

South Douglas Highway Water & Sewer District
Regular Meeting Minutes
Wednesday, May 23, 2018, 12:00 p.m.
Conference Room / K2 Technologies – 400 South Gillette Avenue, Gillette, Wyoming
Revised 5/23/18

Board Members Present: Dan King, Arlyn Magnuson, David Riley, Dennis Stillman
Board Members Approved Absent: Bill Edenfield
Others Present: Helenanne Cathey

Dan King called the meeting to order at 12:02 p.m.

Meeting Minutes

The minutes were reviewed. It was moved by David Riley and seconded by Dennis Stillman to approve the minutes for the regular meeting on April 25, 2018, as presented. Motion carried unanimously.

Financial Information / Treasurer’s Report / Bill Payments / Quarterly Reports

The financial information was reviewed, including the Treasurer’s Report, List of Bills and Claims, and Quarterly Reports for 3/31/18. It was moved by Arlyn Magnuson and seconded by David Riley to accept the Treasurer’s Report and pay the bills and claims as presented. Motion carried unanimously. The following bills were paid:

5/23/2018	2020	Cathey Consulting, LLC	Admin./Bookkeeping/Compliance/Postage	\$408.85
5/23/2018	2021	DESK Holdings, LLC	Rent	\$375.00
5/23/2018	2022	EnTech Inc.	Technical Coordinator 4/2-4/29/18	\$325.00
6/26/2018	2023	GW Construction	7791 Rimrock Sewer Repair	\$6,400.00
5/23/2018	2024	One Call of Wyoming	Locate tickets for April	\$31.50
5/23/2018	2025	Stevens, Edwards, Hallock	Legal fees	\$75.00
5/23/2018	2026	Water Guy, LLC	Locating service for April	\$27.50
5/23/2018	2027	Wyo-Star	4/30/18 Assessments to Wyo-Star Accounts	\$93,524.33
		TOTAL BILLS		\$ 101,167.18

Unfinished Business

- a. Damage to main sewer line located in front of 7791 Rimrock Dr. in Antelope Valley Subdivision. GW Construction has completed the project. The final ad will run in the News-Record on May 16, 23 and 30. Final payment is to be made June 26th. A check was included in the bill payments today, but it was dated June 26th and will be mailed on June 26th as long as there are no issues or claims at that time.
- b. The budget for the next fiscal year (7/1/18 – 6/30/19) was discussed. It was moved by Arlyn Magnuson and seconded by Dennis Stillman to approve the preliminary budget as presented. Motion carried unanimously. The preliminary budget is attached to these minutes. The following legal ad will run in the News-Record on June 6, 13, and 20.

NOTICE OF PUBLIC HEARING

Proposed FY18-19 Budget for
South Douglas Highway Water and Sewer District

Notice is hereby given that a scheduled public hearing on the proposed FY18-19 budget of the South Douglas Highway Water and Sewer District will be held at 12:00 pm on Wednesday, June 27, 2018, in the meeting room at K2 Technologies, 400 South Gillette Avenue, Gillette. A summary of the proposed budget is as follows:

Estimated Carryover:	\$1,483,498.00
Estimated Revenues	
Taxes and Assessments (No Mil Levy)	\$388,417
Interest	\$600.00
TOTAL ESTIMATED REVENUES	\$389,117

Estimated Expenditures

Operating Expenses	\$27,200
Miscellaneous Expenses (From Carryover)	\$15,000
Capital Outlays	
Debt Service on Phase 1	\$613,013
Debt Service on Phase 2	\$382,181
TOTAL ESTIMATED OPERATING EXPENSES, CAPITAL OUTLAYS AND DEBT SERVICE	\$1,037,394

Detailed copies of the proposed budget may be obtained at the office of Cathey Consulting, 400 South Gillette Avenue, Suite 206, Gillette, or by calling 685-8235 or by going to www.catheyconsulting.net – Click on South Douglas Highway Water & Sewer District – 05/23/18 Minutes.

The budget will be adopted at the District’s regular monthly meeting on this same date immediately following the budget hearing. The District meets monthly on the 4th Wednesday of each month at 12:00 p.m. in this same location.

South Douglas Highway W&S District
BY: Dan King, President

- c. The agreement to convey the sewer system to the City of Gillette was signed 3/28/18. Mike Cole from the City has reported that the City will take over locates for all of the area within the District except for the Stroup Mobile Home Park mains. The mobile home park was not annexed into the City. The City has provided a cost for the City to manage the locating service for the Stroup mains. Water Guy charges \$27.00 per month plus \$65 for any locates, and they will continue to do that if the District wants. The City will charge \$85 per hour to do locates with no monthly fee. A map of the Stroup MHP was reviewed. Dave Engels recommends using the City to perform the locating, because there are generally very few locates on these mains. It was moved by Dennis Stillman and seconded by David Riley to have the City do the locating of mains in the Stroup MHP instead of contracting with Water Guy as soon as it can be contractually arranged with the City.

The Board continued with discussions on how to convey these last remaining sewer mains over to the landowner. The City bills a flat rate on each unit in the mobile home park and assumes 9,000 gallons per month usage, which is a pretty high usage rate for a trailer house. Assuming people use 4,000 gallons a month, it could be a significant savings to Stroup to install a water meter and have the City bill sewer on the basis of winter water usages. After discussion, the consensus is to have Dave Engels reach out to the owner of the mobile home park and talk to them about having the District coordinate an agreement with the City to use an owner-supplied meter for sewer billing. In exchange for the District’s services, the mobile home park owner would agree to take over ownership of the District’s mains serving the mobile home park.

- d. Additional Loan Principal Payments (1/24/17) – It was moved by David Riley and seconded by Dennis Stillman to remove this item from the table. Motion carried unanimously. There was discussion on paying additional amounts on the principal balances of the two outstanding loans. Dave Engels explained the rationale for the proposal and using unencumbered monies from the General Savings fund for making the additional principal amounts as discussed. It was moved by Arlyn Magnuson and seconded by David Riley to pay additional principal payments on the two loans based on the January 19, 2018, recommendation memo from Dave Engels attached to these minutes. Motion carried unanimously. A partial payment will be done in this fiscal year, and the remainder in the next fiscal year. The following is a summary of the proposed additional payments discussed in the recommendation memo:

CWSRF-051 (Phase 1):	\$300,000 from the General Savings Wyo-Star Account 5447
CWSRF-073 (Phase 2):	\$100,000 from the General Savings Wyo-Star Account 5447, and \$220,000 from the SID 1, 2, and 3 Wyo-Star Accounts 5523, 5524, and 5525

South Douglas Highway Water & Sewer District
Budget - 7/1/18 - 6/30/19

Budget Hearing Date: June 27, 2018, 12:00 p.m.
at 400 South Gillette Avenue, Gillette

Mailing Address: PO Box 2245, Gillette, WY 82717

	Previous Year Actual 7/1/16 - 6/30/17	FY 17-18 Special Fund	FY 17-18 Budget General Fund (0 mil)	Total FY 17-18 Entity Budget	Current Year Accrual (ESTIMATED) 7/1/17 - 6/30/18	Current Year Cash Basis 7/1/17-6/30/18 (F-32)	FY 18-19 Special Fund	FY 18-19 Budget General Fund (0 mil)	Total FY 18-19 Entity Budget
ESTIMATED BEGINNING BALANCE	\$1,586,842	\$935,353	\$654,717	\$1,590,069	\$1,587,317	\$1,592,149	\$922,633	\$560,865	\$1,483,498
REVENUES									
Taxes and assessments	\$30,102		\$0	\$0	\$228			\$0	\$0
Special Assessments									
Phase 1 - Antelope Valley + 310 X 984 + 4367.74 + 4619.70	\$315,995	\$314,027		\$314,027	\$318,455		\$314,027		\$314,027
36X 1000 Phase 2 - SID 1	\$42,000	\$36,000		\$36,000	\$37,017		\$36,000		\$36,000
22 X 1020 Phase 2 - SID 2	\$23,460	\$22,440		\$22,440	\$24,480		\$22,440		\$22,440
11 X 1450 Phase 2 - SID 3	\$15,225	\$15,950		\$15,950	\$16,675		\$15,950		\$15,950
Total Special Assessments	\$396,680	\$388,417		\$388,417	\$396,628		\$388,417		\$388,417
Interest - Special Assessments	\$1,880	\$1,600		\$1,600	\$700		\$700		\$700
Plant Investment Fees									
Interest on General Fund and Reserves	\$4,416				\$15,000				
Past Due Bills - City	\$400				\$54				
Sewer Connections									
TOTAL REVENUES	\$433,478	\$390,017	\$0	\$390,017	\$412,610	\$0	\$389,117	\$0	\$389,117
TOTAL BEGINNING BALANCE PLUS R	\$2,020,320	\$1,325,370	\$654,717	\$1,980,087	\$1,999,926	\$1,592,149	\$1,311,750	\$560,865	\$1,872,615
OPERATING EXPENSES									
Contractual Services									
Legal Services	\$918		\$1,000	\$1,000	\$87			\$1,000	\$1,000
Accounting and Auditing Services	\$5,645		\$4,000	\$4,000	\$4,185			\$4,500	\$4,500
Consultant Administrative Services	\$15,716		\$6,000	\$6,000	\$10,000			\$6,000	\$6,000
Administrative Support Services	\$4,950		\$5,000	\$5,000	\$5,300			\$5,300	\$5,300
Sewer Locating Services	\$3,952		\$6,000	\$6,000	\$2,000			\$2,000	\$2,000
Total Contractual Services	\$31,181		\$22,000	\$22,000	\$21,572			\$18,800	\$18,800
Office Expenses									
Postage	\$203		\$300	\$300	\$600			\$600	\$600
Advertising/Public Notices	\$557		\$350	\$350	\$600			\$600	\$600
Election Expenses			\$800	\$800	\$452			\$800	\$800
Office Rent	\$4,500		\$4,500	\$4,500	\$4,500			\$4,500	\$4,500
Other	\$103		\$100	\$100				\$100	\$100
Telephone and Internet	\$98		\$300	\$300	\$98			\$150	\$150
Total Office Expenses	\$5,461		\$6,350	\$6,350	\$6,250			\$6,750	\$6,750
Indirect Costs									
Insurance & Bond Expense	\$750		\$1,000	\$1,000	\$750			\$1,000	\$1,000
Board Expenses	\$564		\$650	\$650	\$650			\$650	\$650
Total Indirect Costs	\$1,314		\$1,650	\$1,650	\$1,400			\$1,650	\$1,650
Operating / Miscellaneous Costs									
Tap Fees									
Miscellaneous Repairs	\$67,587		\$0	\$0	\$9,870			\$0	\$0
Total Operating / Misc. Costs	\$67,587		\$0	\$0	\$9,870			\$0	\$0
TOTAL OPERATING EXPENSES	\$105,543		\$30,000	\$30,000	\$39,092			\$27,200	\$27,200
MISCELLANEOUS EXPENSES									
From Cash Reserve for Misc. Exp.			\$100,000	\$100,000				\$15,000	\$15,000
CAPITAL EXPENSE			\$0	\$0				\$0	\$0
TOTAL CAPITAL EXPENSE			\$0	\$0				\$0	\$0
DEBT SERVICE ON PHASE 1 (051)									
Principal	\$240,182	\$240,182		\$240,182	\$249,916		\$250,638	\$300,000	\$550,638
Interest	\$72,831	\$72,831		\$72,831	\$63,097		\$62,375		\$62,375
	\$313,013	\$313,013	\$0	\$313,013	\$313,013		\$313,013	\$300,000	\$613,013
DEBT SERVICE ON PHASE 2 (073)									
Principal	\$45,479	\$45,479		\$45,479	\$47,223		\$267,566	\$100,000	\$367,566
Interest	\$16,703	\$16,703		\$16,703	\$14,959		\$14,615		\$14,615
	\$62,182	\$62,182	\$0	\$62,182	\$62,182		\$282,181	\$100,000	\$382,181
TOTAL DEBT SERVICE	\$375,195	\$375,195	\$0	\$375,195	\$375,195		\$595,194	\$400,000	\$995,194
TOTAL OPERATING, CAPITAL AND DEBT SERVICE EXPENSE	\$480,738	\$375,195	\$130,000	\$505,195	\$414,287	\$0	\$595,194	\$442,200	\$1,037,394
ESTIMATED ENDING BALANCE		\$950,175	\$524,717	\$1,474,892		\$1,592,149	\$716,556	\$118,665	\$835,221

CASH ON HAND START OF FY	7/1/2016 (QB)	6/30/2016	6/30/2017 QB	6/30/17 (Bank St)	6/30/2018(QB)-EST	6/30/18 (Bank)-EST
General Fund	218,039.46	218,039.46	200,805.03	286,681.77	102,000.00	102,000.00
Unenc. Reserves (WyoStar)	451,155.99	451,155.99	452,954.76	453,911.91	458,865.00	458,865.00
Debt Service - Phase 1	659,383.74	659,383.74	658,452.90	582,172.84	637,935.00	637,935.00
Debt Service - SID 1	97,124.84	97,124.84	108,916.78	106,636.71	113,006.00	113,006.00
Debt Service - SID 2	98,787.65	98,787.65	103,390.43	100,542.44	105,567.00	105,567.00
Debt Service - SID 3	61,385.65	61,385.66	62,796.77	62,202.93	66,125.00	66,125.00
TOTAL	1,585,877.33	1,585,877.34	1,587,316.67	1,592,148.60	1,483,498.00	1,483,498.00

Original Amortization Schedule:
Last Loan Pm due 2026 (Ph 1) & 2028 (Ph 2 Cons.)
Last Yr. to assess 2025 (Ph 1) & 2027 (Ph 2 Cons.)

Additional Principal payments July, 2018:
Loan 051 Phase 1 - use \$300,000 from general savings
Loan 073 - Phase 2 - use \$320,000 from general savings WyoStar (\$100,000) & \$220,000 from Wyo-Star fund that has money for repayment of this loan
Total of \$400,000 will come from general savings to these additional principal payments.

Budget Message

The District's revenue will stay the same as last year with no mil levy again this year. All services are contracted so no staff are employed by the District. The District maintains an Unencumbered Reserves Balance which will be used in the coming years to manage the District until the District dissolves, which will occur as soon as the debt is paid off. Additional principal will be paid on the loans this year so as to allow for the payoff of the loans ahead of schedule. The majority of the District has been annexed into the City of Gillette, so there should be minimal repair bills. There is only one small section of sewer line serving Stroup Mobile Home Park that is still in the District.

Dan King, President

David Riley, Secretary

MEMORANDUM

January 19, 2018

TO: Members of the SDHW&SD Board

FROM: Dave Engels, Technical Coordinator

RE: Payments on SRF Loans CWSRF-051 and CWSRF-073

RECOMMENDATION:

That the Board:

1. for CWSRF-051, utilize \$300,000 of monies from the general savings fund in Wyo-Star to pay down a portion of the outstanding principal. (Currently there is approximately \$456,000 in this fund.) If done on or around July 2018, the term of the loan will end in Year 2025, or one year earlier than originally planned. Additionally, for Year 2025, in lieu of paying the full annual P&I payment of \$313,000, the payment that year is projected to be \$261,333. Actual tax assessment collections will cease in Year 2024 (which was the year originally planned), but the required tax assessment is projected to be ½ of the typical annual assessed amount for that year.
2. for CWSRF-073, utilize:
 - a. \$100,000 of monies from the general savings fund in Wyo-Star, and
 - b. \$220,000 of monies available in the Wyo-Star fund established for repayment of this specific loan,to pay down a portion of the outstanding principal. If done on or around July 2018, the term of the loan will end in Year 2021, or seven years earlier than originally planned. For Year 2021, the required tax assessment will only be ½ of the typical annual assessed amount for that year. The final payment on the loan will occur in Year 2022, as sufficient monies are projected to be in the Wyo-star fund established for repayment of this specific loan to repay the remaining principal.

If the Board takes this action around July 2018, the outstanding balances in its general funds will be as follows at that time:

1. For the general savings fund: approximately \$60,000; and
2. For the general checking account: approximately \$100,000.

Conceivably these monies are sufficient to take care of the Board's expenses between now and then, assuming that there is no additional mil levy collected. This assumption is made because it is anticipated that the City of Gillette's pending ownership of the sewer system in the Antelope Valley area will reduce the Board's expenses that much more. If, for whatever reason, the \$160,000 does not cover all of the Board's future costs, the mil levy could be reinstated, or the special assessment could continue as necessary in lieu of terminating them prematurely.

There will also be monies available in the two Wyo-Star funds dedicated to repayment of these loans to continue to pay off their remaining debts, assuming annual assessments are made and collected.

If the Board takes this action before July 2018, the outstanding balances will improve that much more, due to the fact that Wyo-Star interest rates are considerably below the 2.5% annual SRF interest rates for the two loans.

DISCUSSION:

The Board is currently repaying two SRF loans received from the State that were used to construct the District's sewer systems:

1. CWSRF-051 (used for Antelope Valley, the High View MHP and the Stroup MHP); and
2. CWSRF-073 (used for the Southern Drive Industrial Park and the area around the intersection of Garner Lake Road and Highway 59).

The Board has inquired about using some of the Board's available cash to pay down early the outstanding balance on each loan.

Attached are Charts 1 and 2 which depict current projections for each loan, assuming that nothing is done regarding use of available funds for early repayment. Note the following:

1. In Chart 1, tax revenue closely follows the required SRF loan payments. However, the 20-year period for this tax assessment ends in August 2024, whereas the SRF loan payments are due for the years 2025 and 2026. This results in a shortfall in this fund of approximately \$200,000. The shortfall is likely due to the following reasons:
 - a. When the loan began to be used, the accumulated interest on the loan amounted to approximately \$100,000, which was paid during the first year of repayment over and above the annual \$313,013 annual P&I payment. Due to the fact that Wyo-Star interest rates have remained below the 2.5% SRF loan interest rate (see Chart 3), there has been a gradual erosion of monies available for loan repayment.
 - b. Some of the monies collected through assessments during the original construction period were used to pay construction-related expenses that were ineligible for SRF funding.
2. In Chart 2, annual tax revenue is approximately \$20,000 higher than the required SRF loan payments. As such, this fund has accumulated considerable additional cash over the years. If nothing is done, there will be approximately \$300,000 additional cash available at the end of the loan period in August 2028.

Also attached are Charts 4 and 5, which depict projected cash flow in the event that the recommended amounts are paid down on the two loans. Note that the recommendation includes \$300,000 of general fund savings being used for the CWSRF-051 loan (75% of \$400,000), and \$100,000 of general fund savings being used for the CWSRF-073 loan (25% of \$400,000). These percentages were derived by reviewing the current assessed valuations for all of the properties in the two areas served. Currently these percentages are approximately 70% and 30%, respectively. However, when the *ad valorem* taxes were being assessed on these properties previously, most of the lots within the Phase 2 area were undeveloped, thus it is likely that they were paying less.

Chart 1
CWSRF - 051 (Antelope Valley, High View and Stroup MHPs) -
Current Projections

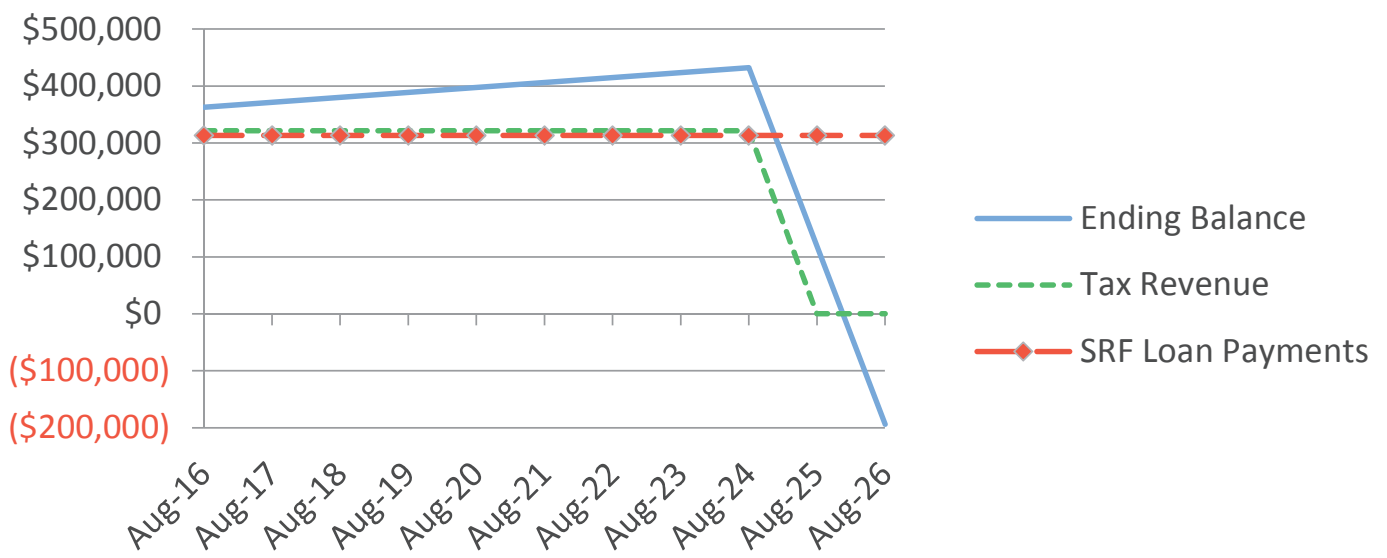


Chart 2
CWSRF - 073 (Southern Drive IP, area around Garner Lake Drive - Hwy 59 intersection) - Current Projections

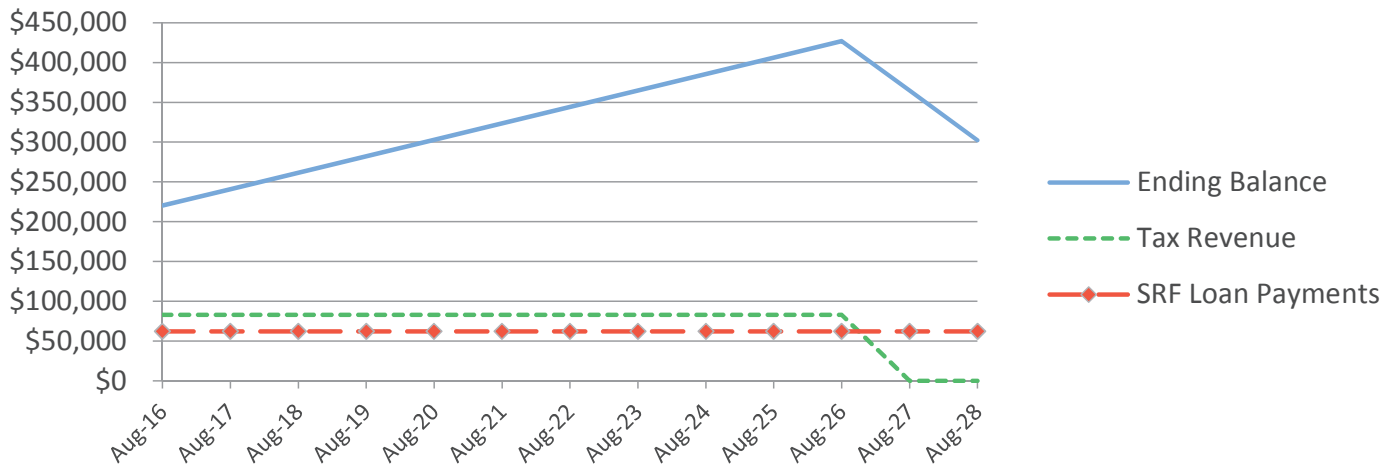


Chart 3
Wyo-Star Yields Over the Life of the 2.5% SRF Loans

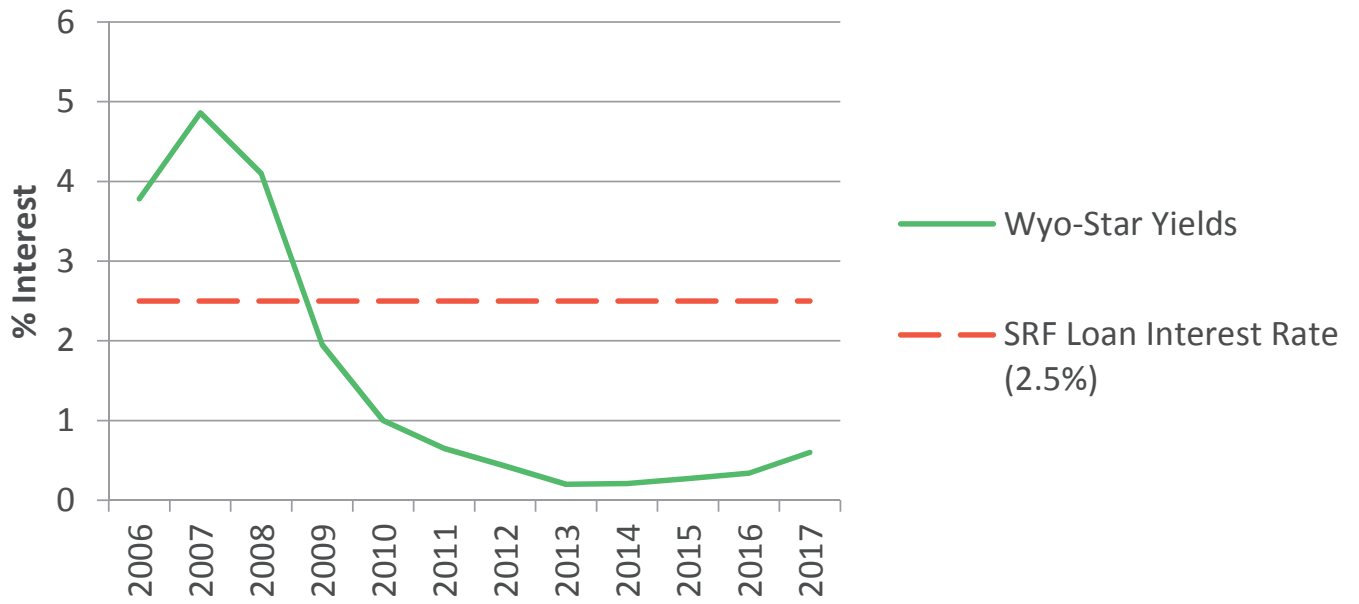


Chart 4
CWSRF - 051 (Antelope Valley, High View and Stroup MHPs) using \$300K of General Savings for Early Payment

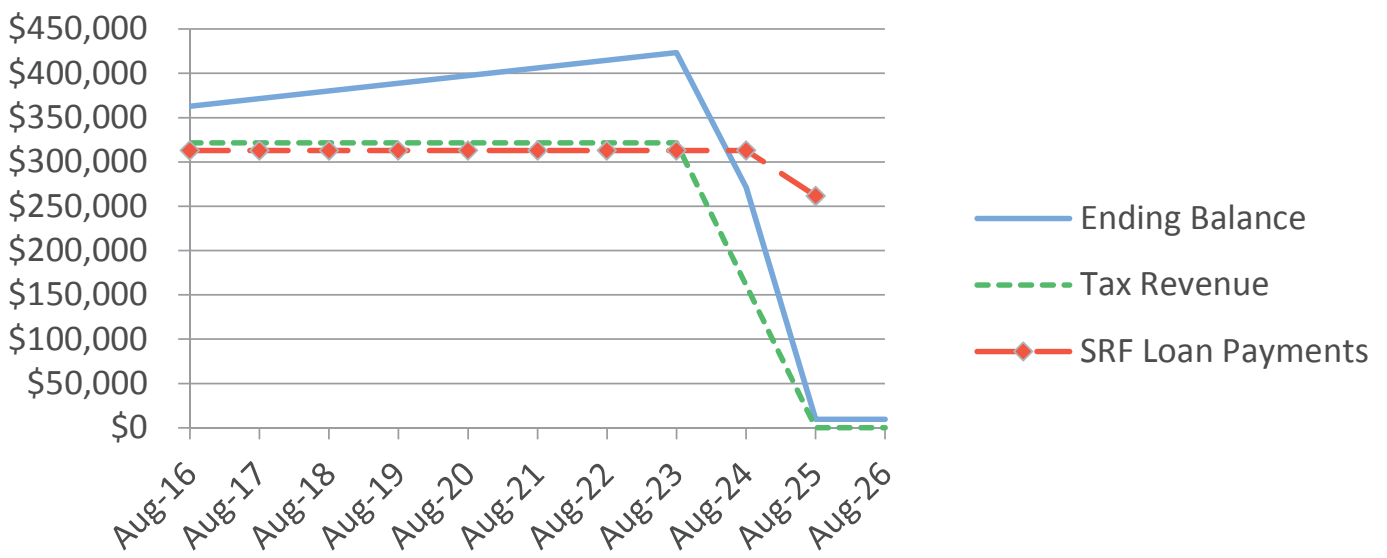


Chart 5
CWSRF - 073 (Southern Drive IP, area around Garner Lake Drive - Hwy 59 intersection) using \$220K of WyoStar Fund + \$100K of General Savings for Early Payment

