



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of
Environmental Quality

Alan Matheson
Executive Director

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

Drinking Water Board
Betty Naylor, *Chair*
Roger G. Fridal, *Vice-Chair*
Brett Chynoweth
Jeff Coombs
Tage Flint
Eric Franson, P.E.
Brad Johnson
David Stevens, Ph.D.
Marie E. Owens, P.E.
Executive Secretary

DRINKING WATER BOARD MEETING
July 13, 2018 – 1:00 pm
Multi Agency State Office Building – Board Room 1015
195 North 1950 West
Salt Lake City, Utah 84116

FINAL MINUTES

1. Call to Order

Betty Naylor, Board Chairman called the meeting to order at 1:00 p.m.

2. Roll Call

Board Members present: Betty Naylor, Tage Flint, Roger Fridal, Brad Johnson, Brett Chynoweth, and Jeff Coombs.

Division Staff present: Marie Owens, Hayley Shaffer, Michael Grange, Julie Cobleigh, Lisa Nelson, Heather Bobb, Zane Tomlins, Tammie Allen, and Matt Wycoff.

3. Approval of the Minutes:

A. May 11, 2018

- Jeff Coombs moved to approve the minutes. Roger Fridal seconded. The motion was carried unanimously by the Board.

4. Financial Assistance Committee Report

A. Status Report – Michael Grange

Michael Grange, Technical Assistance Section Manager with the Division of Drinking Water (DDW, the Division) reported there is currently a balance of \$3.9 million in the State SRF fund. Over the course of the next year, the Division is expecting an additional \$2.1 million to come into the fund, for a total of approximately \$6 million for project allocation. These totals include the proposed project allocations on the board agenda.

Michael then reported currently there is approximately \$61 million in the Federal SRF fund. Over the course of the next year, the Division is expecting about \$31 million to come into the fund, for a total of approximately \$92 million for project allocation. He reported fiscal year 18 has now passed and fiscal year 19 has begun. The overall congressional appropriation for the SRF has increased in FY19 from \$9 million to \$11 million. While this is good news, this money is non-revolving and could be a potential issue ensuring the funds are spent.

Tage Flint asked why the federal funds are harder to allocate. Michael responded from the feedback he has heard, there are many restrictions and requirements that must be met using federal funds including the Davis-Bacon Wages Act and the American Iron and Steel (AIS) Requirements. These are perceived as costly and can greatly vary depending on the project. He reported Central Utah Water Conservancy District (CUWCD) will be requesting funds from the board in the next few months and have agreed at the Division's request to compare the costs of using AIS products versus non AIS products if the project is approved to move forward. Michael stated another reason federal money is harder to allocate is it must be repaid with generally little to no principal forgiveness leaving water systems unable to take on this additional debt.

Roger Fridal asked why the first round of SRF funding was shown to be in the negative. Michael responded this is due to more loans closing than funds received, however this is generally made up the following year.

B. Project Priority List – Michael Grange

Michael Grange reported there are no proposed projects to be added to the project priority list this month, however there will be 3-4 applications anticipated at the next meeting.

C. SRF Applications

i. FEDERAL:

a) Community Water – De-Authorization – Julie Cobleigh

Julie Cobleigh informed the Board Community Water Company was authorized a loan of \$3,662,000 on May 12, 2017 to replace and upgrade portions of their existing distribution system and transmission lines, install meters, add an interconnection with Summit Water Distribution Company and upgrade their water treatment plant.

She reported negotiations between Community Water Company and Summit Water Distribution Company have proved to be unsuccessful due to their structure as a mutual water company. Subsequently, Community Water Company reached out to Mountain Regional Special Service District to annex into their system. Mountain Regional has applied for funding to take over this project. Therefore, Division Staff recommends a de-authorization of funds to Community Water Company.

Due to the overlapping agenda item of 4(C)(ii)(c) – Mountain Regional Special Service District's request for funds to take over this project, Marie Owens suggested the Board hear

this agenda item as a part of the decision to de-authorize Community Water. (Meeting minutes remain in chronological order. Please see item 4(C)(ii)(c) for continued discussion).

- Brett Chynoweth moved to de-authorize the \$3,662,000 loan to Community Water Company. Roger Fridal seconded. The motion was carried unanimously by the Board.

ii. STATE:

a) Wilson Arch – Lisa Nelson

Lisa Nelson informed the Board Wilson Arch has chosen to withdraw their application at this time. Division Staff is still working with the system; however there were issues that arose that still need to be worked through.

b) Mutton Hollow – Lisa Nelson

Representing Mutton Hollow was Justin Logan

Lisa Nelson informed the Board that Mutton Hollow is requesting \$1,700,000 in financial assistance to replace approximately 9,200-linear feet of existing deteriorating water lines. She stated the time sensitivity of this project due to a UDOT project already underway that would eliminate the need to tear up recently improved roadways for this project, and could be done simultaneously. With that said, Mutton Hollow has submitted plans and specifications which have been approved, and the project has gone out to bid.

Mutton Hollow does not qualify for a subsidy based on the MAGI, however the system does have 26 Financial Need Points as well as \$200,000 in local contribution for this request. Division Staff recommends the Board authorize a \$1,700,000 construction loan with 2% interest for 30 years to Mutton Hollow.

Betty Naylor noted there will be a substantial increase in the customer's water bill going from about \$46 per month to \$70.17 with this loan addition. She asked if residents are aware of this increase and have been able to provide comment. Justin Logan responded and informed the Board the rates were increased about a year ago on an incremental scale and comments were taken at that time.

- Brett Chynoweth moved to authorize a \$1,700,000 construction loan at 2% interest for 30 years to Mutton Hollow. Tage Flint seconded. The motion was carried unanimously by the Board.

c) Mountain Regional – Community Water – Julie Cobleigh

Representing Mountain Regional Water District was Doug Evans, Lisa Hoffman, Melissa O'Brien, and Scott Morrison

Doug Evans introduced staff in attendance and thanked the Board and Division Staff for their ongoing collaboration over the last twenty years. He explained Mountain Regional

Special Service District (MRSSD) is a regional entity that has been formed through the consolidation of many small systems. He stated through the de-annexation of Community Water, they will be able to accomplish the same or more projects with approximately \$1 million less than that of which was originally authorized to Community Water in 2017 due to regionalization.

Julie Cobleigh informed the Board Mountain Regional Special Service District (MRSSD) is requesting \$2,600,000 in financial assistance to annex Community Water Company into their system. Numerous system improvements are needed to replace, repair, and update aging infrastructure to be consistent with MRSSD's established system. The proposed project includes installing an interconnection, a new well pump, a pump station, water line replacements, SCADA improvements, meter replacements, and rehabilitating two existing Community Water wells.

Julie provided a brief background of Community Water Company and informed the Board of their continued deferred system maintenance and repairs leading to deteriorating infrastructure. They have gone through the formal annexation process which allows for public participation and comment, and was complete on June 15. The local MAGI for Community Water System, which is based on zip code is \$78,670, 182% of the State MAGI. Based on historical water use information from Community Water, the average water bill under MRSSD's structure would be approximately \$82, with an additional special assessment fee added to this amount for a total monthly bill of \$108.41. Currently, MRSSD has an average residential rate of approximately \$113 per month. Division Staff recommends the Board authorize a \$2,600,000 loan with 2% interest or fee for 20 years to Mountain Regional Special Service District.

Betty Naylor asked if the demolition of a treatment plant qualifies for funding assistance. Julie replied that indeed this project would qualify under the proposed application.

Tage Flint asked if the annexation was complete. Doug Evans with MRSSD informed the Board the Lieutenant Governor has certified the annexation complete as of July 6.

Doug Evans explained that while Summit County in general has a high income, the area and water system being annexed into MRSSD is the old Park West Village that is below the average income level, and many have struggled with the rate increases to their water bill.

Tage Flint asked what the original terms of the loan were to Community Water System. Julie replied the loan was for \$3,662,000 at 3.39% interest for 20 years. The system did not qualify for a reduced interest rate or principle forgiveness.

Marie Owens asked if the meter replacements, submitted as a part of this application will be for individual connections or for the interconnect, and whether or not they will be smart meters. Doug Evans responded the meters will be for the individual connections and will be smart meters.

- Tage Flint moved to authorize a \$2,600,000 loan at 2% interest or fee for 20 years to Mountain Regional Special Service District. Jeff Coombs seconded. The motion was carried unanimously by the Board.

5. Rural Water Association Report – Dale Pierson

Dale Pierson with Rural Water Association of Utah (RWAU) reminded the members the next Drinking Water Board meeting will be held in conjunction with the RWAU Fall Conference in Layton on August 28th. He provided each Board member with the conference brochure and welcomed all members to attend the conference sessions with the registration fees covered by RWAU. Marie Owens informed the Board to let Hayley Shaffer know if they would like to be registered for the conference and/or need other travel accommodations.

Betty Naylor thanked Dale Pierson for continuing to provide the written reports for the Board packets. She commented the hard copies are beneficial to the Board to be able to reference their content at any time.

6. Open Board Discussion – Betty Naylor

A. Board Schedule

Betty Naylor noted over the past year, the Board has struggled to get a quorum on a consistent basis. At the last meeting in May, it was suggested to change the day of the week the meeting is held to increase availability and attendance. An email poll was sent out to members with a general consensus that Tuesday afternoons would be the favored day and time. Members reviewed the current 2018 schedule, proposed 2018 schedule with the change from Friday to Tuesday, as well as a proposed 2019 schedule. Members also reviewed a list of potential conferences in 2019 that could be held in conjunction with the Drinking Water Board. Some members expressed their interest in these listed conferences, however due to travel and other logistics, preferred to keep these to a minimum with the majority of meetings held at the Multi-Agency State Office Building (MASOB). Based on the meeting's discussions, a new schedule will be created for the remaining of 2018 and 2019, with dates held on Tuesday's. A site tour will also be determined and scheduled in 2019.

B. Board Training Items

Betty Naylor reviewed a list of potential training topics for the Drinking Water Board to solicit feedback and logistical comments from members. Based on the listed options, the Board determined to begin with Roles and Responsibilities as members and the State Revolving Fund (SRF). After discussion, it was decided to hold this training prior to the February 2019 Board meeting at the RWAU conference in St. George.

7. Director's Report

A. New Division Staff Introductions

Marie Owens directed the members to review the updated organizational chart and Division Staff Contact list in the Board packet. She pointed out the last time this was reviewed by the Board there were a number of vacancies. Since that time, six new staff members have been added and some were in attendance for introductions. Marie provided a brief background on the new additions including Zane Tomlins and Cheryl Parker in the permitting section, Laurie

Leib in the Administrative Services section, Tammie Allen and Matt Wycoff in the Rules section, and Hayley Shaffer who has replaced Marianne Booth as Marie's administrative assistant and the Board liaison.

Marie Owens informed the Board there are two remaining vacancies in the Division and staff will continue to work diligently to get these positions filled with qualified candidates.

B. HB303 Implementation Strategies

Marie Owens referenced the presentation in the Board packet that was presented to the Interim Legislative Committee earlier this month regarding the implementation strategies for HB303. She informed members staff is still working through some issues which include the development of guidance documents for both internal staff and water systems. Marie reviewed the language in the bill, now in the statute that states the Division is required to develop a new sizing standard upon the submittal plants with substantial additions or alterations. Staff has decided to define the terms "substantial addition or alteration" as a project that would increase the equivalent residential connection (ERC) to a public water system by 10% or more. In addition, if a system were to decrease their water system's source, storage, or distribution capacity, this will be considered a substantial alteration. An increase in these three however, will not be considered a substantial addition. This will allow a water system to continue with maintenance and enhancements to their system without having to submit three years of historic water use data, potentially delaying the project. From now until March 1, 2019, staff will continue with plan reviews as normal, however after this point, any substantial addition or alteration will need to be accompanied by the new sizing standard requirements before it will be considered a complete project.

C. IPS Changes

Marie Owens informed the Board the Division staff has been very engaged in the continuous improvement project to review and update the Inventory Priority System (IPS). This is the rating system currently used by staff to apply points to a water system for deficiencies. These points then determine if a system is considered "Approved" or "Not Approved" by the state. She indicated this is a long-standing program used by the state and a similar system was adopted by the EPA after Utah's implementation. It has been recognized throughout the years the system is inconsistent, with faults needing adjustment in order to increase objectivity of the surveyor. As the rule has continued to grow, many of the point values for similar deficiencies have differing point assessments, and are not necessarily aligned. Members were given a copy of the proposed changes for review. Marie provided a tentative timeline for rolling out these changes which will include a public comment period before coming before the Board for a formal rule change sometime next year. Staff would like to go through a process of "pre-rule" notification to water systems to gain comments and feedback before the rule is implemented. Marie asked the Board for feedback on the process of notifying water systems before it is approved, as this differs from the normal rule change practice.

Betty Naylor stated in her opinion it is a good idea to obtain the feedback from water systems. She also noted on the handout, addressing public health as a priority and reducing surveyor interpretations are important goals to be addressed. Tage Flint commented he also believes it is a good idea to get comments from the water systems and Jeff Coombs concurred stating from the health department perspective, there is always room for enhancement and

improvements and water systems and other health departments should be able to participate in the review.

Marie Owens informed the Board one issue staff is also dealing with is how to interpret the user-friendly table format of the IPS changes into written format for the rule. The proposed solution will be to streamline the rule significantly to 2-5 pages in order to lay out the program with the actual list of deficiencies and point values in a longer more detailed guidance document that will be reference in the rule and also approved by the Board. This will also aid in future changes made to the guidance document without having to go through the full rule changing process. Board members were in support of this process.

D. Other

Marie Owens had no other items for discussion.

8. Other

Betty Naylor asked members if they would like to continue to receive the “current news” section in their Board packets. She expressed her appreciation and desire to continue having this item available at the meeting. Other members agreed and the current news will continue to be a part of the packet going forward.

Betty Naylor asked Marie Owens the status of filling the current vacancy on the Board. Marie informed members the vacancy needs to be an elected official and we have reached out to the Utah League of Cities and Towns (ULCT) to help in the process of recruitment. All candidates will need to submit application through the online state portal for review and we are accepting recommendations.

9. Next Board Meeting:

Date: Tuesday, August 28, 2018
Time: 2:15 pm
Place: Davis Conference Center
Zephyr Room
1651 North 700 West
Layton, Utah 84041

10. Adjourn

- Betty Naylor moved to adjourn the meeting. The motion was carried unanimously by the Board.

The meeting adjourned at 2:07 p.m.