



MEMORANDUM

DATE: October 12, 2016
TO: Summit County Council
FROM: Rich Bullough
RE: Silver Creek Project Financing

The purpose of this work session is to provide an update on financing/funding for the proposed Lower Silver Creek sewer expansion project, and to request potential financing at a 1% rather than the current proposed 3.25% rate.

In August, 2016, a presentation was made to the Utah Water Board to request a grant in the amount of \$400,000. **Please see Attachments 1 and 2** for details on that request and the history of the project. An important part of this history is that the actual bids for the project came in much higher than anticipated, making the project unaffordable for property owners.

This initial presentation to the Water Board went very well and we were invited back for a later meeting, and possible vote on the request. In the interim, however, we were instructed to work with Utah Department of Environmental Quality staff to put together possible combinations of loan and grant that would make this project affordable for the property owners. In person meetings and conference calls have been held to accomplish this task.

At the 3.25% rate of financing agreed to by Summit County, at 20 years, the grant request amount of \$400,000 still makes this a very expensive project for individual owners. State staff has stated that the Water Board is unlikely to approve the requested grant unless Summit County is able to reduce the interest on the proposed loan to a rate of 1% or lower. While there is still no guarantee, we believe doing so would significantly increase the odds of securing the grant, allowing us to move forward on the project.

A summary of potential financing (loan) and funding (grant) appears below:

1. Using a 50% grant for the total project of (50% = \$509,083 of a total of \$1,018,165) and a 1% interest rate
 - Total Annual cost is \$28,211
 - With 14 initial participants annual cost each is \$2,015
 - With 20 initial participants annual cost each is \$1,410



SUMMIT COUNTY HEALTH DEPARTMENT

- Using a 25% Grant for the total project of (75% = \$846,329 of a total of \$1,018,165) and a 1% interest rate
 - Total Annual cost is \$42,316
 - With 14 initial participants annual cost each is \$3,023
 - With 20 initial participants annual cost each is \$2,115
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- If Summit County can save the project \$200K by providing/hauling import/export AND Using a 25% Grant for the total project of (75% = \$846,329-\$200,000=\$624,668 of a total of \$1,018,165) and a 1% interest rate
 - Total Annual cost is \$31,233
 - With 14 initial participants annual cost each is \$2,230
 - With 20 initial participants annual cost each is \$1,562

For comparison, if the total project is funded through a 20-year loan from Summit County at 3.25% the individual annual cost for the project is over \$5,000 per year. Property owners have stated they are unable to afford this.

As you can see in attachments 1 and 2, this area has been identified by Summit County, Snyderville Basin Water Reclamation District, and the State of Utah as a critical area for sewer expansion. It will likely continue to become more difficult, and more expensive to expand sewer into this area if we delay.

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Proposed Silver Creek Sewer Project

INTRODUCTION

The Silver Creek neighborhood is located in western Summit County, in the unincorporated area generally known as the Snyderville Basin (Figure 1). Silver Creek neighborhood sits within the drainage at the headwaters of East Canyon Creek, a waterway identified as “impaired” by the State of Utah, and a major tributary of the Weber River, which serves nearly 600,000 people across the Wasatch Front and Back.

Unfortunately, nearly all of the Silver Creek area utilizes septic systems to address onsite wastewater. Studies by the Summit County Health Department (SCHD) and the Snyderville Basin Water Reclamation District (SBWRD) have identified Silver Creek as a source of pollutants into East Canyon Creek, and have further concluded a primary source of these pollutants is the failure of existing septic systems. Additionally, the SCHD study identified Silver Creek as one of the critical priority areas for sewer expansion in western Summit County, and this finding has been supported by the Summit County Council and the Summit County Board of Health.

Of particular importance is a finding in the SBWRD study stating, "sucralose and caffeine, which are anthropogenic tracers of wastewater, and the cocaine metabolite benzoecgonine were detected in the upstream study site during all sampling events. Such observations point to contributions from on-site (e.g., septic) or other sources (e.g., compromised infrastructure)." In response to this finding, Mike Luers, General Manager of the SBWRD, stated, "We checked and double checked our system and have no reason to believe the compounds found are coming from any source other than groundwater originating from the area served by septic tanks" (personal communication with Rich Bullough July, 2016).

The purpose of this grant request is to secure funding for a minority portion of a sewer extension project into the Silver Creek neighborhood. Significant steps have been taken towards this proposed project, but additional funds are needed to make the sewer extension a reality.

PROPOSED PROJECT AREA

Within the lower Silver Creek area, and at the base of the drainage area, is a high density mixed-use region consisting of businesses, homes, and undeveloped commercial and residential lots (Figures 1 and 2, area within red box). *The intent of this proposed project is to extend sewer to this mixed-use area.* This is the region of highest density and most intensive use in Silver Creek, and is the area believed to contribute the most pollutants into East Canyon Creek. Importantly, completion of this project will allow for the future expansion of sewer to that upper reaches of Silver Creek (Figure 1 and 2, area within yellow box). ***It is impossible to address the failing septic systems throughout Silver Creek without first extending sewer to this high-density and high-use zone, making this an absolutely critical project for the protection of both surface and ground waters in the greater East Canyon Creek drainage.***

Figure 1: General Overview of Silver Creek Location and the Proposed Project Area

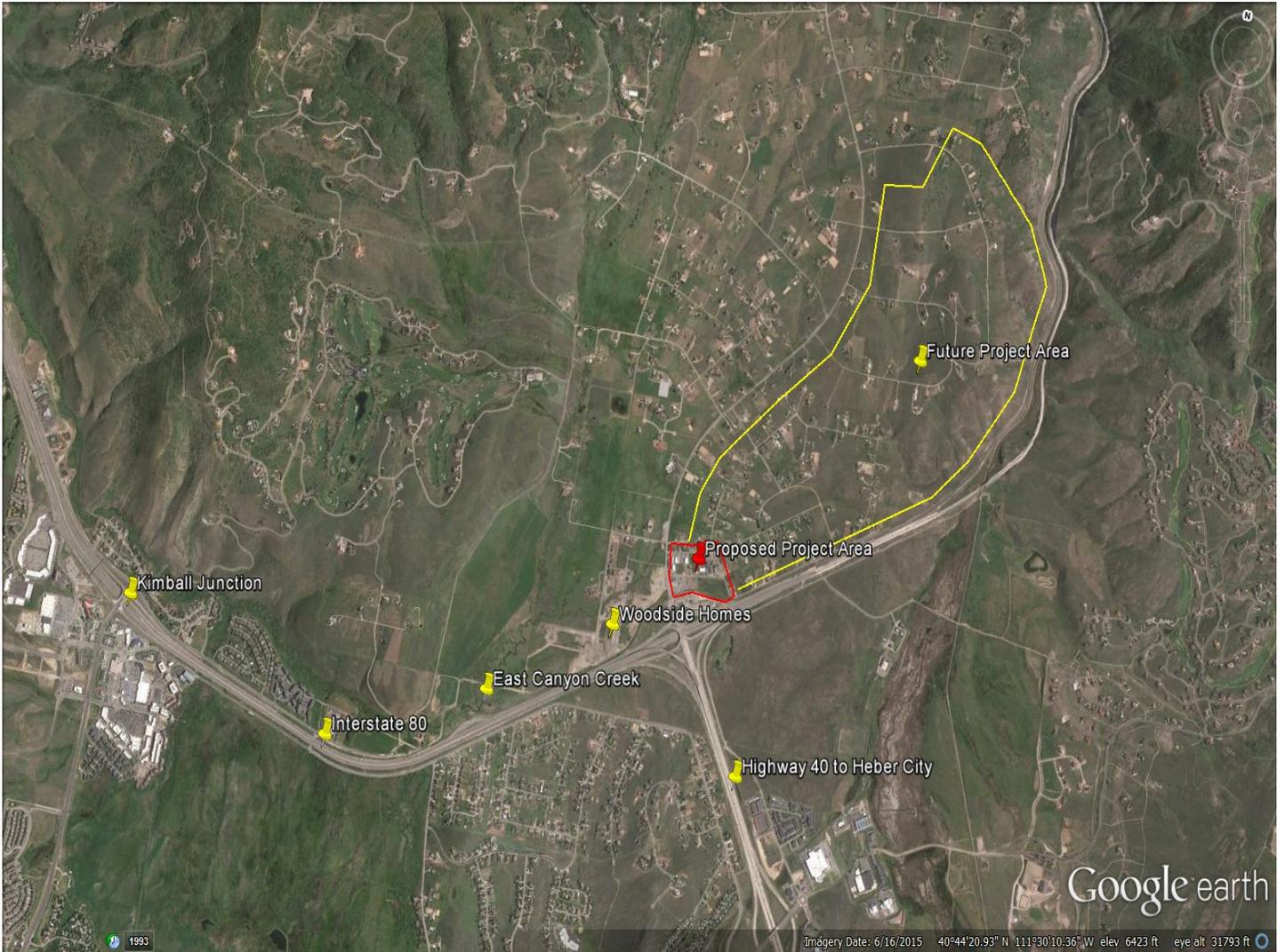
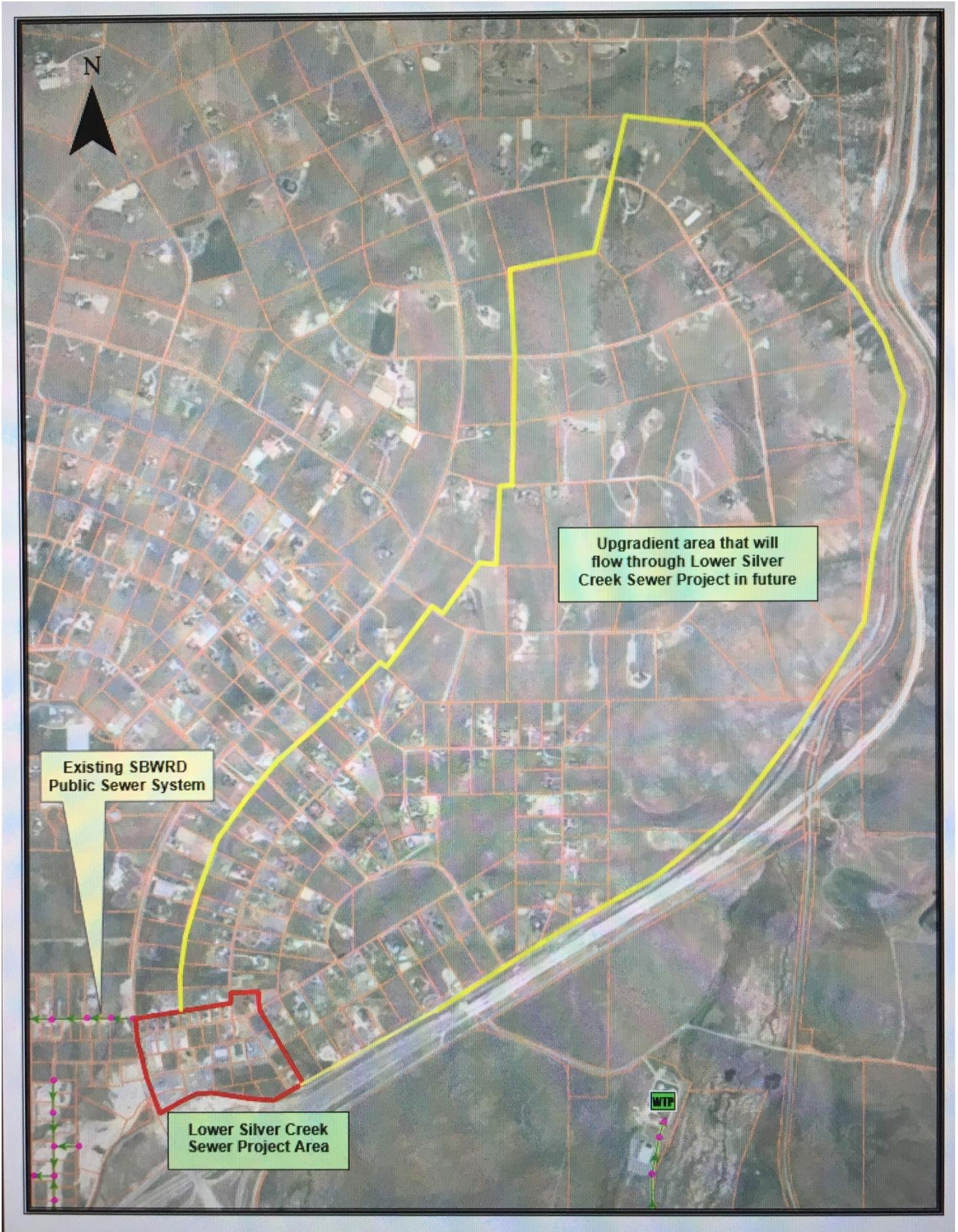


Figure 2: Detailed View of Proposed Project Area, Future Project Area, and Location of Existing Public Sewer System



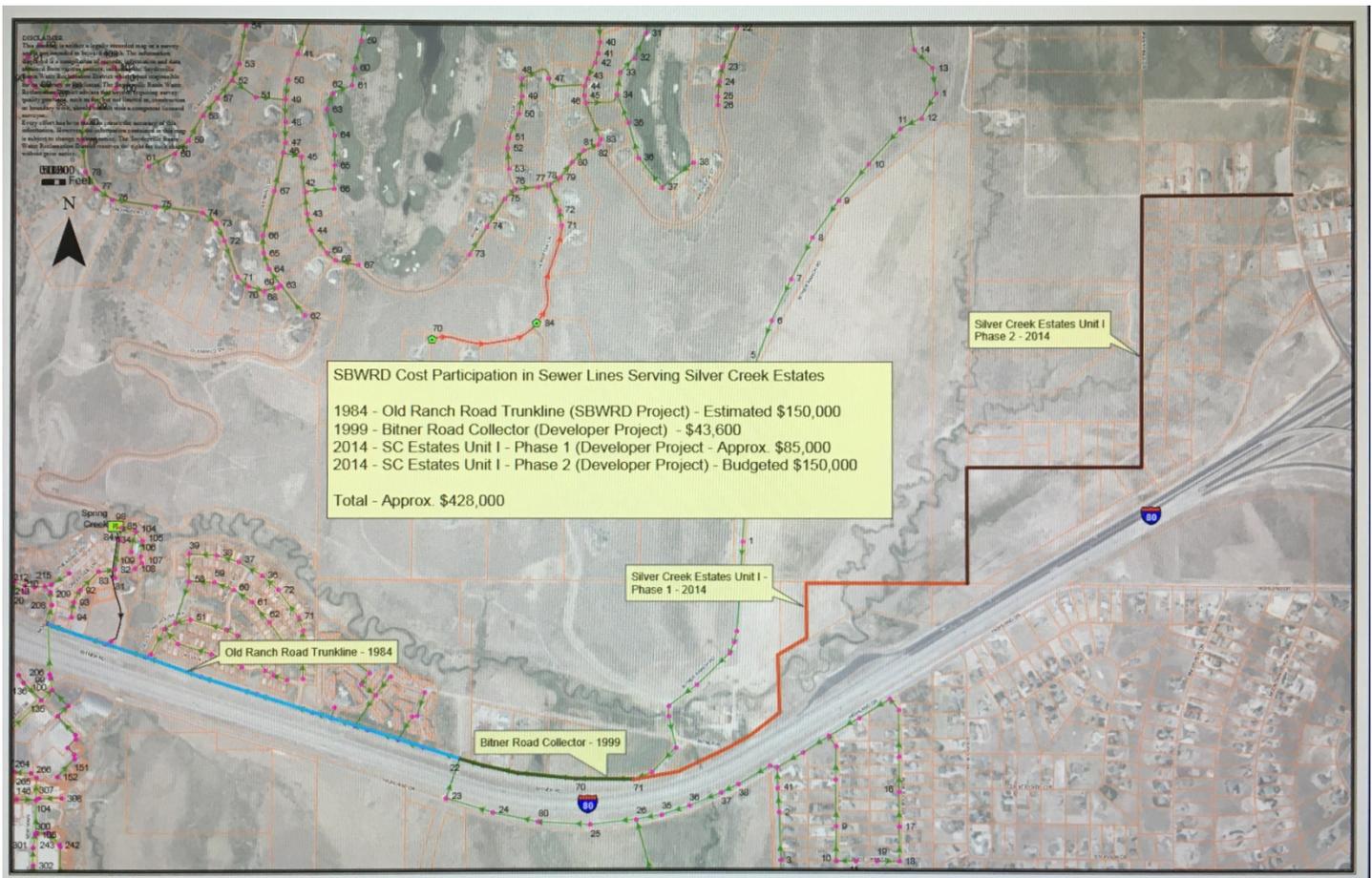
PROGRESS AND COMMITMENT TO DATE

As noted, Silver Creek has been identified as an area of critical priority for sewer expansion by both SCHED and SBWRD. As such, steps have already been taken by both parties to initiate sewer expansion in this area. These general steps include:

- Denial of large-scale septic system request (Woodside Homes) immediately adjacent to proposed project area
- Expansion of sewer to Woodside Homes area by developer based on septic permit denial
- Upsizing of line to Woodside site by SBWRD to accommodate for future expansion into entire Silver Creek area, and upsizing of lines for prior projects dating back to 1984
- Area identified as critical priority for sewer expansion through SCHED and SBWRD studies
- Summit County Board of Health supports for extension of sewer into the proposed project area
- Multiple meetings with property owners within proposed project area to assess interest in project and formation of Voluntary Assessment Area
- Investigation of bonding to fund project (interest rate of nearly 12%)
- Work session with Summit County Council concerning project, financing options, and formation of Voluntary Assessment Area yields approval to move project forward
- Summit County agrees to finance the proposed project at a very low interest rate (3.25%), due to high interest rate associated with a traditional bond
- Collection of signed waivers from property owners agreeing to participate in the project
- Gilson Engineering is hired by Summit County to design proposed project
- Bids are received from construction of the proposed project

In 2012, the Woodside Homes developers approached the SCHED with a request for nearly 70 septic permits (see Woodside marker in Figure 1). That request was denied due to a known rate of septic failure in the area, high groundwater and poor soils, and the knowledge of the impaired nature of East Canyon Creek. This denial meant that the Woodside developers needed to extend sewer to the site as a condition of development, which they did. *In support of potential future expansion beyond the Woodside site (including the area for which we are requesting funds), SBWRD paid to increase the line diameter to the Woodside site to accommodate all of the developed and developable properties further up the Silver Creek drainage (Figures 1 and 2, area in yellow). This, and prior related projects, reflects the commitment of SBWRD to this project and to future sewer expansion within the Silver Creek area.* Figure 3 illustrates these line diameter "upsizing" projects conducted and paid for by SBWRD.

Figure 3: Projects paid for by SBWRD with the goal of providing sewer to all of the Silver Creek neighborhood



Studies were conducted by both SCHED and SBWRD to assess status of ground and surface water and determine the impact of septic systems on the drainage. Silver Creek was identified in the SCHED study as an area of critical priority for expansion of sewer. The Summit County Board of Health and the Summit County Council both support this conclusion and have tasked the SCHED with moving forward on the proposed sewer expansion to Silver Creek. As highlighted in the introduction section of this proposal, the SBWRD study identified compounds of human origin in water samples taken in East Canyon Creek, and noted the likely source as being failed septic systems.

In 2014, the SCHED began meeting with property owners in the proposed expansion area to discuss sewer extension and the possible formation of a voluntary special assessment area. Upon judging that there was significant interest in the proposed project, the option of bonding for the project was investigated. Because of the mixed-use and variable risk within the project area, however, a very high interest rate of nearly 12% for the bond was proposed by potential lenders. This interest rate would make the repayment amount an unreasonable burden for the property owners. *Therefore, Summit County Treasurer, with the support of Summit County Council and the Summit County Manager, agreed to finance the project, and agreed to a very low interest rate of 3.25%.* This commitment on behalf of Summit County reflects the priority they place on this project.

During 2015, Summit County Health Department continued to work with property owners to secure signed and notarized waivers indicating the property owners are committed to the project and formation of the voluntary assessment area. Over 50% (16 of 30 parcels) have signed the waivers to date. This is a very high rate of support for

Funds requested in this grant application will only be used for extending sewer to the high-density, multi-use area at the base of Silver Creek (area in red in Figures 1 and 2). By extending sewer to this critical area, pollutants to East Canyon Creek originating from this area will be immediately attenuated. This is critical to improving water quality in East Canyon Creek and the Weber River. However, as noted, the importance of this project is greater than the immediate impact of extending sewer to the proposed project area. The ultimate impact, and the true worth of this proposed project, must also consider the future expansion of sewer to the entire Silver Creek neighborhood (area in yellow in Figures 1 and 2). This is the intent of Summit County, the Summit County Health Department, and the Snyderville Basin Water Reclamation District. Expansion to this area is simply not possible without first extending sewer to the proposed project area.

Original estimates for the project were below \$500,000. Unfortunately, the actual bid price was \$1,018,165. A committed group of property owners have signed waivers indicating their support for the project and their agreement to participate in the project. Snyderville Basin Water Reclamation District has already invested over \$400,000 in infrastructure improvements to allow for both this proposed project and future expansion further up the Silver Creek drainage. The level of vesting in this project by Summit County government is also significant, recognizing the importance of this proposed work to improving and protecting water quality in the East Canyon Creek/Weber River watershed. The Summit County Council has identified water quality as a strategic priority and they have demonstrated their intent to execute work related to this priority through agreeing to finance the project at low interest rate (3.25%), paying for engineered plans (at a cost of over \$32,000), agreeing to have Public Works haul soils for refill (at a potential savings of approximately \$200,000), and agreeing to pay for reconstruction of the road surfaces as part of project completion (at a cost of nearly \$370,000).

These partners intend to contribute the majority of project costs. However, at the current bid price, this project remains unreasonably expensive for the property owners, and will not be completed without the requested assistance.