreed. Staff also recommended that the cost of a temporary unmetered connection for new home construction, with an estimated 15,000 gallons of monthly water usage, be increased from \$20.00 to \$30.00 per month. The Trustees also agreed with that recommendation.

In response to the comments from the public at the hearing and suggestions by the Trustees, staff prepared three alternate rate proposals (in addition to the original proposal that was the subject of the public hearing). The original proposal represented an approximately 3% over-all water and sewer rate increase. The alternatives under consideration were an approximately 2.5% increase, an increase of approximately 2%, and no increase. Each of the proposed lower rate increases would, however, be accompanied by larger future rate increases to make up the difference. While Chairman Sadowski favored a rate increase of less than 3%, Trustees Gibson and Bushman agreed that the original over-all increase of approximately 3% should be implemented. Trustee Gibson justified his position, in part, due to a fear that the economy won't recover as quickly as is hoped, which could place the District in a difficult financial situation and could make larger future rate increases more problematic for the District's customers.

Consider Resolution Adopting 2010 Rates and Fees Increase:

It was moved by Trustee Bushman and seconded by Trustee Gibson as follows:

That Resolution 09-12-2, increasing the District's user fees, be adopted, thereby adopting an overall increase of approximately 3% and approving the other rate increases as proposed by staff, including the elimination of the auto pay signup incentive and increasing the fee for a temporary unmetered connection for new home construction from \$20.00 to \$30.00 per month.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting “aye”.

Consider Resolution Adopting 2010 Budget:

It was moved by Trustee Bushman and seconded by Trustee Gibson as follows:

That Resolution 09-12-3 be adopted, thereby adopting the District's 2010 Budget, including changes to the Tentative 2010 Budget as discussed and agreed upon by a majority of the Trustees.

The motion carried with Trustees Gibson and Bushman each voting "aye" and Chairman Sadowski voting "nay".

Consider Resolution Recognizing George Sadowski for Board Service:

Resolution 09-12-4, a Resolution of appreciation to George Sadowski for his service as a member of the Board of Trustees for the past twenty-six years, was included in the Board Book. Chairman Sadowski has served on the Kearns Improvement District Board of Trustees longer than any other person. It was moved by Trustee Gibson and seconded by Trustee Bushman as follows:

That Resolution 09-12-4 be adopted.

The motion carried with Trustees Gibson and Bushman each voting "aye" and Chairman Sadowski abstaining.

Consider 2010 Board of Trustees Calendar:

The 2010 Kearns Improvement District Board calendar, which was included in the Board Book, was reviewed by the Trustees and staff. Since last month, the annual Utah Association of Special Districts Convention was added to the calendar. It was proposed that the October Board meeting be changed from October 12th to October 14th. Trustee Bushman indicated that he would have a conflict on October 14th. After a brief discussion, Trustees Gibson and Bushman and Trustee elect Kelly Record agreed to hold the October Board meeting on the 19th. It was then moved by Trustee Gibson and seconded by Trustee Bushman as follows:

That the 2010 Board meeting schedule be approved as discussed, and that staff post and advertise the annual meeting schedule as required by law.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting "aye".

Consider Policies and Procedures:

Proposed new Title 3 Chapter 5 of the District's Policies and Procedures Manual, entitled "Wastewater Control Rules and Regulations", was distributed to the Trustees and staff prior to the Board meeting. Mr. Eriksson noted two minor corrections and stated that "\$100.00" should be inserted into two blanks in the Chapter. Following a brief discussion, it was moved by Trustee Gibson and seconded by Trustee Bushman as follows:

That Resolution 09-12-5 be adopted, thereby adopting new Title 3 Chapter 5 of the District's Administrative Policies and Procedures Manual.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting "aye".

Consider Resolution to Open 2009 Budget for Changes in Operating and Capital Budgets:

Mr. Eriksson explained that it would not be necessary to make any changes to the District's 2009 Operating Budget, but that changes in the Capital Budget are required to cover the 5400 South water line and the 5415 South sewer line (part of the backyard sewer project).

The 2009 Budget includes \$520,500.00 to install a water line from the 1,000,000 gallon water tank to 5600 West. The low bid on the project, excluding the engineering, came in at \$531,481.00. Ultimately, additional work from 5600 West to Leprechaun Lane was included in the project, at a low bid of \$468,006.00. The total cost of both projects was \$999,487.00, with engineering fees of \$85,500.00. In addition, change orders totaling \$11,335.00 have been approved and additional change orders of approximately \$3,500.00 are expected soon. Mr. Eriksson requested that the 2009 Capital Water Budget for the 5600 West water line be increased to \$1,100,000.00.

Construction of the sewer line on 5415 South was originally scheduled for 2011, but was moved forward to 2009 due to the favorable climate for construction bidding. The total cost bid on the work was \$963,182.00, plus engineering fees of \$79,690.00, a change order of \$16,702.00, and environmental assessment fees of \$19,000.00. Of that amount, \$407,117.66 has been paid to the contractor in 2009 and engineering fees paid total \$66,454.87. Mr. Eriksson anticipates paying an additional \$620,000.00 to the contractor in 2010 and another \$49,000.00 to the engineering firm for project management. Mr. Eriksson recommended that the 2009 Backyard Sewer Project Budget be increased by \$480,000.00. Next year's Backyard Sewer Project Budget includes a \$669,000.00 increase for the work that will be performed on the 5415 South sewer line in 2010. Mr. Eriksson suggested that the additional required funds be taken from reserves. He explained that the 5415 South sewer line project costs are included in the DWQ (Division of Water Quality) State Revolving Fund loan (that was approved earlier during the Board meeting), which will reimburse the District's reserves in the same amount. There are no plans to contract out the construction of additional sewer lines for the remainder of the backyard sewer project.

It was moved by Trustee Bushman and seconded by Trustee Gibson as follows:

That Resolution 09-12-6, opening and amending the 2009 Budget as discussed, be approved.

The motion carried with Trustees Sadowski, Gibson and Bushman each voting "aye".

Consider Resolution Supporting Nomination of Royce Gibson to Jordan Valley Board of Trustees:

The position on the Board of Trustees of the Jordan Valley Water Conservancy District generally representing the areas served by the Kearns Improvement District and the Magna Water Improvement District, which has been held for a number of years by Royce Gibson, is up for reappointment by Governor Herbert. Resolution 09-12-7, supporting the nomination of Royce A. Gibson for reappointment to the Jordan Valley Water Conservancy District Board of

Trustees, was included in the Board Book. It was moved by Chairman Sadowski and seconded by Trustee Bushman as follows:

That Resolution 09-12-7 be adopted.

The motion carried with Trustees Sadowski and Bushman voting “aye” and Trustee Gibson abstaining.

Central Valley Water Reclamation Facility:

Trustee Bushman, who is KID’s representative on the Central Valley Board, briefly reviewed the November 19th Central Valley Board meeting agenda. The ultra violet disinfection project is approximately 80% complete. There was a brief discussion of the purchase of sand filter ultra violet equipment. Trustee Bushman briefly discussed the relocation of the compost site to Central Valley’s sewage treatment plant. Since the site is covered, Trustee Bushman stated that there should be no odor issues.

Jordan Valley Water Conservancy District:

The Jordan Valley Water Conservancy District Board will not hold a meeting during December. Trustee Gibson, who also serves on the Jordan Valley Board, briefly referred to Jordan Valley’s canal enclosure project.

Utah Association of Special Districts:

The Board of the Utah Association of Special Districts did not hold a November meeting, during which month the Association held its successful annual convention.

Trustee Per Diem Report:

The Trustee per diem report, as of November 30, 2009, was included in the Board Book.

Adjourn:

There being no further business to come before the Board, Chairman Sadowski declared the meeting to be adjourned at 7:49 p.m.

Date: _____	_____
	Royce A. Gibson
Date: _____	_____
	Rodney W. Bushman
Date: _____	_____
	Kelly Record