

Minutes of regular meeting and public hearing of the Big Plains Water and Sewer Special Service District, Washington County, Utah that was held on the 19th day of July, 2017 at the Town Office Building, 1777 N. Meadowlark Dr., Apple Valley, Utah.

1. The meeting was called to order at 6:00 pm.
2. The Pledge of Allegiance was led by Harold Merritt.
3. Roll Call: Jack Davis, Neil Duncan, Harold Merritt, and Mayor Moser were present. Ron Brown participated by phone. Dale Harris was present. Rod Mills of Ensign Engineering was present. Gary Kuhlmann, legal counsel was present. Nathan Bronemann was absent.
4. Declarations of conflict of interests
None stated.
5. A public hearing with respect to the issuance of Water Revenue Bonds (the “Bonds”) in the aggregate principal amount of not to exceed \$370,000. The Bonds will be issued for the purpose of (1) financing the cost of acquiring water rights and other assets, and (2) paying issuance expenses of the Bonds. The purpose of the meeting is to receive input from the public with respect to the issuance of the Bonds and to explain the economic impact that the project for which the Bonds will be issued will have on the private sector.

Pamela Quayle asked what percentage of the water revenues would be going toward the repayment of the bonds. She also asked what the water rights and assets were.

Harold Merritt said the State Division of Drinking Water had approved funding of \$517,000 with principal forgiveness of \$155,000 and a remaining bond or loan of \$362,000. He said the Canaan Water system currently provided water service to about 15 homes. He said the Canaan Water Company could not serve any more homes without further regulation. He said they decided to sell the water company assets. He said the District had offered around \$475,000 for the purchase. He said the first loan payment would be due on October 1, 2018. He said the terms would be payments of around \$13,000 per year for 30 years at an interest rate of 1%. He said Canaan users should be able to pay for that loan repayment.

Pamela Quayle asked if the Canaan users were currently paying \$13,000 per year.

Harold Merritt said they were paying about \$10,000 per year, but as the first loan payment wasn't due for over a year, they had some time for growth in the area to occur.

Pamela Quayle asked if any work needed to be done on the system.

Harold Merritt said the system would likely need some work and engineering would have to evaluate that. He said the springs currently produce around 34 million gallons of water per year that is captured. He estimated there was closer to 100 million gallons of water that was running out of the springs. He said there would have to be regular maintenance, but that remained to be seen.

Pamela Quayle asked about the assets being purchased.

Harold Merritt said they were purchasing the tanks, the springs, and the pipeline. He asked Gary Kuhlmann to address the water rights.

Gary Kuhlmann said Rod Mills had been doing the due diligence on the water rights. He said all water companies were interested in obtaining more water rights. He said the District had the

ability to hold water rights for a long period of time. He said this helped plan for the future. He explained the concept of the water bank.

Steve Williams asked how many acre feet of water was available for purchase and the size of the tank and if that would be sufficient storage for the town.

Harold Merritt said there was a 100,000 gallon tank. He said the current Canaan storage would only be used to service people on the Canaan system at this time. He said in the future they may expand that system to service more of the town. He said if the District did not buy the springs now, it was unlikely that they would ever have the opportunity to purchase the springs in the future.

Margaret Ososki asked how long the loan was for.

Harold Merritt repeated that it was for 30 years. He said the District would be able to provide water to people wanting to develop in the Canaan area. He said it would be very unwise to turn this deal down.

Margaret Ososki asked what types of bonds these were.

Gary Kuhlmann said these were revenue bonds.

Rod Mills explained that revenue bonds were to be repaid by the revenues that were collected by the water usage billed.

Rich Kopp asked if there were any projection as to when the spring water would be available to the Cedar Point residents.

Mayor Moser said that there was a plan to eventually tie the Canaan system into the rest of the Town, but it depended on growth. He said the District planned to submit a request to Rural Development to expand the Canaan system and for larger storage tanks. He said that at this time, the only plan was to simply acquire the Canaan Springs and system assets.

Steve Williams asked if they were drilling for the water.

Mayor Moser said they were all just springs and only three of the seven springs were developed.

Louie Ford asked if anyone did any research to find out if the springs had any dry years.

Mayor Moser said that the springs had been flowing at a constant 65 gallons per minute over the last 20 years according to engineering reports.

Louie Ford asked how much engineering would be paid on this package.

Mayor Moser said it would be \$10,000 to \$12,000.

Harold Merritt said the original water rights for the springs were filed around 1870.

Pamela Quayle asked if the District had looked into the future to see if the springs would be good in five years.

Harold Merritt asked if Pamela Quayle was on the water District board and had this opportunity to capture a million gallons of water per year for \$13,000 per year, wouldn't she take the chance.

Rod Mills said no one could predict the future, but the springs were as strong a source of water as anything in the area.

Rich Kopp asked if it was all piped and if it was pretty much a running well and if the District was just picking up the system. He asked if, when the District decided to expand, they would outsource the labor or keep in house.

Harold Merritt said it would depend on the size of the expansion.

Andy Sadler asked if, in the future, the springs did dry up, the town's wells would have enough water for the town.

Rod Mills said the wells that are currently in the town are more than enough to serve all current connections. He said they were not being run full time. He said there was currently some redundancy, but it is always good to have more redundancy.

Andy Sadler asked how big of a population could be serviced if all three water systems were connected.

Mayor Moser said it had been predicted that the operation of the springs alone could provide water for a population of around 20,000 people.

Rod Mills said the goal was to ensure adequate water supply into the future.

David Zolg, Jr. asked how much work this purchase would add to Dale Harris's job.

Mayor Moser said it would add more work for Dale. He said that by the end of the year it was likely that the Town would have to replace the part time Public Works position with a full time position.

Harold Merritt said the springs were currently producing around 34 million gallons per year without further development. He said the entire town currently used about 30 million gallons per year. He said that if all systems were currently connected, they wouldn't have to pump any wells.

Steve Williams asked if there would be enough revenue to tie the springs into the other systems.

Rod Mills said the purpose was to put redundancy in the system and ultimately to look at connecting the systems.

Harold Merritt reiterated that the purpose of the hearing only involved the purchase of the Canaan system.

Louie Ford asked if the water being wasted into the ponds was running into the town's aquifer.

Mayor Moser said that was likely draining into a different aquifer than that being pumped in other areas of the town.

Rod Mills said they would like to get rid of the water being wasted by the ponds.

Steve Williams asked if they would have to have larger tanks to capture all the water that is now going into ponds. He said tanks could be expensive.

Rod Mills said this acquisition opens the doors for a lot of planning opportunities. He said they would look at every possible option.

Harold Merritt said they could speculate for a long time, but they simply needed to decide whether or not to purchase these assets.

Steve Williams asked if any of the funding would go into upgrading infrastructure.

Neil Duncan said this purchase was for future planning.

Mayor Moser said the bulk of the funding was to purchase the water rights.

Jack Davis explained how to calculate how much water the Town was using.

Rick Kopp asked when the purchase would take place.

Mayor Moser said the purchase should be closed by mid-August.

Margaret Ososki asked why this issue was not going to a vote.

Harold Merritt said it was a board decision but they were seeking input and support from the community.

Margaret Ososki complained that it seemed like none of this stuff ever went to a vote.

Gary Kuhlmann explained that the only time a bond went to a vote was when it was a general obligation bond. He said with that type of bond, the town would be pledging tax revenues to repay the bond. He said in that situation, the residents would be at risk of having their taxes raised to pay that bond. He said that with a revenue bond, the only ones that would be repaying the bond would be the ones paying for service. He said the residents could not be taxed to repay this bond.

Margaret Ososki said the water company could raise its rates.

Craig Rosequist said water was very important in the desert. He asked if this purchase would give the ability to the town to stop being taxed by the Washington County Water Conservancy District.

Mayor Moser said they were still stuck with paying that tax to the Conservancy District because the tax was levied over the entire county. He said the Conservancy District was currently discussing what portion of new development should be paid for by developers and what portion should be paid for by current users.

Charlie Greco asked why the springs weren't purchased years ago.

Mayor Moser said the owner at the time wanted \$3.5 million for the Canaan Water system. He said that owner passed away and now it is a much better opportunity.

Margaret Ososki asked if they foresaw any problems that would cost a bunch of money.

Harold Merritt said they did not.

Motion made by Jack Davis to close the public hearing. Neil Duncan seconded the motion. Vote: Jack Davis-yes, Neil Duncan-yes, Mayor Moser-yes, Ron Brown-no response, and Harold Merritt-yes. The motion passed 4/0.

It appeared that Ron Brown had been disconnected.

6. Discussion and action on Master Resolution 2017-01

Mayor Moser said the Webb family, that currently owned the Canaan Water system, owned the property where phase 2 of the Canaan Subdivision was planned. He said it already had the infrastructure. He said they were also selling off other land. He said this development would help pay for the purchase of the Canaan system.

Motion made by Mayor Moser to adopt Master Resolution 2017-01. Neil Duncan seconded the motion. Vote: Jack Davis-yes, Neil Duncan-yes, Mayor Moser-yes, and Harold Merritt-yes. The motion passed 4/0.

7. Discussion and possible action on water bank assignments – Axxess Funding

Gary Kuhlmann said they had been dealing with this for over a year. He said there had been some people that had claimed that they had received an assignment of right to water that had been put into the water bank. He said when the water bank was created the agreement had called for the water rights to be transferred to the District without any claims being made to them. He said the claim had been made that the water bank agreement had never been signed. He said he had the title company was looking to see what they could find. He said Mr. Eves had informed him that at the closing it was determined that the agreement would not be signed. Mr. Kuhlmann said there was a later agreement in May, but the closing took place in April. He said he did not have a signed copy of that agreement. He said the only impact on the District would be that they would not be holding the water rights. He said the District did not pay for those rights and they were to be paid for as they were used.

Gary Kuhlmann said that Axxess Funding was claiming to have 500 shares. He said he assumed they meant 500 acre-feet of water. He said they were asking for the water back. He said he was not convinced that the agreement had not been signed. He had a spreadsheet that was given to him that showed how they determined the water rates were allocated. He said Axxess Funding was threatening a suit if the water rights were not given to them. He said they were willing to sell the water rights for \$4,000/ acre-foot. He said he was looking for the amended agreement that would have been executed around the 13th of May. He said the main purchase agreement stipulated that the funds were not to be released until the water bank agreement was signed. He said based on that, he did not see how the water bank agreement could not have been signed.

Mayor Moser asked if the District really needed to worry about the 500 acre-feet of water or if they could just remove them from the bank and let them have them. He said that if they wanted service, they would have to turn over the water rights anyway.

Gary Kuhlmann agreed, but said he needed to find out if the State would be concerned about that or not.

Mayor Moser said that if Axxess Funding was legally in position of the water rights, they would have to proof up the rights every seven years and they would likely lose the rights.

Rod Mills recommended that the District not fight them, but that they walk down the path with them until they realize the problem with what they are proposing. He said to the best of his knowledge, the water bank agreement had been executed. He remembered waiting for the agreement to be executed.

Gary Kuhlmann said he would contact them and asked Rod Mills to look through his files for a signed agreement. He said he would report his findings to the Board.

8. Construction and Acquisitions – Harold Merritt
 - a. New Water Systems

Nothing more to discuss.

9. Funding – Rod Mills
Nothing to discuss.

10. Operations – Neil Duncan

Dale Harris he had to replace a breaker at the Jessop Well and that the tank was 100% full.

11. Resource Management – Mayor Moser

Mayor Moser the Well 59 project was out to bit and they had approval to proceed.

12. Development – Jack Davis
Nothing to report.

- a. Water Rates
Nothing to discuss.

- b. Sewer
Nothing to discuss.

13. Review of Policies and Procedures
Nothing to discuss.

14. Consent Calendar - Income and Expenses

Motion made by Neil Duncan to accept the consent calendar as presented. Jack Davis seconded the motion. Vote: Jack Davis-yes, Neil Duncan-yes, Mayor Moser-yes, and Harold Merritt-yes. The motion passed 4/0.

The board reviewed the current budget.

15. Consider approval of minutes:

- a. June 21, 2017 Meeting Minutes
Motion made by Mayor Moser to approve the June 21, 2017 meeting minutes. Jack Davis seconded the motion. Vote: Jack Davis-yes, Neil Duncan-yes, Mayor Moser-yes, and Harold Merritt-yes. The motion passed 4/0.

16. Request for a closed session
None requested.

17. Adjournment
Motion made by Neil Duncan to adjourn the meeting. Jack Davis seconded the motion. Vote: Jack Davis-yes, Neil Duncan-yes, Mayor Moser-yes, and Harold Merritt-yes. The motion passed 4/0.

Meeting adjourned at approximately 7:20 PM.

Date approved: _____

ATTEST BY: _____
Nathan Bronemann

Chairman Harold Merritt