

**Timber Lakes Water Special Service District  
Wasatch County Offices  
25 North Main, Heber City, UT 84032  
435-654-0125  
November 21, 2017  
Board Meeting Minutes**

**Chairperson:** Neil Anderton

**Board Attendees:** Neil Anderton (2019), Reg Anderson (2016), Ralph Lewis (2016), Mike Wheelwright (2016), Steve Farrell (County Rep.), David Hansen - (2017), John Blickenstaff, excused (alternate), Doug Spenst (2020).

**Other Attendees:**

Jody Defa, Timber Lakes Water System Manager, Craig Hall, Timber Lakes Water Office Manager, Jared Moss -Legal Counsel

Kathy Wheelwright, Bonnie Huetter, Gordan Huetter, Pam Hall, Matt Millis, John Bronson

**Meeting called to order at 6:00 pm.**

**Prayer/Remark:**

Mike Wheelwright, offered a prayer.

**Old Business:**

Jared Moss, updated the board regarding the intent to foreclose on delinquent properties. We sent out 15 foreclosure notices via certified mail. Out of the 15 notices 3 have paid in full, 5 where returned undeliverable, 7 are still outstanding and will move to foreclosure status.

**Property Owners Association**

Bonnie and Gordan Huetter, present for the POA, The POA has asked the county for a new guard house. The Timber Lakes Water Board will have to discuss what options are available to provide water. Currently the project will involve running a water line from the office to the new guard station. The question has been asked regarding who owns the water rights and making sure it is all legally setup so as to avoid future questions. The guardhouse will only have a toilet and sink. Motion was made by David Hansen, Seconded by Mike Wheelwright. Discussion: Steve Ferrell questioned who owns the water hookup. Bonnie and Gordan where asked if they would mind if the hookup was kept as a Timber Lakes Water SSD water hookup. David Hansen, amended the motion so that the POA can move forward with extending the water hookup. All costs will fall on the POA after the meter installation. Seconded by, Mike Wheelwright, Motion passed unanimously. This will be clarified and noted that this is not a new hookup.

**Public**

No comments.

**Lot 214 Discussion:**

Steve Capson, Owner of lot 214, appeared before the board to ask whether the board would honor the pre-paid meter fee from 18 years ago. Explanation was given that Timber Lakes Water SSD offered the property owners the opportunity to pre-pay for their meters at the current day costs 18 years ago. Julie Titcomb confirmed with the property owner that notes had been made in Caselle regarding the pre-payments. Steve Capson, also confirmed with his brother-in-law who owned the property prior to may of 2017 that the meter and trunk line connections fees where paid. Timber Lakes water does not have a complete record of documents dating back that far thus it has been suggested that Steve Capson work with Zions Bank to obtain a copy of the check for 2500 dollars. Steve, wanted to know if his home was on the low side of the PRB? Will there enough pressure for the fire suppression system. Jody, commented that we can run a 2-inch line with the meter so that we can avoid future problems. John Bronson, from Zions Bank, will try to find a copy of the check for the

prepayment. David Hansen, made a motion if we can get a copy of the pre-paid check we could then move to close on this issue. Seconded by, Steve Ferrell.

#### **Minutes:**

There was a discussion about whether David Hansen made all the motions for the October and November board meetings. The motions and minutes regarding the motions were accepted by David Hansen. The tape recorder was having problems so as far as all the notes and memories go. **Motion to approve the minutes for September and October, Steve Ferrell, seconded by Reg Anderson, motion approved unanimously.**

#### **Warrant List:**

The warrant list started with check number 12965 and ending with 13022. 12998-13305 were voided due to a printer issue. Question was asked by Doug Spent, do we use two propane companies? Jody, answered that we do use two different companies however we pay the same rate. We can combine them if you would like however we use the two because we get the best rate. Neil Anderton, asked about the Caselle subscription fee being so high. Timber Lakes did not receive and invoice from Caselle. There are no late fees or finance charges. There are no further questions on the warrant list. **David Hansen made the motion to accept the warrants, Steve Farrell seconded, the motion passed unanimously.**

#### **Zions Bank, Matt Millis, John Bronson**

**John Bronson**, I am here to discuss the bonding questions. The special assessment area was formed to upgrade the water system in Timber Lakes Water SSD. The way the bonding is done is by drawing a line around the area and everyone involved and what the anticipated cost will be. Time is given to the owners to decide and debate the water upgrades. During the market downturn Sept. 2008 several water districts were caught up in it. Everyone was running from land secured deals. We thought that the market would turn around quickly however the market did not correct for years. Standard bonds offer a 10-year protection for the call rates so the buyer will be guaranteed to get the rate they agreed on. 2011, TLWSSD issued the debt and was a 20-year loan. This means that the advancement loans on the bonds will be put into an escrow account and makes the payment for the old bonds. You need to make sure you earn enough money to cover the prepayment and the original bonds. The rates of interest were 8.125 percent. This bonding method is very expensive and currently I have shown you the current outstanding bonds. 2021 will be the final call date for the bonds. The escrow account handles the interest payments. You must put enough money into the escrow to cover the interest payments. The escrow account allows you to invest the money in the account in US Government securities. The problem is that the going rate of the escrow account investments available will cause a deficit. Basically, you will not earn enough money in the escrow account to make the interest payments. Because of this insufficiency more money must be collected to cover the interest payments. The current rates are high at a true interest cost 4.0297. Although the interest rate has decreased the problem is that Timber Lakes has to make up for the negative arbitrage. The total payment of principal and interest is total 7 million 598,000 thousand. There will be a savings on the refunded principal. The general rule of thumb is if you can save 3 percent and you are actually saving double of the industry standard. You will be saving 26, to 27,000 dollars a year. You will not be extending the debt this way. There is another problem in regards to bonding refunding in the future. The bad news is the new GOP tax reform bill that will be going through the approval process. Until a few weeks ago we did not find out what was in the tax reform bill. One new change that will likely be approved as a December, 2017 will be there will not have the ability to do advance refunds in the future. The market takes time to present the bonds and wait for the protest period. Minimum amount of time will be from 60 to 90 days for the disclosure period. You will have to wait until the call date in 2021. John, believes that the rates are going up and will continue to go up. The lowering of corporate tax rates will be great for business; however, it does lower the ability for how much you can make on a municipal bond.

**Matt Millis**, opened with the statement that this is almost the same group he has worked with in the past. We are looking at an analysis of what we need to do with water rates in relation to the future. In this analysis we looked at where your financial position you are in and what percentage rate you need to look at over the next few years. I will show you some slides regarding what scenario's will work to keep us on track. The 2018 budget and revenue will be mostly involved in a few projects that will cost 600,000 and 30,000 with general line replacements. We want to look at how we are going to pay for these new costs either through bonding or rate increase. We also will be looking at an increased salary budget. The revenue bonds need to have 1.5 percent above the net revenue. We need to also have a 150 day of cash on hand minus depreciation at any given time. The reason for this cash reserved is in case of changes or unexpected expense. We are

starting with 320,000 in operating cash on hand in 2018. We want to make sure that we are in a good position for projects and wage increases. The 150 days and 1.5 % comes from the municipal structure in reality this is the least aggressive number. For triple AAA companies they would keep 250 days of cash on hand.

Reminder the current fees and charges are:

WTR-water usage,	(tiered based on usage over 4000 gallons of water in a month)
BSM-Base System Maintenance	(\$15.00)
CFB-Capital Fee 98/04 Bond	(\$10.66)
ASB-Assessment Bond 2011	(\$41.00)
RVB-Revenue Bond 2011	(\$2.95)
WOM-Water Delivery O&M	(\$24.50)

The revenue is total cost divided by the total number of units. The fees that will be changing are, WTR, BSM, and WOM and the following financial projections are based on these units and fee structure. The water maintenance fee is for those lots that are actually hooked up to the system. The base charges will be 94.11 based on the combined lots and whether the bond was paid off. The options will be raising the fees now so that in 2018 we can start raising the cash revenue for future projects. We will need to start in 2018 and then defer the projects as much as possible. I have shown that there is a significant cost to waiting to increase rates. If you wait until 2020 or 2021 it will take twice as much to catch up from where we are today. The future projects will have a general cost however the board would like to save up the cash for the projects.

### **Preliminary 2018 TLSSD Budget**

Jody Defa presented the preliminary 2018 budget to the board and addressed questions and changes to make for next month. Jody included various scenarios based on wages increases. The budget will need to be examined in conjunction with rate study being prepared by Matt Millis with Zions Securities. The budget is on track however at the last board meeting we said we were going to add 50,000 for a new truck. There would be a way to save money if we went to direct deposit for the employees. **Motion to approve the 2018 budget by: David Hansen, Seconded by Doug Spenst, Motion passed unanimously.**

### **Water Managers Report:**

Jody Defa said that the crew installed four more meters during the month, as well as took care of required general maintenance and customer issues.

**Motion made to go into executive session by David Hansen. Seconded by Mike Wheelwright. Motion passed unanimously.**

**Motion made to come out of executive session by David Hansen. Seconded by Doug Spenst. Motion passed unanimously.**

**Motion to close the meeting made by Ralph Lewis. Seconded by Reg Anderson. Motion passed unanimously.**

**Meeting Adjourned at 7:45 pm.**