

RESOLUTION NO. 2019-_____

A RESOLUTION OF THE CITY OF SOUTH SALT LAKE CITY COUNCIL
EXPRESSING ITS COMMITMENT TO MEET THE OBLIGATIONS OF FINANCIAL
ASSISTANCE RELATED TO THE CENTRAL VALLEY WATER RECLAMATION
FACILITY CAPITAL IMPROVEMENT PROJECT.

WHEREAS, Central Valley Water Reclamation Facility (“CVWRF”) is in need of upgrades to its wastewater treatment infrastructure in an estimated amount of \$177 million (“capital improvement project”);

WHEREAS, the City of South Salt Lake (the “City”) owns approximately 6.29 percent of CVWRF and is responsible to fund the capital improvement project in that proportion;

WHEREAS, in an effort to meet its funding obligations of the capital improvement project, the City applied for financial assistance from the Utah State Department of Environmental Quality;

WHEREAS, On December 3, 2018, the Utah Water Quality Board authorized construction assistance financing in the amount of \$9,248,000 as a loan to the City and an additional \$2,000,000 in the form of Principal Forgiveness/Hardship Grant (collectively, the “financial awards”);

WHEREAS, as a condition to receiving the financial awards, the City must agree to conditions as set forth in the attached City of South Salt Lake, Project #260 Authorization Letter (“Authorization Letter”), which is attached hereto as Exhibit A, a number of which are legislative in nature;

BE IT RESOLVED, therefore, that the City Council of the City of South Salt Lake has reviewed the Authorization Letter and hereby commits to meeting the obligations and commitments outlined therein.

(signatures appear on separate page)

APPROVED AND ADOPTED by the City Council of the City of South Salt Lake, Utah, on this _____ day of _____, 2018.

BY THE CITY COUNCIL:

Ben B. Pender, Council Chair

City Council Vote as Recorded:

Beverly	_____
deWolfe	_____
Kindred	_____
Mila	_____
Pender	_____
Siwik	_____
Thomas	_____

ATTEST:

Craig D. Burton, City Recorder

EXHIBIT A

City of South Salt Lake, Project #260 Authorization Letter



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of
Environmental Quality

Alan Matheson
Executive Director

DIVISION OF WATER QUALITY
Erica Brown Gaddis, PhD
Director

Water Quality Board
Myron E. Bateman, Chair
Jennifer Grant, Vice-Chair
Clyde L. Bunker
Steven K. Earley
Gregg A. Galecki
Michael D. Luers
Alan Matheson
David C. Ogden
Dr. James VanDerslice
Dr. Erica Brown Gaddis
Executive Secretary

Mayor Cherie Wood
City of South Salt Lake
220 East Morris Avenue, #200
South Salt Lake, UT 84115

Dear Mayor Wood:

Subject: City of South Salt Lake, Project #260 Authorization Letter
Utah Wastewater Project Assistance Program

On December 3, 2018 the Utah Water Quality Board (the "Board") authorized construction assistance financing in the amount of \$9,248,000 as loan to the City of South Salt Lake (the "Applicant") to upgrade, replace, and renew the Applicant's ownership share in the Central Valley Water Reclamation Facility (CVWRF) wastewater treatment infrastructure. At that time, the Water Quality Board also authorized additional assistance in form of Principal Forgiveness/Hardship Grant in the amount of \$2,000,000.

The Applicant owns approximately 6.29 percent of CVWRF and is responsible for its capital improvement in that proportion. The Board's construction assistance will fund all of the Applicant's capital improvement obligations on up to \$177 million in CVWRF improvements.

Under a separate action, the Board authorized a construction assistance loan in the amount \$65.1 million to CVWRF in support of their \$177 million projects. CVWRF will be responsible for implementing these capital improvement projects on behalf of their member entities, including the Applicant, and as such will be responsible for satisfying several of the provisions of this agreement. These provisions are specified and notated herein. The Applicant's assistance shall not be obligated (i.e., loans closed) until all provisions of this agreement have been satisfied by the Applicant and CVWRF concomitantly.

The Board anticipates that the Applicant's assistance will be obligated in two parts resulting in two loans that will be secured by separate revenue bonds issued by the Applicant and purchased by the Board. The first loan, "Series A," in the amount \$2,413,000 plus \$2,000,000 in principal forgiveness, will be paired with CVWRF's \$65,100,000 loan in support of projects and contracts totaling \$69.5 million or more. This loan will carry federal loan program and equivalency project requirements. The second loan, "Series B," in the amount \$6,835,000 will support the balance of the Applicant's obligation on the \$177 million in CVWRF projects and contracts. This loan will carry state loan program project requirements.

The retirement period for the bonds shall be no more than twenty (20) years from the anticipated Project completion date with an interest rate/hardship grant assessment of zero percent (0%). The Board will require annual payments on the Series A and B bonds totaling approximately \$462,000 (see *Exhibits #1 and #2*). The Principal Forgiveness/Hardship Grant will be secured by the enclosed agreement. Please mail three (3) copies of the agreement with original signatures to:

Marsha Case
 Division of Water Quality
 PO Box 144870
 Salt Lake City, Utah 84114

Upon receipt, the agreement will be signed by the Division of Water Quality and will be forwarded to the Utah Division of Finance for final processing.

This project is authorized subject to the availability of funds. The financial assistance represented by this authorization may be funded, in whole, or in part, from the proceeds of a federal SRF Capitalization Grant (Title VI CWA, CFDA 66.458) to the State of Utah. Under the SRF Capitalization Grant Program, federal funds are to be made available to the State of Utah by way of authorized draws on a letter of credit over the construction period of the Applicant’s project. Therefore, this authorization is expressly subject to the continued availability of federal funds through the SRF Capitalization Grant and the letter of credit related thereto. Neither the Water Quality Board nor the State of Utah shall be bound by this authorization or by any obligation to provide further loan funds to, or purchase any bonds from, the Applicant if the SRF Capitalization Grant funds to which this authorization relates are not awarded or if payments under the federal letter of credit are withheld for any reason.

Based on the information presented to the Board, the following sources of funding will be available for the construction of the Project:

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
WQB Loans (Series A & B)	\$ 9,248,000	82%
Principal Forgiveness (Series A only)	\$ 2,000,000	18%
	<hr/> \$ 11,248,000	<hr/> 100%

Special Conditions:

1. The City of South Salt Lake must agree to participate annually in the Municipal Wastewater Planning Program (MWPP).
2. The City of South Salt Lake must pursue and retain any additional funding necessary to fully implement the project.
3. The City of South Salt Lake must develop and implement asset management plans for your sanitary and storm water systems that are consistent with EPA’s Fiscal Sustainability Plan guidance.

General Conditions:

As Applicant of this Project, you will need to complete the following items before the Water Quality Board will purchase your bonds. CVWRF may complete these requirements on your behalf; however, it is your responsibility to ensure that all requirements of this agreement are fulfilled. The Board anticipated that the following paragraphs of this agreement may be fulfilled by CVWRF for both loans:

1. Paragraph 4

2. Paragraph 5
3. Paragraphs 6.b through 6.d
4. Paragraph 7
5. Paragraph 8.b
6. Paragraphs 8.d through 8.f
7. Paragraph 10
8. Paragraph 11

1. The State of Utah has assigned William Prater, the State's bond counsel, the responsibility of reviewing all proceedings and documents relating to the sale of bonds to the Board. His address is:

William Prater, L.L.C.
P.O. Box 71368
6925 Union Park Center - Suite 265
Midvale, Utah 84047
Telephone: (801) 566-8882
Fax: (801) 566-8884
Email: bill@billprater.com

The Applicant's bond counsel should submit the following items to William Prater at the times indicated below. A copy of the transmittal letter for the items indicated below must also be sent to the Division of Water Quality to document Project progress.

- a. No later than one week prior to the meeting at which the Applicant intends to adopt its Resolution for the issuance of the bonds, a complete copy of the proposed Resolution shall be submitted for review. Appropriate notice should be given to notify the public of the meeting at which the governing board intends to adopt the bond resolution.
- b. No later than two weeks after the adoption of the Resolution, the following items shall be submitted:
 - i. A true and complete photocopy of the Resolution as adopted, showing signatures of the appropriate officials of the Applicant on the Resolution and on the Notice of Meeting, Acknowledgment of Notice and Consent, Certificate of Publication, Open Meeting Certificate, and other similar documents relating to the Resolution.
 - ii. If applicable, a true and complete photocopy of the minutes, notices, resolutions and other documents relating to the bond election, showing signatures of the appropriate officials.
 - iii. A true and complete photocopy of the minutes, notices, resolutions and other documents, showing signatures of the appropriate officials, of the proceedings by which the Applicant was created.
 - iv. A complete copy of the proposed documents to be signed at closing, including (but not necessarily limited to) General Certificate, Signature Identification and Non-litigation Certificate, Receipt, Arbitrage Certificate (if required), Applicant Attorney's Non-litigation Certificate, Certificate of the Clerk (or Recorder) as to contents of Bond Transcript File, Escrow Agreement, and the Bond Attorney's Opinion.

- v. A copy of the sewer use ordinance and rate structure described in paragraph 3 of this letter.
- vi. A copy of the proposed opinion letter of the Applicant's attorney described in paragraph 6 of this letter.

The procedures for bond approval will be substantially the same as required by the Utah Municipal Bond Act as it applies to cities and towns. The opinion of the bond attorney must accompany delivery of the bonds to the Board before bond proceeds will be released.

As a condition to the acceptance by the Board of a non-voted revenue bond, the issuer must (a) publish notice and conduct a public hearing consistent with the requirements of the Utah Local Government Bonding Act, and (b) mail notices to system users in the issuer's service area informing them of the public hearing. In addition to the time and location of the public hearing, notices mailed to system users shall inform them of the issuer's intent to issue a non-voted revenue bond to the Board, shall describe the face amount of the bond, the rate of interest, the repayment schedule, and shall describe Project impacts. User charge rates and connection fees should be included in that notice, and the notice shall state that system users may respond to the issuer in writing or in the public hearing. A copy of all written responses and a certified record of a public hearing shall be forwarded to the Board. If the Board feels that there is significant opposition to the proposed Project, or if required by the Utah Local Government Bonding Act, it may be necessary for the issuer to hold a bond election before the Board's funds will be made available.

At or after the closing, the State's bond counsel will bill the Applicant, and the Applicant must pay those legal fees.

At the time of closing, the Applicant shall pay a Loan Origination Fee equal to 1% of the principal loan amount. If the Applicant decides not to build the Project after the Board has authorized the Project, the Applicant will reimburse all costs accruing after the Project Authorization. The Project Cost and Loan Origination Fee Acceptance Form (*Exhibit #3*) must be signed and returned to the Board within three weeks of the date of this letter.

2. Consistent with requirements of the law and the covenants of applicable bond resolutions, the actual payment of funds by the Board to the Applicant will not take place until the Board has assurance the funds will be used for Project costs and the Project will actually be completed. To assure this, all monies to be expended on the Project shall be placed in an escrow account jointly supervised by the Applicant and the Board. A copy of the proposed escrow agreement shall be submitted to the Board and the State's bond counsel for review. If the Project is completed without using all of the escrowed funds, the Board's share of the unused escrowed funds will be applied as a prepayment of principal to shorten the bond repayment term. The Applicant will be required to deposit all of its Project funds in the escrow account at the time of the closing of the loan or make other provisions acceptable to the Board to ensure that funds will be available to complete the project. Disbursements from the escrow account will be reviewed and approved by the Division of Water Quality. A disbursement request form must be completed and submitted along with each request.

CVWRF's Bond Closing must occur before any funds will be made available to South Salt Lake City. CVWRF's Bond closing will be sufficient to demonstrate other provisions acceptable to the Board for Series A Bond Closing. Series B bond closing will require an

acceptable commitment of matching funds from CVWRF for completion of the remainder of the project.

3. At the time of the adoption of the bond resolution, or within a reasonable time thereafter (but no later than the pre-closing date), the Applicant shall adopt an ordinance or resolution detailing proper use of the system and establishing reasonable sewer use charges and fees and collection enforcement procedures taking into account all relevant factors, including but not limited to the need to generate sewerage revenues sufficient to meet all payment and funding requirements specified in the bond resolution. A Reserve Fund, equivalent to at least one (1) year's installment on the bond and an Emergency Repair and Replacement Fund, equivalent to one-half (1/2) of one year's installment payment, must be accumulated during the first six (6) years of the repayment period. The sewer rate ordinance or resolution must establish rates sufficient to generate no less than the following amounts:
 - a. An amount calculated to be sufficient to pay operation and maintenance expense of the system.
 - b. One twelfth (1/12th) of an annual payment per month to be placed in a Sinking Fund for the repayment of the obligations of both the Series A and B Bonds (\$462,400 average per year).
 - c. One sixth (1/6th) of an annual payment per year (for the first six years) to be added to a Debt Service Reserve Fund in equal monthly installments until a total of one (1) annual payment is accumulated for both of the Series A and B bonds.
 - d. One Twelfth (1/12th) of an annual payment per year (for the first six years) to be added to an Emergency Repair and Replacement Fund in equal monthly installments until a total of one half (1/2) annual payment is accumulated for both of the Series A and B bonds.

A copy of the sewer use and user rate ordinances and/or resolutions as adopted shall be submitted to the Water Quality Board and to the State's bond counsel on or before the pre-closing date.

4. The Applicant's contract with its consulting engineer(s) should include the cost of developing complete bidding and contract documents, performing bidding and construction management services, and preparation of an operations and maintenance manual. The engineering contract must be submitted to the Division of Water Quality for review and approval. This requirement is to assure the Board that adequate and appropriate arrangements are made for completing and inspecting the Project within the guidelines set by the Board.
5. The Applicant must secure a construction permit for the Project from the Board prior to soliciting bids. Final bidding and contract documents should be submitted to the Manager of the Engineering Section, Utah Division of Water Quality, for review.
6. The Applicant's attorney shall certify the following items in writing to the Water Quality Board:
 - a. The Applicant is a legal entity as of the date of the loan closing.

- b. The Applicant has valid legal title to the rights-of-way designated and shown on the right-of-way map, including rights-of-way both for the Project to be constructed and the remainder of the existing wastewater system as of the date of the loan closing.
 - c. The bidding and contract documents for the construction of the Project have the proper and legal format and are in compliance with the Utah Code Annotated 1953 (Title 34, Chapter 30).
 - d. Following review by the Applicant's attorney of the completed and executed construction contract, performance and payment bonds, and evidence of necessary insurance, the Applicant's attorney shall furnish to the Water Quality Board his legal opinion that all of such items are legal and binding and in compliance with the Utah Code.
7. The Applicant shall acquire rights-of-way and easements for construction and ongoing operation and maintenance of the Project facilities. The Applicant, through its engineer, shall furnish its attorney a right-of-way map showing the location of all lagoons, buildings, structures, pipelines, and other pertinent facilities in the Project. The engineer and presiding officer of the Applicant will sign this map.
8. The Applicant must agree to the following requirements of Title VI of the Clean Water Act as applicable throughout the course of the Project:
 - a. Submission of a DUNS number to the DWQ within 45 days before loan closing.
 - b. Completion of the "MBE/WBE Procurement Annual Report" form for construction services. This should be submitted to the Division of Water Quality two weeks after the end of each reporting period (September 30) during construction.
 - c. Include the following certification in the bond resolution:

"The Issuer agrees, in accepting the proceeds of the Series ____ Bonds, to comply with all applicable state and federal regulations related to the Utah State Revolving Fund administered by the Water Quality Board. These requirements include, but are not limited to, Title VI of the Clean Water Act of 1987, The Single Audit Act of 1996, the Utah Wastewater Loan Program policies and guidelines, the Utah Local Government Bonding Act, the Utah Money Management Act, the Utah Procurement Code and the State of Utah Legal Compliance Audit Guide."
 - d. Compliance with Davis-Bacon Act wages:

"Notwithstanding any other provision of law and in a manner consistent with other provisions in this Act, all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code."

e. Compliance with American Iron & Steel (AIS) provisions:

P.L. 113-76, Consolidated Appropriations Act 2014, requires Clean Water State Revolving Loan Fund (CWSRF) assistance recipients to use iron and steel products that are produced in the United States for projects for the construction, alteration, maintenance, or repair of a public treatment works.

f. Compliance with Cost and Effectiveness Analysis

Pursuant to Section 602 (b)(13) of the Federal Water Pollution control Act, the recipient must certify that it has (a) studied and evaluated the cost and effectiveness of the processes, materials, techniques, and technologies for carrying out the proposed project or activity; and (b) selected, to the maximum extent practicable, a project or activity that maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation, taking into account—

- i. the cost of constructing the project or activity;
- ii. the cost of operating and maintaining the project or activity over the life of the project or activity; and
- iii. the cost of replacing the project or activity.

9. The Applicant shall submit a cash drawdown schedule prepared and certified by its consulting engineer that coincides with the rate construction-related Project costs are expected to occur.
10. The Applicant must have an approved Capital Facilities Plan or Engineering Report, as applicable, prior to loan closing.
11. The Applicant is required to submit a plan of operation and an operation and maintenance (O&M) manual according to the following:
 - a. Applicants that have not previously operated wastewater facilities of similar magnitude and complexity to the Project are required to submit a plan of operation containing a schedule summarizing appropriate times for essential actions to be taken for facility operation. A draft plan must be submitted to the Division of Water Quality at initiation of construction and approved in final form prior to 50% of construction completion. As a minimum, the plan of operation must include provisions for an operation and maintenance manual, emergency operating and response plan, properly trained management, adequate number and training of operation and maintenance personnel, budget plan for operation and maintenance, operational reports, and start-up procedures.
 - b. An operation and maintenance (O&M) manual which provides long-term guidance for efficient facility operation and maintenance must be submitted and approved in draft and final form prior to 50% and 90% completion, respectively.

To facilitate the timely completion of the financial assistance requirements outlined in this letter, a pre-closing conference call shall be held to determine all of the outstanding items. The Applicant and its attorney and engineer should submit to the Division of Water Quality all of the items required by the dates agreed to during the pre-closing conference call and the Applicant's bond attorney should submit to the State's bond counsel the items listed in the subsection "b" of paragraph 1 on or before the due date specified therein so that he can review those items prior to closing.

The final closing on the bond may occur once the Division of Water Quality and the State's bond counsel determine that all of the items listed in this letter have been completed and submitted satisfactorily.

If the Applicant fails to reasonably comply with the Project schedule, this Authorization may be withdrawn. If the Applicant received Planning or Design advances from the Board, withdrawal of this Authorization may authorize the Board to seek repayment of the advance(s) on such terms and conditions as it may determine pursuant to Utah Administrative Code R317-101-9 and R317-101-10.

These requirements will probably not cover all the matters pertaining to your Project. We anticipate that specific questions on matters relating to your Project will arise, and we are confident that a joint cooperative effort can resolve the issues. If you have any questions concerning these requirements, please contact Skyler Davies (801-536-4359) or Marsha Case (801-536-4315) of the Division of Water Quality.

Sincerely,

Utah Water Quality Board

Erica Brown Gaddis, Ph.D.
Executive Secretary

EBG:JM:mc

Enclosures: Principal Forgiveness/Hardship Grant Agreement (3 copies)

cc: William Prater, Bond Counsel
City of South Salt Lake Bond Counsel, Chapman & Cutler

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File: City of South Salt Lake Project 260\Administration\Section 1

Exhibit 1 - Series A

**City of South Salt Lake Project #260
Bond Repayment Schedule**

Principal	\$2,413,000	Principal Forgiveness
Interest/Hardship Assessment	0.00%	\$2,000,000
Term	20	
Avg Annual Pmt	\$120,650	

Payment Number	Payment Due Date	Principal Due	Principal Payment	Interest/HGA Payment	Total Payment
1	1-Jun-25	2,413,000	120,000	0	120,000
2	1-Jun-26	2,293,000	120,000	0	120,000
3	1-Jun-27	2,173,000	120,000	0	120,000
4	1-Jun-28	2,053,000	120,000	0	120,000
5	1-Jun-29	1,933,000	120,000	0	120,000
6	1-Jun-30	1,813,000	120,000	0	120,000
7	1-Jun-31	1,693,000	120,000	0	120,000
8	1-Jun-32	1,572,000	121,000	0	121,000
9	1-Jun-33	1,451,000	121,000	0	121,000
10	1-Jun-34	1,330,000	121,000	0	121,000
11	1-Jun-35	1,209,000	121,000	0	121,000
12	1-Jun-36	1,088,000	121,000	0	121,000
13	1-Jun-37	967,000	121,000	0	121,000
14	1-Jun-38	846,000	121,000	0	121,000
15	1-Jun-39	725,000	121,000	0	121,000
16	1-Jun-40	604,000	121,000	0	121,000
17	1-Jun-41	483,000	121,000	0	121,000
18	1-Jun-42	362,000	121,000	0	121,000
19	1-Jun-43	241,000	121,000	0	121,000
20	1-Jun-44	120,000	121,000	0	121,000
TOTAL			2,413,000	0	2,413,000

Exhibit 1 - Series B

**City of South Salt Lake Project #260
Bond Repayment Schedule**

Principal	\$6,835,000
Interest/Hardship Assessment	0.00%
Term	20
Avg Annual Pmt	\$341,750

Payment Number	Payment Due Date	Principal Due	Principal Payment	Interest/HGA Payment	Total Payment
1	1-Jun-25	6,835,000	341,000	0	341,000
2	1-Jun-26	6,494,000	341,000	0	341,000
3	1-Jun-27	6,153,000	341,000	0	341,000
4	1-Jun-28	5,812,000	341,000	0	341,000
5	1-Jun-29	5,471,000	341,000	0	341,000
6	1-Jun-30	5,129,000	342,000	0	342,000
7	1-Jun-31	4,787,000	342,000	0	342,000
8	1-Jun-32	4,445,000	342,000	0	342,000
9	1-Jun-33	4,103,000	342,000	0	342,000
10	1-Jun-34	3,761,000	342,000	0	342,000
11	1-Jun-35	3,419,000	342,000	0	342,000
12	1-Jun-36	3,077,000	342,000	0	342,000
13	1-Jun-37	2,735,000	342,000	0	342,000
14	1-Jun-38	2,393,000	342,000	0	342,000
15	1-Jun-39	2,051,000	342,000	0	342,000
16	1-Jun-40	1,709,000	342,000	0	342,000
17	1-Jun-41	1,367,000	342,000	0	342,000
18	1-Jun-42	1,025,000	342,000	0	342,000
19	1-Jun-43	683,000	342,000	0	342,000
20	1-Jun-44	341,000	342,000	0	342,000
TOTAL			6,835,000	0	6,835,000

EXHIBIT 3

PROJECT COST AND LOAN ORIGINATION FEE ACCEPTANCE FORM
FOR PROJECTS FUNDED THROUGH
THE UTAH STATE REVOLVING FUND PROGRAM

1. Costs of bond document review by the Water Quality Board and its bond attorney will be billed to the Applicant.
2. Costs related to the project such as administrative review, engineering, investigation, and construction supervision by the Water Quality Board (i.e. Division of Water Quality staff) will be paid from the proceeds of the Loan Origination Fee, which is equal to 1% of the principal loan amount.
3. Cost of engineering, investigation, and construction supervision are considered as follows:
 - a. If the Water Quality Board denies the project or if the Applicant withdraws prior to the preparation of the feasibility report, normal manpower costs incurred by the Department of Environmental Quality during the preliminary investigation of the potential project will not become a charge to the Applicant.
 - b. If the project is authorized by the Water Quality Board, all manpower costs from the beginning of the project will be charged to the project and paid from the proceeds of the Loan Origination Fee.
 - c. If the applicant decides not to build the project after the Water Quality Board has authorized the project, all costs accruing after the authorization will be reimbursed by the Applicant to the Board.

ACCEPTANCE:

On behalf of the Applicant, I hereby accept the policy and conditions as enumerated above.

(Name of Applicant) (Date)

(Presiding Official) (Date)

(Secretary) (Date)