



State of Utah

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Department of
Environmental Quality

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DIVISION OF DRINKING WATER
Kenneth H. Bousfield, P.E.
Director

Drinking Water Board
Paul Hansen, P.E., *Chair*
Betty Naylor, *Vice-Chair*
Brett Chynoweth
Tage Flint
Roger G. Fridal
Brad Johnson
David L. Sakrison
David Stevens, Ph.D.
Mark Stevens, M.D.
Kenneth H. Bousfield, P.E.
Executive Secretary

DRINKING WATER BOARD MEETING
Thursday, August 20, 2015 – 11:00 am
Multi Agency State Office Building – Arches North Conference Room
195 North 1950 West
Salt Lake City, Utah 84116
Teleconference – 1-877-820-7831 – Pin#: 878776#

FINAL MINUTES

1. **Call to Order – Chairman Hansen**

Paul Hansen, Board Chairman called the meeting to order at 11:00 am.

2. **Roll Call – Ken Bousfield**

Board Members present: Paul Hansen, Betty Naylor, Brett Chynoweth, and Roger Fridal. David Sakrison joined the meeting at approximately 11:15 am, being present for all motions made by the Board.

Board Members excused: Tage Flint, Brad Johnson, David Stevens, and Mark Stevens.

Division Staff present: Ken Bousfield, Michael Grange, and Marianne Booth.

3. **Kane County Water Conservancy District Bond Restructuring – Michael Grange**

Representing Kane County was John Crandall of George K. Baum and Company, Mike Noel, General Manager for Kane County Water Conservancy District (KCWCD), and Randy Brown, Finance Manager for KCWCD.

Michael Grange, Construction Assistance Section Manager with the Division of Drinking Water (DDW, the Division), informed the Board that KCWCD has requested approval to consolidate and refinance a number of high interest rate bonds and sell them on the public market in order to obtain a lower interest rate and improve their financial standing. The bonds to be refinanced were all purchased by the United States Department of Agriculture – Rural Development, no bonds purchased by the Drinking Water Board are included in the refinance request. However, in order to get a favorable interest rate on the refinanced

bonds; KCWCD requested that the Drinking Water Board take a subordinate position on its bonds.

There was discussion between the Board, Division Staff, and those representing Kane County regarding the parity of the loan and the move a subordinated position. Michael Grange stated that this had been discussed with Bill Prater, DWB Bond Counsel, and that the Board has taken a subordinate position in the past dependent upon the circumstances surrounding the request. John Crandall noted that Kane County would fully fund the debt service reserve account and as they are a water conservancy district they also have the unique ability to implement an emergency levy; according to State Code 17B-2A-1006 that requires Truth in Taxation procedures, but not a public vote; which the indenture of the bond would obligate them to do if needed to provide for debt repayment. Randy Brown also noted that Kane County has a current property tax levy for up to 0.1 mil and KCWCD is currently levying only 0.06 mil, leaving 0.04 mil which could still be levied if needed.

- Betty Naylor moved to authorize the bond restructuring which involves moving the Board's loan to a subordinate position on its bonds with Kane County with the acknowledgement that Kane County has: 1) a fully funded debt service reserve fund, 2) they have 0.04 mil of a current 0.1 mil property tax levy available, and 3) they also have the ability to implement an emergency levy. Roger Fridal seconded. The motion was carried unanimously by the Board.

4. **Logan City Bond Restructuring – Michael Grange**

Representing Logan City was Matt Dugdale of George K. Baum and Company, and Rich Anderson, Finance Director for Logan City.

Michael Grange informed the Board that Logan City's current indenture allows the combined revenue from the water system, wastewater system, and solid waste system to be used as a repayment source for debt incurred by any of the systems individually. Logan City will be restructuring their indenture and separating the various revenue streams to reflect that the water system revenue will be the sole repayment source for debt incurred by the water system, including bonds purchased by the Drinking Water Board. He noted that this will not affect any of their dedicated revenue to repay the Drinking Water Board loans.

There was discussion between the Board, Division Staff, and those representing Logan City regarding the history of the combined fund, the current legal requirements to segregate those funds, and the large sewer system project which will also require that the funds be separated. It was also noted that this would require that the City draft a new master indenture and that the Board would have a senior pledge of the water system revenues with the same terms as the current indenture.

- Roger Fridal moved to authorize the Bond Restructuring for Logan City to a single revenue source. Brett Chynoweth seconded. The motion was carried unanimously by the Board.

5. **Next Board Meeting:**

Date: Tuesday, September 1, 2015

Time: 1:30 pm
Place: The Davis Conference Center
Zephyr Room
1651 North 700 West
Layton, Utah 84041

6. **Other**

7. **Adjourn**

- Betty Naylor moved to adjourn the meeting.

Paul Hansen adjourned the meeting at 11:45 am.

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