



State of Utah

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Governor

DEIDRE HENDERSON
Lieutenant Governor

Department of Environmental Quality

Kimberly D. Shelley
Executive Director

DIVISION OF DRINKING WATER
Nathan Lunstad, P.E.
Interim Director

Drinking Water Board
Kristi Bell, Chair
Eric Franson, P.E., Vice-Chair
Dawn Ramsey
Justin Maughan
Corinna Harris
Jeff Coombs
David O. Pitcher
Blake Tullis, Ph.D.
Kimberly D. Shelley
Nathan Lunstad
Interim Executive Secretary

DRINKING WATER BOARD MEETING

November 7, 1:00 PM

Via Zoom Webinar & In Person:
Multi-Agency State Office Building
195 North 1950 West
Salt Lake City, UT 84116

FINAL MINUTES

1. Call to Order

Kristi Bell, Chair, called the Drinking Water Board (Board, DWB) meeting to order at 1:02 PM.

2. Roll Call – Tim Davis

Board Members Present at Roll Call: Kristi Bell, Eric Franson, Justin Maughan, Kim Shelley, David Pitcher, Corinna Harris. Dawn Ramsey arrived at 1:04 PM. Jeff Coombs arrived at 1:06 PM.

Division of Drinking Water (DDW, Division) Staff Present: Tim Davis, Michael Grange, Jessica Fitzgerald, Heather Pattee, Linda Ross, Kjori Shelley, Nathan Lunstad, Michelle Deras, Wayne Boyce.

3. 2024 Drinking Water Board Meeting Schedule (Board Action Needed)

- Eric Franson moved to approve the 2024 Drinking Water Board Meeting Schedule. Corinna Harris seconded. The motion was carried unanimously by the Board.

4. Approval of Meeting Minutes

A. August 30, 2023

- Justin moved to approve the August 30, 2023, Drinking Water meeting minutes with an amendment. Change # 12. Next Board Meeting: November 1, 2023, to state November 7, 2023. David Pitcher seconded. The motion was carried unanimously by the Board.

5. Disclosure for Conflict of Interest

None.

6. Directors Report – Tim Davis

- A. Enforcement Report (Board Packet Item Only)
- B. Other

Tim Davis provided an update on the Comprehensive Rulemaking progress. In July, the initial informal comment process garnered 10 comments, mostly non-substantive. The Division has addressed those. A second 30-day informal comment period closes on November 13. DDW will address any new comments, aiming to present to the Board on February 29 for initiation of rulemaking.

Tim Davis announced his departure from the Division of Drinking Water. His last day will be November 10, 2023, and shared his gratitude to the Board and the Division employees.

Michael Grange will be Executive Secretary until an acting Director is appointed.

Kim Shelley thanked Tim for his service and informed the Board that they will appoint an interim Director and will inform the Board when that decision is made.

7. Rural Water Association Report – Dale Pierson

Dale reported on RWAU's new initiatives that address wastewater, tribal issues, decentralized wastewater systems, lagoons, and compliance issues. The Region 8 Environmental Finance Center (EFC), administered by Scott Anderson, will provide support to underserved communities on water and wastewater challenges.

Dale highlighted that the reports of the three (3) contracted RWAU staff, Terry Smith, Curt Ludvigson, and Janell Braithwaite are in the packet. This marks Curt Ludvigson's last report as Development Specialist due to his contract ending in September. A potential lag in numbers is expected in the next Board report during this transition.

8. Financial Assistance Committee Report

- A. Status Report – Wayne Boyce

Wayne Boyce, DDW Financial Manager, reported on page 36, that there was a significant change on the last line, due to the \$50 million project that was on the packet in August. This leaves the Division of Drinking Water funding at approximately a \$22 million deficit.

Wayne reported on the second page of the status report, outlining the Project List. Notably, Leamington's deauthorization, and missing from the report, Foothill, which will be presented today.

ARPA Grant Funds

Approximately, there is \$500,000 available for emergency funding requests. This funding needs to be allocated by December 31, 2025.

Lead ARPA Grant Funds

Tim informed the Board that 90% of schools have sampled taps, or are currently on track to be sampled by the end of the year. These funds need to be obligated by December 2024. Tim acknowledged the diligent work of Dylan Martinez to ensure these schools are on track for Lead testing.

Lead Service Line Funds

Many projects are now authorized, and more than half are executed and proceeding. Eric Franson inquired if there is a way to help facilitate the distribution and use of money for its intended purpose.

Wayne mentioned efforts to simplify registration for smaller water systems as vendors. Tim emphasized ongoing outreach to about 544 systems required to address Lead Service Lines, with many applying for funding or reaching out to contracted consulting companies. Many of these systems have applied for expedited funding, individual SRF grants or loans, or engaged with the consulting company, Sunrise Engineering, under DDW's contract. Tim anticipates a surge in requests over the next year, including Lead Service Line Inventories and plans for replacement.

Dale Pierson emphasized the EPA's concern about effective SRF fund utilization. The EFC program is actively working to ensure systems are aware of available funding and are assisted in the application process.

Tim noted the addition of Time Limited positions to expedite fund distribution, specifically focusing on Lead Service Line Funding and preparing for Emerging Contaminants and PFAS funds in the future.

Emerging Contaminants Grants

Wayne informed the Board that approximately \$7 million has been allocated. The 2023 Grant includes an additional \$6-7 million. There are 3 projects currently receiving funding from the Emerging Contaminants Grants.

State SRF Program

Wayne shared that there is nothing new to report. \$11 million is expected to be available in a year from now.

B. Cashflow – Wayne Boyce

Wayne reported to the Board that the cashflow has not changed. The projections remain conservative, not factoring in any Base Grant funds. Allocations are distributed over 3-4 years for some of the larger projects. In 2025, only \$5,000 is projected to be available. The current allocation plan covers the next 3-6 months.

Kristi Bell highlighted that Uintah Town was deauthorized in August and should be removed from the cashflow.

Dave inquired about the yellow highlights in the last Board Packet on the Federal cashflow and the status of many authorized but not closed projects. Wayne clarified that the source of the September highlights has not been identified, but they have been removed from the current project list. Tim explained ongoing efforts to clean up and add footnotes for clarification on highlighted items.

Wayne highlighted a closing of loans of approximately \$20 million and noted an influx of money from the 2023 grant, offsetting loan outflows. Details on this will be covered by the Infrastructure Funding team, to be addressed in Michael Grange's report on SRF projects.

David Pitcher expressed concerns about the negative status of the cashflow.

Tim responded to concerns about the cashflow, noting that most states use a cashflow model, and currently, the Division is not leveraging funds. The cashflow tool was developed to address issues seen with previous proposals. Although there was an initial projection of a negative balance in FY25, it's now positive, albeit slightly. The conservative estimate assumes no Base SRF Capitalization funding in the future. Tim suggested maintaining the freeze on new construction grants and loans until June, allowing staff to focus on closing projects. The cashflow analysis aims to provide a long-term perspective for the Board.

C. SRF Applications

i. Federal

a. Hanna - extension (Heather Pattee)

Heather informed the Board that on August 31, 2022, the Drinking Water Board authorized Hanna Water and Sewer District a \$3,483,838 construction loan with \$2,623,838 in principal forgiveness for a repayable loan amount of \$860,000 at 0% for 40 years, to construct a 200,000-gallon concrete tank, a booster pump station, 4,500 feet of 12-inch distribution line, Duchesne River crossing, and 10,100 feet of 8-inch distribution line.

Hanna has experienced several delays due to the late-season snowpack, and non-cooperation from property owners in moving the project forward, with the main point of delay being non-responsive residents on Tabby Mountain. They have held public meetings, called, e-mailed, and texted all property owners on Tabby Mountain to discuss this project with all potential customers and only a couple have shown up to the meetings or responded. A non-responsive property owner in the area has built a booster station and tank that delivers water to several properties, that is not approved by the Division of Drinking Water, which is the main purpose for the Hanna-owned Tabby Mountain public water line and is also the main source of this delay. Hanna has recently had some positive responses from this property owner and other property owners and feels they are making good progress and will be able to start moving forward with obtaining all easements and requests for water hookups required to complete this project.

Due to the weather, length of time spent working with individual homeowners, and lack of progress to date, Hanna would like to request an extension of the funding authorization so they can continue to move forward with the authorized project and obtain the easements required to complete design and ultimately start construction.

Division of Drinking Water Staff recommended that the Drinking Water Board authorize a one-year extension to Hanna Town.

- Eric Franson moved that the Drinking Water Board authorize a one-year extension to Hanna Town. Jeff Coombs seconded. The motion was carried unanimously by the Board.

b. Ballard - extension (Heather Pattee)

Heather informed the Board that on August 31, 2022, the Drinking Water Board authorized Ballard Water Improvement District a \$7,100,000 construction loan with \$3,500,000 in principal forgiveness for a net repayable loan amount of \$3,600,000 at 0% for 40 years with an advance of \$192,000 from the principal forgiveness amount to install an 800,000-gallon concrete water tank, 3.5 miles of 12" transmission line, and a new well. This project scored 55.9 points on the project priority list. The total project cost is estimated to be \$7,287,000 and the district will be contributing \$187,000 towards this project.

Ballard has completed the engineering procurement and has been working on potential locations for the well. They have looked at several locations, but landowners have been reluctant to sell. The board for Ballard is hoping to find a willing seller and currently has positive communications with a landowner regarding a location.

A test well will need to be drilled to ensure there is sufficient volume and quality of water to move forward with the final design for the remainder of the project. Due to the extended time looking for a location for the well and the cost to drill a test well, Ballard Water would like to request a one-year extension to the authorization and additional advance to drill a test well, for a total advance of \$450,000 to come from the authorized principal forgiveness amount, not to exceed \$3,500,000.

The local MAGI for the Ballard area is \$44,100, or 95% of the State MAGI. The current average water bill is \$113.10/ERC, which is 3.08% of the local MAGI. The estimated after-project water bill at full loan would be \$177.79/ERC or 2.83% of the local MAGI.

Division of Drinking Water Staff recommended that the Drinking Water Board authorize a one-year extension to Ballard Water Improvement District and authorize an increase in the advance of up to \$450,000 from the principal forgiveness amount, not to exceed \$3,500,000.

David Pitcher requested clarification on the advance, specifically regarding the system's ability to complete the project with the approved funding. Jeff Baker, the consulting engineer, explained that they are not concerned about completing the project with the requested amount. The advance is for the test well to ensure it meets necessary water quality and quantity standards. Tim also clarified that the well was part of the original application.

Corinna Harris inquired about the system's location plans and the contingency if the test well is unsuccessful. Jeff Baker informed the Board that an attorney is drafting a lease with an option to purchase, expected to be executed within the next week. While optimistic about the test well, they have a Plan B in the event it is not successful based on other culinary wells in the area.

- Jeff Coombs moved that the Drinking Water Board authorize a one-year extension to Ballard Water Improvement District and authorize an increase in the advance of up to \$450,000 from the principal forgiveness amount, not to exceed \$3,500,000. Eric Franson seconded. The motion was carried unanimously by the Board.

c. Pine Valley Mountain Farms - extension (Kjori Shelley)

Representing Pine Valley Mountain Farms was

Kjori informed the Board that on August 31, 2022, the Drinking Water Board authorized Pine Valley Mountain Farms Water Company (PVMFWC) a \$630,015 construction loan with 100% principal forgiveness to refurbish a 32-year-old water tank, replace 1200 feet of leaky transmission line, install an emergency backup solar pump on one well, and to purchase and install 75 electronic water meters.

PVMFWC has experienced a couple of delays which have slowed progress toward construction.

Currently, they have new board members who are getting up to speed on the project. They are also in negotiations with two property owners who do not want to enter into voluntary easement agreements for the water line replacement. PVMFWC has prescriptive easements under which they can replace the water line on the two properties, but they may need to file a quiet title action to preserve their right to use it. Additionally, the new board members are looking into looping the waterline around the two properties and connecting to a waterline on the main street of town to avoid the easement issue.

Division of Drinking Water Staff recommended that the Drinking Water Board authorize a one-year extension to Pine Valley Mountain Farms Water Company.

Jeff Coombs highlighted concerns about potential complications and increased costs if they have to go around the property. He inquired whether Pine Valley Mountain Farms would need to adjust the loan amount. Kjori clarified that it's probable Pine Valley Mountain Farms will request additional funds at the next Board meeting if they decide to pursue that option. However, at the moment, PVMF was not prepared to request more funds.

- David Pitcher moved that the Drinking Water Board authorize a one-year extension to Pine Valley Mountain Farms Water Company. Jeff Coombs seconded. The motion was carried unanimously by the Board.

d. Foothill WUA (Kjori Shelley)

Representing Foothill WUA was Stephen Brown, President of Foothill WUA.

Kjori informed the Board that Foothill Water Users Association is requesting financial assistance to construct a new 250,000-gallon tank, resolve well, well house, and electrical deficiencies, and install water meters and fire hydrant risers. This project scored 23.7 points on the Project Priority List. The total project cost is \$603,030 and they are requesting the full amount from the Drinking Water Board.

The local MAGI for Foothill Water Users Association is \$40,100, which is 86% of the State MAGI. The current average water bill is \$35.00/ERC, which is 1.05% of the local MAGI. The estimated after-project water bill at a full loan for 30 years at 3.3% interest would be \$385.97/ERC or 11.5% of the local MAGI. Based on the after-project water bill and local MAGI, Foothill Water Users Association qualifies to be considered for additional subsidy.

The Foothill Subdivision has a total of sixty-three lots. Currently, ten are connected to the water system and fifty-three are standby lots. The association held a meeting to discuss rate increases, including charging the standby lots a monthly fee. They voted to raise the rates to \$65 per month for the ten connected users and \$18 per month for the standby lots. The motion passed and all in attendance were in favor of the new rates.

The Financial Assistance Committee recommended that the Drinking Water Board authorize a construction loan of \$603,030 with \$181,030 in principal forgiveness to Foothill Water Users Association, for a repayable loan amount of \$422,000 at 0% interest for 40 years. Conditions include that they resolve all points on their IPS report.

Tim Davis informed the Board that this project was submitted before the freeze on new construction grants and loans in August 2023.

Jeff Coombs inquired about the standby lots and the likelihood of becoming full-paying users. Stephen Brown stated that Foothill WUA has sold 23 lots in the past 2 years, with more waiting for construction. They anticipate several new connections to the water system.

Kristi Bell raised concerns about the water rates and whether residents will be willing to go up to \$160. Stephen Brown clarified that they anticipated additional connections would help to cover the higher rate.

Eric Franson expressed concerns about the IPS report's length and numerous deficiencies. Stephen Brown assured the Board that improvements are underway, with a hired certified operator addressing deficiencies.

Jeff Coombs expressed apprehension about the project, highlighting the concern that it might seem like the Board is funding a development rather than addressing an existing system's needs. Coombs questioned whether it's appropriate to use Drinking Water Board funds to enhance water systems for development, suggesting that it could set a precedent that deviates from the intended purpose of the funds.

Stephen Brown clarified that the development phase for the water system has already concluded, with existing users and individuals inquiring about connecting to the system. He acknowledged the validity of concerns about using funds for development and emphasized that such usage would not be appropriate with taxpayer dollars. Brown stressed that the current system, established years ago, has not been adequately maintained. The project's purpose is to support existing water users and ensure they have access to safe drinking water.

Eric Franson clarified that because the project was submitted before the Drinking Water Board took action to freeze new construction grants and loans, the Board can authorize the funds. He agreed with the concerns about funding development but asserted that the project has moved beyond the development stage, emphasizing its importance for the health and safety of existing residents.

- Eric Franson moved that the Drinking Water Board authorize a construction loan of \$603,030 with \$181,030 in principal forgiveness to Foothill Water Users Association, for a repayable loan amount of \$422,000 at 0% interest for 40 years. Conditions include they resolve all points on their IPS report. Dave Pitcher seconded.

Further discussion highlighted a concern about the accuracy of future water bill estimates. It was noted that the projected bill of \$160.72 for users, considering both the existing 10 users and the standby lots, could be closer to 1.9% of the Median Area Gross Income (MAGI), which exceeds the threshold for assistance. The 70/30 split was affirmed as consistent with the Board's approach to maintaining support and consistency, particularly regarding the principal forgiveness portion.

- The motion was carried unanimously by the Board.

e. Leamington - De-authorization (Kjori Shelley)

Kjori informed the Board that on May 16, 2023, the Drinking Water Board (DWB) authorized a construction loan of \$2,750,000 with \$825,000 in principal forgiveness, for a repayable loan amount of \$1,925,000 for 40 years at 0.5% interest to Leamington Town. The project consisted of a new 200,000-gallon concrete storage tank, installation of a new backup well, radio read meters, and upsizing of deficient distribution lines.

On June 1, 2023, the Community Impact Board (CIB) authorized \$3,000,000 to Leamington Town for a new 200,000-gallon concrete storage tank, the drilling of a new backup well, radio read meters, and upsizing of deficient distribution lines.

On September 27, 2023, staff received an email from Jones & DeMille Engineer, Daniel Hawley, indicating the town has determined to use the funding from CIB and not move forward with the package that was offered by the DWB.

Division of Drinking Water Staff recommended that the Drinking Water Board deauthorize the loan of \$2,750,000 with \$825,000 in principal forgiveness to Leamington Town.

- Jeff Coombs moved that the Drinking Water Board deauthorize the loan of \$2,750,000 with \$825,000 in principal forgiveness to Leamington Town. Justin Maughan seconded. The motion was carried unanimously by the Board.

ii. Emergency Project

- a. Holiday Hills HOA (Packet to be sent separately.) (Michael Grange)

Representing Holiday Hills Association was Tyler Tingey.

Michael Informed the Board that Holiday Hills Association is requesting financial assistance to replace old, undersized, and failing water lines with correctly sized water lines that meet current drinking water standards. The system has experienced several recent line breaks and failures, including a break in the line that crossed under the creek. The total estimated cost of the project is \$250,000.

The local MAGI for the Holiday Hills Association, based on the ZIP Code, is \$52,600, which is 101.9% of the State MAGI. The current average monthly water bill is reported at \$125.00 per month or 2.85% of local MAGI. The after-project water bill at a full loan is estimated at \$198.77 per month or 4.53% of local MAGI. Based on the estimated after-project water bill the system qualifies as disadvantaged and can be considered for subsidy.

Division of Drinking Water Staff recommended that the Drinking Water Board authorize a construction loan of \$250,000 with \$75,000 in Principal Forgiveness, for a repayable amount of \$175,000 at 0.0% for 20 years, to Holiday Hills Association.

Eric Franson sought clarification on the emergency status of the project, asking about the frequency and nature of recent breaks and requesting more information on these issues. Tyler Tingey informed the Board about the challenges facing Holiday Hills. In 2018, the system became aware of water issues, doubling HOA dues and attempting repairs. However, financial hurdles arose, surpassing their previous planning and financial capacity. Recent breaches have escalated, contaminating the water, and prompting the emergency status.

Eric Franson inquired about the allocation of the funding, seeking to understand the scope of the project and how many linear feet of line it is expected to address. Tyler clarified that with this funding, Holiday Hills intends to fully replace approximately 3,000 feet of line serving 26 homes and 4 fire hydrants. The current system, installed in the 1970s, has deteriorated, causing frequent breaks. The replacement will also address safety concerns related to wildfires in the area. The cost estimate is based on a quote from a contractor specializing in excavation and piping work for the complete replacement of the mainline and service connections.

Corinna inquired about the project timeline, noting it spans from June to October next year, and questioned why no action was taken before the recent HOA fee increase. Tyler clarified that while the timeline was presented to the Board, Holiday Hills is ready to initiate the project immediately. They have already lined up contractors and conducted additional due diligence, including acoustical testing and repairs. The situation has escalated with each break, and they are actively testing the water. Eric added that addressing breaks in an old line tends to accelerate issues. Tyler informed the Board that Jones & Demille is being considered as the engineer for the project.

- Eric Franson moved that the Drinking Water Board authorize a construction loan of \$250,000 with \$75,000 in Principal Forgiveness, for a repayable amount of \$175,000 at 0.0% for 20 years, to Holiday Hills Association. David Pitcher seconded. The motion was carried unanimously by the Board.

9. Public Comment Period

10. Open Board Discussion

Michael provided an update on the currently authorized projects under contract, highlighting progress in various areas, including loan closings. The ARPA projects, such as Desert Sage, Brian Head Town, and Helper, are making strides, with plans and specifications underway. Other projects are progressing with signed documents.

Michael shared that the Division has developed a document to help focus on the projects that are moving toward closing. These are projects that are communicating and moving toward closing.

Page 2 of the status report outlines the progress on the Federal SRF projects.

The San Juan County Westwater project may take a different direction as they've secured separate funding. The Board funding allocated for this project might be retained in case Blanding City requires it for its part of the project, focused on arsenic removal in the treatment plant. Currently, the \$457,000 is in a state of uncertainty.

11. Other

Kristi Bell made note that Dawn Ramsey signed off at 2:02 PM.

12. Next Board Meeting

Date: January 9, 2024
Time: 1:00 PM
Place: Multi-Agency State Office Building
195 North 1950 West
Salt Lake City, UT 84116

13. Adjourn

- Eric Franson moved to adjourn the meeting. Corinna Harris seconded. The motion was carried unanimously by the Board.