

SOUTH DAVIS SEWER DISTRICT
BOARD OF TRUSTEES
REGULAR MEETING
21 November 2024

The Board of Trustees of the South Davis Sewer District, Davis and Salt Lake Counties, met in regular session at 5:00 p.m. at the District Office located at 1800 West 1200 North, West Bountiful, Utah, with the following members present:

Howard Burningham	Chair
Mark Preece	Vice-Chair
Len Arave	Trustee
Gina Hirst	Trustee
Brian Horrocks	Trustee (via videoconference)
Kendalyn Harris	Trustee

Excused:

Ryan Westergard	Trustee
-----------------	---------

Others meeting with the Board:

Matt Myers	General Manager/Treasurer
Mark Katter	Accounting Manager/Clerk
Lanese Hendrickson	Assistant General Manager
Susanne Monsen	Administrative Asst/Asst Clerk
Matt Dugdale	Stifel Public Finance
Mark Anderson	Fabian VanCott
Anthony Panek	Fabian VanCott

1. OPEN MEETING:

The Chair called the meeting to order at 5:01 p.m.

2. PUBLIC COMMENTS:

None

3. APPROVAL OF MINUTES:

The Chair asked for comments of the Work Session Meeting held 17 October 2024. After consideration motion was made by Len Arave seconded by Mark Preece to accept the Minutes as presented. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye".

The Chair then asked for comments of the regular Board Meeting held 17 October 2024. After consideration motion was made by Gina Hirst seconded by Len Arave to accept the Minutes as presented. Motion carried with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye".

4. BUDGET REPORT:

A. SOUTH DAVIS SEWER DISTRICT.

The Budget Report ending October/2024 was presented for review. The combined Revenue Budget has received 75% in revenues. The Collection System is 69% expended; Treatment Plants are 78% expended; Industrial Pretreatment is 89% expended; Capital Expansion is 26% expended; Water Quality Group (JR/FB) is 74% expended; OU2 Remediation is 76% expended; Water Quality Group (UT LK) is 79% expended; and General & Admin is 56% expended. The budget ratio to calendar months is 83%.

B. WASATCH RESOURCE RECOVERY.

The Budget Report ending October/2024 was presented for review. The Revenue Budget has received 49% in Revenues and is 70% expended. The budget ratio to calendar months is 83%.

5. INVESTMENT REPORT:

Current investments (October/2024) are maintained by Zions Bank, Public Treasurers Investment Fund (PTIF) and Moreton Asset Management. Zions Trust held approximately \$1.8 million at an interest rate of 5.0377% (funds are with PTIF); PTIF held approximately \$8.5 million at an interest rate of 5.0377%; and Moreton held approximately \$1.9 million at an interest rate of 4.3783%.

6. APPROVAL OF DISBURSEMENTS:

Trustees reviewed Zions Bank check numbers 35678, 35685 and 35729. Check number 35729 covered the first builder's risk insurance payment for the North Plant Upgrades. Staff reviewed a rate comparison from Olympus Insurance, confirming the District's rate aligns with other Wasatch Front projects. Matt Myers reported that, in discussions with Eric Alder, Mr. Alder informed him that Alder Construction could provide builder's risk insurance but, in his experience, owners secure better rates than contractors. As the project finishes, new facilities will shift to the District's regular insurance and the District will seek pro-rated reimbursement of premiums. After further consideration motion was made by Len Arave seconded by Brian Horrocks to accept the Disbursements as presented. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye".

7. APPOINT AUDITOR - 2024 AUDIT:

Staff recommended retaining the auditing firm of Squire & Company PC to perform the 2024 Audit. After some discussion motion was made by Len Arave seconded by Brian Horrocks to appoint Squire & Company PC to perform the 2024 audit. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye".

8. THE FUTURE OF BIOSOLIDS - REPORT:

Matt Myers highlighted the growing challenges of biosolids disposal due to increasing development along the Wasatch Front. For approximately two decades, the District applied biosolids locally at Smith Farm, but development forced a shift to the Gillmor Farm in Salt Lake County near the prison, inland port, and airport. While this option remains viable for now, we don't expect it to be a long-term solution.

Currently, biosolids from Weber County, half of Davis County, Salt Lake City, Central Valley, and Wasatch Resource Recovery are applied at Marriott Farms, spanning 6,000 to 7,000 acres in west Weber County. Since Randy Marriott's passing, his estate and successors have continued operations, but contracts have been shortened from five years to three, raising concerns about the farm's long-term availability.

Past efforts to develop a regional solution have never gone anywhere. The Wasatch Front Water Quality Council (WFWQC), including the District, is beginning to explore long-term solutions which require large property acquisitions in uninhabited areas which are geographically relatively accessible, but still unlikely to develop. A strategy meeting is planned for early December, with Holland & Hart potentially leading the effort on behalf of the WFWQC. The goal is to create a plan to secure property for shared use among entities when local, lower-cost options are exhausted.

The District also intends to initiate its own study possibly in conjunction with neighboring plants in Davis County using funds from the G&A budget. Based on discussion with the Board, we will explore alternatives like composting to address limitations with Class B biosolids disposal.

9. NORTH PLANT BONDING UPDATE:

Matt Myers reported that the District received a single bond proposal from Capital One. Zions Bank did not initially submit a proposal due to our parameters, but subsequently approached the District with an offering. After further discussion with Capital One, Capital One agreed to consider 25- or 30-year terms, which would lower annual payments and help cash flow concerns. Zions can only offer a 20-year term. Reducing the bond was considered to further lower payments if Zions Bank is selected.

Capital One requires bond insurance, adding an upfront cost. Zions Bank offers a callable bond without an insurance fee, allowing flexibility to refinance if rates improve. However, the variable rate reset is a risk, as future rates are unpredictable. The Zions Bank option would require amending the parameters resolution, triggering a 30-day contest period, while Capital One could close sooner if insurance is approved. According to Matt Dugdale, final credit approval for the insurance is expected tomorrow.

Capital One and Zions Bank have firm offers, while open market options are still uncertain. Pursuing an open market option would very likely push closing to January, leaving limited funds for construction. Reserves could be used temporarily, but our current situation with WRR makes the open market less favorable.

A longer term could benefit ratepayers by keeping costs lower and improving future credit ratings. The Audit Committee will review the insurance premium and, if they deem it acceptable, the District will move forward with Capital One.

10. CONSIDER RESOLUTION NO. 184-2 - AMENDING RESOLUTION NO. 184 TO PROVIDE FOR A MAXIMUM VIARIABLE RATE AND A LONGER MAXIMUM MATURITY AND PROVIDING FOR RELATED MATTERS:

This Resolution modifies certain terms including extension of the maximum maturity of bonds and provides for a maximum variable interest rate.

Motion was made by Len Arave seconded by Mark Preece to table this item until the next Board Meeting. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye".

11. WASATCH RESOURCE RECOVERY (WRR) PROJECT - REPORT:

Lanese Hendrickson reported ongoing challenges at WRR, including a failed mercury test that is currently preventing us from sending gas to grid. A re-test was conducted Tuesday, with results pending. Operations is also addressing equipment issues resulting from the harsh conditions inherent at WRR. Among equipment needs are replacement pumps for digester recirculation that are estimated to cost \$40,000.

12. NORTH PLANT REHABILITATION AND NUTRIENT REMOVAL PROJECT - REPORT:

Lanese Hendrickson reported that North Plant upgrades are progressing. The floor of the Moving Bed Biofilm Reactor (MBBR) basins was poured late last week. Shoring has been completed for construction of the new MBBR pump station and the contractor is preparing for replacement of the outfall line. We have been working with the Division of Wildlife Resources since the outfall line falls within an easement granted by the Utah State Fish and Game Commission. We have been advised that the lowest water levels will be seen between February and April, which is when we anticipate the replacement being completed.

13. GENERAL MANAGER'S REPORT:

A. LEGISLATION - DIVISION OF WATER QUALITY VIOLATION PENALTIES.

Matt attended the State Senate's Water Development Commission meeting to discuss Senator Weiler's bill regarding penalties assessed by the Division of Water Quality. The bill passed through committee without objection.

14. APPROVAL TO CLOSE THE MEETING TO DISCUSS THE SALE OF REAL PROPERTY:

Motion was made by Kendalyn Harris seconded by Gina Hirst to go into closed session. Motion carried unanimously via a roll call vote with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye".

The Chair declared the meeting closed at 6:45 p.m.

Motion was made by Mark Preece seconded by Gina Hirst to return to the open session of the meeting. Motion carried unanimously with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye".

The Chair declared the meeting opened at 7:50 p.m.

15. CONSIDER APPROVAL OF HEADS OF TERMS AGREEMENT BY AND AMONG FORTISTAR SPV, ALPRO ENERGY AND WATER LLC, ALPRO SD LLC, SOUTH DAVIS SEWER DISTRICT AND WASATCH RESOURCE RECOVERY LLC AND RELATED CONTRACT DOCUMENTS:

Motion was made by Gina Hirst seconded by Mark Preece to approve the Heads of Terms Agreement by and among Fortistar SPV, Alpro Energy and Water LLC, Alpro SD LLC, South Davis Sewer District and Wasatch Resource Recovery LLC and as well as additional Related Contract Documents, these documents should be signed and executed by the General Manager, Matt Myers, the District Clerk, Mark Katter and the Chair, Howard Burningham, subject to final diligence performed by the District's legal counsel. Motion carried with Trustees Burningham, Arave, Hirst, Preece, Horrocks and Harris voting "aye". Len Arave voted "nay" because he had not read the documents.

16. NEXT MEETING SCHEDULED:

The next regular meeting has been scheduled for Thursday, 5 December 2024, 5:00 p.m.

17. DISMISSAL:

The Chair declared the meeting adjourned at 7:53 p.m.



Assistant Clerk


Chair, Board of Trustees