



State of Utah

SPENCER J. COX  
Governor

DEIDRE HENDERSON  
Lieutenant Governor

Department of  
Environmental Quality

Kimberly D. Shelley  
Interim Executive Director

DIVISION OF WATER QUALITY  
Erica Brown Gaddis, PhD  
Director

**Water Quality Board**  
Jennifer Grant, Chair  
Gregg A. Galecki, Vice Chair  
Steven K. Earley  
Brandon Gordon  
Michael D. Luers  
Emily Niehaus  
Kimberly D. Shelley  
Dr. James VanDerslice  
James Webb  
Dr. Erica Brown Gaddis  
Executive Secretary

**MEMORANDUM**

**TO:** Utah Water Quality Board

**THROUGH:** Erica Brown Gaddis, PhD

**THROUGH:** John Mackey, PE

**FROM:** Ken Hoffman, Skyler Davis, Beth Wondimu, & Andrew Pompeo

**DATE:** February 19, 2021

**SUBJECT:** Water Quality Board Finance Committee Discussion

This memo is intended to facilitate the Water Quality Board (Board) Finance Committee funding discussion during the February 19, 2021 meeting. On January 27, 2021, funding requests from Price City, Mountain Green SID, and Payson City totaling \$35,329,000 were presented to the Water Quality Board (Board). The low 5-year combined State Revolving Fund (SRF) and Utah Wastewater Loan Fund (UWLF) unobligated fund balance is projected to occur in FY2023 at \$20,948,048. However, a projected combined balance in FY26 is \$98,588,145. This means fully funding these projects is not possible and priorities must be set. As part of this analysis staff considered project draw schedules over which funding is needed and considered partial funding options that could maximize Board support of these projects.

- **Price City** – On February 4, 2021 Price City's project was fully funded by CIB for \$3.2 million at 1% and does not need to be considered further.
- **Mountain Green SID** is requesting \$13,929,000 in funding assistance for a biological nutrient upgrade at their wastewater treatment plant. This upgrade will address the technology-based phosphorus effluent limitation and expansion for development and regionalization.
  - Staff anticipates Mtn Green will spend FY22 in design with construction draws occurring during FY23-FY24.
- **Payson City** is requesting \$23,000,000 in funding assistance for the modification of their water reclamation facility to bring it into compliance with the Technology Based Effluent Phosphorus Limit (TBPEL).

- Staff anticipates Payson will spend FY22 in design with construction draws occurring during FY23-FY25.

**DISCUSSION ITEMS:**

- MBIS RATES – The current MBIS market rate on February 4, 2021 is 1.475% for a 20 year term and 1.624% for a 30 year term.
- AUTHORIZATION OF THE DRAW SCHEDULE – Although the Board historically has not specified the fiscal year in which funding will be available, this approach was an important part of loan closing for the large projects at Provo City and Central Valley. With any such authorization, the Board should direct staff and the applicant regarding the fiscal year(s) when funds can be drawn. The Alternative B discussed in Attachment 3 utilizes this approach. **This approach will require further discussion with the applicants as the draw schedules used here represent a best estimation by staff.**
- HARDSHIP GRANT FUND - The balance of the Utah Hardship Grant fund are almost fully obligated. The Board may wish to discuss funding packages authorizing UWLF balances at competitive interest rates to attempt to improve hardship grant fund balances. To generate hardship grant funds, an important factor will be the funding being drawn so interest is generated.
- ALTERNATIVE FUNDING PACKAGES – Included as Attachment 1, DWQ staff have prepared some possible alternative funding packages for the Board to discuss.

**ATTACHMENT 1  
 MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT**

APPLICANT’S REQUEST: Mountain Green Sewer Improvement District (MGSID) is requesting **funding assistance in the amount of \$13,429,000**. The District will supply the other \$500,000 necessary to complete the project.

APPLICANT’S PROPOSED PROJECT: MGSID proposes to upgrade their existing discharging Lagoon system to a Mechanical Biological Nutrient Removal System Utilizing the Existing Earthen Basins.

APPLICANT’S UPDATED POSITION ON PROJECT PRIORITY LIST: This project is now ranked 6th of 10 projects on the Wastewater Treatment Project Priority List, because they have exceeded their loading capacity since the time the introduction packet was written.

**PAYSON CITY WASTEWATER TREATMENT PLANT**

APPLICANT’S REQUEST: Payson Wastewater Treatment Plant (WWTP) is requesting **funding assistance in the amount of \$23,000,000**. The City will supply the other \$1,000,000 necessary to complete the project.

APPLICANT’S PROPOSED PROJECT: Payson City proposes to upgrade their existing WWTP from an STM Aerotor process to an Oxidation Ditch for Biological Nutrient Removal, plus other capacity-related upgrades.

APPLICANT’S UPDATED POSITION ON PROJECT PRIORITY LIST: This project is now ranked 2nd of 10 projects on the Wastewater Treatment Project Priority List. Key factors are compliance with the TBPEL in 2024 and the Utah Lake impairment.

**BALANCES AS OF JANUARY 2021 FINANCIAL REPORT**

Based on Table 1, FY23 becomes the focal point for authorizations with a total fund balance of \$20.9 million dollars. Assuming the Board requested \$10 million Project Reserve is held back, there is approximately \$11 million in available loan funds that could be obligated to current applications. The following alternatives present scenarios with a focus on the FY23 balance.

<b>Table 1: Balances as of January 2021 Financial Report</b>						
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2021	2022	2023	2024	2025	2026
<b>Total Loan Fund Balance</b>	66,360,591	32,536,677	20,948,048	41,042,929	69,889,655	98,588,145
<b>Project Reserve (\$5 million/yr held back)</b>	<b>0</b>	<b>-5,000,000</b>	<b>-10,000,000</b>	<b>-15,000,000</b>	<b>-20,000,000</b>	<b>-25,000,000</b>
Price - Funded by CIB	0					
<b>Available Loan Funds</b>	<b>66,360,591</b>	<b>27,536,677</b>	<b>10,948,048</b>	<b>26,042,929</b>	<b>49,889,655</b>	<b>73,588,145</b>

Staff has projected the following schedule in a best effort to identify when the applicants would need to draw on funds.

<b>Table 2: Projected Construction Schedules</b>						
	FY21	FY22	FY23	FY24	FY25	FY26
Mtn Green		Design	Construction	Construction		
Payson		Design	Construction	Construction	Construction	

**ALTERNATIVES FOR FINANCING BOTH PROJECTS:**

**ALTERNATIVE 1A:** Fund the projects as requested with a \$13,429,000 loan to MGSID and a \$23,000,000 loan to Payson. Traditionally, when the Board authorizes a funding packages the funds are available immediately. However, this has not been the case with the Central Valley or Provo projects where funding was directed in specific fiscal years. As shown in the Table 4A, making funds available immediately would result in negative balances and is not a viable alternative.

<b>Table 4A: Alternative 1A - Requested Funding</b>						
	FY21	FY22	FY23	FY24	FY25	FY26
Mtn Green	-13,429,000					
Payson	-23,000,000					
<b>Available Loan Funds</b>	<b>29,931,591</b>	<b>-8,892,323</b>	<b>-25,480,952</b>	<b>-10,386,071</b>	13,460,655	37,159,145

**ALTERNATIVE 1B:** Fund the projects as requested with a \$13,429,000 loan to MGSID and a \$23,000,000 loan to Payson. However, for Alternative 1B to be viable the Board would need to specify the fiscal year and amounts when fund draws may occur. This would likely require the communities to take out short-term construction loans to complete their projects on schedule. This is a viable alternative but outside of how the Board has typically funded projects.

<b>Table 4B: Alternative 1B - Fully Fund; Authorized Draw Schedule; Private Short-Term Loan Required</b>						
	FY21	FY22	FY23	FY24	FY25	FY26
Mtn Green			-2,000,000	-5,429,000	-6,000,000	
Payson			-2,000,000	-9,000,000	-12,000,000	
<b>Available Loan Funds</b>	<b>66,360,591</b>	<b>27,536,677</b>	<b>6,948,048</b>	<b>7,613,929</b>	13,460,655	37,159,145

**ALTERNATIVE 2A:** Fund the projects at 50% of requested with a \$7,000,000 loan to MGSID and a \$11,500,000 loan to Payson. As shown in the Table 5A, making funds available immediately would result in negative balances and is not a viable alternative.

<b>Table 5A: Alternative 2A - 50% Funding FY21</b>						
	FY21	FY22	FY23	FY24	FY25	FY26
Mtn Green	-7,000,000					
Payson	-11,500,000					
<b>Available Loan Funds</b>	47,860,591	9,036,677	<b>-7,551,952</b>	7,542,929	31,389,655	55,088,145

**ALTERNATIVE 2B:** Fund the projects at 50% of requested with a \$7,000,000 loan to MGSID and a \$11,500,000 loan to Payson. As was the case for Alternative 1B, for the Alternative to be viable the Board would need to specify the fiscal year and amounts when funds can be drawn. This would require the applicants to acquire the funding difference from a funding partner or the private market. Using staff’s best effort of projecting fund allocations, this is a viable alternative. Note this would obligate the available loan funds but \$10,000,000 would be held in reserve with \$5,000,000 available to projects in FY22 and \$5,000,000 available for project obligation in FY23. Last, it is worth noting the Division is not seeing applicants bringing in shovel ready projects so the more important balance could be FY24 at \$7,500,000 with \$15,000,000 in reserve.

<b>Table 5B: Alternative 2B - 50% Funding; Authorized Draw Schedule; No negative balances</b>						
	FY21	FY22	FY23	FY24	FY25	FY26
Mtn Green		-3,500,000	-3,500,000			
Payson			-3,500,000	-8,000,000		
<b>Available Loan Funds</b>	66,360,591	24,036,677	<b>448,048</b>	7,542,929	31,389,655	55,088,145

**ALTERNATIVE 3:** Fund the projects at 25% of requested with a \$3,500,000 loan to MGSID and a \$6,500,000 loan to Payson. This alternative is viable for funding balances. However, depending on if the funds are obligated from the SRF or UWLF, the applicants may not find these funding package worth the potential Federal funding requirements. The Board should carefully consider this with discussion.

<b>Table 6: Alternative 3 - 25% Funding</b>						
	FY21	FY22	FY23	FY24	FY25	FY26
Mtn Green	-3,500,000					
Payson	-6,500,000					
<b>Available Loan Funds</b>	56,360,591	17,536,677	<b>948,048</b>	16,042,929	39,889,655	63,588,145

**ALTERNATIVE 4:** Fund each project with \$2,500,000 of Utah Wastewater Loan fund “state money.” The UWLF has approximately \$10 million in unallocated funding so the option is viable and would not encumber either applicant’s project with Federal requirements. If these funds were obligated the Board may want to specify that funds be drawn early so that hardship grant funds begin being generated as soon as possible.

<b>Table 7: Alternative 4 - \$2,500,000 each in UWLF</b>						
	FY21	FY22	FY23	FY24	FY25	FY26
Mtn Green	-2,500,000					
Payson	-2,500,000					
<b>Available Loan Funds</b>	61,360,591	22,536,677	<b>5,948,048</b>	21,042,929	44,889,655	68,588,145