

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES, MIDVALLEY IMPROVEMENT DISTRICT, HELD AT 160 EAST 7800 SOUTH, MIDVALE UTAH 84047 ON MARCH 16, 2016 AT THE TIME OF 4:30 PM, PRUSUANT TO NOTICE.

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BOARD OF TRUSTEES PRESENT

BRENT W. SMART - CHAIRMAN  
DAVID DAWES  
QUINN SPERRY (Conference Call)

OTHERS PRESENT

MARK F. BELL, DISTRICT ATTORNEY  
BRAD M. POWELL, DISTRICT MANAGER  
CATHY KINGSBURY, OFFICE CLERK  
BRENT CHRISTENSEN, CHIEF FINANCIAL OFFICER  
MARC JONES, OPERATION'S SUPERVISOR

GUEST: Mr. Folsom – Utah Local Government Trust

Meeting was called to order at 4:43 PM by Chairman Brent Smart.

**PUBLIC COMMENT**

**PRESENTATION: Utah Local Government Trust – Doug Folsom**

Mr. Folsom, with Utah Local Government Trust, presented the District with the 2015 Trust Accountability Award. Mr. Folsom stated the District has in-place an active safety program, risk management, incident investigations, self-inspection, driver's qualification, and maintenance programs. This is the second year the District has been presented this award. Mr. Folsom would like to congratulate the District for a job well done.

**MINUTES**

**Upon motion** made by Mr. Dawes, Seconded by Mr. Smart and passed unanimously, the minutes of the Board Meeting held on February 10, 2016 was approved.

## **ATTORNEY'S REPORT**

Mr. Bell discussed the Utah's 2016 Legislative session and bills that may affect the District. Mr. Bell stated that "HB" stands for house bill and the "SB" stands for senate bill. HB-12 is a new bill which is an emergency short term loan. HB-63 deals with the GRAMA policy and the District will need to relook at their GRAMA policy and update. HB-155 is reporting child pornography and this needs to be reported if anyone knows of any inappropriate pictures. SB-35 covers the sewer lateral disclosures and the District will need to decide the language to put on the website and whether to include a letter with the billing statements. SB-119 states the District may utilize the Office of State Debt Collection to collect on accounts past due more than 90 days. The past due amount can be deducted from the owners tax refund. One of the big changes is SB-184 which covers Procurement Code Modifications.

Mr. Bell stated March 18 or the 22<sup>nd</sup> are the two days being considered for mediation concerning Mr. Amaya's matter.

## **GENERAL MANAGER/ENGINEERING**

Mr. Powell discussed the impact fee which Bowen Collin's suggest should be in the \$1,400 range. The other studies are going well; the rate study shows the District's monthly bill will need to be raised. One reason for the sewer service increase is the District will be paying a portion of South Valley Water Reclamation Facility's new construction which is \$10,000,000.

Mr. Powell stated the 2013 truck sold for \$23,601 and the 2014 truck sold for \$31,600.

## **REVIEW AND APPROVE BILLS**

**Upon Motion** made by Mr. Dawes, Seconded by Mr. Smart and passed unanimously, to pay the February 9-March 10, 2016 bills for \$253,100.08 and ratify February 2016 payroll for \$56,303.

## **CHIEF FINANCIAL OFFICER**

Mr. Christensen handed out a copy of the District's balance sheet to the Board members. Mr. Christensen stated the numbers on the balance sheet are the numbers that will be audited. He briefly reviewed the balance sheet numbers. Mr. Christensen handed out and reviewed with the Board members the Profit & Loss YTD Comparison Report (a comparison of the revenues and expenses of 2015 and 2014), and the Budget to Actual Report (a comparison of the budget for 2015 and the actual amounts). Mr. Christensen pointed out that the sewage treatment fees expense for 2015 was lower than expected due to being notified in January 2016 that South Valley Water Reclamation Facility (SVWRF) will be refunding \$157,000 back to the District. The District had budgeted a \$15,000 refund from SVWRF.

The District's audit will be conducted the end of March with the report being complete in June.

Mr. Christensen also informed the Board that the estimates the Utah Retirement Systems office will be requiring the District to record is a \$250,000 debt which is the District's share of the Retirement Fund that is short. The debt will have no impact to the District's budget. Mr. Christensen also pointed out that the bond interest expense has increased from \$13,000 in 2014 to \$46,000 in 2015.

#### **OPERATION'S SUPERVISOR**

Mr. Jones updated the construction in the District stating there is one new duplex and all the major construction is complete.

Mr. Jones stated the slip-lining project was put out to bid and three companies bid the project. Mr. Jones stated 5635 feet of 8" pipe and 138 Feet of 12" pipe is what the bids covered. The three companies bids are: C&L \$193,587, PEC \$142,500 and Insituform \$129,207.75. Mr. Powell stated the cost is over the dollar threshold for small construction projects; Mr. Powell wrote a memo (copy of memo attached) explaining why the contract should be awarded to Insituform (low bidder). Mr. Bell stated the procurement policy does state if the District is over the threshold amount the Procurement Officer (Mr. Powell) can write a letter stating why he feels the contract should be awarded. Mr. Bell stated the District can pre-qualify vendors in the future and the District would not have to go out to bid each year for slip-lining.

Mr. Powell recommends that Insituform be awarded the 2016 Slip-lining Project for \$129,207.75.

**Upon motion** made by Mr. Dawes, Seconded by Mr. Sperry and passed unanimously, to award the 2016 Slip-lining Project to Insituform in the amount of \$129,207.75.

**Adjourn: 5:45 PM**

# MEMORANDUM

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TO: Midvalley Improvement District Trustees & Management  
FROM: Mark Bell, Legal Counsel  
RE: 2016 Legislation Report  
DATE: March 16, 2016

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The following is a brief summary of legislation from Utah's 2016 legislative session that may affect the District.

HB-12 Disaster Recovery for Local Governments  
Emergency short term loans.

HB-63 Fees for Government Records Requests  
Review and possible revision to GRAMA policy dealing with appeals from denial of a fee waiver request.

HB-155 Reporting of Child Pornography  
Training and possible revision to personnel policies on action to be taken if child pornography is discovered.

HB-347 Local and Special Service District Amendments  
Trustees to receive training ; notice requirements for increase of fees; resource recovery public-private partnerships.

HB-359 Political Subdivision Ethics Commission Amemndments  
Addresses the individual with whom to file an ethics complaint.

HB-428 Local Government Bonding  
Authorizes issuance of bonds to pay claims, judgments, etc.

SB-26 Election Notice Requirements

SB-34 Sewer Lateral Disclosures  
District needs to draft language about ownership of lateral lines and responsibility to repair and maintain lateral lines. Language to be published on District web site; decision on whether to include disclosure language with billing statements to customers.

SB-99 Transparency for Political Subdivisions  
Post on Utah Public Notice Website "the name, phone number and email address of each member of the local district's board of trustees . . ." Update the information within 30 days of any change.

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**Midvalley Improvement District**  
**Balance Sheet**

As of December 31, 2015

|  | <u>Dec 31, 15</u> |
|--|-------------------|
| <b>ASSETS</b>                                |                   |
| <b>Current Assets</b>                        |                   |
| <b>Checking/Savings</b>                      |                   |
| Cash In Bank - WF                            | 211,944           |
| <b>Total Checking/Savings</b>                | 211,944           |
| <b>Other Current Assets</b>                  |                   |
| PTIF #666 - General Account                  | 3,053,015         |
| PTIF #4886 - SVWRF 4D Bond                   | 490               |
| Restricted Cash & PTIF                       | 99,007            |
| Accounts Receivable - Customers              | 74,608            |
| Liens Receivable                             | 15,739            |
| Property Tax Receivable                      | 30,163            |
| AR - SVWRF                                   | 156,265           |
| Prepaid - SVWRF Oper Exp - Curr              | 80,585            |
| <b>Total Other Current Assets</b>            | 3,509,871         |
| <b>Total Current Assets</b>                  | 3,721,815         |
| <b>Fixed Assets</b>                          |                   |
| <b>Capital Assets - Not Depreciate</b>       |                   |
| Intangible Asset - SVWRF                     | 3,414,424         |
| Land   | 300,370           |
| <b>Total Capital Assets - Not Depreciate</b> | 3,714,794         |
| <b>Capital Assets - Depreciated</b>          |                   |
| Buildings & Improvements                     | 1,273,235         |
| Sewer System - Contributed                   | 4,249,321         |
| Sewer System - Constructed                   | 6,147,744         |
| Trucks                                       | 1,148,963         |
| Machinery & Equipment                        | 69,847            |
| Office Equipment                             | 95,308            |
| Accumulated Depreciation                     | -5,483,012        |
| <b>Total Capital Assets - Depreciated</b>    | 7,501,405         |
| <b>Total Fixed Assets</b>                    | 11,216,199        |
| <b>Other Assets</b>                          |                   |
| Prepaid - SVWRF Oper Exp LT                  | 1,128,187         |
| Investments                                  | 5,036,347         |
| Restricted Investments - Bonds               | 271,338           |
| <b>Total Other Assets</b>                    | 6,435,872         |
| <b>TOTAL ASSETS</b>                          | <b>21,373,886</b> |

**Midvalley Improvement District**  
**Balance Sheet**  
As of December 31, 2015

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|                                       | <u>Dec 31, 15</u>        |
|---------------------------------------|--------------------------|
| <b>LIABILITIES &amp; EQUITY</b>       |                          |
| Liabilities                           |                          |
| Current Liabilities                   |                          |
| Other Current Liabilities             |                          |
| Accounts Payable - Year End           | 8,719                    |
| Deferred Revenue                      | 67,086                   |
| Refundable Deposits                   | 21,812                   |
| Comp Absences - Current               | 88,412                   |
| 2013 Sewer Rev Bond - Current         | 64,000                   |
| Total Other Current Liabilities       | <u>250,028</u>           |
| Total Current Liabilities             | 250,028                  |
| Long Term Liabilities                 |                          |
| Refundable Deposits - Long Term       | 21,241                   |
| Comp Absences - Long Term             | 212,655                  |
| 2013 Sewer Rev Bond - Long Term       | 1,519,000                |
| Total Long Term Liabilities           | <u>1,752,896</u>         |
| Total Liabilities                     | 2,002,924                |
| Equity                                |                          |
| Net Position                          | 4,249,321                |
| Retained Earnings                     | 15,137,514               |
| Net Income                            | -15,874                  |
| Total Equity                          | <u>19,370,961</u>        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b><u>21,373,886</u></b> |

**Midvalley Improvement District**  
**Profit & Loss YTD - Budget vs Actual**  
**January through December 2015**

|  | <u>Actual</u>      | <u>Amended<br/>Budget</u> | <u>Over (Under)<br/>Budget</u> | <u>%<br/>Change</u> |
|--|--------------------|---------------------------|--------------------------------|---------------------|
| <b>Operating Revenues</b>                |                    |                           |                                |                     |
| Sewer Service Fees                       | \$ 1,353,486       | \$ 1,360,000              | \$ (6,514)                     | (0.5%)              |
| Finance Charges & Other                  | 13,531             | 35,000                    | (21,469) A                     | (61%)               |
| <b>Total Operating Revenues</b>          | <u>1,367,017</u>   | <u>1,395,000</u>          | <u>(27,983)</u>                | <u>(2%)</u>         |
| <b>Operating Expenses</b>                |                    |                           |                                |                     |
| Sewage Treatment Fees                    | 1,231,243          | 1,400,000                 | (168,757) B                    | (12%)               |
| Salary and Wages                         | 620,882            | 619,000                   | 1,882                          | 0%                  |
| Payroll Taxes                            | 47,318             | 46,000                    | 1,318                          | 3%                  |
| Employee Benefits                        | 416,293            | 417,000                   | (707)                          | (0%)                |
| Depreciation and Amortization            | 305,308            | 275,000                   | 30,308 C                       | 11%                 |
| Auto & Truck Expense                     | 27,664             | 55,000                    | (27,336) D                     | (50%)               |
| Insurance                                | 60,578             | 65,000                    | (4,422)                        | (7%)                |
| Legal & Accounting Services              | 30,296             | 60,000                    | (29,704) D                     | (50%)               |
| Office Expense                           | 131,048            | 130,000                   | 1,048                          | 1%                  |
| Repairs & Maintenance                    | 141,983            | 150,000                   | (8,017)                        | (5%)                |
| Engineering Fees                         | 5,885              | 5,000                     | 885                            | 18%                 |
| Claims & Damages                         | 0                  | 12,000                    | (12,000) E                     | (100%)              |
| Miscellaneous                            | 0                  | 25,000                    | (25,000) D                     | (100%)              |
| <b>Total Operating Expenses</b>          | <u>3,018,498</u>   | <u>3,259,000</u>          | <u>(240,502)</u>               | <u>(7%)</u>         |
| <b>Net Loss From Operations</b>          | (1,651,481)        | (1,864,000)               | 212,519                        | 11%                 |
| <b>Non-Operating Revenues</b>            |                    |                           |                                |                     |
| Property Tax Revenue                     | 1,363,546          | 1,375,000                 | (11,454) F                     | (1%)                |
| Impact Fee Income                        | 185,647            | 100,000                   | 85,647 G                       | 86%                 |
| Interest Income                          | 61,451             | 50,000                    | 11,451 H                       | 23%                 |
| Lien Fees                                | 2,866              | 0                         | 2,866                          | 100%                |
| Other Non-Operational Income             | 4,230              | 10,000                    | (5,770)                        | (58%)               |
| Gain or Loss on Sale of Asset            | 63,927             | 0                         | 63,927 I                       | 100%                |
| <b>Total Non-Operating Revenues</b>      | <u>1,681,667</u>   | <u>1,535,000</u>          | <u>146,667</u>                 | <u>10%</u>          |
| <b>Non-Operating Expense</b>             |                    |                           |                                |                     |
| Bond Interest Expense                    | 46,060             | 31,000                    | 15,060 J                       | 49%                 |
| <b>Total Non-Operating Expense</b>       | <u>46,060</u>      | <u>31,000</u>             | <u>15,060</u>                  | <u>49%</u>          |
| <b>Contributed Capital - Sewer Lines</b> | <u>0</u>           | <u>0</u>                  | <u>0</u>                       | <u>0%</u>           |
| <b>Net Income (Loss)</b>                 | <u>\$ (15,874)</u> | <u>\$ (360,000)</u>       | <u>\$ 344,126</u>              | <u>96%</u>          |

**Midvalley Improvement District**  
**Profit & Loss YTD - Budget vs Actual**  
**January through December 2015**

**Explanation of major over or (under) budget line items (greater than \$10,000 or 25%):**

- A Under budget is due to the District not receiving Manhole Fees or Engineering Fees as budgeted. There were not new major construction projects in the District during the current year.
- B Under budget is due to a refund of \$156,263 that will be received in April 2016. The refund was larger than anticipated during the budgeting process. The 2014 refund of treatment fees was \$15,150.
- C The over budget is due to the depreciation expense from the 2014 Sewer Line Expansion Projects. The project was put into service in late 2014. Therefore, 2015 had a full year of depreciation expense, where as, 2014 only had 2 months of depreciation expense. The District had not input the project into the asset management software during the budgeting process and the depreciation was a little more than anticipated.
- D The under budget amount is due to less actual expenses than anticipated during the year. This under budget amount is not an area of concern.
- E This account is used for one-time non recurring payments. Decrease is due to no one-time non recurring payments in 2015.
- F Under budget is due to the District collected less property tax than anticipated.
- G Over budget is due to the District collecting more impact fees than budgeted, primarily from the Cottages on 78th.
- H Over budget is due to the District receiving more investment income than anticipated. During the year the District started investing the long term portion of their savings in an investment account managed by Moreton Asset Management (investment consultants) rather than in the State of Utah's Public Treasurers Investment Fund.
- I Over budget is due to the gain on the sale of vehicles that were not included in the original budget. The District has changed their philosophy on the timing of the sale of District vehicles and the estimated salvage value at disposal.
- J Over budget is due to a scheduled increase in bond interest for the current year.

**Midvalley Improvement District**  
**Profit & Loss YTD - Comparison To Prior Year**  
**January through December 2015**

|  | Jan to Dec<br>2015 | Jan to Dec<br>2014 | Change              |   | %             |
|--|--------------------|--------------------|---------------------|---|---------------|
|  |                    |                    |                     |   | Change        |
| <b>Operating Revenues</b>                |                    |                    |                     |   |               |
| Sewer Service Fees                       | \$1,353,486        | \$1,346,337        | \$ 7,149            |   | 1%            |
| Finance Charges & Other                  | 13,531             | 33,646             | (20,115)            | A | (60%)         |
| <b>Total Operating Revenues</b>          | <u>1,367,017</u>   | <u>1,379,983</u>   | <u>(12,966)</u>     |   | <u>99%</u>    |
| <b>Operating Expenses</b>                |                    |                    |                     |   |               |
| Sewage Treatment Fees                    | 1,231,243          | 1,147,244          | 83,999              | B | 7%            |
| Salary and Wages                         | 620,882            | 585,638            | 35,244              | C | 6%            |
| Payroll Taxes                            | 47,318             | 43,542             | 3,776               |   | 9%            |
| Employee Benefits                        | 416,293            | 427,355            | (11,062)            | D | (3%)          |
| Depreciation and Amortization            | 305,308            | 278,768            | 26,540              | E | 10%           |
| Auto & Truck Expense                     | 27,664             | 43,777             | (16,113)            | F | (37%)         |
| Insurance                                | 60,578             | 58,034             | 2,544               |   | 4%            |
| Legal & Accounting Services              | 30,296             | 48,818             | (18,522)            | G | (38%)         |
| Office Expense                           | 131,048            | 123,495            | 7,553               |   | 6%            |
| Repairs & Maintenance                    | 141,983            | 179,293            | (37,310)            | H | (21%)         |
| Engineering Fees                         | 5,885              | 0                  | 5,885               |   | 100%          |
| Claims & Damages                         | 0                  | 14,787             | (14,787)            | I | (100%)        |
| Miscellaneous                            | 0                  | 1,457              | (1,457)             |   | (100%)        |
| <b>Total Operating Expenses</b>          | <u>3,018,498</u>   | <u>2,952,208</u>   | <u>66,290</u>       |   | <u>102%</u>   |
| <b>Net Loss From Operations</b>          | (1,651,481)        | (1,572,225)        | (79,256)            |   | 105%          |
| <b>Non-Operating Revenues</b>            |                    |                    |                     |   |               |
| Property Tax Revenue                     | 1,363,546          | 1,352,557          | 10,989              | J | 1%            |
| Impact Fee Income                        | 185,647            | 247,283            | (61,636)            | K | (25%)         |
| Interest Income                          | 61,451             | 43,719             | 17,732              | L | 41%           |
| Lien Fees                                | 2,866              | 2,300              | 566                 |   | 25%           |
| Other Non-Operational Income             | 4,230              | 27,072             | (22,842)            | M | (84%)         |
| Gain or Loss on Sale of Asset            | 63,927             | 0                  | 63,927              | N | 100%          |
| <b>Total Non-Operating Revenues</b>      | <u>1,681,667</u>   | <u>1,672,931</u>   | <u>8,736</u>        |   | <u>1%</u>     |
| <b>Non-Operating Expense</b>             |                    |                    |                     |   |               |
| Bond Interest Expense                    | (46,060)           | (13,033)           | (33,027)            | O | (253%)        |
| <b>Total Non-Operating Expense</b>       | <u>(46,060)</u>    | <u>(13,033)</u>    | <u>(33,027)</u>     |   | <u>(253%)</u> |
| <b>Contributed Capital - Sewer Lines</b> | <u>0</u>           | <u>194,963</u>     | <u>(194,963)</u>    |   | <u>(100%)</u> |
| <b>Net Income (Loss)</b>                 | <u>\$ (15,874)</u> | <u>\$ 282,636</u>  | <u>\$ (232,456)</u> |   | <u>(106%)</u> |

**Midvalley Improvement District**  
**Profit & Loss YTD - Comparison To Prior Year**  
**January through December 2015**

**Explanation of changes greater than \$10,000 or 25%:**

- A** The majority of the decrease is due to less revenue from Manhole Fees and Engineering Fees. In the prior year the Cottages on 78th project paid the majority of the fees.
- B** Increase is due to increased sewer processing fees from SVWRF.
- C** Increase is due to Board approved raises in the current year.
- D** Decrease is due to the net of:
  - Compensated Absences* (sick and vacation time accruals) decreased from prior year by about \$21,000 due to the new sick time policy of allowing employees to cash-out sick time hours over 600 banked hours.
  - Health Insurance* costs decreased by about \$9,000.
  - Retirement Expense* increased by about \$7,500 due to the new sick time policy allowing employees to cash-out a portion of their sick time hours over the 600 hour banked time minimum; and increased by about \$11,500 due to employee raises and increased rates from the Utah Retirement Systems.
- E** The majority of the increase in depreciation expense (about \$22,500) is due to the depreciation expense from the 2014 Sewer Line Expansion Projects. The project was put into service in late 2014. Therefore, 2015 had a full year of depreciation expense, where as, 2014 only had 2 months of depreciation expense. The District also had additional depreciation expense (about \$3,200) in 2015 from the completion of the 300 East Expansion Project.
- F** Decrease is due to a decrease in fuel costs of about \$5,300 due to new more fuel efficient trucks and lower fuel prices. There were also more repairs and tire replacements on vehicles for District vehicles in 2014.
- G** The Legal and Accounting Services account is not expected to be consistent from year to year due to the nature of the changing circumstances requiring the need for legal services. The decrease is due to issues that occurred in 2014 that did not occur in 2015. In 2014 there were legal issues relating to a terminated employee, changes in laws requiring updating the District policies and procedures for GRAMA requests and procurement, and updating ground water standards.
- H** The majority of the decrease is due to about \$40,000 less in sewer pipe slip-lining costs than the prior year.
- I** This account is used for one-time non recurring payments. Decrease is due to paying, in the prior year, for an additional unemployment compensation of a terminated employee for \$7,100 and a negotiated amount of \$8,100 to get out a phone contract for the District's land lines. There were no one-time payments in 2015.
- J** Increase is due to more property taxes being received in the current year. The majority of the increase is from the Cottages on 78th homes being sold and taxes collected for the first time in the current year.
- K** Decrease is due to less impact fees being received than the prior year. In 2014 the Cottages on 78th, Ball Estates, and Lindquist Homes paid the majority of the impact fees.
- L** The increase is due to the District investing the long term portion of their savings in an investment account managed by Moreton Asset Management (investment consultants) rather than in the State of Utah's Public Treasurers Investment Fund.
- M** Decrease is expected as the prior year balance was due to adjusting the account payables and payroll related liabilities and for auditor timing and cutoff adjustments.
- N** Increase is due to the gain on sale of vehicles: Precious (1989 cleaner truck) for \$15,000, 1989 backhoe for \$27,500, 2009 GM pickup for \$10,000, and the 2011 GMC pickup for \$16,100. The gains were offset by losses about \$4,700 on disposal of equipment and computers.
- O** The increase in the bond interest expense was due interest expense for a full year as 2014's expense was only a partial year's expense.