

SOUTH DAVIS SEWER DISTRICT
BOARD OF TRUSTEES
REGULAR MEETING
16 February 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
Randy Lewis	Trustee (Arrived 6:00 pm)
Mark Preece	Trustee
Len Arave	Trustee
Ryan Westergard	Trustee

Others meeting with the Board:

Dal Wayment	General Manager/Treasurer
Mark Katter	Accounting Manager/Clerk (Excused 8:05 pm)
Susanne Monsen	Administrative Asst/Asst Clerk
Matt Myers	Engineer
Darrell Child	Olympus Insurance Agency
Garrett Pallo	Clearas Water Recovery
Mark Anderson	Attorney/Fabian VanCott
Craig Smith	Attorney/Smith Hartvigsen
Scott Rogers	Aqua Engineering/ALPRO
Bruce Alder	Alder Construction/ALPRO
Eric Alder	Alder Construction/ALPRO
Glen Perry	Alder Construction/ALPRO
Jim Burr	Chapman & Cutler
Preston Kirk	George K. Baum & Company

1. MINUTES:

The meeting was called to order at 5:00 p.m. at which time the Chairman asked for comments of the regular Board Meeting held 26 January 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".

2. BUDGET REPORT:

The Budget Report dated 2/9/17 was presented for review. The Collection System has received 48% in revenues and is 16% expended; Treatment Plants have received 23% in revenues and are 13% expended; Industrial Pretreatment has received 5% in revenues and is 10% expended; Capital Expansion has received 1% in revenues and is 0% expended; Water Quality Group (JR/FB) has received 65% in revenues and is 4% expended; OU2 Remediation has received 0% in revenues and is 4% expended; and Water Quality Group (Utah Lake) has received 0% in revenues and is 7% expended. The budget ratio to calendar months is 10%.

3. APPROVAL OF DISBURSEMENTS:

Trustees requested review on Zions Bank check numbers 25000 and 25024. After consideration and some review motion was made by Mr. Howard Burningham 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 CONSTRUCTION AGREEMENTS:

A. CHESHAM VILLAGE PHASE 1 PUD - PROJECT NO. 1-17.

Mr. Wayment recommended the Agreement for Chesham Village Phase 1 PUD, located at 3800 South Hwy 89 in North Salt Lake, known as Project No. 1-17, be accepted.

Motion was made by Mr. John Davies seconded by Mr. Mark Preece to authorize the Chairman to sign the agreement for Chesham Village Phase 1 PUD. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

5. APPROVAL OF SEWER LINE DEEDS:

A. WOODS CROSSING COMMERCIAL SUBDIVISION - PROJECT NO. 1-16.

The Deed for Woods Crossing Commercial Subdivision, located in Woods Cross, has been received. The total sewer costs for this development are \$1,177,605.00.

Motion was made by Mr. Len Arave seconded by Mr. Ryan Westergard to accept the Deed for Woods Crossing Commercial Subdivision. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

6. REVIEW INSURANCE COVERAGE:

Mr. Darrell Child from Olympus Insurance Agency reviewed the District's liability, property, casualty and worker's compensation insurance coverage's with the Board. This year proposals were solicited from a number of insurance companies. The major policy provisions were reviewed and discussed.

7. DIVISION OF WATER QUALITY / SELF-ASSESSMENT REPORT 2016:

The Annual Self-Assessment Report questionnaire from the Division of Water Quality addressing performance and planning issues for both operational and financial planning for the District was submitted for review.

Motion was made by Mr. Howard Burningham seconded by Mr. Mark Preece to adopt through Resolution the State of Utah Municipal Wastewater Planning Program Self-Assessment Report for 2016 as presented and reviewed. Motion carried with Trustees Hansen, Burningham, Davies, Preece, Arave and Westergard voting "aye".

8. SCHEDULE AUDIT COMMITTEE MEETING:

The Audit Committee, including Ryan Westergard, Howard Burningham and Mark Preece, has been scheduled for 12:00 noon on Tuesday, March 14th in the District's office.

9. NUTRIENT RECOVERY PROJECT:

We have recently had discussions with a number of potential algae buyers. Blue Marble produces food dyes and artificial flavors. They have the capacity to process 8,000-10,000 pounds of algae per day. They would be extracting proteins and produce products for companies such as Kraft-Heinz. This company is very interested in procuring algae because of its organic nature. Supplying algae to this company would require compliance with a number of significant food industry rules and regulations. There would be a learning curve to do this, but we have had lots of practice complying with rules and regulations. He indicated that in this market the algae is worth \$1.50/pound. Break even for the project is less than \$0.50/pound.

We also spoke with Mr. Rick Johnson of Advanced Algae Solutions (AAS), a brokerage firm that markets algae. AAS works in the agricultural feed field and specialty fertilizer markets. He anticipates a demand in 2018 of one million pounds. As with other products there is a significant effort in validating the quality and characteristics of the algae. For this application we would have to meet 40CFR 503 regulations. These are the same biosolids regulations that we have met for many years.

A. CONSIDER DEFINITIVE AGREEMENT.

Since the last Board Meeting the definitive Agreement has had a final review by Clearas and the District. Final review by the District's legal counsel, Mr. Mark Anderson, is pending. The District's bond counsel suggested he review the document for any issues relative to the bond documents. The only significant provision added to the document since the last review with the Board is a provision for a Limited Notice to Proceed. Several long lead time items are critical to the schedule for constructing this project. The Limited Notice to Proceed would allow the District to use its cash contribution to the project to order the most critical of these items. In reviewing these procurement items Mr. Len Arave asked if there was a guarantee for delivery of these items given that we were paying significant amounts before actually receiving the product. In discussing this issue it was determined that delivery of the glass pipe from a German manufacturer is guaranteed by a Letter of Credit provided by the manufacturer. This is often done in international transactions. Further discussion indicated that in most cases the general contractor issues purchase orders for the equipment and makes the advance payments. Mr. Bruce Alder, Alder Construction, indicated that in their experience when dealing with reputable manufacturers guarantees were generally not sought and they have had few if any problems with default by the manufacturer. The owner, in this case, is protected by the materials and payment bond taken out by the general contractor. It has been the District's intent to engage a contractor. This will automatically solve a significant portion of the problem. If the District is to procure some of the equipment in advance the issue of guaranteeing delivery needs to be addressed in the Agreement.

Motion was made by Mr. Randy Lewis seconded by Mr. Howard Burningham to approve the Clearas Agreement in principal subject to approved modifications by the General Manager and legal counsel. Motion carried with Trustees Hansen, Burningham, Davies, Lewis, Preece, Arave and Westergard voting "aye".

Motion was made by Mr. Howard Burningham seconded by Mr. Mark Preece to give Clearas Limited Notice to Proceed upon perfection of the Agreement. Motion carried with Trustees Hansen, Burningham, Davies, Lewis, Preece, Arave and Westergard voting "aye".

B. REVIEW STATE REVOLVING LOAN FUNDING (SRF).

At its regular monthly meeting held January 30th, the Water Quality Board approved a State Revolving Loan Fund loan for the nutrient recovery project. We will meet again with the Water Quality Board of February 22nd for approval of the interest rate and the establishment of a non-point source fund as part of the loan. The Water Quality Board is also willing to finance rehabilitation of the District's South Plant. The loan would include \$3,795,000 for South Plant rehabilitation; it would also include \$2,500,000 for non-point source funding. The total loan amount is \$28,851,000, which also includes bonding costs. The non-point source fund would be jointly administered by the District and the Division of Water Quality. The proposed interest rate for this loan is 0.55%.

10. RESOURCE RECOVERY PROJECT:

A. PROGRESS REPORT.

On Wednesday morning the District and ALPRO met with Wasatch Integrated Waste Management District. Wasatch Integrated was accompanied by GBB, a national consulting firm specializing in solids waste management. There has been informal discussion with Wasatch Integrated to add food waste that is being screened from municipal solids waste at Wasatch Integrated's facility. This material would be delivered to the waste recovery project and packaging materials and other contaminants screened from food waste would be back-hauled to Wasatch Integrated to be used in their incinerator. Wasatch Integrated indicated that this could be a significant feature in their planning for the future. They requested that the District consider a 10-year contract for this arrangement. The quality of the material from Wasatch Integrated was discussed. Of particular concern is the amount of grit in this material. The Resource Recovery Project is providing a two-stage grit removal process because of the negative impact of grit on the process. Wasatch Integrated indicated that if they had a long term commitment, they could add further processing on their end to remove most of the grit. GBB suggested that the Wasatch Integrated site could also serve as a collection point for organic waste so that larger, more economical loads could be transported from Weber County and North Davis areas. Working together in these areas has the potential for being a significant benefit for both parties.

The air quality permit for the project has been public noticed without comment. The biogas tariff proposed by Questar has been approved by the Public Service Commission. We hope to see a customer agreement with Questar next week. A draft power purchase agreement with Questar from British Petroleum (BP) has been received and reviewed. A final draft will be ready for review at our next Board Meeting.

B. CONSIDER TERMS OF JOINT OWNERSHIP AGREEMENT.

Mr. Jim Burr, bond counsel, reviewed the details of two alternatives for structuring the equity and debt funding and revenue sharing for the project. After last month's Board Meeting it was suggested that if the District were to assume all of the debt there would be a significant savings to the project. Since that meeting the details of that approach have been worked out. Mr. Burr reviewed both proposals in detail with the Board. He also reviewed impacts on schedule, bond documents and other issues.

The Board discussed the pros and cons of the two approaches. The discussions lead to the general conclusion that the original vision of a true 50/50 partnership was preferred. In discussing the original option of both parties financing 50% of the project, Trustee Arave raised the issue that the implied guarantee by the District of the entire debt was not adequately compensated in the Joint Ownership Agreement as currently structured. This issue has been discussed a number of times. Various ways of trying to quantify the value of the guarantee were discussed.

Motion was made by Mr. Len Arave to turn this discussion over to the Resource Recovery Committee to determine the terms of the Agreement. There being no second the motion failed.

Motion was made by Mr. John Davies seconded by Mr. Howard Burningham to proceed with the Joint Ownership Agreement based on a 50/50 basis. Motion carried with Trustees Hansen, Burningham, Davies, Lewis, and Preece voting "aye", Trustees Arave and Westergard voting "nay".

10. GENERAL MANAGER'S REPORT:

None.

11. NEXT MEETING SCHEDULED:

The next meeting has been scheduled for Thursday, 16 March 2017, 5:00 p.m.

12. DISMISSAL:

The meeting ended at 8:32 p.m.


Chairman, Board of Trustees


Clerk