

**MINUTES OF THE TRUSTEES MEETING OF THE
KEARNS IMPROVEMENT DISTRICT
HELD JULY 13, 2010 AT THE DISTRICT OFFICE
LOCATED AT 5350 WEST 5400 SOUTH, KEARNS, UTAH**

Trustees Present:

Royce A. Gibson
Kelly Record

Trustee Excused:

Rodney W. Bushman

Staff Present:

Pamela Gill	General Manager
Dale Birch	Consultant
Mark H. Anderson	Attorney

Others Present:

None

Call to Order:

Chairman Bushman being excused, Vice Chairman Gibson welcomed all those in attendance and called the meeting to order at 6:38 p.m. The invocation was offered by Royce Gibson and the pledge of allegiance was led by Dale Birch.

Public Comments:

No members of the public were present.

Approval of Minutes (Regular Meeting June 8, 2010; Special Meeting June 14, 2010):

There being no corrections to either set of minutes, it was moved by Trustee Record and seconded by Trustee Gibson as follows:

That the minutes of the June 8, 2010 regular meeting of the Board and the minutes of the June 14, 2010 special meeting of the Board be approved as presented.

The motion carried with Trustees Gibson and Record each voting "aye".

Consider General Manager's Report:

Ms. Gill reported that the search for a new Public Works Director/Engineer has gone well. Marv Allen, a consulting engineer who often works with the District, and Mike Foerster, an in-house engineer with the South Valley Sewer District, formed a search committee with Ms. Gill. Ms. Gill expressed her appreciation to Mr. Allen and Mr. Foerster for their assistance, which she described as "very helpful." Once Ms. Gill makes one or two telephone calls to confirm certain information, she intends to extend a job offer. Once that is done, Ms. Gill intends to turn her attention to filling the Controller vacancy.

Ms. Gill reported that the District received some demerit points, for deficiencies which are being corrected, in its annual Department of Environmental Quality Sanitary Survey. Once corrected, the demerit points may be removed. Ms. Gill also reported that the District's annual Water Quality Consumer Confidence Report has been completed and delivered to KID's customers.

Ms. Gill reported that the District's Public Works Department is "doing well" and briefly reviewed a couple of construction projects that will go out to bid in August. Ms. Gill's written report was included in the Board Book.

Consider Check Register:

The May, 2010 check register, which is a listing of all of the checks issued by the District during that month, was included in the Board Book. It was moved by Trustee Record and seconded by Trustee Gibson as follows:

That the May, 2010 check register be ratified and approved as presented.

The Motion carried with Trustees Gibson and Record each voting "aye".

Consider Financial Report:

Neither Trustee had any questions concerning the written financial report that was included in the Board Book.

Consider Training Requests:

Ms. Gill suggested that three Trustees and two staff members, including the District's new Public Works Director who is expected to be hired soon, be approved to attend the upcoming WEFTEC Conference & Expo. Trustee Gibson stated that he cannot attend. It was then moved by Trustee Gibson and seconded by Trustee Record as follows:

That two Trustees and two staff members be authorized to attend the upcoming WEFTEC Conference & Expo at District expense.

The motion carried with Trustees Gibson and Record each voting "aye". Ms. Gill noted that July 15th is the deadline for "supersaver" registration, after which date registration charges will increase.

Consider Purchases over \$25,000:

Ms. Gill reported that there were no purchases requiring advance Board approval.

Consider Bond Releases/Reductions:

There were no bond releases or reductions to be considered by the Board.

Discuss Quarterly Blue Stakes Report:

The quarterly Blue Stakes Report was included in the Board Book. Ms. Gill noted that, with increased construction activity during the warmer summer months, Blue Stakes requests are “heating up.” Trustee Gibson referred back to the June 8th Board meeting during which Trustee Record mentioned a site at approximately 850 South 4400 West where a means of curtailing the damage to underground utilities that often results from excavation is being demonstrated. He asked if any staff members have checked it out. Ms. Gill responded that someone from staff will go there within the next few weeks.

Consider 40 Year Water Rights Plan:

The District’s Forty Year Water Rights Plan entitled “Kearns Improvement District Water Demand Projections and Water Development Plan” dated June 2010, prepared by the engineering firm Caldwell Richards Sorensen, was included in the Board Book. Ms. Gill and Mr. Anderson worked closely with Bob Ramsey in the preparation of the Plan. The District has applied to the State Engineer for a time extension on an approved but uncertificated water right application. The State Engineer asked the District to provide a forty year plan to demonstrate the District’s need for the water right to meet the reasonable future needs of the public. Ms. Gill explained that the plan under consideration does just that.

Trustee Gibson asked regarding the interest of the Taylorsville-Bennion Improvement District to rent or sell surplus water wells to KID. Ms. Gill responded that Bob Ramsey with CRS Engineers has discussed the subject with Taylorsville-Bennion, and there is such an interest regarding two wells located east of KID’s boundaries, each of which would be expected to produce about 300 gallons of water per minute. She stated that the Granger Hunter Improvement District also has a well that is not in service, that would be expected to produce between 300 and 350 gallons of water per minute, and Granger Hunter may be interested in KID taking over that well.

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

That the Kearns Improvement District Water Demand Projections and Water Development Plan dated June 2010 be approved and be submitted to the State Engineer as one of the requirements for the District to receive a water right extension.

The motion carried with Trustees Gibson and Record each voting “aye”.

Consider Employer Retirement Contribution Rates:

It has been the District's policy to contribute 13% of an employee's salary toward retirement benefits. Typically, Utah Retirement Systems' rate schedules have been below 13%, and the balance, to bring the District's contribution up to 13%, has been placed in an IRA for each employee. The State has two retirement plans. The rate schedule for the contributory plan, in which only three district employees are participants, has been higher than the rate for the noncontributory plan, which covers the rest of the District's employees. Due to a number of factors, including the performance of the stock market and the economy, the percentage required to be paid to Utah Retirement Systems has increased. For the noncontributory system, it increased from 11.66% to over 13% and for the contributory system it increased from 13.65% to over 15%. The Trustees and staff discussed whether the 13% cap should be increased. Mr. Birch suggested that the Board look at the issue each year.

There was a brief discussion of the difference between the noncontributory and the contributory plans, during which Mr. Birch referred to resource materials. Trustee Gibson, who also serves on the Board of Trustees of the Jordan Valley Water Conservancy District, indicated that Jordan Valley employees on the contributory plan pay 1% toward the retirement contribution and Jordan Valley pays the rest. Mr. Birch noted that, this year, both the noncontributory plan and the contributory plan are over the District's 13% cap. There was uncertainty regarding the differences between the plans and the benefits of one plan over the other. Mr. Anderson stated his belief that the primary difference is that an employee vests (meaning the employee has, in effect, an ownership interest) in a portion of the contributory plan. Trustee Gibson stated his belief that it would be appropriate for the District to fully fund the July and August retirement contributions while the two plans are researched. Trustee Gibson declared that the Board would move on to the next agenda item while Mr. Birch continued to study the resource material.

Consider Medical Insurance Renewal:

Ms. Gill included a memorandum in the Board Book that generally outlined the District's renewal options with Altius and provided an anticipated range in premiums from the following competing health insurance providers: IHC Select Health, Blue Cross Blue Shield, United Healthcare, Aetna, and Humana. Of the alternatives, Select Health appeared to be the most promising, but Ms. Gill does not expect the District to be able to save money by changing insurance companies.

Ms. Gill explained that Altius originally proposed a 9% premium increase, but the broker who represents the District pointed out that Carl Eriksson is no longer on the plan, having passed away, which caused the premium increase to drop to 7%.

Trustee Record stated that the companies he has worked for have always paid an 80-20 split on health insurance. He indicated that the District might go to a 90-10 split. He questioned increasing the deductible, however, because it could place a hardship on the families of District employees. Trustee Gibson stated that the ideal health plan would reward good health. Mr. Birch expressed his belief that the District's employees would prefer an increased deductible and increased co-pays as opposed to being required to pay a portion of the monthly insurance premium. Ms. Gill agreed that the employees would prefer a plan in which they were not

required to pay a portion of the premium. She indicated that the out-of-pocket maximum might increase and the co-pays might be increased as a way of holding down the insurance premium rate increase.

In response to a question from Trustee Gibson, Ms. Gill stated that the District's employees received a 1% wage increase this year. In response to another question from Trustee Gibson, Ms. Gill agreed to check with the Jordan Valley Water Conservancy District and the Central Valley Water Reclamation Facility to ascertain their health insurance premium rates.

Ms. Gill noted that each insurance alternative has a wide range of possible premiums. The only way to nail the premiums down would be to provide detailed information on the District's employees to all of the insurance companies so they could prepare specific rate quotes. Ms. Gill stated that Select Health looks like the best alternative to Altius, but she expects the Select Health premium to be at least a 7% increase over the premium paid by the District last year. Ms. Gill also discussed the strengths of Altius, and the satisfaction of the District's employees with the Altius plan.

Trustee Record stated that option 1 (increasing the pharmacy co-pay to \$15/\$30/\$60 resulting in a 1.17% premium savings) and option 2 (increasing the office visit co-pay to \$25/\$50 resulting in a 2.22% premium savings) might be the way to proceed. That would result in a 3.39% premium saving and cut the proposed rate increase approximately in half. Mr. Birch added that option 3, increasing deductibles to \$500/\$1,000 and pharmacy co-pays to \$15/\$30/\$60 (resulting in a 6.28% premium savings), would leave the insurance premium near where it was last year.

Trustee Gibson stated that his inclination is to increase the deductibles to \$500/\$1,000, which would result in a 5.1% premium savings. He indicated that the deductible only kicks in when something significant happens, and making that change would hold the employees essentially harmless, except in the case of a serious health issue, and would result in a net premium increase to the District of approximately 2%. Ms. Gill added that the alternative suggested by Trustee Gibson might help reduce the District's utilization, resulting in a lower premium increase next year. Trustee Record expressed agreement with that approach. Trustee Gibson asked how the employees would react to that alternative. Ms. Gill responded that taking money out of their checks to pay a portion of the insurance premium would be harder on the employees than increasing the deductibles. She agreed that increasing the deductibles would likely have the least negative impact on District employees.

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

That the District renew its insurance coverage through Altius, but increase the deductible to \$500.00/\$1,000.00, with the District to pay 100% of the premium.

The motion carried with Trustees Gibson and Record each voting "aye".

Consider Employer Retirement Contribution Rates:

Mr. Birch having completed his review of the resource materials, Trustee Gibson returned to agenda item IVB. Mr. Birch reported that, under the contributory plan, 6% of the

contributed amount immediately vests in the employee, giving the employee a refund right to that 6% when the employee ceases to work for the covered governmental employer. Apparently, however, if the vested portion of the retirement contributions are taken out, the employee loses credit for the years of service. Mr. Birch indicated that KID's employees who are in the contributory retirement plan already have a vested interest in retirement and, as such, the 6% vesting feature of the contributory plan is not beneficial to them. Apparently, it is not possible to switch from the contributory plan to the noncontributory plan.

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

That the District cover its employees' retirement contributions for July and August, paying in full the amount due under both the noncontributory plan and the contributory plan, with staff instructed to come back in August with more information.

The motion carried with Trustees Gibson and Record each voting "aye".

Consider Central Valley Bond Refunding:

Ms. Gill reported that the Central Valley Water Reclamation Facility Board has approved a plan that will allow any member entity desiring to do so to pay off its share of Central Valley's loan from the State. The other Central Valley member entities would be held harmless in that the amount they owe, and their required annual payments, will not increase. Ms. Gill indicated that at least one, if not two, of the seven member entities want to pay off their share of the State loan. According to Ms. Gill, there won't be much in the way of savings as a result of the repayment. She explained that this is a one time window during which a member entity may repay 100% of its share of the State loan. Partial repayments are not allowed.

Ms. Gill explained that it would require all of the District's available reserves to retire its share of the Central Valley State loan, which is almost \$5,800,000.00. Ms. Gill recommended against using reserves to retire KID's share of the State loan. She noted that the State loan does not count as KID debt and KID is not required to satisfy debt service coverage requirements for that loan. In addition, the interest rate is only 3%, which is lower than currently available interest rates. Mr. Birch added that staff has conferred with Dustin Matsumori of George K. Baum & Company, the District's financial advisor, regarding not taking advantage of the opportunity to pre-pay KID's share of the Central Valley State loan.

Consider Participation in Kearns Hometown Parade:

Ms. Gill explained that KID participates in the Kearns Hometown Days Parade every year. Normally, KID enters two trucks in the parade. She recommended continued participation, and asked the Trustees if they are interested in driving one of the District's trucks down the parade route. Trustee Gibson has participated in the past, and said "it is fun." It was moved by Trustee Record and seconded by Trustee Gibson as follows:

That the District participate in the Kearns Hometown Days Parade on Saturday, August 7, 2010.

The motion carried with Trustees Gibson and Record each voting “aye”. Both Trustees expressed an interest in participating in the parade.

Discuss Ivory Homes Development:

Ms. Gill explained that Ivory Development is proposing a satellite development that will require approximately three miles of water and sewer mainlines, at a cost of approximately \$3,500,000.00, to bring water and sewer service to the development. Ms. Gill explained that staff has offered a pioneering agreement, under which Ivory would pay the cost of extending the water and sewer infrastructure to the development and the District would repay Ivory as connection fees are collected. Ivory has shown little interest in that alternative, and is looking for someone else, possibly West Valley City, to finance the infrastructure. West Valley City apparently wants to annex the area into the City because it opens the way to annex land located west of the Ivory property.

KID staff (Pam Gill, Blake Anderson and Mark Anderson), recently met with a West Valley City planner and an attorney in the West Valley City Attorney’s office, along with a representative of Ivory Development. The City seems to favor establishing an assessment area. The City would issue bonds, use the proceeds to install the required water and sewer lines, and assess the property annually to pay off the bonds. Ms. Gill indicated that the subject water and sewer lines are included in the District’s Capital Facilities Plan. If property owners are required to pay for the water and sewer lines through a West Valley City assessment, and also pay KID’s full connection fee, there in effect would be a “double dip”. Ms. Gill is concerned that subsequent property owners may object to that arrangement, and the District would be pulled into the controversy.

Mr. Anderson mentioned that the proposed satellite development also presents density and bottleneck issues. The proposed density, which seems to be a somewhat moving number, reflects a greater density than the District’s Master Plan, based upon which water and sewer infrastructure has been sized. Once the District knows the final proposed density, staff can determine the extent of bottlenecks (water and sewer line sections that are not large enough to provide the required service) and come up with a plan to address the bottlenecks.

Trustee Gibson wondered aloud why West Valley City is so interested in annexing this area since it costs more to serve residential areas than the amount of increased tax revenue generated by such areas. Mr. Anderson noted that a portion of the development will be commercial and, depending on the type of commercial activities, may generate sales tax revenue for West Valley City. Ms. Gill suggested that the Board may want to consider revising KID’s Capital Facilities Plan and connection fees to eliminate the subject water and sewer lines if West Valley City moves forward with plans for an assessment area. The Trustees expressed agreement with the positions being taken by staff on this matter.

Consider Changes in Appointment of Kearns Improvement District Officers:

Ms. Gill explained that, due to the untimely death of Carl Eriksson, the Trustees should consider appointing someone to fill the offices previously held by Mr. Eriksson. Those offices are Treasurer, Central Valley Water Reclamation Facility Board Alternate, and UASD (Utah Association of Special Districts) Alternate Representative. Trustee Gibson noted that it might

also be desirable to replace Ms. Gill as the District's Records Officer because of her expanded duties as General Manager. Ms. Gill responded that she is planning to keep that position through the end of the year, but will recommend someone else as the Records Officer at that time. Ms. Gill also noted that Dale Birch, who is no longer an employee of the District, having retired, but is acting as a consultant until the District hires a new Controller, should be replaced as the District Clerk. Trustee Gibson suggested that Ms. Gill should take over as Treasurer and also as Central Valley Board Alternate. During a discussion of the UASD Alternate Representative position, Mr. Anderson noted that a member of the Board might fill that position. He indicated that most UASD representatives are district employees, and having district board members actively engaged with the UASD provides a valuable perspective. Trustee Record expressed a willingness to serve in that position.

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

That Pamela Gill be appointed to serve as District Treasurer and Central Valley Water Reclamation Facility Board Alternate and that Kelly Record be appointed to serve as KID's UASD Alternate Representative.

The motion carried with Trustees Gibson and Record each voting "aye". The District Clerk position will be filled at a later date, most likely after a new Controller has been hired.

Central Valley Water Reclamation Facility:

Ms. Gill reported on recent Central Valley activities. She noted that, during a meeting on June 30, 2010, the Central Valley Board approved Central Valley's Self Assessment Report for 2009. She explained that Brian Cannon and Ron Day, two Central Valley employees, were recognized for receiving an Energy Efficiency and Conservation Award related to the use of methane gas captured in Central Valley's sewage treatment processes to generate electricity. Using methane gas has reduced Central Valley's utility bills by between 10% and 15% and has reduced carbon emissions by 5,650 tons per year. The Central Valley Board also approved purchasing a vehicle maintenance building for the Central Valley Golf Course. Ms. Gill described the June 30th Central Valley Board meeting as "short."

Jordan Valley Water Conservancy District:

Trustee Gibson, who also serves on the Jordan Valley Board, reported in detail concerning a rate consultant who is working on rates for Jordan Valley's retail water distribution system. He noted that the retail rates charged by Jordan Valley are lower than the rates customer agencies like KID are able to charge. That has caused Trustee Gibson to question whether wholesale customers are subsidizing the Jordan Valley retail system. He noted that KID might be able to save money if Jordan Valley were to take over retail water service within KID's boundaries. He indicated that Jordan Valley is considering water conservation rates for the retail area. Trustee Gibson pulled up graphs on his computer screen and discussed a graphic representation of water use by Jordan Valley retail customers. He noted that a majority of Jordan Valley's retail customers are in the middle tier, using about 30,000 gallons of water in July. Trustee Gibson indicated that the consultant is also considering lot sizes, to avoid penalizing customers with larger lots. Trustee Gibson stated that, until Jordan Valley narrows the amount of water usage in each water rate or makes the rates steeper as water use goes up, Jordan

Valley’s retail rates won’t accomplish much in the way of water conservation, especially if a lot size adjustment is factored into the rates.

Jordan Valley’s proposed retail water rates are as follows:

<u>MONTHLY WATER USAGE</u>	<u>RATE PER 1,000 GALLONS</u>
Up to 8,000 gallons	\$1.25
8,000 gallons to 46,000 gallons	\$1.55
Above 46,000 gallons up to 75,000 gallons	\$2.35
More than 75,000 gallons	\$3.50

Trustee Gibson described Jordan Valley retail customers that are charged at the \$2.35 per 1,000 gallons rate as “really inefficient” and customers using more than 75,000 gallons per month as “really wasteful.” Trustee Gibson acknowledged, however, that the proposed multi-tiered retail water rates are a start. He indicated that the Jordan Valley Board is struggling with issues the KID Board has already faced and resolved with workable solutions. For example, approximately 1/3 of the water used within the Jordan Valley retail system is delivered to apartment complexes, which should not be billed the same as single family detached houses. Trustee Gibson recommended that Bart Forsyth of the Jordan Valley staff contact Ms. Gill about some of these issues. Trustee Gibson believes that, for Jordan Valley to meet its twenty-five year water conservation goal of a 25% decrease in per capita water use, more will be required.

Trustee Gibson described a situation with which Jordan Valley currently is dealing. A low bid for a construction project was deficient in two major areas. The bidder lacked a required license and the corporate name used by the bidder is not registered with the State of Utah and, therefore, no longer exists. The next low bidder was more than \$200,000.00 higher. Trustee Gibson indicated that Jordan Valley could not overlook the bid deficiencies, and expressed a desire for bidders to pay more attention to details.

Utah Association of Special Districts:

Ms. Gill, who serves on the UASD Board, reported that a legislative bill is being prepared that will allow unopposed candidates in a municipal election to be considered elected without requiring the municipality to hold an election. Naturally, if there is even one contested race in the municipality an election would be required.

Ms. Gill indicated that Mike Ostermiller, an attorney and lobbyist for the developer/realtor community, is looking at districts’ lien authority. Currently, KID can place a lien against property for which the owner is delinquent in paying water and sewer bills so long as the owner is the party that incurred those bills. Mr. Ostermiller would like to limit that statutory authority. Ms. Gill briefly discussed the benefits of being able to utilize the lien statute, but realtors want to make it easier to close sales by not having to deal with unpaid water and sewer service fees.

Ms. Gill noted that Senator Wayne Neiderhauser and others serve on a Government Transparency Committee. The Utah Transit Authority has its own seat on the Committee.

UASD has been asked to appoint someone to represent other types of districts on the Committee. Ms. Gill stated that the Association’s Executive Director, LeGrand Bitter, is willing to serve on the Committee, but that others who might be interested in serving are also being sought.

Ms. Gill reported concerning the status of planning for the Association’s Annual Convention that will be held in November. She noted that the Convention will include a panel discussion regarding transparency, and that Senator Neiderhauser has agreed to participate. Ms. Gill concluded her report by stating that LeGrand Bitter is doing “a great job as always.”

Trustee Per Diem Report:

The Trustee per diem report was included in the Board Book.

Adjourn:

There being no further business to come before the Board, Vice Chairman Gibson declared the meeting to be adjourned at 8:21 p.m.

Date: _____
Rodney W. Bushman

Date: _____
Royce A. Gibson

Date: _____
Kelly Record