BOARD OF WATER RESOURCES

Meeting Minutes

George S. and Dolores Dore Eccles Wildlife Education Center

June 17, 2021

1:00 PM

CHAIR BLAINE IPSON called the meeting to order at 1:01 PM

APPROVAL OF MINUTES

CHAIR BLAINE IPSON asked for changes to the minutes and there was a minor change of Wayne Holmgren to Wayne Andersen.

NORM JOHNSON moved to approve, CHARLES HOLMGREN seconded, and all approved including KYLE STEPHENS virtually. The motion to approve the minutes passed.

DROUGHT UPDATE

CANDICE HASENYAGER 100% of the state is in drought and we are preparing for the worst on record drought conditions. We were given feedback that the State of Utah was not communicating with the drought monitor and agencies. In April 2020 we had some moderately dry areas and by October 2020 we had some severe and even some extreme drought conditions. This caused record dry soils to occur. We knew we would need record snow to make up for these dry temperatures and we never received that. The governor did issue an emergency drought declaration in March 2021. Drought conditions affect every sector: agriculture, tourism, commerce, etc. There were two executive orders to limit water use at state facilities.

One of the things we have done in the past few weeks is change the Slow the Flow campaign to a more blunt message. Extreme Drought. Water Less. We ask that people prioritize watering (trees/shrubs) and then water grass 2 times a week in northern Utah and 3 times a week in southern Utah.

CHAIR BLAINE IPSON there were no questions from the board but 1960 and 2002 were memorable years in drought in my memory and this is worse than those. Thank you for that presentation.

FEASIBILITY REPORTS

RE438 Midway Irrigation Company

Steve Farrel, Mike Kohler, Corbin Gordon, Brandon Nielsen

MARISA EGBERT the project includes the installation of 750 secondary meters, along with the required software, throughout the company’s service area. The system is already pressurized so they are looking to install the remaining connections. They have a WaterSMART WEEG grant from the BOR.

Staff recommends the board authorize 44.8% of the project cost, up to $490,000, and that the project be purchased at 1% interest over 15 years with annual payments of approximately $35,400.

STEVE Marisa did a great job and just one small correction that we use the snowmaking up at Soldier Hollow (not Solitude). We are using this more as a management tool instead of a revenue source and we see great benefit in the meters. We would like to do something similar to how Weber Basin runs their system and help educate people on the water they use. We are looking forward to getting these meters in so we know how much we are delivering. We appreciate your consideration.

NORMAN JOHNSON does any of the water provided to the ski resort come back to you?

STEVE no, it's on the other side of the mountain and it goes to Deer Creek and the Provo water users get it.

CHAIR BLAINE IPSON what is the timeline?

STEVE we are hoping to start as soon as possible, hopefully at the end of this irrigation season.

VICE-CHAIR KYLE STEPHENS I was looking at the report and the cost of installation and wanted to make sure the amount meets the needs of the current costs. We don't want you to have to come back.

STEVE I think that would cover the costs.

DIRECTOR TODD ADAMS these are for existing connections because you require all new connections to come with a meter?

STEVE yes, any new development in the Midway area is required to have a meter.

WAYNE ANDERSEN this is a pretty straightforward project and it is efficient.

WAYNE ANDERSEN moved to authorize funding for the project JIM LEMMON seconded the motion, all approved and the motion to authorize funding for the project passed.

RE446 Provo River Water Users Association

Jeff Budge, Jonathan Ward, Mark Anderson, Caden Taylor

SHALAINE DEBERNARDI the purpose of the project is to replace the Deer Creek Dam intake structure and rehabilitate the existing guard gates or install new gates without draining the reservoir. This also includes measures to address potential Quagga mussel infestation and maintain or improve the quality of water delivered to the reservoir.

Staff recommends the board authorize 71.3% of the project cost, up to $42,800,000, and that the bonded indebtedness be returned at 1% interest over 30 years with annual payments of approximately $1,078,000 the first five years and about $1,878,000 the remaining 25 years (including reserves).

JEFF BUDGE we have all benefited from good forward thinking on the design of this dam but infrastructure does wear out and this project is a pinch point for the water on the Provo River. All of the water from several rivers goes through this outlet works at Deer Creek Dam so we want to leave a legacy of good infrastructure for the future as we have enjoyed it. We appreciate the staff, the board, and the favorable funding options. We do want to ask to extend the payment period by 5 years to make it a 35-year repayment period. We do not have an economic return from this project so this is a large bill for our shareholders and we appreciate the low interest rate. We do want to ask to extend the repayment period another 5 years just to make it more feasible for our shareholders.

CHARLES HOLMGREN question about the Quagga Mussel issue; is the technology there to be able to fight this issue?

JEFF BUDGE we have been working with Reclamation to determine how we can best combat this pest. We have also looked at the research on coatings and different types of steel to be used.

JULIETTE TENNERT there is no economic benefit of this project and we can see that. Our participation does make this feasible but I was wondering what the interest rate would be in the private sector. I just want an idea of the differential.

JONATHAN WARD the public markets would be much more than 1% because we are a private nonprofit. The rates are closer to 3 or 3.5% in the private market on this particular project plus a little more because of the tenure (time frame) of the project.

CHAIR BLAINE IPSON who owns the facility?

JEFF BUDGE Deer Creek Dam and the power plant are physically owned by the Bureau of Reclamation.

CHAIR BLAINE IPSON and that leads to the next question: if the owner is responsible for the repairs and maintenance, why are the Provo Water Users responsible for this?

JEFF BUDGE they are transferred works that the BOR uses. They are contracted with the Provo Water Users Association for the maintenance and repayment of the project. In 5 years, we will have paid off the BOR for building the dam, but we do not actually own the dam, we just utilize it.

CHAIR BLAINE IPSON as part of the package, we would assume the agreements you have with them should be included in your submission to the board.

VICE-CHAIR KYLE STEPHENS the Provo Water Users Association will cover the cost and the report indicates that there are approximately 100,000 shares and the rate is $28.61 and the proposed annual payments on this amount would be $10.78, am I reading that correctly?

JEFF BUDGE yes, with the financing structure as proposed, it allows us to ramp up to that level and we will be at that level for several years. We will be able to reduce that as other obligations fall off. That is part of the reason we are asking for the 35-year repayment term because it helps us balance out those assessments for the shareholders palatably.

JIM LEMMON didn't we discuss interest-only payments for the first 5 years?

SHALAINE DEBERNARDI it is not just interest payments for those first 5 years, it would be interest, some reserves, and a little principal to equal out to annual payments of approximately $841,000.

WAYNE ANDERSEN the reservoir was created in 1941 and my grandfather was one that helped build that reservoir so it means a lot to me to keep this reservoir active and viable. I would encourage the rest of the board to support the additional 5 years.

WAYNE ANDERSEN moved to authorize the new motion, JIM LEMMON seconded the motion and all approved including VICE CHAIR KYLE STEPHENS who was participating remotely. The motion passed unanimously.

SPECIAL ITEMS

RE208 South Weber Irrigation Company

Blair and Teri Halverson

MARISA EGBERT the current repayment rate is 2.5% and they are requesting a change to 2.03% for the remaining 29 years. This project began back in 2006/2007 when the housing market was huge and then in 2008 when the market dropped, the project was already under construction. The purpose of this project was to install a pressurized secondary system throughout the service area and they are requesting a modification of the repayment terms. They want set payments each year to get some relief from the repayments. Most of this will go to M&I use and we based the interest rate on today's rates for M&I projects.

Staff recommends that the board amend the purchase agreement to state that the principal balance will be returned at 2.03% over 29 years with annual payments of approximately $49,300.

BLAIR HALVERSON I wanted to thank you all for taking the time on this project. We have been working to get our books in order as changes have been made in staff and our accountant came to us and told us that we were not solvent. We reached out to Shalaine and asked for some guidance and are now before you today with our request to modify the repayment terms. We would have preferred the 1% interest rate. We went from 166 connections last year to 423 this year.

CHARLES HOLMGREN what is the impact of the installation fees and the fees per connection?

BLAIR HALVERSON our connection fees are $2,250 per home and our annual fee is $195. It is inexpensive water but we are considering a rate increase to $205 to be more in line with neighboring water districts.

VICE-CHAIR KYLE STEPHENS Marisa mentioned that this project was started back in 2006 and there have been some extenuating circumstances in this project and I appreciate Blair’s experience with this.

VICE-CHAIR KYLE STEPHENS moved to approve the amendment for the project, WAYNE ANDERSEN seconded the motion, all approved including VICE-CHAIR KYLE STEPHENS who was participating virtually, and the motion passed.

RE447 Draper Irrigation Company

David Gardner, Steve Cunningham, Darren Jensen

RUSSELL HADLEY the proposed project is located in Draper city. The Draper Irrigation Company serves water to approximately 7,250 culinary and about 3,175 secondary connections. The purpose of the project is to install about 4,800 feet of 6-inch pipeline and 73 secondary water meter boxes. The previously installed secondary system was installed poorly and is in need of replacing and they also installed this in the backyard of the homes which made it difficult to maintain. This is the 5th project the company has come before the board with.

Staff recommends the board authorize the project and commit 85% of the project cost up to $1,402,500, and that the project be purchased at 1% interest over 25 years with annual payments of approximately $63,700.

DAVID GARDNER I am managing this project and we do appreciate the past funding from the board. This metering project is a fantastic project and this is the finishing touch to that project.

STEVE CUNNINGHAM the main reason for this project is that we cannot work on others until the mains are in the streets so that is the driver for this.

DARREN JENSEN we just appreciate the opportunity to have the board consider this project.

VICE-CHAIR KYLE STEPHENS what is the difference between near-side and far-side?

RUSSELL HADLEY near-side is if the meter box is placed on the same side of the street by the pipeline and the far-side would be placing the meter box on the opposite side of the street from the pipeline and they would have to do a road cut to get the pipeline to the opposite side. This is significantly more expensive.

JULIETTE TENNERT I just want to thank Russell for preparing this and thank the applicants for being proactive and getting the secondary meters so close to being done. I am excited to support this project.

JULIETTE TENNERT moved to authorize the project and commit the funds, CHARLES HOLMGREN seconded the motion, all approved including VICE-CHAIR KYLE STEPHENS who was participating virtually, and the motion passed.

NEW APPLICATIONS

RL588 Herriman City

RE448 Centerfield City

RE449 Center Creek Water System

LAKE POWELL PIPELINE PROJECT REPORT

JOEL WILLIAMS some of the key efforts on the LPP include the BOR working on the Supplemental draft Environmental Impact Statement (EIS), followed by the Final EIS, and Record of Decision. They are also awaiting the State Engineer’s decision on the Water Rights Change Application and working with the BLM to prepare the Historic Properties Treatment Plan. There are ongoing discussions with Basin States and work on the right of way development. There are continued efforts on Public Education and Outreach as well.

Some of the additional permitting efforts are working with the Army Corps of Engineers on 404 Permits and Utah 401 Certification as well as Fish and Wildlife Service Biological Opinion and the BOR Exchange Agreement.

Timeline: Winter 2021 Supplemental Draft EIS, Summer 2022 Final EIS, Summer/Fall 2022 Record of Decision, and then the final design and financing plan and construction.

Contracts: The Stantec Contract, Bureau of Reclamation Task Order, and Bureau of Land Management Cost Recovery Agreement.

WATER BANKING REPORT

EMILY LEWIS this is an informal update to the board and staff on the five spheres of activities being worked on.

First, the BOR WaterSMART Water Marketing grant with three pilot projects.

In the next meeting, there will be a formal presentation that will show the processes in place and how it will work with water banking.

CHAIR BLAINE IPSON there will be no action or voting in the next meeting but it will be more of a process overview?

EMILY LEWIS there won't be any action items at the next meeting, we just want you to be prepared to review the process and have time to look over the process before any applications come forward to review.

DIRECTORS REPORT

DIRECTOR TODD ADAMS the drought has been a big topic. We have been working on every aspect of outreach regarding the drought and that will continue. Joel gave a great report on what is happening on the Lake Powell Pipeline. The Great Salt Lake is less than a foot from hitting it’s all time low on the southern arm. The watershed conditions are also bad. We had a Department Meeting a week and a half ago and Darin Bird announced his retirement and will officially be retiring at the end of July. I appreciate the service of this board and the adaptations they have made throughout this Covid situation. I also appreciate the staff and all the hard work that they do on everything they are doing. We are excited to welcome Steve Gregerson to our staff as well.

CHAIR BLAINE IPSON even though things have been virtual, there is so much work that has been done in the last year and a half. The next Board Meeting will be August 5 in the Salt Lake City area.

JIM LEMMON moved to adjourn the meeting, WAYNE ANDERSEN seconded the motion and all approved including KYLE STEPHENS who was participating virtually. The meeting concluded at 2:45 pm.