

# Eastern Idaho Regional Sewer District

## August 20, 2024 Regular Board Meeting Minutes

**BOARD MEMBERS PRESENT:** Brian Powell (President), Craig Cutler (Vice President), Sid Hamberlin, Jeff Cox

**OTHER PARTICIPANTS:** Scott Hall (NHPT Law), Alan Giesbrecht (J-U-B), Alyssa Jones (J-U-B), Scott Barry (EIRSD), Jordan Johnson (City of Shelley), Justin Johnson (City of Shelley), Tyler Wood (GSE), Stephanie Bonney (MSBT Law), Cameron Arial (Clearwater Financial), Dan Sharp (Noesis Engineering), Trevor Steffler (Automation Werx); Angie Sanchez Virnoche (FCS); Doug Hankes (Western Smokehouse Partners)

1. **Call to order @ 9:03 AM**
2. **Consent Items**
  - a. **Approval of minutes – Action Item**
    - i. July 16, 2024, Regular Board Meeting
  - b. **Review and approval of bills – Action Item**

**[Action Item]:** Mr. Sid Hamberlin motioned to approve the meeting minutes for the 7/16/2024 regular board meeting and the bills. Mr. Craig Cutler seconded. Approved unanimously.

3. **Adopt Updated Bond Resolution 2024-004 for Project 2 Loan (Clearwater Financial) – Action Item**

Ms. Stephanie Bonney noted that the Bond Resolution number is 2204-004, rather than 2024-004. This revised bond resolution is the same as passed last month but reflects paying for bond insurance rather than having to hold a large amount of cash in a reserve escrow fund.

Mr. Cameron Arial summarized the bond bid results. A Moody's A1 rating was obtained. Bond insurance was obtained from Build America Mutual which helped upgrade the credit and lower the interest cost and made the bonds more marketable. EIRSD policy to maintain a cash reserve balance also helped significantly. The market sees the growth potential of the district. The debt coverage ratio is moderate but could be improved in the future for better credit ratings. Eleven bids were received which was excellent. The winning bid from Janney Montgomery Scott was 3.96% which was better than the 4.2 to 4.3% anticipated. A pre-closing call will be held on August 28 and the final closing on August 30. The funds will then be available and can be held in a money market account currently earning 5.18% interest.

Ms. Bonney noted that if the project is expected to be constructed within 3 years, then EIRSD will be exempt from having to pay arbitrage as long as EIRSD enters into contracts to spend at least 5% of the bond amount in the next 6 months. An additional 2 years of exemption can be approved if necessary.

**[Action Item]:** Mr. Jeff Cox moved to adopt the updated Bond Resolution 2204-004. Mr. Cutler seconded. Approved unanimously.

**4. Out-of-district service and associated fees – Action Item**

Mr. Brian Powell noted that Target has responded to the need to consent to be in the district, but the communications are ongoing so tabling this agenda item is recommended.

**[Action Item]:** Mr. Hamberlin motioned to table this agenda item; Mr. Cutler seconded. Approved unanimously.

**5. Commitment to Serve – Ammon North Village – Action Item**

Mr. Cameron High of Rockwell Homes requested approval to transfer 82 ERUs that were pre-purchased for Legacy Village to Ammon North Village.

**[Action Item]:** Mr. Jeff Cox motioned to approve the transfer of the 82 ERUs from Legacy Village to Ammon North Village; Mr. Cutler seconded. Approved unanimously.

**6. Set public hearing for annexation/de-annexation petitions:**

**a. Petition #2024-4: Shamala Crossing Div 1 - Action Item**

Mr. Dan Sharp explained that they have submitted an annexation request for a parcel near Cabela's and Watersprings Church where a commercial development is planned. The parcel is annexed into the City of Ammon but not EIRSD yet.

**b. Petition #2024-5: Ammon Fields - Action Item**

No one representing Ammon Fields was in attendance.

**[Action Item]:** Mr. Hamberlin motioned to schedule a public hearing at the September board meeting for Petition #2024-4 Shamala Crossing Div 1 and to table Petition #2024-5 Ammon Fields for discussion at a future board meeting. Mr. Cutler seconded. Approved unanimously.

**7. Flow meters in collection system – Action Item**

Mr. Powell summarized that the system sees an increase in flows during the irrigation season of 100,000 to 300,000 gallons per day which could represent over 450 ERUs at the low end or nearly \$3,000,000 in connection fees. He would like to see some flowmeters installed at strategic locations in the collection system to help identify where these irrigation flows are leaking into the system. Mr. Giesbrecht shared a map showing locations where flowmeters are existing and locations where new flowmeters are proposed. It was noted that accurate measurement of flows in gravity collection systems is difficult, but the data should show seasonal trends if the flowmeters are located where turbulence is minimal and the leaks are significant.

Mr. Trevor Steffler and Mr. Scott Barry are researching the cost to restore the existing flowmeters and install new ones as planned. A rough cost estimate is around \$90,000 or around \$18,000 per new site.

**[Action Item]:** Mr. Cox motioned to proceed with the collection system flowmeter upgrades; Mr. Cutler seconded. Approved unanimously.

#### **8. Capital Replacement Fee Update – Discussion Item**

Mr. Powell introduced Ms. Angie Sanchez Virnoche stating that FCS and J-U-B were asked to re-evaluate the calculations for the capital replacement fee as the fee has not been updated recently to account for inflation and upgrades that have occurred since the last update in 2020. Ms. Virnoche explained that the capital replacement fee calculation has to follow the methodology established by the Idaho Supreme Court in several cases. The capital replacement fee represents the buy-in cost for a new user to replace the capacity of the existing system that is consumed when that new user connects to the system. It is a one-time fee that is part of a new connection fee, and not part of the monthly fee which covers operation and maintenance expenses. The maximum allowable value of the fee per ERU is the gross replacement value of the system less bond principal outstanding less unfunded depreciation divided by the number of ERUs the system can support.

An accurate, updated replacement value of the system was obtained by using original cost data inflated to today's dollars when available and appropriate as well as bid costs and estimates from other similar projects. After subtracting the outstanding debt principals from the Ammon and Shelley loans and making the unfunded depreciation adjustment, the net replacement value in today's dollars was calculated to be \$72M for the collection system interceptors and the treatment plant. This was divided by 9,040 ERUs which is the current number of ERUs being served, noting this is actually greater than the nominal design capacity of the existing biological basin. This calculated a maximum allowable fee of \$7,975.

The board discussed the need to re-evaluate and update this fee calculation on a regular basis to keep pace with inflation and as infrastructure upgrades are completed which increase the value of EIRSD's assets. The board determined to discuss the adoption of a new fee in the September board meeting and advertise for a public hearing at that meeting as \$7,957 would be an increase of over 5%. The board discussed the need to consider the timing of implementing the new fee whereas developments are finishing their final plats based on the assumption of the current fee being imposed. The board discussed the need to re-evaluate how many more ERUs can be allowed to connect to the system prior to the completion of Project 1.

#### **9. Employee Benefits – Discussion Item**

Mr. Jeff Cox summarized his research and findings regarding the comparison of EIRSD's leave policy versus the policies of other nearby cities and counties. Mr. Cox recommended the accrual of vacation on a per pay period basis, not on a per month basis as called for in the Employee Handbook. To be competitive and retain employees, he also recommended setting a maximum accrual amount and the following increases in the total days of vacation for each tenure category: 2 days for 1-3 years; 2 days for 4-10 years; 4 days for 11-15 years; and 5 days for over 16 years. Mr. Cox recommended a review of the Employee Handbook to keep it updated. He will find a Human Resources expert to complete the review.

**10. J-U-B Engineers – Alan Giesbrecht**

**a. Update on legal descriptions for EIRSD boundary and zone boundaries – Discussion Item**

Mr. Alan Giesbrecht updated the board that yesterday, the Tax Commission gave their approval of the submitted legal description and map for the district as originally formed. Mr. Scott Hall noted that the district will need to be formally recognized and then the annexations approved by EIRSD will need to be submitted to the Tax Commission for approval and incorporation into the district.

**11. J-U-B/GSE - Upgrades Project**

**a. Project updates – Discussion Item**

Mr. Giesbrecht updated the board on flows and loadings coming into the plant. Flows were similar to last month. The BOD loading levels have decreased slightly over the past few months, likely due to more accurate testing with the new lab. Peak flows are a little less than last year even though more connections are being served; likely this is due to fixing leaks that have allowed infiltration into the system in the past. Of the 250 additional ERUs that the board approved previously, approximately 180 ERUs have been approved to be connected and 110 have actually been connected.

Mr. Tyler Wood with GSE went over the project updates. Project 1 is still going well. Assuming that funding is secured, Project 2 construction could start soon when the GMP is accepted. GSE is continuing to look into the delivery status of the ATS transfer switch to improve the schedule. It appears that up to 60 days could be saved, but there would be additional costs and challenges with making changes to the equipment. The board and Scott agreed that whereas the plant is running well and it would be desirable to start-up the new system in the spring instead of in the winter, staying with the originally designed equipment would be preferable.

Mr. Justin Blicke reviewed the bids received for Project 2. GSE advertised and solicited bids from numerous contractors for 9 bid packages. For some of the packages, no bids were received including for the process building; in those cases, GSE will be providing a bid integrating subcontractors. The board agreed with delaying the re-bid of the landscaping and fencing bid until later in the project since none were received. Some of the bids received were not complete and only covered part of the scope. GSE may try to work with those contractors to see if they can perform some of the scope with GSE managing the contract. GSE will carry the contract with Dupont for the membrane package scope. Regarding the overall cost model, the process mechanical and electrical costs came in a little under estimates while the underground and concrete came in a little higher. The overall construction cost is tracking close to the estimate coming in between \$28M and \$29M. The board agreed with preliminarily proceeding with the underground and electrical packages and formalizing the GMP at the next board meeting on September 17.

**12. Manager’s Report – Discussion Item**

Mr. Scott Barry reported that the plant continues to run well. The TMOS pump failed and is being replaced with the shelf spare. Mr. Barry reported that a building in Shelley is being renovated as an extended-stay hotel. The owner feels it should be charged 4 ERUs as a motel. If it is categorized as an apartment, it would be 8 ERUs or 7 ERUs as an AirBnB. The board agreed with Mr. Barry’s recommendation for 7 ERUs since it is an extended stay with larger living spaces. Mr. Barry reported that the purchase of the 200 SF of additional area at the Overland Lift Station has been completed.

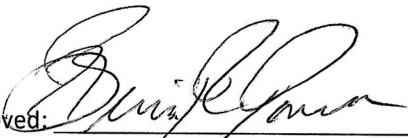
**13. Public Comment**

Mr. Doug Hanks of Western Smokehouse Partners (WSP) provided an update on the Golden Valley plant. WSP is moving forward with GSE to design and construct a pretreatment system for their process water. They intend to start construction in 30 days. Mr. Blicke summarized that GSE’s proposal is to implement a Phase 1 project consisting of equalization, pH control, and dissolved air flotation. Once this is operating and data is collected, Phase 2 may be implemented which would likely be a moving bed biological reactor (MBBR). Mr. Hanks stated that WSP would continue hauling their process water to Idaho Falls until EIRSD is fully satisfied with the pretreatment performance and has approved discharging to the EIRSD system. WSP is investing about \$1.75M on the pretreatment system. The board emphasized the need to comply with EIRSD’s sewer ordinance and provide a pretreatment plan with the goal to treat to residential strength to be compatible with the treatment plant’s intent and to protect the life of the membranes. Mr. Hanks agreed that was the goal of WSP.

No other public comments of questions. No Zoom comments.

**14. Adjournment**

Mr. Cutler motioned to adjourn the board meeting at 11:34 AM. Mr. Hamberlin seconded. Approved unanimously.

Approved:  Attest: 