

ADMINISTRATIVE CONTROL BOARD – WASATCH FRONT WASTE AND RECYCLING DISTRICT
MONTHLY MEETING MINUTES

DATE/TIME	LOCATION	ATTENDEES
<p>March 23, 2015 9:00 a.m.</p> <hr/> <p>Next Board Meeting April 27, 2015 9:00 a.m.</p>	<p>Public Works Building 604 W 6960 S Midvale, UT 84047</p>	<p><u>Board Members:</u> Dama Barbour, Jim Bradley, Jenny Wilson, Coralee Moser, Scott Bracken, EXCUSED: Sabrina Petersen, Jim Brass, Aimee Newton, Patrick Leary</p> <p><u>District Staff:</u> Pam Roberts, Lorna Vogt, Gaylyn Larsen, Stuart Palmer, Whitney Mecham, Rachel Anderson, Larry Chipman, Steve Whitney, Ken Simin, Bill Hobbs, Ryan Dyer</p> <p><u>Public:</u> Steven Jorgensen</p>

AGENDA

- Call to Order:** Dama Barbour, Board Chair
- 1. Consent Items: (Approval Requested)**
 - 1.1. February 23, 2015 Board Meeting Minutes
 - 2. Meeting Open for Public Comments:** (Comments are limited to 3 minutes)
 - 3. Business Items**
 - 3.1. 2014 Financial Audit, Ray Bartholomew, Squire and Company (**Approval Requested**)
 - 3.2. Resolution Expressing Appreciation to Board Member Richard Snelgrove (**Approval Requested**)
 - 3.3. Resolution Expressing Appreciation to Board Member Sam Granato (**Approval Requested**)
 - 3.4. Pricing Policy Discussion, Pam Roberts & Stuart Palmer (**Direction/Approval Requested**)
 - 3.5. Staff Recommendation of Implementation of a Curbside Glass Pilot Program, Pam Roberts & Lorna Vogt (**Direction/Approval Requested**)
 - 3.6. Canyon Services General Overview, Lorna Vogt (**Discussion/Direction Requested**)
 - 3.7. CNG Fuel Follow-up, Lorna Vogt (**Informational**)
 - 4. Requested Items for the April 27, 2015 Meeting**
 - Information Systems Security and Data Protection Policies: Cyber Security
 - Procurement Policy additions dealing with protests

- 2015 First Quarter Financial Report
- 2015 First Quarter Performance Measures
- Pricing Structure for Businesses in Big Cottonwood Canyon

TOPICS/ OBJECTIVES	KEY POINTS/ DECISIONS	ACTION ITEMS WHO – WHAT – BY WHEN	STATUS
1.Consent Items (Approval Requested)			
1.1. February 23, 2015 Board Meeting Minutes	No comments.	Motion to approve by: Board Member Moser seconded by: Board Member Wilson Vote: All in favor (of Board Members present)	Approved March 23, 2015
2. Meeting Open for Public Comments (Comments are limited to 3 minutes)			
	No public comments.		
3. Business Items			
3.1. 2014 Financial Audit, Ray Bartholomew, Squire and Company (Approval Requested)	<p>Stuart introduced and thanked Ray Bartholomew from Squire and Company who conducted our 2014 Audit.</p> <p>Ray stated that the timeliness of this completed report reflects well on your management. The completed audit includes 3 separate documents, the auditor’s report, the financial statements and the compliance reports. The Audit Opinion is where Squire and Company confirms that the audit is complete and accurate.</p> <p>The statement of net position in the balance sheet shows the resources as of December 31st as well as the liabilities, leaving the net position, meaning the equity at the end of the year. Equity slightly increased from 2013 to 2014. The reason for this was due to a grant and you purchased and sold equipment where you earned a gain as well.</p> <p>\$17 million was charged to property owners in 2014 for collection services. The expenses were almost equal to the revenue for 2014. That is a good indication that the fee you are charging is adequate to meet your costs.</p> <p>Board Member Moser asked if the difference between 2013 and 2014 was because of a reduction in interest rates or a reduction in investment capital.</p> <p>Ray responded that currently the cash is held in the PTIF</p>		

earning 0.5% for 2014. The investment balance is down. It used to be \$15 million and now it is \$14 million. Your investments are down because you are paying your bills more quickly. You have bought some new equipment and your liabilities have decreased. Since your investment is down, your earnings will be lower.

The actuary in 2013 measured the cost of paying for retirees health insurance at \$1.8 million. A new study will need to be conducted every 3 years (for organizations with less than 100 employees) so for the end of 2016 a new study needs to be done. This new number could go up as more employees get closer to retirement. Currently you have \$600,000 set aside for these costs so it is only partially funded. When you take into account how much you really owe to provide this benefit, the cost is closer to \$2 million. That is a challenge you need to be aware of.

In 2015, all government entities in URS will reflect the unfunded portion of their retirement plan within the URS. The portion of URS that is not fully funded will be reflected in your financial statements. Your net position will need to reflect that. In the end, seeing these items reflected in your financials will make it easier to make decisions going forward.

Board Member Bradley stated that he thinks that it would be important to have a discussion devoted to post-employment benefits at the next Board meeting. As it continues to grow we need to look at whether this organization can sustain it.

Ray responded that some governments in Utah have capped it off or negotiated with their employees to pay it off as a defined contribution plan to put more of the burden on the employee.

Ray stated that the other reports in the audit talk about internal controls and compliance with state guidelines and laws. Squire and Company found no problems that they need to report. It is a healthy report and reflects

<p>3.2. Resolution Expressing Appreciation to Board Member Richard Snelgrove (Approval Requested)</p> <p>3.3. Resolution Expressing Appreciation to Board Member Sam Granato (Approval Requested)</p> <p>3.4. Pricing Policy Discussion, Pam Roberts & Stuart Palmer (Direction/Approval Requested)</p>	<p>well on the organization.</p> <p>Board Member Moser asked what the required timeline is for changing auditors to insure no one is too familiar with our books. Stuart responded that Salt Lake County goes out to bid every 5 years so that has been our practice as well. Ray responded that this is the 2nd year with Squire as the District but Squire did conduct our audits when we were Salt Lake County Sanitation.</p> <p>Pam stated that it has been customary to recognize Board members when they retire from the Board. Pam apologized for the late recognition of Richard Snelgrove as he retired in 2013. Sam Granato just recently retired this year. They will be presented with a custom paper weight to show our appreciation tomorrow at the 4:00 County Council meeting.</p> <p>Pam expressed appreciation to the Board for their questions regarding this topic because it has made us look deeper into what we are doing. The question came up in an earlier meeting of what percentage our fund balance should be. She wanted to review the 2015 approved budget to look at how we spend our cash. We are an enterprise fund under the State statutes and operate as such as a district. We asked legal counsel as well to come back with any legal requirements under State statute, either minimums or maximums. Our history shows that generally our fees and revenue cover operating costs. Stuart stated that all revenues are \$19.74 million including personnel, operating expenses and depreciation. For net operations we come in close to half a million dollars. Depreciation is a non-cash item. This leaves us with \$2 million to spend on trucks. This next</p>	<p>Motion to accept the 2014 audit report as presented by: Board Member Bracken, seconded by: Board Member Moser</p> <p>Vote: All in favor (of Board Members present)</p> <p>Motion to approve both resolutions expressing appreciation to retired Board Members: Board Member Wilson, seconded by: Board Member Bradley</p> <p>Vote: All in favor (of Board Members present)</p>	<p>Approved March 23, 2015</p> <p>Approved March 23, 2015</p>
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year we have \$4 million to spend on trucks so our net cash is going to decrease by \$2 million due to the capital expenses of buying new trucks.
Pam stated that we broke out the green program as it is a separate fee that is self-sustained.

Board Member Bracken thought the capital purchases were set as a separate fund balance. Is that not the way we have it set?

Stuart stated that we have 2 components in our cash balance and we are focusing on our undesignated cash. The next is designated cash comprising: carts, OPEB and trucks. We have set aside dollars for trucks, OPEB and carts and funds flow in and out of the undesignated cash amount.

Pam stated that it has been historically done this way. We draw down the undesignated cash for paying for operations, mainly the capital purchases and then replenish it the next year.

Our practice in the past was not dropping below 5% of the fund balance in undesignated cash. That would be the triggering point of when we would look at raising fees. Also, it is important to look at where our fund balance is at year-end. It is important for the Board to note the difference and base their policy of a certain amount to have available for an emergency. On average we have had a 48% yearend balance of total operating expenses of \$16-17 million, excluding capital, in the undesignated cash over the past 8 years. Pam also stated that the 48% equates to roughly 6 months of daily operating costs. The standard is to have 3-6 months cash for operating expenses in case of an emergency. Stuart clarified that total operating costs excluding capital are around \$19 million yearly.

Board Member Bradley stated that he knows that 5% is the best practice but he always thought it should be higher.

Ray responded that there have been studies conducted by the GFOA, the Government Finance Officers Association. Most cities, counties and states are members of the GFOA. They recommend a minimum of a 3 month reserve. You would then adjust that number according to the challenges you might face. Also since changing the billing to quarterly rather than yearly, you receive the money delayed.

Stuart clarified by stating that if we were still billing solely on the property tax notice, we would be collecting payment for 2015 in November/December of this year. Now that we bill quarterly, we will receive money on a regular basis starting in April. We are down lower for last year because we chose not to certify the last two quarters of 2014 therefore the year end cash balance is less than projected by \$1.2 million. This is due to needing to certify after the service has been provided and that is why we didn't certify or collect the last 2 quarters of 2014. We will be certifying for those quarters this year. The \$1.2 million is accounted for in accounts receivable but just not yet collected.

Stuart then stated that we are finding that we collect 91% of amounts certified in September by November/December/January. The other 9% is collected over the next 5 years.

Ray stated that we are relying on our customer fees for day to day operations so how quickly could we respond if there was a problem? He stated that a good rule of thumb for this size of an organization is 3 months saved of operating costs. Right now you are averaging about 6 months worth of costs which is a safe thing to be doing according to your cash flow problems. In the future, we will be focusing on the fund balance rather than the cash flow. Currently cash and fund balance are very similar.

Rachel Anderson stated that since the District is operating as an enterprise fund, enterprise funds don't have limits like general funds do. It is more a question of best practices for the District as making a business decision rather than having to follow a statutory requirement.

Board Member Wilson stated that this issue is about risk management. Since we have set defined duties, other business have a much higher risk than the District. Such as if there was an economic downturn, does our revenue change? She assumes it would not but perhaps there is more default. The 3 months makes sense to her. She would be interested in the risk of a worst case scenario.

Board Chair Barbour stated that 6 months is within her comfort level.

Board Member Moser stated that we know from experience that an increase in fuel prices, increases in dumping fees and a severe decrease in recycling revenue can affect us greatly as well in worse case scenarios. What is the gap that those 3 scenarios create? Then we should multiply that by either the 3 month or 6 month to see where we are at for operating tolerance. It is difficult to put a specific number to it without testing it.

Board Member Wilson asked if we are budgeting for fuel on the higher level.

Pam responded that we follow Salt Lake County Fleet's recommendations every year after they study the markets and trends.

Board Member Wilson stated that perhaps in a lower cost fuel year we could up it 9 months to ear-mark those funds to turn them over to some other expense. She thinks it is important to not allow those funds to go towards other purposes but keep them locked up for the Board to weigh in on.

Board Member Bradley stated that going back to the post-retirement benefits, some organizations cap the amount and we would need to fund that, probably through our cash reserves.

Board Chair Barbour stated that we will make sure to discuss this topic more extensively at next month's meeting.

Pam stated that Gaylyn Larsen has done research that she can bring forward to help with that discussion. The actuarial study will be updated with a new valuation in 2016.

Board Member Bracken stated that looking at the fund balance in a 3-6 month operating cost outlook, those can be really large numbers as well. We need to be cautious for the next year or two until we get the actuarial data in there.

Board Member Bradley stated that he is not sure what we are looking at. Is it a specific percentage or whether a floating number is reflective of a certain amount of operating cash on hand?

Pam responded that we are looking at both. What we have practiced in the past is looking at not dropping below a 5% in the undesignated cash and that would be the triggering point of when we would need to raise rates for our residents. Each year we have projected a 3% increase in operating costs and a 1% increase in revenues. The increase in revenues is based on truck sales and growth of homes in the District.

Scenario 1 includes us raising rates in 2014 to accommodate the increases at the landfill and increased Fleet rates as well as adding resources coming into this year (1 additional truck and FTE to accommodate growth and green). Stuart is going to start plugging the trucks into cash projections going forward to show that we need to continue to increase our fleet according to our growth to help with efficiencies. Those additional capital purchases are included in the equation as we go forward to

Scenario 2. The top line of undesignated cash is where we have looked at to say we do not want to drop below a 5% in that particular area, which would trigger a fee increase. Scenario 3 would be if we stayed at the 5% being the triggering point, and what a possible fee increase could be. Any fee increase we have does affect us in the market so we don't want to price ourselves out of the market. We are currently competitive in the

market but if we go up again next year, our market position could change depending on what everyone else does. Salt Lake City, WFWRD, and Draper City do not contract out with private haulers which also gives us the 3 most expensive rates. Right now our fees do cover our costs so we are in a healthy position. We anticipate that dumping fees will increase and maintenance fees will increase. We have projected that we will have a 3% increase as we go forward.

Stuart stated that what we have been doing in the past has been working well for us. In Scenario 3, if we keep 5% as the triggering point (not going below \$1 million in undesignated cash) then we would have to have a fee increase in 2017. Now if we say we shouldn't go below 20%, then we would have to increase \$2 per month, which is shown in Scenario 4. We just need to decide what should trigger an increase.

Pam stated that currently, we have been sustaining 6 months operating costs at year-end. Pam is comfortable with this.

Stuart stated that this has been our practice for the past 8 years. Stuart is comfortable with this as well. If we under expend, the money is kept in that fund.

Pam stated that at year-end, if something happens, then we still have cash available to manage that. The next year may result in a fee increase, but we keep enough money for each calendar year.

Board Member Wilson asked if we anticipate having this conversation every year at this time. Board Chair Barbour responded that this is reviewed quarterly. Pam also stated that we are required by statute to present a quarterly financial report so the next report will be presented next month to review the 1st quarter of 2015.

Board Member Moser stated that since we do have the quarterly financial reports, we should only have to review this topic semi-annually depending on the circumstances.

Board Chair Barbour stated that it is greatly beneficial, as you can see with the audit, that we stay current on these issues and in compliance.

Board Member Bracken stated that in order to weather a large situation like gas prices spiking in the middle east, it seems that we could pull cash from other resources such as the capital projects fund, at the Board's discretion. You have a total cash reserve that can be used to buffer situations. We just need to make sure to look at the longer-term sustainability of our budget.

Board Chair Barbour stated that we are looking for direction or approval to move forward.

Board Member Bradley stated he is comfortable.

Board Member Bracken stated that he thinks the 48% still seems a little excessive but the 3-6 operating expenses is a good arguing point. He thinks that the 5% as a triggering point makes sense and is easy to explain.

Board Chair Barbour doesn't want it to drop below the 6 months operating expenses.

Board Member Wilson is interested in what kind of barriers surround the OPEB fund. She suggested moving some of our excess undesignated cash to the OPEB fund and using that margin beyond our minimum requirement as some level of safety net.

Board Chair Barbour suggested bringing that forward at next month's meeting when we further discuss OPEB.

Pam stated that it looks like the Board is comfortable with the 5% being the triggering point, which has been keeping us healthy if we were to experience some sort of emergency.

Board Chair Barbour asked Board members to come prepared for the OPEB discussion next month.

Board Member Moser stated that she would be interested to see if the recycling revenues drop and the

3.5. Staff Recommendation of Implementation of a Curbside Glass Pilot Program, Pam Roberts & Lorna Vogt (**Direction/Approval Requested**)

dumping and fuel charges go up, what would our projected reserves be? Stuart responded that he will follow-up to answer that question.

Pam stated that each Board member has been given product samples of what glass is recycled into and thanked Whitney Mecham and Ryan Dyer for putting those together.

We want to roll out a subscription curbside glass recycling program that is similar to what Salt Lake City offers currently. We are looking for the Board's approval today to start the process.

Lorna stated that the plan is to adopt the model that Salt Lake City is using with Momentum to work for us. It would be a partnership, as we would purchase the cans and charge the resident \$45 for that can because we don't want to take that out of our cart budget. We would also do the billing for our customers who would like to purchase this extra service. Momentum would then take on all the collection, most of the customer service, and would have a notification system via text/email/voice mail for the customers. They will also do all of the promotion, along with a door-to-door outreach. In exchange, they will charge us a fee for \$7.75 per month per home and we would collect that fee on our regular quarterly billing and also add a \$0.25 administrative fee on top of that. The cost to residents will be \$8 per month for a once a month collection. We don't bare much risk since Momentum will be handling the collection and the capital costs that go along with that. Right now Salt Lake City is closest to our Canyon Rim/Emigration area so they have already shown interest through residents voluntarily calling Momentum requesting service. This shows that the interest flows from areas adjacent to Salt Lake City through to Millcreek/Olympus Cove and down into Cottonwood Heights, who does not have a central glass collection drop off site. Momentum would thus do this as a rolling implementation with 50 homes per area triggering them to begin service. In advance,

they are doing waves of promotion with the goal of subscription based curbside glass being a District wide program within 3-5 years.

Board Member Bradley asked if \$8 is sellable.

Pam answered she thinks it is since that is close to what Salt Lake City is charging as well.

Board Member Bracken asked if Momentum would ever be interested in going into Rocky Mountain Recycling to sort through glass so that there is one less can on the street.

Lorna responded that there is a huge challenge with glass being put in the blue recycle bin because it degrades the paper and the glass. 60% of the recycled glass gets sent to Owens Corning and they really don't like fibers in with the glass.

Board Member Bradley stated that he thought that the landfill had a contract with Momentum to come in and sort through the glass. Pam responded that from what she is aware of, that does not happen.

Another benefit of this proposed program is that we have a current contract with Momentum for \$5 per ton of glass that we collect from our drop off containers which will continue with the curbside collection. This saves us dumping fees and acts as an additional revenue stream.

Board Member Bradley stated that there isn't a downside to this program.

Board Member Bracken agreed except that we need to purchase the cans and have some in stock for new subscribers.

Lorna stated that Toter has a new plant in town that produces the smaller cans for glass. Momentum has a custom made truck to pick up these smaller cans.

Board Member Moser asked what the contract's duration will be.

Lorna stated that we are discussing a 3-5 year contract. Pam stated that she thinks it should be a minimum 5 year contract because they are taking on most of the risk so we need to show that we are committed.

Board Member Bracken asked if we will be asking for residents to sign a contract so that they are required to keep the can a certain amount of time.

Pam responded that we considered a contract with the green waste program but it's taken off and it was not needed. Our fear that people would end their subscription in the winter months did not happen.

Board Member Moser asked if the \$0.25 is adequate in covering our administrative costs. Have we done any analysis to get to that number?

Lorna stated that most of our costs are fixed and most of the customer service will be going through Momentum but we will have to set up a transfer service between us and Momentum for such calls. Adding to the billing is very minimal so \$0.25 should cover everything adequately.

Board Member Moser asked who necessarily owns the cart.

Pam responded that she actually spoke to a resident about this topic concerning their green waste cart recently. The resident realized that since they didn't want to fix or replace it, they technically do not own it. She has only heard from that one person with that argument.

Board Member Bradley asked if we charge to fix or replace cans.

Pam answered that we do not, unless it was the resident's fault. The service is included in the monthly fee.

Board Member Moser stated that her concern is if Momentum went out of business, what would we do?

Pam stated that it is low risk, but if we needed to, we

<p>3.6. Canyon Services General Overview, Lorna Vogt (Discussion/Direction Requested)</p>	<p>could jump in and start providing the service. She is confident in our team that we could manage it in this situation.</p> <p>Board Member Wilson stated that this seems like a great plan. There is so much waste that as long as there is an end market, it seems like the responsible thing to do. If Momentum went out of business she prefers we send out a notice to residents about service cancellation rather than taking on the service if it is not cost effective.</p> <p>Lorna stated that the rollout date will be this Fall. And Momentum will be providing us the mapping as well.</p> <p>Board Member Moser requested that the Board stay updated with the roll out and progress of the program.</p> <p>Lorna stated this is an overview of what services we provide or do not provide in the different canyons. Emigration is 99% curbside and we have 3 community containers located up there. We do not provide service to the businesses but we do service Camp K. They also use a trailer for their area cleanup. Millcreek canyon is all summer cabins. We do not have any services up Millcreek. It is all pack in pack out. For Little Cottonwood Canyon we provide services to a pocket of homes at the bottom of the canyon, including an area cleanup. The rest of the canyon that is located within the District is Snowbird, and we do their recycling under contract, combined with Alta under an interlocal agreement for recycling. The town of Alta and Snowbird have one private hauler who collects their garbage. The forest service collects all garbage in the campgrounds. In Big Cottonwood, we have a combination of the compactor and containers throughout the canyon and they also get their area cleanup through trailers. We service some businesses up that canyon while others contract with private haulers. We will be re-evaluating our current business rates this year.</p>	<p>Motion to go forward with proposed plan: Board Member Wilson, seconded by: Board Member Moser</p> <p>Vote: All in favor (of Board Members present)</p>	<p>Approved March 23, 2015</p>
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<p>3.7. CNG Fuel Follow-up, Lorna Vogt (Informational)</p>	<p>Board Member Wilson stated that she spent a lot of time talking to residents of Emigration canyon while running for office. There seems to be a lot of animosity between those residents that get curbside service versus the containers. She just wants us to be aware of that and communicate accordingly.</p> <p>She also asked about the risk of the private hauler in Little Cottonwood Canyon and if we would want to pursue that contract.</p> <p>Lorna responded that Alta is not in the District so they can do that and Snowbird is a business, which we typically do not provide service to businesses. We have a great relationship with the family business that services them for garbage so we would like to keep it that way. The conversation did take place though that if he ever went out of business, they would consider using us for their collections. We have it in our agreement to provide garbage collections if the private hauler breaks down.</p> <p>Lorna stated that this is another overview for information only on how we are mitigating fuel costs and our replacement plan for CNG trucks. We are currently replacing our entire side load fleet and our 2 front load trucks. That decision was based on an industry shift to 100% CNG so we wanted to time that market for resale and get in ahead of the game. There is a big industry push to go CNG for garbage trucks right now. We have replaced 21 trucks so far and are bringing on another one this year plus the 2 front loads this year. So far we have seen no increase in maintenance costs from the CNG versus the diesel trucks.</p> <p>Lorna presented the schedule for replacing the trucks to CNG. The District should be completed in the conversion process by the end of next year.</p> <p>We projected this out and looking at higher diesel and lower CNG which generates a return on investment estimated at 2 years. Since gas prices dropped this year, the return on investment is now 3-4 years per truck.</p> <p>The rest of the fleet, mainly the rear-load truck</p>		
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	<p>manufacturers haven't made the change to CNG yet but it is expected that they will in the next few years. We have 2 of those. The 3 hook lift trucks we own and the 16 we rent for area cleanup are not CNG and there is no CNG equivalent in the market currently. We have 3 little cart delivery and repair trucks that are light duty and there is no reason to change. We've looked at the cost of conversion and light duty trucks have a very long return on investment. We try to stay within the warranty period for the light duty trucks which we would not be able to do if they were CNG.</p> <p>Board Member Bradley asked why there are not more CNG snowplows. Ryan Dyer responded that it is because manufacturers are not making them.</p> <p>Lorna stated that Salt Lake County Fleet is still in the permitting process for the CNG fueling station. Hopefully in the next few weeks they will break ground.</p> <p>Board Member Wilson asked if there are any electric vehicles in this industry. Pam answered that the technology isn't proven within our industry and that CNG has proven to be the most cost efficient with the best return on investment.</p>		
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5. Requested Items for Next Meeting on Monday, April 27, 2015

	<ul style="list-style-type: none"> • Information Systems Security and Data Protection Policies: Cyber Security • Procurement Policy additions dealing with protests • 2015 First Quarter Financial Report • 2015 First Quarter Performance Measures • Pricing Structure for Businesses in Big Cottonwood Canyon • Information Systems Security and Data Protection Policies: Cyber Security • OPEB/Post Retirement Benefits 		
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ADJOURN		Motion to adjourn: Board Member Bradley, seconded by Board Member Moser Vote: All in favor (of Board Members present)	Approved March 23, 2015