



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Environmental Quality

L. Scott Baird
Executive Director

DIVISION OF DRINKING WATER
Marie E. Owens, P.E.
Director

Drinking Water Board
Roger Fridal, Chair
Kristi Bell, Vice-Chair
Scott Morrison
Jeff Coombs
David O. Pitcher
Eric Franson, P.E.
Barbara Gardner
Blake Tullis, Ph.D.
L. Scott Baird
Marie E. Owens, P.E.
Executive Secretary

DRINKING WATER EMERGENCY ELECTRONIC BOARD MEETING

April 27, 2020 1:00 PM

Via GoToWebinar

Marie Owens' Cell Phone #: (801) 505-1973

FINAL MINUTES

1. Call to Order

Roger Fridal, Chair, called the Board meeting to order at 1:07 PM.

2. Roll Call – Marie Owens

Board Members present: Roger Fridal, Kristi Bell, Scott Morrison, Barbara Gardner, Eric Franson, David Pitcher, and Scott Baird. Blake Tullis arrived at 1:11 PM. Jeff Coombs was absent.

Division Staff present: Marie Owens (Director), Michael Grange, Heather Pattee, Allyson Spevak, Skye Sieber.

3. Public Comment Period

There was no public comment.

4. SRF Loan Relief (Board Action Needed)

Marie explained that the Division will be presenting to the Board the idea of putting a program or policy in place to allow those with existing Drinking Water State Revolving Funds (DWSRF or SRF) loans to defer payments related to COVID-19 hardships, as other boards are doing.

Conflicts of Interest

Eric Franson's engineering firm has represented, in the past, many of these loan recipients in order to secure SRF funding.

Scott Morrison is the General Manager for Mountain Regional Water District and Mountain Regional has an SRF loan payment due this year.

David Pitcher is with Central Utah Water Conservancy District and CUWCD has an SRF loan payment due this year.

- Roger Fridal moved to allow participation and voting for those with conflicts of interest. Kristi Bell seconded. The motion was carried unanimously by the Board via roll call vote.

SRF Loan Relief

Michael Grange thanked SRF staff, Heather Pattee and Skye Sieber, for gathering the loan recipient information found in the memo.

Michael explained that the Division has been in discussions with other State agencies with funding boards and the State Treasurer, David Damschen, and we're moving forward with establishing policies and procedures to allow those entities with DWSRF loans to have some financial relief due to the COVID-19 pandemic if they need and request it.

There are 17 loan payments due between May 1 and June 30, 2020; 28 payments are due between July 1 and September 30, 2020; and 33 payments are due between October 1 and December 31, 2020. The Division was able to get in touch with 95% of these systems and based on those conversations the systems themselves are involved in providing financial relief to their customers. They're taking relief measures such as delaying payment due dates, accepting partial payments, not shutting off water for lack of payment, and other methods of relief. Most systems responded that they don't see any issues with loan payments during 2020, but if this emergency is not quickly resolved they could see some financial stress in 2021 and beyond.

Between May 1 and December 31, 2020 there are approximately \$5 million in loan payments due. The worst-case scenario is if all of those systems failed to make their payments it would be an 8% reduction in total revenue to both the State and Federal programs for the remainder of 2020. Based on the information gathered from the loan recipients that is not likely to happen, but there could be some requests for deferrals or restructuring between now and the end of the year. The greater threat is for 2021; there are 112 loan payments due between January 1 and March 31, 2021 with a total value of \$4.5 million. The worst-case scenario for 2021 is that if all of those systems defaulted or asked for a deferral it would be a 17.5% reduction in revenue to the State and Federal programs.

The Division is asking the Board to consider adopting a policy that will allow staff to proceed with granting requests for loan payment deferrals and loan restructuring. The Water Quality Board has implemented such a policy and they've directed Water Quality staff to review their loans. The Community Impact Board (CIB) has also adopted a policy that will allow their staff to work on CIB loan deferrals and restructuring. Included in the memo was a letter sent to Congress by the Council of Infrastructure Financing Authorities (CIFA) recommending changes to both the Clean Water and Drinking Water SRF programs to streamline the

financing process for projects. On their recent survey, American Water Work Associations (AWWA) received responses from about 512 water systems throughout the country; AWWA's initial read is that water systems nationwide could see a financial impact of \$13.9-\$15 billion during the coming year. That is a 16.9% impact to the drinking water sector. They're expecting communities to experience a total reduction in economic activity by as much as \$33 billion over the course of the coming year.

Staff submits the following recommendations for Drinking Water Board consideration and approval;

1) The Drinking Water Board adopt the attached debt relief policy and authorize Staff to modify the policy to reference the Division of Drinking Water and Drinking Water SRF Program requirements.

2) The Drinking Water Board authorize Staff to develop policies and procedures to set the criteria water systems must meet to qualify for debt relief under the policy.

The above referenced debt relief is the CIB policy included in the memo; the Division thinks this is a good policy and just needs to be changed to reference the Drinking Water Board and the DWSRF program.

Michael contacted EPA Region 8 about our ability to restructure finances during this emergency; the State and the Board have the authority to restructure debt as long as it is within the program structure that Congress has established in the Safe Drinking Water Act.

Michael reiterated that it's possible there could be \$2 - \$7 million less revenue to the DWSRF program if every water system with a loan requested a payment deferral for a year maybe two, depending on their ability to document that their hardship is caused by the pandemic. For deferred payments, the Division must either write a new bond to spread the deferral over the remaining life of the loan or write a new bond to attach the missed payment to the end of the repayment period. The Division would like direction from the Board as to how to handle the cost of issuance for the new bond.

David Pitcher inquired about the short timeframe included in the CIB policy. Based on the information that Michael has read over the last week or so, including the AWWA survey, water systems could experience financial stress related to COVID-19 for a year or two. It would be up to the Board on how to proceed with the timeline for the DWSRF policy. It makes sense to Michael to establish a timeframe but also establish the Board's ability to re-examine and re-authorize the policy in 6 months or a year. Scott Morrison agrees with Michael and thinks it would be prudent to add a provision at the end of the policy which reserves the right of the Board to shorten the timeframe as things evolve.

Michael says the intent is to use the Board's authorization to revise the CIB policy and bring it to the June 9, 2020 meeting for Board approval. The proposed policy would be shared with the Board prior to the meeting so the members can have a chance to review and comment on it before the meeting. The policy will include the criteria to qualify for deferred or restructured

loan payments. Currently, there are no water systems that need a deferral before the June meeting.

Eric Franson suggested drafting the policy and criteria for the next Board meeting. The Board would adopt the policy and criteria which the staff would then use to make the decisions and administer the program.

Michael explained that the CIFA document was included in the memo to show that there is a national effort under way to provide some kind of relief not only to the loan recipients but to the state programs. The document is a petition to Congress to change the way program is structured for the duration of the pandemic to allow certain thing to be expedited in order to get projects under way. The AWWA survey pointed out that there are some water systems nationwide that are deferring capital improvements until after the pandemic has subsided to a certain extent. CIFA is suggesting that Congress relax some of the program requirements to help the state programs move the funding so there aren't billions of dollars of unliquidated obligations sitting in the accounts waiting to be spent.

- Eric Franson moved that the Drinking Water Board authorize staff to draft a debt relief policy and to develop policies and procedures associated with that debt relief policy establishing criteria that water systems must meet to qualify for debt relief under the said policy. Barbara Gardner seconded. After the discussion below, the motion was carried unanimously by the Board via roll call vote.

Discussion of the above-mentioned motion

As per David Pitcher's input regarding costs, Michael said that it can be mentioned in the policy that costs associated with loan deferrals can be looked at on a case by case basis.

Eric's interpretation of the criteria would be financial metrics from the water systems and a demonstrated financial impact in order to qualify for the program. Michael said that we don't know at this point what the impact will be on the system and therefore we can't include numbers in the actual policy, but rather general statements that the policy is in place to grant financial relief due to reduced revenue and refer to the procedure document for information to apply and qualify. Eric says that the policies and procedures will need to be revisited as the situation changes over time.

Michael will find out if any of the 17 payments due between now and June 30, 2020 have an immediate need for deferral. Michael said that the Board can do emergency authorizations for these deferrals, if needed, in another emergency meeting.

- Blake Tullis moved that if any payments occurring between now and the June 9, 2020 Board Meeting are in difficult circumstances that payment either be deferred until after that meeting or they can be handled on an emergency case by case basis. Eric Franson seconded.
- David Pitcher offered an amended motion to authorize Michael Grange to use his existing authority to waive the late payment for a payment that is due between now and the June 9,

2020 Board Meeting for COVID-19 related hardship without having to show proof that the payment is coming in anticipation of this new policy. Those systems could then be enveloped into the policy that will be considered at the June 9 meeting. Kristi Bell seconded the amended motion. Blake Tullis accepted the amended motion. After the discussion below, the amended motion was carried unanimously by the Board via roll call vote.

Discussion of the above-mentioned motion and amended motion

Michael explained that when a loan payment is due there is a 30-day grace period from the due date until penalties begin accruing. In the past, if a water system sends written notice with a valid reason for the late payment and the payment has been made, Michael as the Executive Assistant Secretary of the Drinking Water Board, can waive the penalty.

5. COVID-19 Discussion

David Pitcher offered that as we work through this, he agrees with Eric that this won't be the last time we talk about this and the thing we always have to keep in mind is our water systems have been disinfecting viruses for a long time and what's paramount is the safety of the systems we all work for and within and the public's safety. Most people don't recognize that and we have to keep that paramount that we keep it going with these financial considerations. And maybe even, depending on what comes from the federal government, leverage that to a point of emphasizing that importance to the economy. Most people don't recognize the relationship between the economy and the water systems that just keep on putting water out of the tap.

Related to David's comment, Marie has been trying to keep track of some of the stimulus and relief package discussions going on back in Washington; she doesn't know where they will land, but there has been some talk about providing relief for revenue disruptions for water and wastewater systems. There has been some discussion about routing that through the SRF program. With the discussion we've had in this meeting, it is valid to say that this situation may change and there may be money that is sent toward this program with the intent to get it out to the water systems in a way that this program doesn't typically route money, such as operational or relief-based funding. Right now, the SRF program is only allowed to give out money for infrastructure; actual construction projects or associated planning. Marie said the Division will pass along that information as soon as we have it.

6. Other

East Grouse Creek Pipeline

Eric said that he received a letter from East Grouse Creek Pipeline as it relates to an issue, as did the other Board members. Marie said those letters were sent preemptively before ever being sent to Marie. Marie has been in contact with the system's administrative contact, Julie Tanner, and she has given a recommendation on the issue.

Marie's report on the issue:

In 1992 the system had a series of positive bacteriological samples and the director at the time put them under an order to continuously disinfect their one source, a spring. The system serves a small community of less than 100 people. The system proceeded to install a gas chlorine system which they were unable to maintain and it fell into disrepair, an issue that was discovered during a sanitary survey. Subsequent to that, the system changed their chlorination process to a tablet chlorinator; however, they did not receive Division plan approval to switch from a gas chlorinator to a tablet chlorinator. Rather than purchasing a feed system, Grouse Creek created one to dissolve these tablets directly into a distribution box downstream of their spring. They also began using trichlor tablets which are used in swimming pools and are not an approved disinfectant for drinking water systems.

This was discovered during their last sanitary survey in 2019 and as a result were given two significant deficiencies; 1) failure to provide continuous disinfection, and 2) using a chemical feed system not approved by the Division. Julie Tanner took personal offense to the deficiency that they had not continuously disinfected which triggered the communication with each of the Board members, the Governor's Office, and the State and Federal legislators. Julie took offense because they had shown due diligence at taking chlorine residuals and showing a chlorine residual. The staff issued that deficiency because by using the swimming pool tablets, the chlorine residual they took is not reliable. The chlorine residual method that is utilized is not sufficient for that particular chemical, so the chlorine residuals the system has been reporting are likely to be higher than the actual chlorine residual that was in place. Because of the chemical, the staff was not certain that they had continuously disinfected.

As she talked with Julie, Marie is comfortable that one deficiency would be sufficient instead of both deficiencies as they both address the same issue; however, Marie wants their commitment to resolve the situation before she removes the second deficiency. The first deficiency will stay in place until the chlorine system is transitioned, approved and implemented according to NSF and Division standards. Julie verbally committed to resolving the situation, but she must first get it approved through their committee or board.

The Division did recommend a solution to Grouse Creek which was continuing to use tablets, authorized tablets, and purchasing a \$450 feed system, but they would have to determine how and where to install it. The letter that the Board received was in resistance to the recommended \$450 upgrade to their system.

Eric thought Marie gave a good report on the issue and that the Division is doing what they should by protecting public health.

Upcoming Board Meetings

The Board was originally scheduled to meet at the fall RWAU conference on September 1, 2020, but the conference has been moved to October. The staff recommends that the Board maintain their previously scheduled meeting on September 1 and that it just moves to DEQ Board Room at MASOB if we're allowed to have meetings in person at that time. The meeting will remain on September 1, 2020.

Dale Pierson with RWAU reported that fall conference has been rescheduled to October 5-7. Marie said that the Division can facilitate the Board attending the conference, if they're interested.

The staff is anticipating that the June 9, 2020 Board meeting will be held virtually.

7. Next Board Meeting

Date: June 9, 2020

Time: 1:00 PM

Meeting to be held via GoToWebinar

8. Adjourn

- Kristi Bell moved to adjourn the meeting. Blake Tullis seconded. The motion was carried unanimously by the Board.

The meeting adjourned at 2:20 PM.