

MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT

5455 West Old Highway Road, Mountain Green, Utah

**Minutes of the Budget Hearing
Wednesday, December 6, 2023, 7:30 PM
APPROVED**

Board Members Present: Chairman Coutts, Member Hill, Member Gray, Member Earley, Member Nielsen

Employees Present: Manager Sorensen, Brittany Wayman

Guests Present: Russell Willardson

A. Call to Order: Chairman Coutts called the meeting to order at 7:38pm.

B. Prayer: Member Earley

C. Agenda: None

D. Declaration of Conflict of Interest: None

A motion was made to recess the open meeting and convene the 2024 MGSID Budget Public Hearing

Motion - Member Hill

2nd – Member Earley

	<i>Aye</i>	<i>Nay</i>	<i>Absent</i>	<i>Abstain</i>
Chairman Coutts	X			
Vice Chair Hill	X			
Member Gray	X			
Member Nielsen	X			
Member Earley	X			

Motion passed

Member Hill- Gave prepared statement detailing the expected income for the coming year including WPR, customer growth etc, and the expected expenses. He suggests not changing the budget until we know what's happening with WPR. Gave update on 2023 budget on income and expenses. The tax increase approved this year by the board should add \$25,000 to our budget for 2024. We anticipate \$1 million from AARPA grants. We also anticipate income from interest and impact fees. (See Attached Comments from Member Hill)

Chairman Coutts-asked for public comment. None.

A motion was made to Close the 2024 MGSID Budget Public Hearing and resume the open meeting

Motion- Chairman Coutts

2nd- Member Nielsen

	<i>Aye</i>	<i>Nay</i>	<i>Absent</i>	<i>Abstain</i>
Chairman Coutts	X			

MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT

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<i>Vice Chair Hill</i>	<i>X</i>			
<i>Member Gray</i>	<i>X</i>			
<i>Member Nielsen</i>	<i>X</i>			
<i>Member Earley</i>	<i>X</i>			

Motion passed

Chairman Coutts- asked for board comments/questions.

A motion was made to approve Resolution 2023-12 (Amended 23 and proposed 24)

Motion - Hill

2nd – Nielsen

	<i>Aye</i>	<i>Nay</i>	<i>Absent</i>	<i>Abstain</i>
<i>Chairman Coutts</i>	<i>X</i>			
<i>Vice Chair Hill</i>	<i>X</i>			
<i>Member Gray</i>	<i>X</i>			
<i>Member Nielsen</i>	<i>X</i>			
<i>Member Earley</i>	<i>X</i>			

Motion Passed

Chairman Coutts- asked for any further discussion. None.

A motion was made to Adjourn the meeting at 7:53pm

Motion - Gray

2nd – Earley

	<i>Aye</i>	<i>Nay</i>	<i>Absent</i>	<i>Abstain</i>
<i>Chairman Coutts</i>	<i>X</i>			
<i>Vice Chair Hill</i>	<i>X</i>			
<i>Member Gray</i>	<i>X</i>			
<i>Member Nielsen</i>	<i>X</i>			
<i>Member Earley</i>	<i>X</i>			

Motion Passed

Meeting adjourned 7:53 pm.

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Prepared Remarks – MGSID Budget Hearing Dec 6, 2024

Good evening, everyone. My name is Nathan Hill. I am the Vice Chair for the MGSID and I am also the internal auditor. I am not a professional auditor, but I am well-versed in the financial dealing of the board and I review all our accounts and all money spent every month. We do have a professional auditor who audits our finances each year.

Tonight, I will summarize four budgets: the amended 2023 General Budget, the proposed 2024 General Budget and the Construction Budgets for 2023 and 2024. I'd like review the Amended 2023 budget first. The first section of this spreadsheet covers our Income. Our main source of income is Monthly Service Fees (see line 8). We didn't get quite as many new customers as we anticipated in 2023, so we adjusted our total to slightly less than \$750K. The next line I'd like Jeremy to point out is line 12. Customers who fall behind on their monthly bills are first given several notices, and then, if they don't pay, we turn their bills over to Morgan County who assess them as taxes. After collecting the money, Morgan County pays us sometime in December. The final line I'd like to highlight in the Income Section is line 15. The State allows us to move money into State Run interest-bearing PTIF or Public Treasurers' Investment Funds.

There were 2 fortunate events that happened in 2023 that caused our PTIF funds to grow at an incredible rate. First, the money for the bonds (or loans) we received for the construction project was deposited earlier than expected. So, an extra \$14M dollars started earning monthly interest last spring. Second, the interest rate for the PTIF accounts went from under 2% to over 5%. As a result, we exceeded our planned Operating Income by over a half-a-million dollars. The Expense Section is broken into 2 parts: Administration and Operations. Jeremy and his team did an outstanding job managing the expenses and are now well under budget. There is one notable, board-approved increase. See line 52. We unanimously approved a significant increase which allows us to better assess the condition of our aging sewer lines for the long-term good of the infrastructure. You can see on lines 62 and 63 that our total income exceeded what was planned and our total expenses were less than planned. As a result, on line 65 you can see where almost \$700K has or will soon be transferred to an interest-bearing PTIF account.

Let's now look at the 2023 Construction Budget. If you are not aware, the District has been working with Wasatch Peaks Ranch and Snowbasin to provide for their upcoming sewer service. When we incur an expense from these efforts (such as attorney fees, engineering fees, construction, etc.) we pass along these expenses to these future customers. That is why you see income coming in from both entities (lines 70 & 71). Note: Snowbasin has slowed down their development and we likely won't see them utilizing our service for several more years. However, WPR has completed the hook up to our services and we should have several new paying customers in 2024. Other sources of construction income include bonds, grants and PTIF interest. However, our main source of year-to-year income is Impact Fees (see line 74). New customers pay over \$11k to hook up to our services. Because they "impact" our infrastructure, they must pay for the majority of the construction.

Construction began on our new plant this year. As the year progressed, we started paying out over \$1M per month. We will end up spending over \$8M in 2023. You can see on line 99 that, as the year comes to a close, we will have transferred about \$7M from the PTIF accounts to cover the construction expenses.

I'd like to now look at the 2024 General Budget and point out line 4. We expect to see an increase in customers in 2024. Each customer is billed by ERUs, which stands for Equivalent Residential Unit. A home would be billed 1 ERU. A business may be billed 2 or more ERUs depending on how much sewage they produce. Customers in our current district (i.e. north of I-84) will continue to be billed at \$50/month. Customers in WPR will be billed at \$150/month. We expect an increase in customers on both sides of the interstate in 2024 so line 8 (Monthly Service Income) will increase by about \$30K. We have also approved a tax increase in 2024, so line 12 will increase by about \$25K. The tax increase is to cover inflationary operating expenses. It is not to cover construction. Our administrative expenses and operating expenses for 2024 have increased nominally. There is only one significant change worth highlighting. We have added a new expense on line 56. This \$290K is what we will have to start paying to cover our bonds. As I mentioned earlier, the Impact Fees are the main source of income to cover our bonds, so you'll see on line 64 that we will bring in money from one of our construction-related PTIF accounts to cover this expense. We elected to put this expense in the General Budget rather than the Construction Budget because the Construction Budget will only be in place while construction is ongoing (approximately 2 more years), but we will be paying off the bonds for up to 30 years.

The final budget to review is the 2024 Construction Budget. We anticipate receiving more than \$1M of additional ARPA grants (line 11). ARPA stands for American Rescue Plan Act. These are federal COVID dollars that were given to the state and county to spend on various things such as Water and Sewer. We have been very fortunate and have received more than \$3M in ARPA grants already. Our additional sources of construction income include Impact Fees and Interest Income. Our expenses are normal construction expensed including \$2.1M for Equipment, \$12M for the Construction itself (paid out at about \$1M per month) and \$800K for Construction Management.

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Our financial situation for 2023 and 2024 is very solid. As you can see on line 37, we'll need to pull almost \$13M from our Expansion Account, but we currently have \$16M in our combined PTIF accounts, which will leave us in a fiscally favorable situation throughout 2024 and going into 2025.