

SOUTH DAVIS SEWER DISTRICT  
BOARD OF TRUSTEES  
REGULAR MEETING & BUDGET HEARING  
20 April 2017

The Board of Trustees of the South Davis Sewer District, Davis and Salt Lake Counties, met in regular session at 5:00 p.m. at the District Office located at 1800 West 1200 North, West Bountiful, Utah, with the following members present:

Dee Hansen	Chairman
Howard Burningham	Vice-Chairman
John Davies	Trustee
Mark Preece	Trustee
Len Arave	Trustee
Ryan Westergard	Trustee

Excused:

Randy Lewis	Trustee
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Others meeting with the Board:

Dal Wayment	General Manager/Treasurer
Susanne Monsen	Administrative Asst/Asst Clerk
Jim Burr	Chapman & Cutler
Preston Kirk	George K. Baum & Company
Mark Anderson	Attorney/Fabian VanCott
Craig Smith	Attorney/Smith Hartvigsen

1. MINUTES:

The regular meeting was called to order at 5:26 p.m. at which time the Chairman asked for comments of the Engineering Committee Meeting held 16 March 2017. After consideration motion was made by Mr. Len Arave seconded by Mr. John Davies to accept the Minutes as presented. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

The Chairman then asked for comments of the regular Board Meeting held 16 March 2017. After consideration motion was made by Mr. Howard Burningham seconded by Mr. Mark Preece to accept the Minutes as presented. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

2. BUDGET REPORT:

The Budget Report dated 4/17/17 was presented for review. The Collection System has received 57% in revenues and is 30% expended; Treatment Plants have received 23% in revenues and are 26% expended; Industrial Pretreatment has received 6% in revenues and is 22% expended; Capital Expansion has received 0% in revenues and is 3% expended; Water Quality Group (JR/FB) has received 72% in revenues and is 14% expended; OU2 Remediation has received 0% in revenues and is 15% expended; Water Quality Group (Utah Lake) has received 89% in revenues and is 32% expended; and General & Admin has received 0% in revenues and is 52% expended. The budget ratio to calendar months is 29%.

3. APPROVAL OF DISBURSEMENTS:

Trustees requested review on Zions Bank check numbers 25188, 25201 and 25257. After consideration and some review motion was made by Mr. Ryan Westergard seconded by Mr. Len Arave to accept the Disbursements as presented. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

4. APPROVAL OF SEWER LINE AGREEMENTS:

A. THE COTTAGE ON THE CORNER - PROJECT NO. 4-17.

Mr. Wayment recommended the Agreement for The Cottage on the Corner, located at 300 East Pages Lane in Centerville, known as Project No. 4-17, be accepted.

B. EAST ORCHARD SUBDIVISION - PROJECT NO. 5-17.

Mr. Wayment recommended the Agreement for East Orchard Subdivision, located at 2334 South 200 West in Bountiful, known as Project No. 5-17, be accepted.

C. CHITOSE JOHNSON AMENDED SUBDIVISION - PROJECT NO. 6-17.

Mr. Wayment recommended the Agreement for Chitose Johnson Amended Subdivision, located at 200 East 1200 North in Centerville, known as Project No. 6-17, be accepted.

Motion was made by Mr. John Davies seconded by Mr. Ryan Westergard to authorize the Chairman to sign the agreements for The Cottage on the Corner, East Orchard Subdivision and Chitose Johnson Amended Subdivision. Motion carried with Trustees Hansen, Burningham, Davies, Lewis, Preece, Arave and Westergard voting "aye".

5. RESOURCE RECOVERY PROJECT:

Mr. Jim Burr, bond counsel, outlined the contents of Resolution No.'s 163 through 166 and discussed the highlights of each document and answered questions by the Board. These documents have been reviewed in detail by all parties involved.

A. DISTRICT BONDS

- (1) Consider Master Resolution No. 163 Providing for the Issuance of Combined Utility System Revenue Bonds.

Resolution No. 163 establishes the terms and provisions under which Bonds can be issued by the District from time to time to finance or refinance the cost of additions and improvements to the sewer system, resource recovery project, nutrient removal projects and any other project the District is authorized to undertake by law and Board action. It also pledges the revenues of the Combined Utility System to secure the bonds and specifies how the revenues will be used for the payment of O&M costs, debt service and funding of R&R and other reserves. The District covenants to establish and collect rates and charges for sewer system revenues which, together with the revenues from resource recovery projects and nutrient removal projects and sufficient to pay all O&M expenses not paid from the District's tax levy and produce net revenues equal to 125% of the debt service on the Bonds.

Motion was made by Mr. John Davies seconded by Mr. Ryan Westergard to adopt the Master Resolution Providing for the Issuance of Combined Utility System Revenue Bonds through Resolution No. 163. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

- (2) Consider Supplemental Resolution No. 164 Authorizing the Issuance and Sale of not to exceed \$22.5 million of the District's Combined Utility System Revenue Bonds, Series 2017A Bonds, to finance the District share of the cost of the Resource Recovery Project.

Resolution No. 164 approves the issuance of the District's Series 2017A Bonds to finance its share of the costs of the Resource Recovery Project, approves the offering and underwriting documents for these Bonds and delegates authority to the Chairman to approve the final Bond terms.

Motion was made by Mr. Mark Preece seconded by Mr. Howard Burningham to adopt the Supplemental Resolution Authorizing the Issuance and Sale of not to exceed \$22.5 million of the District's Combined Utility System Revenue Bonds, Series 2017A Bonds, to finance the District's share of the cost of the Resource Recovery Project through Resolution No. 164. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

## B. ALPRO BONDS

- (1) Consider Resolution No. 165 approving the forms of the Indenture of Trust, Loan Agreement and security documents for the not to exceed \$25.5 million of Taxable Resource Recovery Revenue Bonds (ALPRO SD, LLC Project), Series 2017, to be issued by the District to finance ALPRO's share of the cost of the Resource Recovery Project.

Resolution No. 165 approves all of the documents necessary for the issuance and sale of the ALPRO bonds; including, the Trust Indenture, Loan Agreement, Leasehold Deed of Trust and other necessary security agreements, offering and underwriting documents and the final form of the ground lease. It also delegates authority to the Chairman to approve, in consultation with ALPRO, the final terms of the ALPRO bonds and the documents previously described.

Motion was made by Mr. Len Arave seconded by Mr. John Davies approving the forms of the Indenture of Trust, Loan Agreement and security documents for the not to exceed \$25.5 million of Taxable Resource Recovery Revenue Bonds (ALPRO SD, LLC Project), Series 2017, to be issued by the District to finance ALPRO's share of the cost of the Resource Recovery Project through Resolution No. 165. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

- C. Consider Resolution No. 166 (i) approving the Limited Liability Company Operating Agreement of Wasatch Resource Recovery, LLC (WRR), and (ii) delegating authority to WRR to execute and deliver the gas facilities and interconnection agreements with Questar, the biogas sales agreements with BP Energy Company, and an assignment and assumption agreement with ALPRO for the feedstock contracts relating to the Resource Recovery Project.

Resolution No. 166 approves various matters relating to the Project Company, including the Limited Liability Company Agreement under which the District and ALPRO will be members of the Project Company, Questar Facilities Agreement and Receipt Point Service Agreement, Biogas Sales Agreement with BP Energy Company and assignment of feedstock contracts from ALPRO Energy & Water to the Project Company. This Resolution also delegates authority to the Project Management Committee to approve the final forms of the above agreements and to take all future actions required by these agreements.

Motion was made by Mr. Howard Burningham seconded by Mr. Ryan Westergard (i) approving the Limited Liability Company Operating Agreement of Wasatch Resource Recovery, LLC (WRR), and (ii) delegating authority to WRR to execute and deliver the gas facilities and interconnection agreements with Questar, the biogas sales agreements with BP Energy Company, and an assignment and assumption agreement with ALPRO for the feedstock contracts relating to the Resource Recovery Project through Resolution No. 166. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

## D. Project and Financing Update.

The interconnection agreements with Questar are nearly final. The Biogas Sales Agreement with BP Energy Company is final (BPEC will provide full payment guaranty from BP Corporation North America). ALPRO is working with feedstock providers to get required consents to assignment of the feedstock contracts to the Project Company. Financing arrangements are close to complete and we are working with Standard & Poor's (S&P) on the bond rating. The offering documents will be distributed to investors as soon as the rating is received. The Bond sale will be 7-10 days later and the Bond closings will be the following week.

6. NUTRIENT REMOVAL PROJECT:

Mr. Jim Burr also reviewed the content of Resolution No. 167 and answered questions by the Board.

- A. Consider Resolution No. 167 declaring the District's intent to issue not to exceed \$30 million of its Combined Utility System Revenue Bonds, Series 2017B Bonds, to finance the cost of the Nutrient Removal Project, establishing certain parameters for the Series 2017B Bonds and ratifying the publication of a Notice of Bonds to be Issued.

Resolution No. 167 approves parameters not to exceed \$30 million for the Series 2017B Bonds that will finance the Nutrient Removal Project and incorporates the terms for the purchase of these Bonds by the Utah Water Quality Board. The Supplemental Resolution should be available for adoption at the May Board Meeting.

Motion was made by Mr. John Davies seconded by Mr. Howard Burningham declaring the District's intent to issue not to exceed \$30 million of its Combined Utility system Revenue Bonds, Series 2017B Bonds, to finance the cost of the Nutrient Removal Project, establishing certain parameters for the Series 2017B Bonds and ratifying the publication of a Notice of Bonds to be Issued through Resolution No. 167. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

7. OPEN BUDGET HEARING:

Motion was made by Mr. Howard Burningham seconded by Mr. John Davies to open the Budget Hearing. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

A. PUBLIC COMMENTS.

None.

8. CLOSE BUDGET HEARING:

Motion was made by Mr. Len Arave seconded by Mr. Ryan Westergard to close the Budget Hearing. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

9. CONSIDER RESOLUTION AMENDING THE DISTRICT'S 2017 BUDGET TO INCLUDE PROCEEDS FROM REVENUE BONDS AND HOUSEKEEPING CORRECTIONS:

In amending the District's 2017 Budget staff omitted the revenues required to match the project expenditures added to the 2017 Budget. Revenues for the projects will come from District reserves and bond proceeds. The changes to the budget were reviewed.

Motion was made by Mr. John Davies seconded by Mr. Mark Preece to adopt the revisions to the 2017 Budget through Resolution No. 107-17 (2<sup>nd</sup> Amendment) as presented. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

10. GENERAL MANAGER'S REPORT:

A. CARBON CYCLE ENERGY.

The largest utility-scale biogas facility in the U.S., capable of transforming animal and food waste into enough clean energy to power 32,000 homes annually, broke ground in December. This \$100 million project is located near Warsaw, N.C. This project is of particular interest to the District because it is using the same gas scrubbing technology that has been selected for the Resource Recovery Project. Carbon Cycle Energy was used as a consultant to review all gas scrubbing technologies currently in use and make recommendations for the Resource Recovery Project.



B. CODIGATION PROJECTS NATIONWIDE.

A number of new food waste-to-energy projects being undertaken in the United States were reviewed.

C. WASATCH FRONT SEWER RATE STUDY.

The Board reviewed a 2014 rate study put together by Leland Myers of Central Davis Sewer District. The study has been updated by South Davis for 2017. District rates remain the lowest in Utah and among the lowest nation-wide. The District sewer rate is currently 26% of the Wasatch Front average. Our current total sewer bill monthly sewer rate of \$5.00/month plus approximately \$3.29/month property tax for a total monthly rate of \$8.29/month is \$10.31 less than the next lowest sewer bill in the Wasatch Front. The District's sewer rate is \$51.63/month less than the highest sewer rate on the Wasatch Front.

D. WASATCH RESOURCE RECOVERY - FEEDSTOCK SOURCES.

The District's private partner in the food-waste-to-energy project has been working with 164 feed stock sources. The project has contracts with 21 of these sources and pending contracts with 21. The remainder have shown significant interest in the project and are willing to discuss a contract once the project is under construction and a date for receiving waste can be established.

11. NEXT MEETING SCHEDULED:

The next meeting has been scheduled for Thursday, 18 May 2017, 5:00 p.m.

12. DISMISSAL:

The meeting ended at 7:02 p.m.



Assistant Clerk

  
Chairman, Board of Trustees