



**South Salt Lake City Council
Work Meeting**

I, Sharla Bynum, City Council Chair, hereby determine that conducting the City Council meeting at an anchor location presents a substantial risk to the health and safety of those who may be present at the anchor location. The World Health Organization, the President of the United States, The Governor of Utah, the County Health Department and Mayor, and the Mayor of South Salt Lake City have all recognized a global pandemic exists related to the new strain of the coronavirus, SARS- CoV-2. Due to the State of emergency caused by the global pandemic, I find that conducting a meeting at an anchor location under the current state of public health emergency constitutes a substantial risk to the health and safety of those who may be present at the location.

CITY COUNCIL

MEMBERS:

- LEANNE HUFF
- COREY THOMAS
- SHARLA BYNUM
- PORTIA MILA
- SHANE SIWIK
- NATALIE PINKNEY
- RAY DEWOLFE

Dated: November 12, 2020

Signed: _____/s/ Sharla Bynum_____

Public notice is hereby given that the South Salt Lake City Council will hold a Work Meeting on **Wednesday, November 18th** this meeting will be an electronic meeting commencing at **6:30 p.m.**, or as soon thereafter as possible. There will be no Council Members at the anchor location of South Salt Lake City Hall.

Conducting: Sharla Bynum, Council Chair

MATTERS FOR DISCUSSION:

- 1. Central Valley Water Reclamation Facility update discussion

Kyle Kershaw &
Dennis Pay

Adjourn

Posted November 13, 2020

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Please click the link below to join the webinar:

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Webinar ID: 945 5518 6874

International numbers available: <https://zoom.us/u/ahzJADg6N>

CITY OF SOUTH SALT LAKE
CITY COUNCIL WORK MEETING

COUNCIL MEETING

Wednesday November 18
6:30 p.m.

CITY OFFICES

220 East Morris Avenue #200
South Salt Lake, Utah 84115

PRESIDING
CONDUCTING

Council Chair Sharla Bynum
Council Chair Sharla Bynum

COUNCIL MEMBERS PRESENT:

Sharla Bynum, Ray deWolfe, LeAnne Huff, Portia Mila, Natalie Pinkney,
Shane Siwik and Corey Thomas

STAFF PRESENT:

Mayor Cherie Wood
Hannah Vickery, City Attorney
Jack Carruth, Police Chief
Terry Addison, Fire Chief
Kyle Kershaw, Finance Director
Dennis Pay, City Engineer
Mont Roosendaal, Public Assets Director
Alexandra White, Community Development Director
Lindsey Edwards, Homeless Outreach & Strategies Director
Aaron Wiet, Parks and Recreation Director
Kelli Meranda, Promise South Salt Lake Director
Sean Lewis, Deputy Community Development Director
Dave Alexander, Streets Division Manager
Julie Taylor, Public Relations Coordinator
Chris Taylor, Police Officer
Cody Coggle, Police Sergeant
BJ Allen, GIS Specialist/IT
Calvin Henninger, Staff Writer
Craig Burton, City Recorder
Ariel Andrus, Deputy City Recorder

Matters for Discussion

- 1. Central Valley Water Reclamation Facility Update Discussion.** Finance Director, Kyle Kershaw, reviewed a memo with the Council. A copy is attached to these minutes and incorporated by this reference.

Council Member Siwik asked if the revenue projections included the new building that are being projected out for the next five years.

Mr. Kershaw explained that it included all projects with building permits. Staff will update this as Community Development get more precise plans from developers with actual numbers of residential units and whatever else is being built. This is their best estimate based on what they know right now.

At this point, Mr. Kershaw recommended that they go with one of the two loan options. He is leaning towards the EPA loan because of its attractive interest rate, they would probably be one of seven participants, and they don't have to start paying money back until 2024.

The debt the City has to do, and all the costs they've had to pay out to Central Valley for operating and capital costs, has really impacted their ability to put money into their own system. They have pump stations and main lines they need to address and the burden of the Central Valley construction has really impacted City resources available for other city projects.

Council Chair Bynum asked when they would have let them know if they want to participate in the EPA loan.

Mr. Kershaw said it's an annual process with the application due next October.

Council Member deWolfe said he is leaning towards the EPA loan as well. He asked if there is a risk in waiting for the EPA option next October and not applying for DWQ if they do start running out of funds.

Mr. Kershaw said possibly. There are two windows of applying for their funding, December 1 and June 1. He believes they will have some clear direction in the first quarter and they will know whether to apply for the June 1 DWQ funding or hold out for the EPA funding.

Council Member Siwik asked if there is any way they can use impact fees to get out of this. What would be the cost to the residents if there was another substantial increase that they couldn't meet through loans? How locked into Central Valley is the City? Would it be cheaper to leave Central Valley and create their own treatment facility?

Mr. Kershaw advised that it's not legally possible to break away from Central Valley. The EPA mandated regional wastewater treatment facilities. Thirty years ago the City was mandated to join Central Valley.

City Engineer, Dennis Pay, agreed with Mr. Kershaw saying the EPA mandate is the reason Central Valley was created.

Mr. Kershaw said couldn't answer what a rate increase would look like until after the first quarter of next year when they could get more specifics.

Mr. Pay explained that the work that is being done to upgrade Central Valley is not eligible for impact fees.

Memorandum

To: City Council
From: Finance
CC: Mayor Wood
Date: November 16, 2020
Re: Central Valley Water Reclamation Facility Construction and Financing

In 2017 the Central Valley Water Reclamation Facility (CVWRF) embarked on a significant plant upgrade. At that point the plant was over 30 years old and was in need of major renovation to many of its capital assets. Included in this upgrade is the addition of new processes that will reduce the amount of nutrients that are discharged from the plant. These nutrient removal processes were included due to new requirements from the Environmental Protection Agency.

In 2018 the total estimated cost of these projects was approximately \$300,000,000. The City's share of that amount was approximately \$18,000,000. In 2017 South Salt Lake participated in an initial bonding that was administered by CVWRF. The City's share of proceeds from that bond was approximately \$3,000,000 leaving an estimated balance of approximately \$15,000,000 that the City was obligated to pay.

In 2018 the City applied for funding from the Utah Division of Water Quality for to help meet its obligation. In 2019 South Salt Lake was awarded \$11,248,000 in the form of a \$9,248,000, 0% interest, loan and a \$2,000,000 principal forgiveness grant. Only allowable costs were funded in the award. The remaining balance of \$3,700,000 was to be funded with revenue available due to proposed rate increases in the future.

Due to inflation and other unknown conditions related to the plant construction the cost of the CVWRF project has increased to approximately \$375,000,000. Due to past meter reading errors at the CVWRF, and based on the process which costs are allocated, the City's share of the project has been decreased by approximately 17% - 20%.

South Salt Lake's re-calculated pro-rata estimated share of the increased construction amount is now \$3,750,000. This leaves a total funding shortfall of approximately \$7,450,000 to complete the project. In FY 2020 the City expended approximately \$770,000 of cash to meet construction costs. The resulting estimated total funding shortfall is estimated to be approximately \$6,700,000.

There are a couple of options on how best to address the shortfall. DWQ recently indicated the City could request additional bond funds. However, it recommended that the application be paired with a request for funding to address storm water issues. It's difficult at this time to estimate the scope of the storm water projects and to determine if other entities would participate in those projects.

The City could participate with other CVWRF members and issue additional debt. One option is to seek a loan from the EPA at an attractive interest rate. The City would participate at its pro-rata share. CVWRF would take the lead with the City being one of seven participants.

Sewer rates were increased in July 2020 and it is estimated that approximately \$850,000 in additional revenue will be realized in FY 2021. Also, additional rate increases in future years could yield an estimated \$900,000 each subsequent fiscal year. The City could have close to \$2,800,000 in cash that could be applied towards the shortfall. However, this still leaves the City about \$4,000,000 short of its obligation.

It should be noted that the rate increase revenue will not be available after 2024 which is when the City will be required to begin repaying its debt and the increased cash will be used for that purpose.

**CVWRF
Capital Project Funding Summary**

Projects	2017 Actual	2018 Actual	2019 Actual	2020	2021	2022	2023	2024	2025	2030	2035	Total
									2029	2034	2040	
A. Liquid Treatment Process	283,261	6,150,630	6,887,087	26,390,504	23,408,135	2,317,173	5,269,689	2,845,329	450,450	4,575,750	4,914,875	83,209,621
B. Biosolids Treatment and Disposal	265,213	2,294,680	756,379	4,089,145	5,737,400	25,067,656	10,861,958	4,464,075	459,241	175,000	250,000	54,155,534
C. Energy Management	6,168,843	8,120,836	7,239,916	4,928,100	1,901,600	-	2,464,750	63,250	3,440,238	783,648	426,300	29,368,638
D. General Facilities and Grounds	266,106	24,891	363,573	-	-	-	-	-	1,181,600	-	-	1,570,064
E. Rolling Stock	493,262	715,471	754,832	-	-	-	-	-	5,499,079	3,559,494	3,462,814	13,991,689
F. IT Projects	789,882	630,832	825,561	-	-	-	-	-	1,586,798	441,221	693,019	4,177,431
G. Lab Projects	-	-	9,647	-	-	-	-	-	1,099,200	53,560	399,106	1,561,513
H. Nutrient Removal Upgrades	1,227,662	3,937,549	12,799,852	29,011,504	91,843,620	87,130,633	23,776,115	20,354,532	-	-	-	268,853,805
I. Collection System/Field	1,181,090	6,264,362	1,477,840	1,550,000	2,302,000	-	-	-	2,907,450	-	-	14,501,652
Total Projects	\$10,675,319	\$28,139,251	\$31,114,687	\$65,969,253	\$125,192,755	\$114,515,462	\$42,372,512	\$27,727,186	\$16,624,055	\$9,588,673	\$10,146,114	\$471,389,948
							5 Year Total	\$375,777,168				
							SSL Share (.05)	\$18,788,858				
						Funding Sources:	DWQ Loan	\$9,248,000				
							DWQ Grant	\$2,000,000				
							Less FY 2020 Cash	\$770,059				
							Shortfall	\$6,770,799				

Expense Analysis	Operating & Maintenance	Debt Service	So.SL Capital	CVWRF Constr.Cap	CVWRF Annual Cap	Total	Increase Over Prior Year
2017 Actual	\$1,416,762	\$322,879	\$246,000	\$0	\$419,000	\$2,404,641	\$0
2018 Actual	\$1,411,018	\$346,974	\$210,891	\$0	\$68,388	\$2,037,271	(367,370)
2019 Actual	\$1,702,398	\$283,408	\$210,185	\$0	\$204,574	\$2,400,565	363,294
2020 Actual	\$1,960,814	\$319,172	\$302,080	\$2,358,000	\$490,152	\$5,430,218	3,029,653
2021 Estimated @ 4%	\$2,039,247	\$262,000	\$150,000	\$6,062,000	\$320,000	\$8,833,247	3,403,029
2022 Estimated @ 4%	\$2,120,816	\$262,000	\$180,000	\$5,725,000	\$320,000	\$8,607,816	(225,430)
2023 Estimated @ 4% (1)	\$2,205,649	\$200,000	\$220,000	\$2,118,000	\$320,000	\$5,063,649	(3,544,167)
2024 Estimated @ 5%	\$2,315,932	\$200,000	\$220,000	\$1,688,000	\$320,000	\$4,743,932	(319,718)
2025 Estimated @ 10% (2)(3)	\$2,547,525	\$680,000	\$250,000	\$827,000	\$320,000	\$4,624,525	(119,407)
2026 Estimated @ 5%	\$2,674,901	\$680,000	\$250,000	\$0	\$320,000	\$3,924,901	(699,624)
2027 Estimated @ 4%	\$2,781,897	\$680,000	\$300,000	\$0	\$320,000	\$4,081,897	156,996
2028 Estimated @ 4%	\$2,893,173	\$680,000	\$300,000	\$0	\$320,000	\$4,193,173	111,276
			\$2,839,156	\$18,778,000	\$3,742,114		

(1) Existing State Loan Retired In 2023

(2) Debt Service Begins On \$9,248,000 DWQ Loan

(3) Increased Operating Costs Due To New Processes at Central Valley

Revenue Analysis	Sewer Rate Revenue	Estimated Growth	Industrial Waste Revenue	Interest Revenue	Impact Fee Revenue	Loans/Other Revenue	Total	Amt Over/(Under) Expenses
2017 Actual	\$1,806,259	N/A	\$151,933	\$4,763	\$122,557	\$44,276	\$2,129,788	(\$274,853)
2018 Actual	1,784,062	N/A	\$126,801	\$28,137	\$114,667	\$18,488	\$2,072,155	\$34,884
2019 Actual	2,516,570	N/A	\$159,083	\$4,047	\$172,347	\$2,420	\$2,854,467	\$453,902
2020 Actual	2,481,000	N/A	\$242,170	\$3,000	\$108,000	\$1,826,000	\$4,660,170	(\$770,048)
2021 Estimated (1)	3,350,000	\$60,000	\$240,000	\$3,000	\$110,000	\$3,200,000	\$6,963,000	(\$1,870,247)
2022 Estimated	3,410,000	\$60,000	\$240,000	\$10,000	\$110,000	\$4,650,000	\$8,480,000	(\$127,816)
2023 Estimated (2)	4,147,560	\$70,000	\$240,000	\$12,000	\$110,000	\$2,900,000	\$7,479,560	\$2,415,911
2024 Estimated	4,217,560	\$70,000	\$240,000	\$12,000	\$110,000	\$161,000	\$4,810,560	\$66,628
2025 Estimated	4,287,560	\$70,000	\$240,000	\$12,000	\$110,000	\$90,000	\$4,809,560	\$185,035
2026 Estimated	3,580,062	\$70,000	\$240,000	\$15,000	\$110,000	\$5,000	\$4,020,062	\$95,161
2027 Estimated	3,902,268	\$70,000	\$240,000	\$15,000	\$110,000	\$5,000	\$4,342,268	\$260,371
2028 Estimated	3,902,268	\$70,000	\$240,000	\$15,000	\$110,000	\$5,000	\$4,342,268	\$149,095
								\$857,993

(1) \$2/month (40%) base rate increase authorized 7/1/20 = \$9/1,000 gallons

(2) Proposed \$2/ (23%) base rate increase - Total Base Rate = \$11/1,000 gallons

		\$1,230,000 2002 DWQ Bonds	\$3,000,000 2017 Bonds	\$9,248,000 2020 DWQ Bonds	Estimated \$7,000,000 2021 Bonds	Total
FY	2018	\$61,500	\$285,474	\$0	\$0	\$346,974
FY	2019	\$61,500	\$221,907	\$0	\$0	\$283,407
FY	2020	\$61,500	\$237,492	\$0	\$0	\$298,992
FY	2021	\$61,500	\$201,000	\$0	\$0	\$262,500
FY	2022	\$61,500	\$201,000	\$0	\$0	\$262,500
FY	2023	\$0	\$201,000	\$0	\$0	\$201,000
FY	2024	\$0	\$201,000	\$0	\$0	\$201,000
FY	2025	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2026	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2027	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2028	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2029	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2030	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2031	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2032	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2033	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2034	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2035	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2036	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2037	\$0	\$201,000	\$463,000	\$410,000	\$1,074,000
FY	2038	\$0	\$0	\$463,000	\$410,000	\$873,000
FY	2039	\$0	\$0	\$463,000	\$410,000	\$873,000
FY	2040	\$0	\$0	\$463,000	\$410,000	\$873,000
FY	2041	\$0	\$0	\$463,000	\$410,000	\$873,000
FY	2042	\$0	\$0	\$463,000	\$410,000	\$873,000
FY	2043	\$0	\$0	\$463,000	\$410,000	\$873,000
FY	2044	\$0	\$0	\$463,000	\$410,000	\$873,000
		\$307,500	\$4,161,873	\$9,260,000	\$8,200,000	