

**MINUTES OF THE MEETING OF THE
KEARNS IMPROVEMENT DISTRICT (KID) BOARD OF TRUSTEES
HELD JANUARY 11, 2022 AT THE DISTRICT OFFICE
LOCATED AT 5350 WEST 5400 SOUTH, KEARNS, UTAH**

Trustees Present:

Cheryle A. Hatch
Gregory R. Christensen
Jeff Monson

Staff Present:

Greg Anderson	General Manager/CEO
Riley Astill	Finance Director/Controller
James "Woody" Woodruff	Public Works Director/Engineer
Mark H. Anderson	Attorney
Jamie Banh	Executive Administrative Assistant
John Lawson	Operations Specialist/Backflow Technician
Eric Reid	System Operator III (via ZOOM)

Others Present:

Marie Owens	Senior Project Manager AE2S (via ZOOM)
Chrystal Butterfield	Kearns Metro Township (via ZOOM)
Alex Buxton	Zions Public Finance

Call to Order:

Chair Monson called the meeting to order at 5:30 p.m. and welcomed all those present. The invocation was offered by Greg Anderson and the pledge of allegiance was led by Greg Christensen.

Public Comments:

There were no public comments.

Approval of Minutes (Regular Meeting, December 14, 2021):

None of the Trustees having any questions or concerns relative to the minutes, it was moved by Trustee Christensen and seconded by Trustee Hatch as follows:

That the minutes of the December 14, 2021 Board meeting be approved as presented.

The motion carried with Trustees Monson, Hatch and Christensen each voting “aye”.

Board Training – Lead & Copper Rule Update:

Marie Owens presented a detailed overview of the Lead & Copper Rule revisions, stressing additional responsibilities the revisions will place upon the District. Ms. Owens is the former Director of the Division of Drinking Water and is now a consulting engineer in the private sector. Among other responsibilities, the District will be required to identify and inventory all water service lines in the system, including privately owned lines. The rule revisions will place a significant burden on the District’s staff. The Trustees and management expressed their appreciation to Ms. Owens for an informative, thought-provoking presentation. At the end of her presentation, Ms. Owens terminated her ZOOM connection, John Lawson left the Board room, and Alex Buxton entered the Board room.

Consider General Manager’s Report (including the Administrative/Financial Report and the Public Works Report):

Greg Anderson reviewed his monthly Report, a copy of which was included in the Board Book. Among other things, Mr. Anderson reported that the District’s insurance policy coverages and premium cost increases have been reviewed with Olympus Insurance, including studying and possibly obtaining cyber security insurance. Management did not recommend that cyber security insurance be obtained, but the option remains under study. Mr. Anderson also mentioned the resolution of a vehicle damage claim by Frito Lay that resulted from a water line break on 4715 South; coordination with Gary Langston of Third Cadence (formerly Daybreak Communities) regarding the Wood Ranch Development; work on a KID conservation presentation with the assistance of Blake Johnson, a professional animator; and a number of other activities.

Riley Astill reviewed his Finance Report, a copy of which was included in the Board Book. The look of the Report has changed, with the Financial Summary using bar graphs and the Bonds Payable Summary being presented in tabular form. Financially, the District is tracking well, compared to the Budget. Trustee Hatch noted that the delinquent notices were significantly lower in 2021 compared to 2020.

James Woodruff reviewed his Public Works Report, a copy of which was included in the Board Book, including presenting an overview of the District’s ongoing infrastructure capital projects. During the discussion, Chair Monson noted that, for the second month in a row, no grease trap issues were reported. Mr. Woodruff and Greg Anderson responded to questions from Trustees Monson and Hatch.

Consider Check Register:

The November 2021 Check Register, which is a list of all checks issued and direct deposits made during the month, was included in the Board Book. Riley Astill and Greg Anderson responded to questions from Trustees Hatch and Christensen, after which it was moved by Trustee Hatch and seconded by Trustee Christensen as follows:



That the November 2021 Check Register be approved as presented.

The motion carried with Trustees Monson, Hatch, and Christensen each voting “aye”.

Consider Financial Report:

The monthly Financial Report, which consists of a number of individual reports, including the Statement of Net Position, the Statement of Revenues & Expenses, the Investment/Reserves Report, and the Administrative Service Report, was included in the Board Book. In response to a question from Trustee Christensen, Greg Anderson and Riley Astill explained how the District and the District’s insurance carrier process damage claims. Claims that exceed \$5,000 (which is the amount of the District’s deductible) are turned over to the insurance company. It was noted that preliminary data indicates that per capita water usage by District customers during 2021 was 136 gallons per person per day, which is quite low when you consider that it includes water use by nonresidential customers such as Frito Lay, which operates a large food processing plant. A copy of an open letter to the District’s customers, including a concise, thoughtful overview of the District and its operations and planned future rate increases, was included in the Board Book. In response to a comment by Trustee Christensen, Riley Astill agreed to consider adding to the letter an explanation of how sewer system usage is calculated to exclude outdoor water use (metered wintertime water use, from October through April, is used to estimate indoor water use during the warmer months).

Consider Training Requests:

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

Consider Purchases/Costs Over \$50,000:

A Memorandum from Mr. Woodruff reviewing Contractor’s Application for Payment No. 10 presented by Gerber Construction Inc. for work on the Zone D 5MG (million gallon) tank that was completed and inspected for the month of December 2021, was included in the Board Book. Gerber Construction requested a payment of \$349,064, less a 5% retention of \$17,453.20, yielding a net payment amount of \$331,610.80, which Mr. Woodruff recommended be paid. Mr. Woodruff explained that the contract is now 77% complete. It was moved by Trustee Hatch and seconded by Trustee Christensen as follows:

That a progress payment be approved for work on the Zone D 5-million-gallon tank to Gerber Construction Inc. in the amount of \$331,610.80.

The motion carried with Trustees Monson, Hatch, and Christensen each voting “aye”.

Mr. Woodruff then reviewed an invoice and payment request (Contractor’s Application for Payment No. 4) from Whitaker Construction Company for work on the 6200 South Booster Pump Station installation completed in November and December of 2021, in the total amount of \$482,891.29, less a 5% retention of \$24,144.56, leaving a recommended net payment amount of



\$458,746.73. Mr. Woodruff noted that the contract is now approximately 30% complete. It was moved by Trustee Hatch and seconded by Trustee Christensen as follows:

That the invoiced payment request from Whitaker Construction Company for work on the 6200 South Booster Pump Station installation be approved for payment in the amount of \$458,746.73.

The motion carried with Trustees Monson, Hatch, and Christensen each voting “aye”.

Consider Bond Releases/Reductions:

James Woodruff reported that punch list items for the water and sewer improvements in the Villages at Westridge Phase 3 had been completed and the warranty period had expired with no new concerns having come to light. The project was originally completed in July of 2018, at which time a 50% bond reduction was approved. However, due to COVID and the amount of time it took the developer to complete the punch list items, there have been no additional bond reductions. As explained in a Memorandum that was included in the Board Book, Mr. Woodruff recommended that the remaining bond amount (\$109,117) be released. It was moved by Trustee Hatch and seconded by Trustee Christensen as follows:

That the final 50% (\$109,117) of the bond for the Villages at Westridge Phase 3 be released.

The motion carried with Trustees Monson, Hatch, and Christensen each voting “aye”.

Quarterly and Annual Blue Stakes Report:

Copies of the quarterly and the 2021 yearly Blue Stakes Reports were included in the Board Book. In response to a question from Trustee Hatch, Riley Astill explained why the District was not charged for Blue Stakes tickets issued during December.

Consideration for Adoption of a Resolution Authorizing the Issuance and Sale of Not More than \$20,000,000 aggregate principal amount of Water and Sewer Revenue Bonds, Series 2022; and related matters:

A copy of a “minutes excerpt” for the January 11, 2022, Board meeting dealing with Resolution No. 2022-01-01 was included in the Board Book. That minutes excerpt, completely filled out, is incorporated by reference as part of these minutes.

Riley Astill introduced Alex Buxton, with Zions Public Finance, the District’s financial advisor. Mr. Buxton reviewed the possible methods of sale of the District’s bonds and the calendar of events for the sale. He noted that, when the District issued bonds last year, a ratings presentation was made to Moody’s, which resulted in an Aa-3, very solid, rating, followed by a successful bond sale using bids. The same steps could be followed again this year, with the bond sale to occur on March 8 and the closing to be a couple of weeks later. However, in the alternative, the District might pursue a direct purchaser for the bonds. That would save the cost of obtaining a bond rating



from Moody's (approximately \$25,000) and there would be no underwriters discount, which would run around \$92,000 on a \$20,000,000 bond issue. By using the direct purchase option, up front expenses related to the bond issuance could be reduced by around \$110,000 to \$120,000. However, interest rates typically are lower if bids are solicited, instead of contracting with a direct purchaser of the bonds.

Mr. Buxton stated that he expected bids to be in the 1.84% to 1.85% interest rate range, whereas the Bank of Utah has quoted a current direct purchase interest rate of 2.02%. Typically, there is a 15 to 16 basis points difference between bid interest rates and direct purchase interest rates at any point in time. However, interest rates appear to be trending up and, by "freezing" a direct purchase interest rate now, the direct purchase approach could result in both lower interest costs and lower bond issuance costs. Furthermore, using a market bid approach, the bonds would be subject to a ten-year call, meaning that they could not be redeemed during the first ten years after issuance, whereas direct purchase bonds might be redeemed at any time, which could be advantageous if interest rates fall in the future. The question for the Board was whether to lock in a direct purchase interest rate now with the Bank of Utah or "roll the dice" on a future market interest rate.

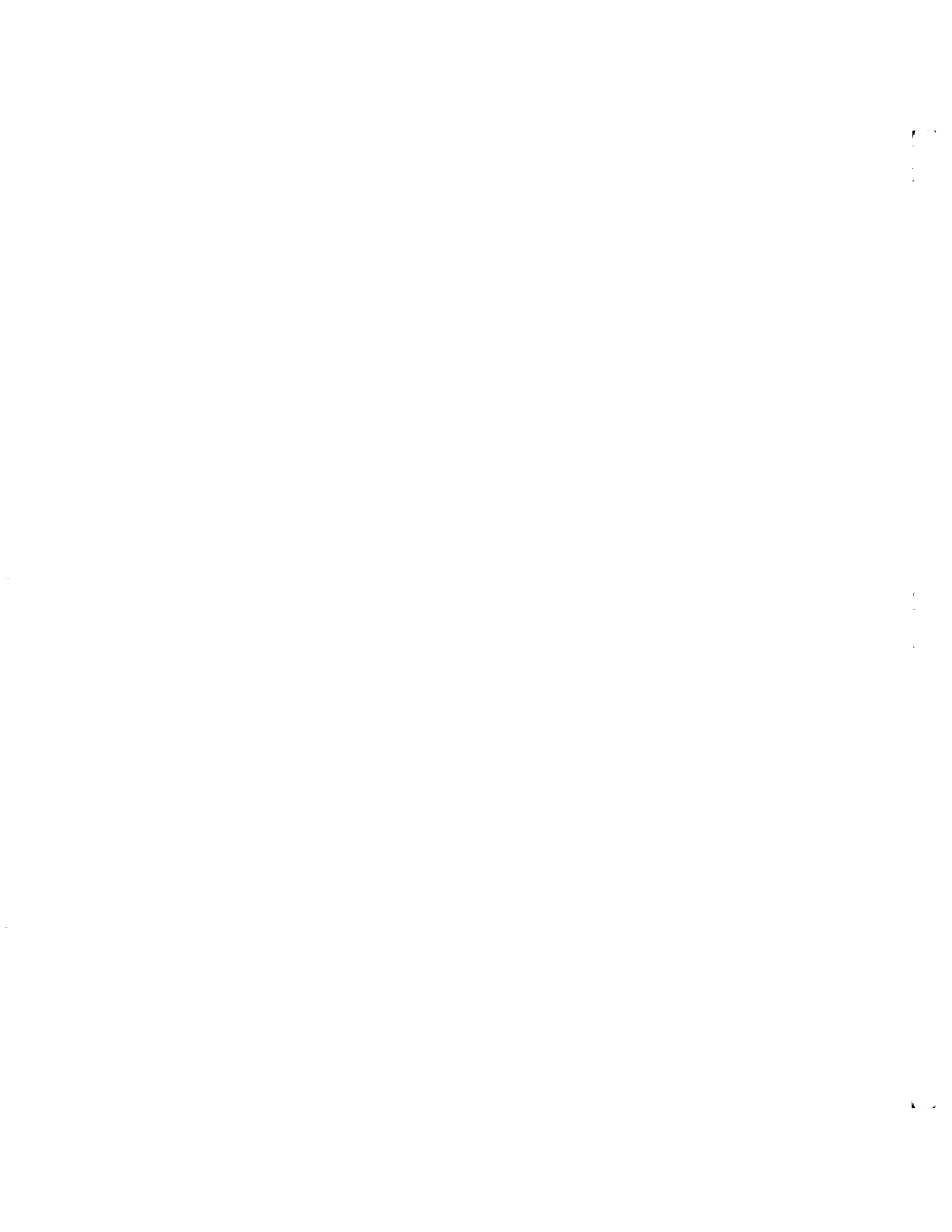
In response to a question from Trustee Christensen, Mr. Buxton explained that a Moody's bond rating isn't the same as a credit rating for the District. Each bond issuance must be rated as part of the market bid approach because it is the bonds, not the District, that are being rated.

Greg Anderson indicated that the latest cost estimate for the construction project that is to be funded by the bonds is \$15,800,000, and he does not expect the cost to exceed \$18,000,000. Consequently, the final amount of the bonds may be \$18,000,000 rather than \$20,000,000 as reflected in the Parameters Resolution. The Parameters Resolution limits the amount of the bonds that might be issued (not more than \$20,000,000) the maximum interest rate, etc. Mr. Buxton responded to additional questions from the Trustees. An error was noted on page 7 of the Resolution, dealing with the District's regular business hours and days. Mark Anderson will communicate with bond counsel to make that correction. Trustee Christensen also noted an apparent error on page 8 of the Fifth Supplemental Indenture of Trust that was included in the Board Book as an informational item. Mark Anderson will also call that irregularity to the attention of bond counsel.

After the Trustees came to an agreement that a direct purchase bond issuance may be in the District's best interest, it was moved by Trustee Christensen and seconded by Trustee Hatch as follows:

That Resolution No. 2022-01-01 be adopted with minor changes as discussed, including the delegation, to specified officers of the District, of the authority to approve minor changes and the final terms and provisions of the bonds.

The motion carried with Trustees Monson, Hatch, and Christensen each voting "aye". Mark Anderson pointed out that Resolution No. 2022-01-01 specifically designates the General Manager, the Finance Director, or the Board Chair as "Designated Officers" with authority to approve the final bond terms and documents.



Elect & Appoint KID Officers:

A list of the 2021 Kearns Improvement District officers was included in the Board Book. Following a brief discussion, it was moved by Trustee Hatch and seconded by Trustee Christensen as follows:

That the 2022 Kearns Improvement District officers, who will serve until they are removed or replaced, are: Board Chair, Cheryle Hatch; Board Vice Chair, Gregory R. Christensen; Board Clerk, Jeff Monson; District Clerk, Riley Astill; Treasurer, Greg Anderson; Secretary to the Board, Mark H. Anderson; Records Officer, Dana Timothy; Central Valley Water Reclamation Facility Board Member, Jeff Monson; Central Valley Water Reclamation Facility Alternate Board Member, Greg Anderson; UASD Representative, Greg Anderson; UASD Alternate Representative, Gregory R. Christensen; Kearns Metro Township Liaison, Cheryle Hatch; Kearns Community Council Liaison, Jeff Monson; and Sick Bank Committee Chairman, Jeff Monson.

The motion carried with Trustees Monson, Hatch and Christensen each voting “aye”, whereupon Trustee Hatch assumed the Chair.

Consider Purchase of the License and Right to Use Agreement with SRP Brighton and North Point Canal for the 4700 South Sewer Outfall:

A copy of the License and Right to Use Agreement between Brighton and North Point Irrigation Company (Grantor) and KID (Grantee) was included in the Board Book. Mr. Woodruff explained that, in order for the District’s 4700 South Sewer Outfall Line to go through or under the Brighton Canal, permission must be obtained from the Canal owner, with which a \$10,000 cost has been negotiated. Mark Anderson explained that the Brighton Canal prescriptive easement was acquired through decades of use by the Irrigation Company, but the underlying land is owned by a third party. Mr. Woodruff confirmed that the owner of the underlying land has given the District an Easement to run the sewer line through the property, but that it is also necessary to obtain the permission of the Canal owner. The Brighton Canal may be taken out of service in the near future. If that happens soon enough, the District will be able to install the sewer line through the Canal, rather than installing a syphon under the Canal, which would save the District many tens of thousands of dollars. At the end of the discussion, it was moved by Trustee Christensen and seconded by Trustee Monson as follows:

That the License and Right to Use Agreement between Brighton and North Point Irrigation Company and the Kearns Improvement District be approved, with changes to reflect the circumstances.

The motion carried with Trustees Hatch, Christensen, and Monson each voting “aye”.



Discuss/Consider KID Conference Travel Expenses:

Greg Anderson explained that Trustee Monson requested this agenda item to enable the Board to discuss purchasing and/or reimbursing the cost of flight insurance relative to travel to out-of-town conferences. Due to COVID, flights, and even events, are being canceled. Trustee Monson stated that, under the circumstances, it appears to be reasonable to purchase travel insurance if it is not too expensive (\$45 or \$50). It was noted that the District already covers baggage, parking, and similar charges. It was moved by Chair Hatch and seconded by Trustee Christensen as follows:

That the District cover baggage and parking costs, Uber and Lyft charges, and flight insurance if the cost is not excessive, and that the costs be tracked.

The motion carried with Trustees Hatch, Christensen, and Monson each voting “aye”.

Present General Manager’s 2021 Year in Review and 2022 Goals:

A “2021 Year in Review”, including expectations for 2022, prepared by Greg Anderson was included in the Board Book. Mr. Anderson went through the Review, point by point, and responded to questions and comments from the Trustees. It was a well-organized, thoughtful presentation.

Central Valley Water Reclamation Facility:

Chair Hatch asked the other Trustees if, in light of the lateness of the hour, they would be comfortable skipping outside agency business agenda items, with the exception of pressing issues? Trustees Christensen and Monson responded in the affirmative to Chair Hatch’s question.

A copy of the November 16, 2021, Central Valley Water Reclamation Facility Board meeting agenda was included in the Board Book.

Jordan Valley Water Conservancy District:

A copy of the agenda for the January 12, 2022, meeting of the Board of Trustees of the Jordan Valley Water Conservancy District was included in the Board Book.

Utah Association of Special Districts:

The Board meeting agenda was not available.

Kearns Metro Township Council:

A copy of the agenda for the January 10, 2022, Kearns Metro Township Council meeting was distributed to the Trustees and staff prior to the KID Board meeting.



Kearns Community Council:

The agenda was not available.

Chamber West Legislative Affairs Committee:

A copy of the Chamber West Legislative Affairs Committee agenda dated January 6, 2022, was included in the Board Book.

Trustee Per Diem Report:

A copy of the December 2021 Trustee Per Diem Report was included in the Board Book, along with informational IRS documentation.

Discuss the Character and Professional Competence of an Individual(s) – Possible Closed Meeting – Evaluation of General Manager:

It was moved by Trustee Monson and seconded by Trustee Christensen as follows:

That the Board go into a closed session to discuss the character and professional competence of an individual.

The motion carried with Trustees Hatch, Christensen, and Monson each voting “aye”. Chair Hatch declared the meeting to be closed at 9:03 p.m. All three Trustees stayed in the Board room during the closed portion of the Board meeting, and Greg Anderson attended a portion of the closed meeting.

The meeting was again declared to be open at 9:20 p.m. No action was taken during the closed portion of the meeting other than the approval of a motion to return to open session that was made by Trustee Christensen and seconded by Trustee Monson.

Following a brief discussion, it was moved by Trustee Christensen and seconded by Trustee Monson as follows:

That the General Manager receive a wage increase of 10%.

The motion carried with Trustees Hatch, Christensen, and Monson each voting “aye”.

Adjourn:

There being no further business to come before the Board, Chair Hatch declared the meeting to be adjourned at 9:25 p.m.



Approved by the Board of Trustees of the Kearns Improvement District on the 8th day of February 2022.

Date: 8 Feb 2022

Cheryle A. Hatch
Cheryle A. Hatch, Chair

Date: 8 Feb 2022

Gregory R. Christensen
Gregory R. Christensen, Vice Chair

Date: 8 February 2022

Jeff Monson
Jeff Monson, Board Clerk

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