

**BOONE COUNTY REGIONAL SEWER DISTRICT
BOARD OF TRUSTEES WORK SESSION
APRIL 23, 2014, 8:00 AM
BOONE COUNTY FIRE PROTECTION DISTRICT
2201 I-70 DRIVE NW, COLUMBIA, MO**

Trustees Present: Randy Chann, Chair
David Shorr, Vice Chair
Deborah Schnedler, Secretary
John Massey, Trustee
Karen Miller, Trustee

Others Present: Kim Becking, Facilitator
Tom Ratermann, General Manager
Lesley Oswald, Assistant Secretary & Treasurer
Stan Shawver, Boone County Planning and Building Inspection
John Whiteside, General Counsel (arriving at 10:30)
Steve Hunt, City of Columbia
Sandi Clark, Administrative Assistant

Randy Chann, Chair, called the April 23, 2014 Board of Trustees Work Session to order at 8:07 a.m. Chann noted there was a quorum.

Status of District Infrastructure

Ratermann reviewed the Permit Status Report for Current Capital Improvements that included 21 projects on the 5 year CIP. All these facilities will eventually go through City treatment except those in the Rocky Fork watershed.

Ratermann explained the revenue bond elections are based on CIPs and the Master Plan. He said he would like to take views longer than 5 years. He explained the City of Columbia has a Master Plan from 2004 that is used when CIPs are coming up, the cost estimates are figured and the numbers go toward the next revenue bond issue. Miller encouraged the District to reevaluate current conditions every 5 years prior to revenue bond elections and not rely solely on predictions using dated information. Ratermann agreed this should be taken into consideration.

Schnedler asked that these CIP charts be lumped together by watershed so that the Board could examine the projects geographically. She also asked that only the changes be highlighted so that the change is the focus of the report.

Shorr advised that sometimes the report is driven by a focus that does not categorize by watershed, such as projects along road corridors. He suggested the District should consider organizing the report by watershed because it will be helpful while examining new permit requirements. The presentation of the report does depend on the subject of conversation.

Randy Chann explained that understanding the affordability overlay on customer groups could be another focus in reviews.

Becking asked the trustees for talking points that might be useful to them when answering the question of how the District performed on the last bond issue. Shorr said he is comfortable with where the District is currently. He suggested the District's internal performance should be reviewed in preparation to answer that question as the 2018 bond revenue election draws closer.

Ratermann reviewed the Permit Status Report for the Proposed CIPs. He advised that all streams that show up on a 1 to 101k USGS map will be classified. Ratermann explained he's predicted which streams will require disinfection based on the reclassification of streams, and that is what drives these 9 projects.

Miller said she would like the District to appeal the DNR requirement for Brown Station disinfection limits based on the fact that DNR approved the plan for this facility and then turned around requiring limits that drive another costly project for Brown Station. Ratermann said this is an argument that a number of wastewater and sewer districts are making in response to upcoming limits and requirements. Shorr advised these limits are driven by the Environmental Protection Agency. Miller advised the District to set up a meeting with Karl Brooks and Sarah Pauley, citing this example and others like it.

Ratermann continued reviewing the Proposed CIPs. He advised the Fairway Meadows East, Shaw, and Clearview facilities that will be eliminated as part of the Rocky Fork Project, and that they all have remaining debt on them.

Chann responded that he feels every decision being made by the District has been a business decision. He wants to know if the District should start taking projected or potential limits and regulatory mandates into consideration when business decisions are being made. Miller feels it is time to make the case to DNR regarding the amount of debt that is accumulating while they pass these limits. Shorr wants to evaluate the potential for building in a grandfather clause that protects against future regulations being imposed on new facilities.

Shorr asked what the likelihood is for a connection to the Hallsville plant. Ratermann responded the District could meet with Allstate Engineering to see if they can assist in making that case to the City of Hallsville. Ratermann feels the District cannot negotiate how the wholesale rate is configured for Hallsville. Shorr wanted to know whether or not the Hallsville plant was built with SRF funding. The District will look into this and respond later.

Ratermann reviewed the Permit Status report for Remaining Facilities. Ratermann reviewed the remaining facilities. He noted that Rocheport was not on the Remaining Facilities report.

Ratermann reviewed the historical trends he has seen, advising customer count is leveling off, District customer growth is flatter, and expenses and rates have been going up.

Schnedler asked what is responsible for the District growth leveling off. Shawver responded, stating that most of the growth in the county includes private on-site systems; the District's growth rate is still not what it was pre-recession. Ratermann advised he feels anti-degradation makes it difficult to site a new wastewater treatment plant. He said the anti-degradation process through DNR generally takes more than a year, and real estate developers do not tend to want

to wait that long. He does not feel a developer is going to buy acreage and then try to site a conventional wastewater treatment plant.

Shorr felt there was potential for communities and developers to start implementing land application based systems because developers can avoid anti-degradation and discharge permits. He questioned whether or not the District will eventually have to start managing these systems if they become regulated later, and how they fit in the paradigm.

Shorr asked about County regulations that may require connection to the District and if there is something in place that can give the County the control they need to prepare for potential treatment regulations that will impact the District. Shawver advised that Boone County regulations only regulate collection, not treatment. This conversation was tabled until the next Board Work Session, allowing the District time to collect more information.

Schnedler asked how the District could develop a policy that manages from a financial perspective on a plant by plant basis.

Shorr commented that the current cost per gallon to treat or convey should be determined. He explained he would like to review what improvement or un-improvement of cost to treat would be based on regulation changes. He said he is concerned about plants that have longer conveyances, and cost per gallon of treatment should be taken into consideration when looking at those. He said, from a customer standpoint, he would like to know if taking care of folks in one area is worth the expense to someone living in a different region of the District's service area.

The board requested a report on the actual costs of Hillcreek and pressurized systems in general. Schnedler asked that future User Rate Studies include a more project specific approach to future O & M and staffing costs.

Chann reviewed the Treatment Process Summary. Schnedler and Oswald proposed that for costs that cannot be designated per plant (such as chemical purchase); perhaps cost could be estimated based on a flow basis. Chann felt that plant specific treatment, collections, and watershed should be tracked to help with District financial planning. Chann wanted to see a column for watershed. Shorr would like to see maintenance cost and staff time broken out geographically. Schnedler feels tracking this information should be used during rate projections, and can assist with affordability determinations in the future. Miller stated that work order tracking systems may eventually need to be examined.

Oswald proposed a subcommittee could meet to determine how to build a database that tracks cost items by facility. Chann, Schnedler and Oswald agreed they will be on the Cost of Treatment subcommittee.

Capital Improvement Projects

Becking asked the Trustees to identify problems identified from past projects that can be learned from to plan for the future.

Ratermann explained the District's biggest concern for CIPs is how to quantify and equitably allocate risk between contractor and owner. The District most recently uses the standard industry contracts developed by the engineers' joint contracts/documents committee. Miller

explained these contracts tend to be all in favor of the engineers. Ratermann said that being a small owner, the District sees an advantage in using the industry templates in that contractors are accustomed to seeing these. Miller felt the District could use a standard District contract package and include a cover sheet summarizing which sections may not apply to a project up for bid.

Massey advised there are few contracts written from the contractor's advantage. Massey explained that the experienced contractors who may be right for the job also tend to be the contractors who are not awarded the bid because they usually bid in the middle range, not low or high. Massey said that one way this has been alleviated in the railroad industry is implementation of a bidders list.

Miller asked how the District selects bidding contractors and services. Ratermann responded the District does not go real deep in the selection process, and it is difficult to throw bids out. Chann said the cost of the project should be the burden of the people responsible for it. He proposed that the District ask designing engineers to think more about the risk exposure with the knowledge and options that have been presented to the District.

Shorr advised other entities are having similar bid issues and are also talking about where and how to allocate risk. He agreed the District could put together a standard contract package. He offered an example of another wastewater entity that used a standard contract package which included 4 sections for project bids: standard general specifications; supplemental specifications for general jobs; special conditions; and supplemental special conditions.

Becking suggested as a result of the Trustee's discussion that Ratermann consider creating a different type of contract package to present for Board approval at a later date. Shorr noted that something may be learned from Liberty's design/build contract.

Schnedler wanted the District to look closer at the contracts, the way RFPs are written, and to qualify bidders.

Schnedler felt it is important to track what was spent out of cash on non-SRF funded projects so that the District can pay itself back at a later date.

Ratermann explained that Missouri Public Utilities Alliance is pooling together small borrowers with an issue that is attractive to investors. Ratermann advised this may be an option for review when SRF funding is not available.

Shorr suggested the next time the District goes to bond issue, the excess funding request for "miscellaneous" should be bulked up from \$500,000, and he felt the new figure should be determined before the 2018 Bond Issue. Shorr advised the District request a 10% contingency fund from the voters, allowing for flexibility to meet changing conditions, permits and environmental strategies.

Schnedler asked if the District has an idea of what the cost is in additional engineering and staff time to qualify a project for SRF versus cost for a non-SRF eligible project. Ratermann responded that it is easy to track what is spent for cultural resource surveys, but the intangible cost the consulting engineering firm builds into the facility plan is harder to determine. He directed the Board to review the Facility Planning Synopsis & Project Alternative Analysis, explaining the business case the District builds generally begins by reviewing these project

alternatives and options. He said these are SRF required, but he does not feel this should be passed over, even for non-SRF projects. Schnedler stated that using SRF adds to the time table of project completion. Ratermann agreed using SRF does add some time.

Becking asked the Trustees to consider how District staff can better position itself to determine the impact of pay-go versus various financing on user rates. Schnedler preferred this be accomplished internally with purchased software or a customized spreadsheet. Miller agreed and stated that configuring this internally brings the District closer to the numbers, makes evaluation easier for staff, and saves fees on hiring outside professionals. Shorr explained that in some scenarios, the easiest way to finance would be pay-go, but the question becomes who is paying, all users or users within a sub-district. He said sub-districts would become a more important element. Shorr advised this will eventually need to be addressed.

Becking concluded the next steps would be for the Cost of Treatment subcommittee to review what would be needed to determine different scenarios and options involved in pay-go versus various financing on user rates.

Threats & Opportunities

Becking asked the Board to consider if the current BCRSD mission statement should be revised in any way. The mission statement was revised to state: BCRSD provides superior *cost-effective* wastewater management and related services to protect public health and the environment, now and in the future, adding the word “cost-effective”.

Oswald reviewed the Strategic Initiatives and Action Plans. Long term, the District needs to develop an asset management system. Miller noted that progress was made on many of the initiatives outlined in 2007.

Short Term Goals:

- Bond issue completion
- Providing the guidance that staff needs to facilitate approved project completion
- Hold rates steady / slow rate acceleration
- Environmental compliance
- Support community growth

Shorr explained evidence of the District’s support of continued community growth is important, since one of the District’s roles is to allow for housing in the community.

Long Term Goals:

- Hold rates steady
- Continue affordable environmental compliance
- Strategic investments (capital and staffing)

Threats (External and beyond District control):

- Evolving environmental standards: (7)*
 - Hypoxia
 - Ammonia
 - Nitrogen/phosphorus
 - Emerging contaminants
 - Land application system

- Urban focus being applied to suburban/rural districts
- Wholesale treatment (potential threat) (6)
- Rate structure based on mass, not gallons, in terms of water use (5)
- Tax rebellion (impacts rates) (4)
- Lack of inexpensive funding (1)
- Unknown permit requirements (1)

Opportunities:

- Quality Staff (*strength*) (6)
 - Addition/manipulation of staff functions
- Growing community (4)
- Continue to communicate with rate payers (4)
- Maintain public trust / public support (4)
- Maintain relationship with the City (3)
- Newer systems (1)
- Young demographic
- New technology (1)
- Nutrient trading
- External to the County (*strength*)

* Number in parenthesis denotes the number of votes given to that particular issue.

Staffing

Oswald reviewed the Staff Statistics and the Staffing Survey. Miller would like more information about what types of systems other county districts are operating.

Ratermann asked the Trustees to consider the number of staffing. He asked them to consider transition planning for staff. Schnedler said she predicts work will be added to management and administration in order to keep up with implementation of new goals and District needs. She would prefer to err on the side of caution and account for the potential need of new staff in the Master Plan.

Schnedler asked for information on how much of an increase in staff resources will be needed to perform the outcomes desired. She felt a salary study is needed. Miller said the County is doing a salary study now and it should be completed in June 2014. The District can then use that study as a starting point for comparison.

Becking asked the Trustees to consider what the pros and cons are for moving toward a defined benefit plan or a defined contribution plan.

Schnedler said she would like to review the dollar amount of contributions currently applied to the retirement programs in use now (going back a couple of years), and compare that to what the contribution would have been if the District had been a LAGERS member. She would like to know what the history of percentage increases have been in LAGERS over the past ten years and if LAGERS is underfunded.

Chann said he would like to know what dollar amounts were contributed by employees or on behalf of employees under the current retirement plan.

Miller said she would like more information about why other agencies seem to be trending away from defined benefits. She advised the District should gather information about alternate ways of getting to better structure versus defined benefit.

Schnedler and Shorr explained that one problem with defined benefit plans is that there is not an effective way to determine what the employer contributions will be in the future, and they want to avoid committing future Boards to uncontrolled costs.

Where to Go Next

Chann advised the District to define the next steps. Miller recommended the Trustees arrive one hour early before the regular Board meetings to help facilitate the “next step” decisions.

Adjournment

Meeting was adjourned at 12:20 PM.