

NOTICE AND AGENDA

Notice is hereby given that the City Council of the City of Santaquin will hold a City Council Meeting on Wednesday, December 22, 2010, in the Council Chambers, 45 West 100 South, at 7:00 pm.

AGENDA

1. **ROLL CALL**
 2. **PLEDGE OF ALLEGIANCE**
 3. **INVOCATION/INSPIRATIONAL THOUGHT**
 4. **CONSENT AGENDA**
 - a. Minutes
 1. December 15, 2010
 - b. Bills
 1. \$198,738.34
 5. **FORUM, BID OPENINGS, AWARDS, AND APPOINTMENTS**

Public Forum is held to a 30-minute maximum with each speaker given no more than 5 minutes each. If more than 6 Speakers, time will be adjusted accordingly to meet the 30 minute requirement
 6. **FORMAL PUBLIC HEARINGS**
 - a. Public Hearing regarding (A) Issuance and sale of not more than \$1,200,000 aggregate principal amount of Sewer Revenue Bonds, Series 2011 (the "Bonds") of Santaquin City, Utah and (B) any potential economic impact that the project to be financed with the proceeds of the Series 2011 Bonds may have on the private sector. All members of the Public are invited to attend and participate
 7. **UNFINISHED BUSINESS**
 8. **BUSINESS LICENSES**
 9. **REPORTS OF OFFICERS, STAFF, BOARDS, AND COMMITTEES**
 10. **NEW BUSINESS**
 11. **INTRODUCTIONS AND ADOPTION OF ORDINANCES AND RESOLUTIONS (Roll Call Vote)**
 - a. Adoption of Resolution 12-06-2010 "A Resolution Amending the Interlocal Cooperation Agreement between Santaquin City and the Town of Genola for Law Enforcement Services"
 - b. Adoption of Resolution 12-07-2010, "A Resolution Authorizing the Issuance and Confirming the Sale of (A) \$6,934,000 Sewer Revenue Bonds, Series 2011A and (B) \$2,912,000 Sewer Revenue Bonds, Series 2011B of Santaquin City, Utah (the "Issuer"), for the Purpose of Financing the Construction of a Mechanical Wastewater Treatment Plant and the Addition of a Collection System and Related Improvements; Prescribing the Form of Bonds, the Terms and Conditions of Issuance, and the Security therefore; Authorizing the Taking of all other actions necessary to Consummation of the Transactions Contemplated by this Bond Resolution; and Related Matters"
 12. **PETITIONS AND COMMUNICATIONS**
 13. **REPORTS BY MAYOR AND COUNCIL MEMBERS**
 - a. Mayor DeGraffenried
 - b. Council Members
 14. **EXECUTIVE SESSION** (May be called to discuss the character, professional competence, or physical or mental health of an individual)
 15. **EXECUTIVE SESSION** (May be called to discuss the pending or reasonably imminent litigation, and/or purchase, exchange, or lease of real property)
 16. **ADJOURNMENT**
- If you are planning to attend this Public Meeting and, due to a disability, need assistance in understanding or participating in the meeting, please notify the City ten or more hours in advance and we will, within reason, provide what assistance may be required.

CERTIFICATE OF MAILING

The undersigned duly appointed City Recorder for the municipality of Santaquin City hereby certifies that a copy of the foregoing Notice and Agenda was faxed to the Payson Chronicle, Payson, UT, 84651.

BY:


Susan B. Farnsworth, City Recorder

POSTED:

CITY CENTER
POST OFFICE
ZIONS BANK

**MINUTES OF A SPECIAL CITY COUNCIL MEETING
HELD IN THE COUNCIL CHAMBERS
DECEMBER 22, 2010**

The meeting was called to order by Mayor James E. DeGraffenried at 7:00 pm. Council Members attending: Filip Askerlund, Martin Green, James Linford, Rick Steele, and Brent Vincent.

Others attending: City Manager Ben Reeves, Director of Public Safety Dennis Howard, Zions Bank Representative Johnathan Ward, Marie Durney, Keith Broadhead, Kim Broadhead, Mike Olson, Lance Wollenbaek, Wes Morgan, Dennis Brandon, Kathy Brandon, LaDue Scovill, Holly Peterson, Spencer DeGraffenried, Thomas DeGraffenried, Sandy Gurney, Allen Gurney, Chad Rowley, Kirk Greenhalgh, Jeremy Spenst, Ray Rowley, Cheryl Linford, Delwin Wheeler, and other unidentified individuals.

PLEDGE OF ALLEGIANCE

Mr. Gurney led the Pledge of Allegiance.

INVOCATION/INSPIRATIONAL THOUGHT

Mrs. Gurney Offered an Invocation.

CONSENT AGENDA

Minutes

December 15, 2010

Bills

\$198,738.34

Council Member Linford moved to approve the Consent Agenda. Council Member Vincent seconded the motion. Council Members Askerlund, Green, Linford, Steele and Vincent voted in the affirmative.

FORUM, BID OPENINGS, AWARDS, AND APPOINTMENTS

Nothing

FORMAL PUBLIC HEARINGS

Public Hearing regarding (A) Issuance and sale of not more than \$1,200,000 aggregate principal amount of Sewer Revenue Bonds, Series 2011 (the "Bonds") of Santaquin City, Utah and (B) any potential economic impact that the project to be financed with the proceeds of the Series 2011 Bonds may have on the private sector. All members of the Public are invited to attend and participate

Council Member Green moved to enter into a Public Hearing with regards to (A) Issuance and sale of not more than \$1,200,000 aggregate principal amount of Sewer Revenue Bonds, Series 2011 (the "Bonds") of Santaquin City, Utah and (B) any potential economic impact that the project to be financed with the proceeds of these Series 2011 Bonds may have on the private sector. Council Member Linford seconded the motion. Council Members Askerlund, Green, Linford, Steele and Vincent voted in the affirmative.

City Manager Reeves reviewed the highlights of the progress of the Water Reclamation Facility project (see attachment "A for the presentation).

Mr. Broadhead, former Mayor, thanked City Manager Reeves for his presentation. Mr. Broadhead read a letter he had drafted with regard to the new wastewater treatment facility (see attachment "B" for Mr. Broadhead's comments).

Mrs. Durney indicated she was born during the depression. At the time her father built the family a new home, he had the foresight to plumb the new home for sewer facilities. She praised the Mayor and Council for their foresight in planning for the future needs of the residents (see attachment "C" for Mrs. Durney's comments).

Mr. Morgan reported he has owned his property since 1991 and at the time had a septic tank on the property. During his residency in town he has witnessed the retirement of tanks and a new sewer system installed. During the process of the approving the construction of the new wastewater reclamation facility, He has challenged every aspect of the project and reports. His fears and concerns have been mitigated. He feels the City Council is doing the right thing by approving the project. He is impressed with the quickness of the Mayor and Council Members in securing the additional funding when the bids for the project were higher. He is in favor of the project even with the increased cost and commends the Mayor and Council Members for their service to the residents (see attachment "D" for Mr. Morgan's comments).

Mr. Brandon, former Mayor, indicated his concern with the new system is the \$20.00 increase in fee which equates to 115%. As he sees J-U-B Engineer moving forward with the project, he has a concern that the same engineering company is hired that over saw the Pressurized Irrigation System. He indicated he was involved in the securing funding for the Pressurized Irrigation System with the cost assessed to the Residents at one level and the actual level of assessment being different and much higher. He indicated the Pressurized Irrigation Project that J-U-B was involved in is "nowhere near" what the City thought the project was to consist of. "There was supposed to be a recreation park and trails" at the existing Pressurized Irrigation Pond" and there isn't. He is concerned the project will have a cost overrun and cost the residents additional money. He recommended holding a special election to have the residents decide if the project should go forth and "this kind of money" is spent, the way he believes it should have been "to start with".

Mr. Scovill, also a former Mayor, indicated he was Mayor when the sewer storage was expanded. He reported he also has been involved with a number of funding agencies. He indicated he has a great deal of respect for Mr. Broadhead and recognizes his knowledge pertaining to water and sewer issues. However, he doesn't agree with Mr. Broadhead's recommendation to abandon the proposed project. He feels the only option would be to proceed. He doesn't think we can afford to stop this project and start over as the price would be astronomical. He disagreed with Mr. Brandon's comments about the promises made with regard to the cost of the Pressurized Irrigation Project. He encouraged the Mayor and Council to continue with the project and indicated the residents of the community deserve a vote from the Mayor and Council Members to continue with the project.

Mrs. Peterson indicated she feels the Mayor and Council Members should take the comments of Mr. Broadhead to heart. She indicated she also used "out houses" and was delighted when indoor plumbing was installed. She indicated she didn't need a "gold plated" toilet as the City doesn't need a "gold plated" treatment plant. She encourages the Council to proceed with caution as these are hard times and she knows they have the best interest of the Community at heart.

Mayor DeGraffenried indicated that completed the list of people who had signed the list to speak at the Public Hearing. Mr. Wheeler, resident, requested a chance to address the Mayor and Council which was granted by Mayor DeGraffenried.

Mr. Wheeler indicated he is in agreement with Mrs. Durney and thinks the project should go forward.

Council Member Linford moved to close the Public Hearing. Council Member Vincent seconded the motion. Council Members Askerlund, Green, Linford, Steele and Vincent voted in the affirmative.

City Manager Reeves addressed the questions asked during the public hearing. One of the questions was with regard to requiring a building permit for the project. He indicated it would be up to the City Council if they require the contractor to purchase the permit or not. The benefit of requiring the purchase would be that the permit fee would be included with the City's operational revenues which would help offset the cost the City Staff has incurred.

A second comment made was that the City would need a sewer lift station. City Manager Reeves reported the lift station on Center Street was designed for such a purpose. Furthermore, that regardless of the facility's location, a lift station would be needed as it is a necessary function of the plant to allow gravity flow throughout the WRF building.

It was reported that the term of the current bonds are 20 years for the Department of Water Quality and bonds from USDA are for a 40 year period.

With regard to pipe prices, the bids are "locked in" and the contractors will be held to the bids submitted.

Council Member Askerlund thanked Mr. Ward for being here this evening. He asked if the bonds were signed would the ability for the City to obtain funding for additional projects be affected. Mr. Ward indicated the bonds are "Sewer Revenue Bonds" only with Sewer revenues being pledged to repay the bonds. The City would be able to bond for additional projects by pledging General Fund resources and/or Water resources as repayment. If and when there is a need for pledging of such funds, the City's overall debt would be reviewed before any bonds would be issued. Council Member Askerlund was told that at the time the new "WRF" would need expanding, the Sewer Fund revenues would be reviewed to see if additional bonding would be possible. Council Member Askerlund was also told the additional \$500,000 pledged to the project by C.U.P. is a "for sure deal". It was approved by Mr. Christianson, Representative of Central Utah Water, who in turn took Mayor DeGraffenried and City Manager Reeves to the Assistant who was processing the Council approved agreement for the original \$500,000. The Assistant indicated an amendment would be added to the original agreement which would allow for the additional \$500,000 to be processed. City Manager Reeves indicated everything required will be in hand before the closing date of January 18, 2011. Council Member Askerlund was told the Council Members authorized City Manager Reeves, at the beginning of the WRF Project, to seek additional grant funding (Section 595 Funding through the Army Corp of Engineers) which would be used to close the existing sewer lagoons.

Mayor DeGraffenried indicated his full intention, at the end of the project, is to have enough money to retire the sewer lagoons. He indicated some of the funding from Central Utah Water will be used to help with the retirement of the lagoons.

UNFINISHED BUSINESS

Nothing

BUSINESS LICENSES

Nothing

REPORTS OF OFFICERS, STAFF, BOARDS, AND COMMITTEES

Mr. Wollenbaek reported the Planning Commission approved the extension of the business license for the Wagon Wheel Saloon. It was reported the property behind the business may be used as a smoking area if security cameras are installed.

At 8:27 Council Member Green moved to take a 5 minute break. Council Member Askerlund seconded the motion. Council Members Askerlund, Green, Linford, Steele and Vincent voted in the affirmative.

At 8:35 pm Mayor DeGraffenried called the meeting back to order.

NEW BUSINESS

Nothing

INTRODUCTIONS AND ADOPTION OF ORDINANCES AND RESOLUTIONS

Adoption of Resolution 12-06-2010 "A Resolution Amending the Interlocal Cooperation Agreement between Santaquin City and the Town of Genola for Law Enforcement Services"

A discussion was held as to the renewal time frame associated with the new agreement. Council Member Askerlund was told that during the time frame of the proposed contract, determination would be made as to whether Santaquin City would continue to supplying Police services to Genola Town. The Council Members were told the contract would expire in June of 2011 with the need for a new contract if the services were to extend past then. Before budgets are set for either Santaquin City or Genola Town, the issue will be resolved.

Council Member Linford moved to approve Resolution 12-06-2010 "A Resolution Amending the Interlocal Cooperation Agreement between Santaquin City and the Town of Genola for Law Enforcement Services" subject to legal review. Council Member Askerlund seconded the motion. Council Members Askerlund, Green, Linford, Steele and Vincent voted in the affirmative through a roll call vote.

Adoption of Resolution 12-07-2010, "A Resolution Authorizing the Issuance and Confirming the Sale of (A) \$6,934,000 Sewer Revenue Bonds, Series 2011A and (B) \$2,912,000 Sewer Revenue Bonds, Series 2011B of Santaquin City, Utah (the "Issuer"), for the Purpose of Financing the Construction of a Mechanical Wastewater Treatment Plant and the Addition of a Collection System and Related Improvements; Prescribing the Form of Bonds, the Terms and Conditions of Issuance, and the Security therefore; Authorizing the Taking of all other actions necessary to Consummation of the Transactions Contemplated by this Bond Resolution; and related matters"

Council Member Vincent indicated he agreed to move the system to the north of the City but "somehow failed to understand" he was voting to make the system a membrane system. He

stated he agrees with Mr. Broadhead and doesn't think we would be losing money if the City stepped back and looked at the project. He believes money hasn't been wasted since the property has been purchased as well as the engineering paid for. He feels the project started out bad and will only get worse. He has concerns with the cost to put the reuse water into the pressurized irrigation reuse system will cost a lot of money.

Council Member Askerlund indicated the project has been a contentious topic for quite some time. He didn't believe any of the Council Members ever had a problem with the technology of the MBR and was very impressed with the system that he and the majority of the Council had an opportunity to visit such a project. He was all for the project when they were determining if such a project would be of benefit to the City. Council Member Askerlund continued by saying, "initially we calculated we would have \$11million in grants and that didn't happen. The Federal Government kicked us in the shorts. We didn't get the funding we thought we were going to get. Then the economy tanked. And it has impacted everyone whether you have a job or whether you don't have a job. It impacted all of us especially those on fixed incomes, those in low paying jobs, single family homes, the elderly. I began to become concerned about does the costs as I participated in the Committee Meetings, they seemed to spiral upwards? I began to ask more and more questions, which I know the Mayor didn't appreciate since he told me so. But that is fine because that is the way I am and the way I learn". Council Member Askerlund continued by saying, "then we spent 2 million dollars of our own money which I don't believe is wasted. We needed to do something. We still need to do something. If the Council approves this tonight, we will incur a lot of debt. And hopefully it comes in on budget but having been involved in the construction trades for a long time, I don't believe something of this scope and magnitude will ever come in on budget. I don't want to use the 1.8 million dollars in contingency but my wager would be if this is approved we will use every dime of it and then some. If it's not approved what have we lost? We have spent 2 million dollars but we have the engineering, we have the design, we know the costs, we have the ground and those things have value. As was pointed out earlier, there are grants and loans available. So there would be some time constraints to see if we can qualify for any of those. I personally don't know what we lose if this is not approved totally. I'm sure there are things I don't know about. But bottom line, with apologies to Council and Mayor and to the Citizens who are here, I have to vote my conscience and that is what I will do tonight and whatever the Council decides, I really want the contention and discord to go away. If we are ever going to become the community we want to become, we need to be unified". Council Member Askerlund closed by thanking the Mayor.

Mayor DeGraffenried indicated "there is 2 million dollars in engineering. Who is going to say what will be engineered 20 years from now or 10 years from now. When do we get that money back? That money will set there in an engineering fund that has already been paid that we have no access to, it's gone. The second item is, if we do not do it we have to come back in and redesign, go back through the entire process to get the sewer lagoons back up into play". Mayor DeGraffenried indicated purchase of additional property would be required if the project was put on hold. He continued by saying, "this process has taken 3 and ½ years to get to where we are at. We have 6 million dollars or better in grants plus 2 million dollars in, if we want to call it that, interest grant. We have changed nothing in the last process. We are still sitting right here where we were anticipating, 20 dollars per month per resident". Mayor DeGraffenried continued by saying his comment is this, "we won't have the money, not even the 2 million to help out to put the sewer lagoons back into play. Division of Water Quality has said that they WILL NOT come back with approval of another cell because technology has changed since then and do not want our sewer system going through a lagoon system. True,

when that went in, and I think it was a great program and I think our lagoons have served us well. But I also believe that if we do not go forward with this tonight, we not only will be putting ourselves in jeopardy but we will be facing lawsuits from the developers and those people whom we have promised that we would have the ability to allow them to put their infrastructure in. We promised them, other City Councils have promised them, and Mayors have promised them that we would have that". Mayor DeGraffenried closed by saying, "I sit here and say we have been through this for the past 3 ½ years, we have voted to move it this far. While I appreciate the concerns, I also appreciate it is NOT just losing 2 million dollars, or that we will still have the property. That is true but we will lose the 2 million dollars because we DO NOT know what new engineering will bring. We DO Not know what that will bring and yes we own property but if we change the program, change the location, do whatever it is, that money is like pouring 2 million dollars down the tube. And I DO NOT CARE what someone tries to tell me on it. I have studied this for 3 ½ years and I think it is time that we stood up and completed this program because we will be another 3 ½ years, and to put it bluntly, we won't have any place, and to put the only way I know how to put it, we will be up to shit to our ears because we will not have any place to put it. This is the most vocal I have been about this project since we started".

Mayor DeGraffenried asked if there was any further discussion.

Council Member Linford indicated he would like to address the debt. He said, "Tonight we are looking at 1.2 million, we have already approved the rest. It's on the books. What we are looking at is an additional debt of 1.2 million dollars at a 1% interest instead of 3. When you look at that type of a payment verses the 3%, you have to look at the obligation of that debt not just the debt. The debt obligation which includes interest, over the period of time we are paying, actually drops under the new 1% process. We end up with enough money to have contingency in our project. We have about \$364,000 less of debt obligation over that same time frame". He concluded by saying, "what we are talking about is not raising the rates, reducing the debt obligation, we still have obligation even if we go with the original location".

Council Member Steele thanked those in attendance for their comments. He indicated, "With a project of this magnitude, he thinks it is pathetic that we don't have a bigger turnout of people who want to get involved and see how everything is going. The project was adopted by the City Council before me and if feel like I need to support the things that were passed at that time and from what he has heard here tonight, the pro's out way the con's". He continued by saying he didn't know what needed to be done as a Council, or as a community but we need to get everyone involved and fill the small Council Room.

Mayor DeGraffenried said as way of information, as he sat here tonight and listened to the comments, he wanted to make sure he understood Mrs. Peterson "voiced a yes". She indicated she did voice a yes to the project but asked that the Council proceed with caution. Mayor DeGraffenried agreed that the caution should be used and the project is monitored very closely. He indicated that out of those who commented, there were 2 against moving forward and 5 for moving forward with the project. Mayor DeGraffenried said, "During the Public Hearing we had more in favor than against. We also know that during the election there were 30% of the people that voted, 70% of the people that didn't vote. We see a little bit of a concern out there that 70% either don't care oryou can take it from there. I am not going any further".

Council Member Steele requested revisiting the impact fee schedule so the burden is placed on those who are placing a new burden on the system.

Council Member Green indicated he has been on the Council for 7 years and has lost many hours of sleep because of his concern for the City. He indicated the major things he is concern about with this project is if we don't go forward, in 5, 10 years or whatever the magic number is that people think we can go back to relooking at this, where do we think we are going to get the money from without loans". He believes because State Agencies have given us the grant monies, and yes he wishes we would have gotten more so much of the cost of the project will not be on the backs of the Residents. Council Member Green said after 3 ½ years of battling to get where they are today, it is time to move forward.

Mayor DeGraffenried said before he called for the vote there were a couple of things, "We will not qualify for USDA loans or grants after this time because we will be too big for the rural portion of it, so that is gone. Those people who have worked so hard with us to get those loans and grants in place, will not be willing to come out and work with us again after they have gone to this limit to get us were we belong". He indicated Central Utah Water wants to work with the City on other things because the project is a water reuse project.

Mayor DeGraffenried indicated if there were no other Council Member comments he would call for a motion.

Council Member Green moved to approve Resolution Adoption of Resolution 12-07-2010, "A Resolution Authorizing the Issuance and Confirming the Sale of (A) \$6,934,000 Sewer Revenue Bonds, Series 2011A and (B) \$2,912,000 Sewer Revenue Bonds, Series 2011B of Santaquin City, Utah (the "Issuer"), for the Purpose of Financing the Construction of a Mechanical Wastewater Treatment Plant and the Addition of a Collection System and Related Improvements; Prescribing the Form of Bonds, the Terms and Conditions of Issuance, and the Security therefore; Authorizing the Taking of all other actions necessary to Consummation of the Transactions Contemplated by this Bond Resolution; and related matters".

Mr. Ward indicated on page 28 of the resolution it talks about "Future Events". If the City wanted to bond for future Sewer Revenue Bonds, there is a provision that reserve funds could be set aside for a period of 6 years. He would suggest in the motion, the terms be modified to a 10 year period if the purchasers would allow it. He reported it is very rare that an entity is allowed to fund the reserve over a period of time. It usually is due at the time of bond closing.

Council Member Green amended the motion to include the change of years for funding from 6 years to 10 years if the funding partner would allow it. Council Member Linford seconded the motion. Through a roll call vote, Council Members Green, Linford, and Steele voted in favor of the motion. Council Members Askerlund and Vincent voted against the motion.

PETITIONS AND COMMUNICATIONS

Nothing

REPORTS BY MAYOR AND COUNCIL MEMBERS

Mayor DeGraffenried

Nothing

Council Members

Nothing

EXECUTIVE SESSION (May be called to discuss the character, professional competence, or physical or mental health of an individual)

Nothing

EXECUTIVE SESSION (May be called to discuss the pending or reasonably imminent litigation, and/or purchase, exchange, or lease of real property)

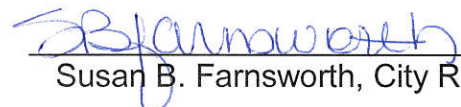
Nothing

ADJOURNMENT

At 9:07 pm Council Member Linford moved to adjourn. Council Member Vincent seconded the motion. Council Members Askerlund, Green, Linford, Steele and Vincent voted in the unanimous.

Approved on January 05, 2011.


James E. DeGraffenried, Mayor


Susan B. Farnsworth, City Recorder

SANTAQUIN CITY WATER RECLAMATION FACILITY PUBLIC HEARING: *THE ISSUANCE OF SEWER REVENUE BONDS*

Prepared by:

Dennis L. Marker, Community Development Director – June 15, 2010

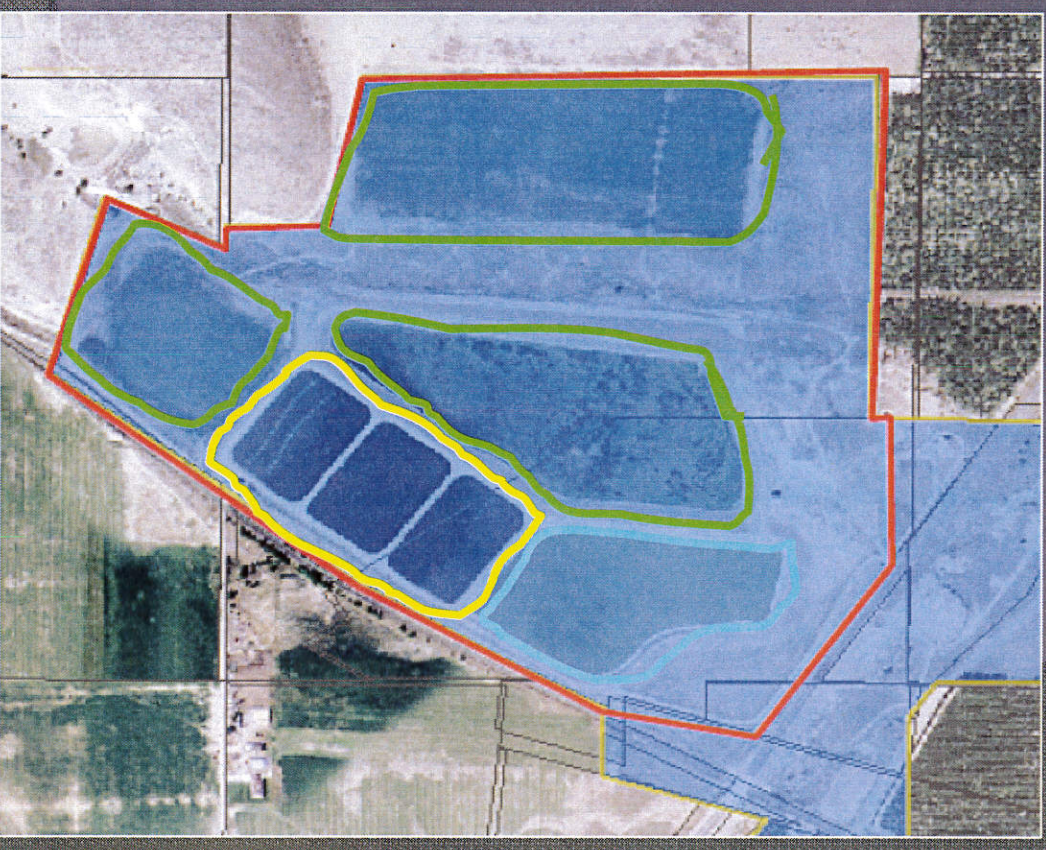
Adapted by:

Benjamin A. Reeves, Santaquin City Manager – December 22, 2010

Current Treatment System *Constructed in 1994*

- The City's population approximately 3,000
- The design projection for the facility was for the year 2012 with an annual anticipated growth rate of 3% to a population of **4,439**
- The City's sewer lagoons treatment system was constructed at a cost of \$3.2 million

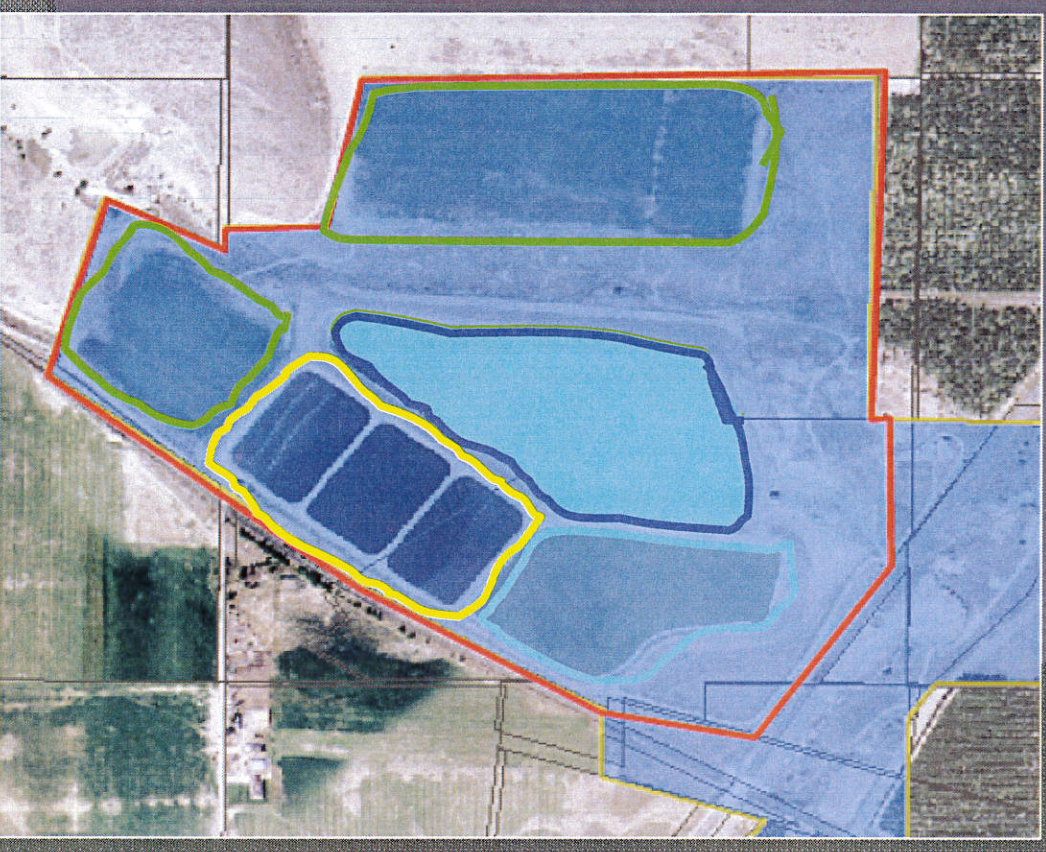
Today our population is estimated to be 9000



Current Treatment System Constructed in 1994

- The City exceeded the treatment capacity for the lagoons in August 2009
- The City has been over-applying treated water to its alfalfa fields by 2.4 times the State authorized amounts
- The current pumping station, which lifts 60% of the city to the lagoons, is nearing capacity during peak hours

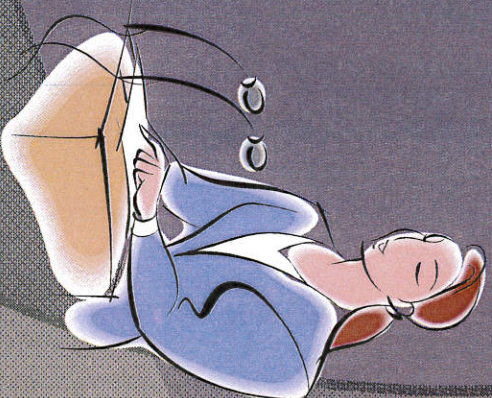
City Leaders began working to address these issues in 2006



City Address The Sewer Capacity Shortfall

Public involvement began in 2008

Date	Action
11/15/2006	Authorization of JUB Engineering to prepare a Waste Water Plan
10/17/2007	Adopted Sanitary Sewer Collection System Capital Facilities Plan
1/17/2008	First Citizens Advisory Committee Meeting to discuss treatment situation and possible alternatives to treatment type and locations
3/2008	Citizen Advisory Committee recommends MBR system and the relocation of the treatment processes to the north end of the City
5/6/2009	Public Hearing on Wastewater Master Plan, Ordinance adopting Wastewater Master Plan



Evaluation of Six Alternatives

1.) Do Nothing

2.) Expansion of Existing Lagoons With Expanded Land Application

3.) Expansion of Existing Lagoons Discharge to Utah Lake

4.) Connect to Payson City Sewer System

5a.) Membrane Bioreactor (MBR) At Proposed North Site

5b.) Membrane Bioreactor (MBR) At Lagoon Site

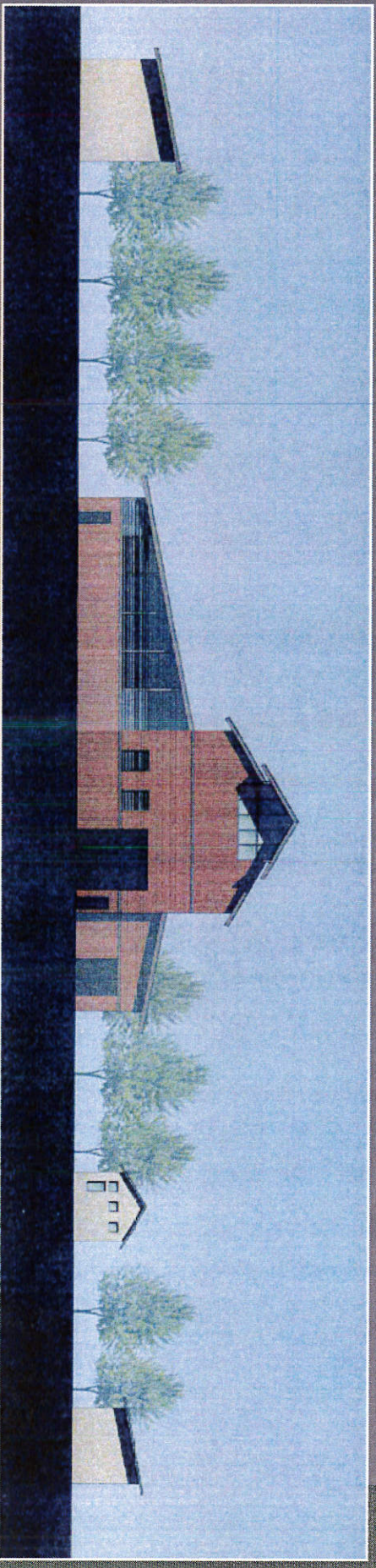
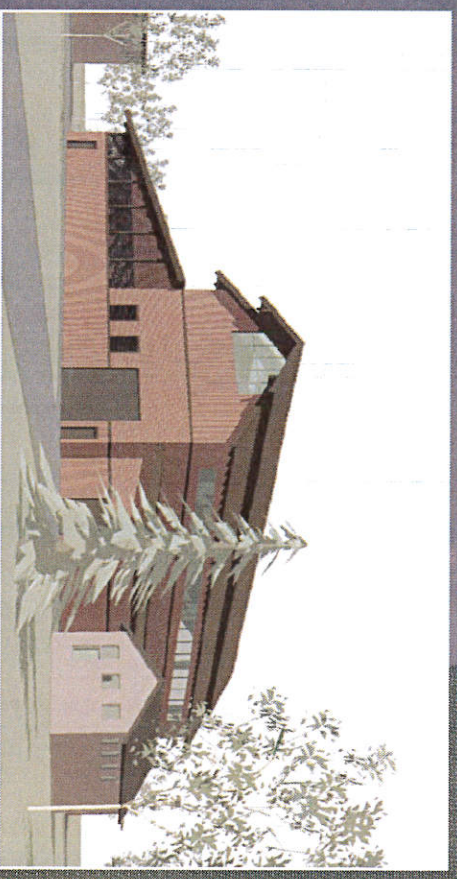
The costs and benefits of all alternatives were evaluated. With the recommendation of the Citizens Action Committee, the City Council Approved Option 5a in December of 2008

Option 5a) Sustainability through 100% Reuse

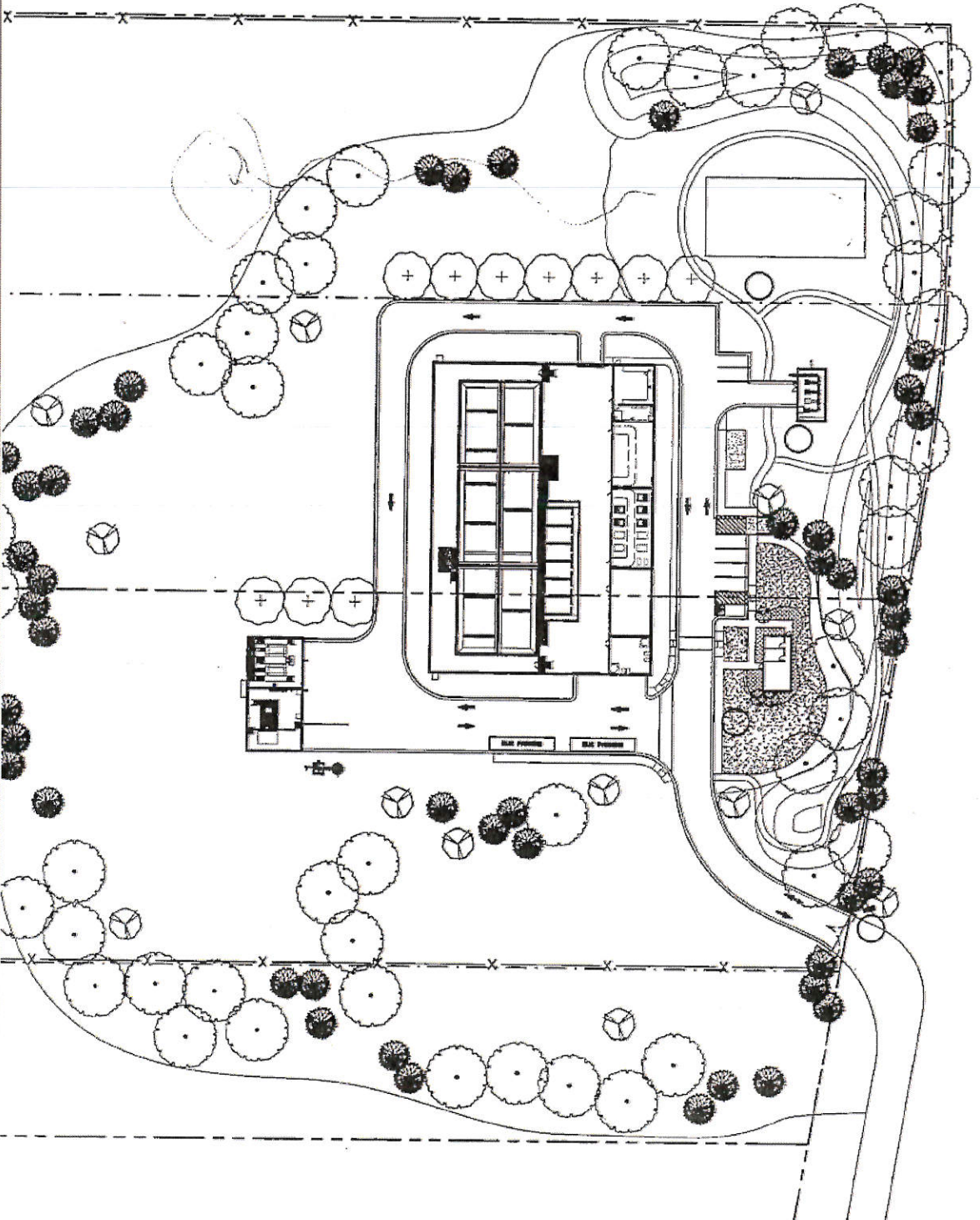


A Community Prospering
in County Living
(Agriculture, Equestrian, Recreation)

Santaquin Water Reclamation Facility Rendering



Water Reclamation Facility Conceptual Site Plan



City Actions 2008-09

Date	City Action
12/17/2008	Council authorized the Mayor to seek federal funding to construct a Water Reclamation Facility (WRF) with Membrane Bio-Reactor (MBR) technology to provide for water reuse
3/18/2009	Council authorized JUB Engineers to proceed with preliminary designs for a Water Reclamation Facility contingent upon funding and reuse approval from the Utah Division of Water Quality
5/13/2009	Council subcommittee began meeting with engineer and staff to review water treatment information and evaluate MBR technology & suppliers
6/3/2009	Council adopts of MBR analysis and imposes impact fees based on MBR system
7/1/2009	Council unanimously approved MBR technology and moving of the processing location to the north based on the ability to obtain property on satisfactory terms and in a timely fashion
10/20/2009	City receives Authorization for Water Reuse from the Utah State Engineer for a net of 5,300 acre feet
12/23/2009	City authorizes the design and fabrication of Membranes for \$1.7M

City Actions - 2010

Date	City Action
3/17/2010	City Council Accepts USDA Grant & Loan Funding Package (5-0 Vote)
4/7/2010	City Council Authorizes the acquisition of 10 acres of property for the WRF Project Site (5-0 Vote)
5/19/2010	City Council Approved Bonding Parameters Resolution Authorizing Bonds not to exceed \$9.0M (5-0 Vote)
6/16/2010	Public Hearing on Proposed Bonds – Two public comments made both in favor of the project
6/16/2010	City Council Approved JUB Engineering for Tasks 100 & 200 (3-0 Vote)
7/21/2010	City Council Rezones WRF Project Site (5-0 Vote)
8/18/2010	City Council Approved \$20 Sewer Base Rate Increase (3-1 Vote)
9/1/2010	City Council Created the Utility Assistance Program (5-0 Vote)
10/6/2010	City Council Approved Union Pacific Crossing Agreement (5-0 Vote)
11/3/2010	City Council Approved CUP Grant Agreement for \$500K (5-0 Vote)
11/17/2010	City Council Approved Rocky Mountain Power as the electrical service provider for the WRF (5-0 Vote)

City Actions – 2010 (Continued) and Actions Under Consideration for 2011

Date	City Action
12/1/2010	City Opens Bids for WRF Project
12/1/2010	City Council Approval of Design and Construction Management Contract with JUB Engineering (5-0 Vote)
12/2/2010	City Council Authorizes a Sewer Bond Parameter Resolution not to exceed more than \$1.5M – (4-1 Vote)
12/22/2010	Public Hearing on Proposed Bonds – (Tonight's Meeting)
12/22/2010*	<i>City Council Consideration to Authorize the Mayor to Close on Sewer Revenue Bonds</i>
1/5/2011*	<i>City Council Consideration to Authorize a Notice of Award to Flatiron Construction</i>
1/18/2011*	<i>Pending Council Approval on 12/22/2010* – Closing on the Sewer Revenue Bonds</i>
1/19/2011*	<i>City Council Consideration to Authorize a Notice to Proceed</i>
January – February 2011*	<i>Project Ground Breaking</i>

* Pending City Council Approval

Why is another public hearing needed?

- On November 30, 2010, the city opened construction bids on the Water Reclamation Facility (WRF) project. The apparent low bidder was Flatiron Construction with a bid of \$14.6M. This higher than anticipated construction cost, along with the cost of design, construction oversight, and land acquisition, created a funding gap of \$1.37M.

- On December 2, 2010, Santaquin City approached the Utah Division of Water Quality (DWQ) Board requesting a reduction the interest rate on the DWQ loan. The board showed tremendous support of the WRF project by unanimously approving this reduction of the interest rate from 3% to 1%. This action allows the city to cover the project funding gap without any increase to the term or annual payment amount of the original loan. In addition, the Division of Water Resources (DWR) requested DWQ roll their funding of the WRF Project into DWQ's funding loan because of **unanticipated budget cuts** at

DWR.



Project Funding:

Old Financial Structure						
<u>Project Funding Source</u>	<u>Amount</u>	<u>Type</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Annual Payment</u>	
Santaquin City	\$ 2,035,000	Cash				
USDA - Rural Development	\$ 4,953,913	Grant				
Central Utah Water Conservancy Dist	\$ 500,000	Grant				
STAG (EPA)	\$ 350,000	Grant				
USDA - Rural Development	\$ 2,912,000	Loan	40-YR	3.375%	\$ 129,466	
Dept of Water Quality (DWQ)	\$ 4,772,000	Loan	20-YR	3.000%	\$ 320,753	
Dept of Water Resources (DWR)	\$ 790,500	Loan	20-YR	4.000%	\$ 97,401	

Total Project Funding: \$ 16,313,413

Annual Debt Service:

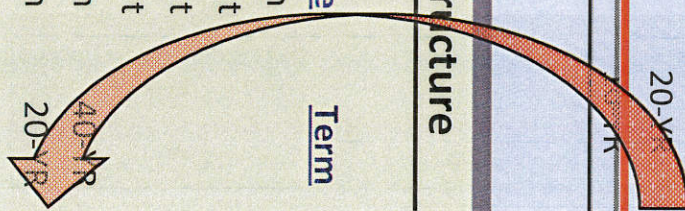
\$ 547,680

New Financial Structure					
<u>Project Funding Source</u>	<u>Amount</u>	<u>Type</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Annual Payment</u>
Santaquin City	\$ 2,035,000	Cash			
USDA - Rural Development	\$ 4,953,913	Grant			
Central Utah Water Conservancy Dist	\$ 500,000	Grant			
STAG (EPA)	\$ 350,000	Grant			
USDA - Rural Development	\$ 2,912,000	Loan	40-YR	3.375%	\$ 129,466
Dept of Water Quality (DWO)	\$ 6,934,000	Loan	20-YR	1.000%	\$ 384,250
Dept of Water Resources (DWR)					

Total Project Funding: \$ 17,684,913

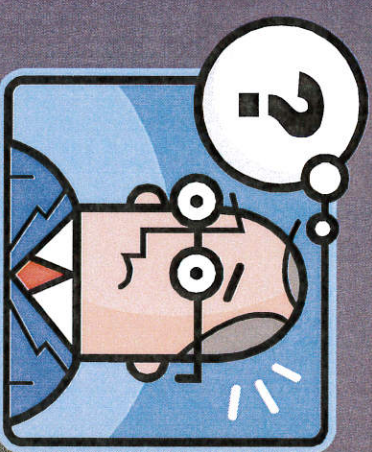
Annual Debt Service:

\$ 513,716



Since this public hearing was published, questions and issues from the public were submitted on the following subjects:

- ◉ *Engineering – Awarding of the Design Contract without a Request for Proposal (RFP)*
- ◉ *Engineering – Construction Management Agreement should include a "Not To Exceed" amount*
- ◉ *Location of the Plant*
- ◉ *Re-Use is Very Expensive Water*
- ◉ *Economy – Cost for Citizens*
- ◉ *Contingency Funding*
- ◉ *Operations and Maintenance Costs (O&M)*



We will address these questions in advance of the public hearing

Questions & Issues Received To-Date

Engineering – Award Design Contract without Request for Proposal (RFP)

Santaquin City has followed State Law with regard to the selection of its professional service providers (Engineering, Legal, Auditor)

- In April of 2006, Santaquin City advertized for the position of City Engineer and, rather than select an employee to fill the position, chose JUB Engineering to be designated as the Santaquin City Engineer
- In November of 2006, the City Council authorized JUB Engineering to complete a Waste Water Master Plan
- Based on the results of that plan and based on public support obtained through open houses, public hearings, and its Citizens Action Committee, the City Council chose option 5a) Membrane Bio-Reactor (MBR) and authorized JUB to design the facility in March of 2009
- On December 1st, 2010, the Santaquin City entered into a Construction Management agreement with JUB Engineering to oversee the construction of the MBR Facility in compliance with requirements established by our funding partners

Questions & Issues Received To-Date

Engineering – Construction Management Agreement should be "Not To Exceed"

Many of the line items in the construction management agreement are one time costs which will not exceed the amount negotiated.

Other items are based on per unit costs, in which the per unit cost will not increase. However, the overall cost may come in higher or lower based on the number of units (e.g. number of days).

JUB has committed to work to generate savings to the city in these areas. City Staff will also work to ensure the project stays on schedule and in budget. Council approval is needed if any area of the contract exceeds the negotiated amount.

Once again, this contract was awarded on December 1st, 2010.

Questions & Issues Received To-Date

Location of the Plant

- The location of the plant was approved on July 1st, 2009.
- All of the project funding is based on the approval of a Federal Environmental Impact Assessment completed on that specific site, otherwise known as (NEPA). Any alternative location would require a new Environmental Assessment at a considerable cost and delay to the city while jeopardizing our grant funding.
- City Council authorized the purchase of the property on April 17, 2010 at a cost of \$465,000 + closing costs.

Alternative locations included:

- Existing Lagoon Site – Required High-Pressure Pumping of Raw Sewage.
- North of Proposed Site – Outside of City Limits, potentially under the jurisdiction of Payson City or Utah County, potential legal fees and delays due to protest of county residents.

Questions & Issues Received To-Date

Re-Use is Very Expensive Water

- As the cost of each alternative was evaluated, the amount of debt to be incurred by the city was nearly identical. While the WRF option is costly, the cost of this option was offset by \$6.3M in grants, as well as an additional \$1.37M interest rate reduction grant. As such, choosing the option which will generate water resources through "Re-Use" became the preferred option for the long-term benefit of our citizens.
- As water becomes more scarce and water acquisition costs increase, Santaquin City will be well positioned to take care of the needs of its citizens for years to come.

Questions & Issues Received To-Date

Economy - Cost for Citizens

- The \$20 rate increase in October, 2010 was a difficult decision. While the analysis provided by USDA indicated that the \$42 /mo average rate met our citizens ability to pay calculation, it was painful nevertheless.
- However, with this analysis, two benefits were highlight. First, USDA removed all growth factors from the calculation of the city's ability to pay. In doing so, the USDA awarded Santaquin City nearly \$5M in grants (*\$3M more than anticipated*) to prevent the rates from increasing any further. Second, because the growth factor was removed, as growth comes, the Debt Service and Operations and Maintenance (O&M) costs will be spread over a greater number of residents.
- Finally, to combat the affect of this increase on our Senior Citizens and Disabled Citizens , Santaquin City created the Santaquin City Utility Assistance Program

Questions & Issues Received To-Date

Contingency Funding:

- Currently, the City has the ability to apply \$1.8M towards contingency funding or 10.29% of the overall project cost.

Cash:

DWQ Contingency	\$215,583
Reduction in City match	\$465,000
Additional CUP Grant	\$500,000
Equipment Allowance Item - Reductions	<u>\$255,226</u>
Total Cash	\$1,435,809

Potential Line Item Reductions:

Administration Building	\$284,851
Demonstration Gardens	<u>\$100,000</u>
	\$ 384,851

Total Contingency Available:

\$1,820,660

Questions & Issues Received To-Date

Operations and Maintenance Costs (O&M): (Updated)

	Fiscal Year 2007 (From Actuals) ¹	USDA-PER Estimate for Funding (Operating Year 2012)	Updated Values for Operating Year 2012 Based on Final Design
Wastewater Flow to Lagoons (mgd)	0.45	0.25	0.25
Wastewater Flow to New Facility (mgd)	-	0.44	0.44
Total ERUs	1,991	2,622	2,622
<u>Operations Items</u>			
Collection Systems and General Administration			
Cost Per ERU/Month	\$6.75	\$6.25	\$6.25
Annual Cost	\$161,271	\$196,650	\$196,650
Wastewater Pumping			
Cost Per ERU/Month	\$0.35	\$0.10	\$0.08
Annual Cost	\$8,362	\$3,146	\$2,516

Questions & Issues Received To-Date

Operations and Maintenance Costs (O&M): *(Continued)*

	Fiscal Year 2007 (From Actuals) ¹	USDA-PER Estimate for Funding (Operating Year 2012)	Updated Values for Operating Year 2012 Based on Final Design
Reclaimed Water Pumping			
Cost Per ERU/Month	\$0.30	\$0.44	\$0.36
Annual Cost	\$7,168	\$13,844	\$11,203
Treatment Options ²			
Cost Per ERU/Month	\$4.50	\$12.08	\$10.24
Annual Cost	\$107,514	\$380,085	\$322,212
Salaries & Wages	\$87,266	\$162,266	\$167,134
Materials & Supplies	See short lived	See short lived	See short lived
Chemicals	See short lived	\$33,000	\$15,000
Utilities & Telephone	\$13,936	\$169,819	\$127,578
Professional Services	\$5,025	\$10,000	\$7,500
Travel & Training	\$1,287	\$5,000	\$5,000

Questions & Issues Received To-Date

Operations and Maintenance Costs (O&M): *(Continued)*

	Fiscal Year 2007 (From Actuals) ¹	USDA-PER Estimate for Funding (Operating Year 2012)	Updated Values for Operating Year 2012 Based on Final Design
Solids Disposal			
Cost Per ERU/Month	\$0.00	\$0.45	\$0.39
Annual Cost	\$0	\$14,159	\$12,204
Short Lived Assets			
Cost Per ERU/Month	\$0.95	\$0.92	\$1.16
Annual Cost	\$22,267	\$28,947	\$36,600
O&M Costs Per ERU/Month	\$12.85	\$20.24	\$18.48
Total O&M Cost	\$307,012	\$636,831	\$581,385
O&M Cost/1000 gallons of Treatment	\$1.87	\$2.53	\$2.31

- Actuals based on FY 2007 actual expenditures as reported by the City for categories such as wages, benefits, materials, fuel, utilities, telephone, repairs, etc. Total FY 2007 actuals of \$307K was distributed among treatment, collection, and general admin for USDA PER and DWQ Facility Plan. Collection system and general administrative costs assumed to be similar for future years.

- Treatment costs for 2012 for both lagoons and new WRF

Questions & Issues Received To-Date

Operations and Maintenance Costs (O&M): *(Continued)*

The cost to retire the existing sewer lagoons is estimated to be \$1.2M. Santaquin City is currently seeking grant funding, as well as working to keep construction costs as low as possible, so that we are in a position to retire the lagoons fully within 2 years. This will result in lower O&M Costs.

Summary

- The Current water treatment system is at/beyond capacity.
- The City has selected the MBR technology and a site near the north City limits on which to construct its water reclamation facility at a cost of around \$17.7 million.
- The City has expended 3.5 Years of Effort and \$1,859,967 of its \$2.035M share of this project
- Issuing sewer revenue bonds is the final step to secure funding and move the water reclamation facility forward.

- The City Holding This Public Hearing Specifically on:

(A) Issuance and sale of not more than \$1,200,00 aggregate principal amount of Sewer Revenue Bonds, Series 2011 (the "Bonds"); and

(B) any potential economic impact that the project to be financed with the proceeds of the Series 2011 Bonds may have on the private sector.

All Public Comments should focus on these two issues.

December 22, 2010

Mayor and City Council

Re: Santaquin Water Reclamation Project.

Mayor and Council:

I have been watching the development of the new water reclamation project over the last few years and would like to make a few comments and also ask for some clarification on a few items.

I want to make it clear that I am not against an MBR plant, but only when it makes economic sense to build it. Everyone I have discussed this with agrees that something needs to be done to create more capacity for waste water treatment. To do nothing would be completely irresponsible on your part as well as the citizens.

I would like to make a few observations, comments and ask for answers and clarifications.

Engineering:

AWARDED DESIGN CONTRACT WITHOUT REQUEST FOR PROPOSALS

It is my understanding that the design of the system was awarded (without RFP's) to JUB for \$900,000 and some change. I observed in the council meeting of December 1, 2010 that JUB is asking for an additional \$190,000 for the design, bringing the total for design alone to about \$1,200,000. They asked for this increase to their contract after the bid opening that was about \$1,200,000 over the engineers estimate. There were all kinds of reasons for this increase, but the one that I question was that "this brings them closer to the 8% design fee". I would think that the 8% should stay more in line with their original project estimate, not the adjusted project; it is very rare that the design engineer is the low bidder on their own project. It makes me wonder what else might have been missed in the design.

CONSTRUCTION MANAGEMENT CONTRACT SHOULD BE "NOT TO EXCEED"

JUB also submitted a proposal for construction management of the project, for \$350,000. They said that there were parameters for this fee, like a certain amount of as built drawings, inspections etc. It sounds like this could be an open ended contract if not monitored. It sounds to me that if they do more than is required by the contract they will be asking for more money.

It seems to me that the only ones that are not taking any kind of financial risk in this project is JUB. I would suggest a "not to exceed" contract that limits them to the \$350,000 (win, loose or draw). If they are confident in their design, this should be a great opportunity for them.

Logistics

LOCATION OF PLANT

In the public meetings, that I attended, it was clear to me that the public wanted the new plant built at the present lagoon site. I assume that the preferred site of the council is for reasons that I don't understand. To me it makes less sense to build it on the chosen site other than building it at the lagoon site. I was under the impression that the plant would be gravity fed, and would treat the entire existing town, but after reviewing the plans it appears that the water that will be treated will flow to the new lift station on Center Street, and then be pumped to the new plant. I was under the impression that the city is trying to eliminate lift stations.

If the plant was to be built at the present lagoon site, all of the waste water could be treated, bringing the "Cost to Benefit" a little closer to a positive outcome.

GRAVITY COLLECTION IS MOST DESIREABLE

With the north annexation going to 12400 south, it seems logical to me that the location should be somewhere north of the PRESENT city limits. If the north end grows, the way that the city wants, then we will have the treatment plant in the middle of town. I was under the impression that one of the goals of this plant was to eliminate or reduce the number of lift stations. It is my opinion that this will only add to the number of plants. Is there a master plan for the future lift stations, and has the O&M costs been factored in for the future?

I have also noticed in the plans that only about 60% of the present town will be treated at this plant, leaving 40% on the existing lagoons. I can not see the advantage of running two treatment plants for the next 20 years. The year 2030 is when; according to your own study, the lagoons will be abandoned.

Cost to Benefit

VERY EXPENSIVE WATER

When all is said and done, Santaquin City will be borrowing about \$9,500,000 over the next 20 and 40 years. I estimate that 60% of the current treated water equates to about 365 acre ft of water per year. This equates to \$26,027.00 per acre ft. I believe the cities own rules to purchase water, only allow you to spend around \$3,500.00 per acre ft. Your study reveals that you can sell this water back to the citizens for \$212.00 per acre ft per year. For the life of the loan (20 years) that is a total of \$4,240.00 in sales per acre ft. This makes the total cost for this water \$21,787 per acre ft. Even at full plant capacity the cost would be \$6,551.00. And that would require a growth rate that would ^{treble} triple the size of Santaquin in the next 20 years (25,500 people). I can not imagine this kind of growth even with the most radical growth. We have been some 150 years getting to where we are now. I just can not seem to grasp the benefit of this plant at this time. Perhaps you could help me with my thinking.

I'm not sure what the cost of running the plant is, compared to operating wells or other diversions that would be needed to deliver this water, but it should be investigated. I can't imagine that the operating two treatment plants would be cheaper.

It is my opinion that, the cheapest and best methods should be used to treat the waste water and not be so concerned about beautiful landscape, nice administration buildings and pats on the back from state officials.

Economics

Cost for Citizens

It has been said that the new user rates are inline with the citizen's ability to pay based on a medium income of around \$39,000 per year. This is all well and good as long as a household makes the average or above, but if the household is below this range a \$ 20.00 per month increase is a great struggle. With today's unstable economy, unemployment running out for many, an uncertain job market, and many others on Social Security (that has not seen any increase for the last two years) it is a great burden on the citizens to pay this fee, even if the cost to benefit was in the positive, which it is not.

It has been said that if the city does not go forward with this project, we stand the chance of loosing around \$6,000,000 in grants plus the \$2,035,000.00 that the city has already spent and also some low interest loans. Low Interest loans have been around for a long time.

The only thing I can see that the city will miss out on, not loose, is the \$6,000,000.00 grant. The city owns the design for the plant and the land that has been purchased should not loose its value.

I also understand that the city is going into this project with around \$400,000.00 in contingency plus the cost of the landscape and the administration building.

The general rule of thumb is to have a contingency of 10 to 15% of the project. That equates to around \$1,400,000.00. I have been told that PVC pipe manufactures are anticipating a 5% increase within the next few weeks. It appears that there will be a change order before one shovel of dirt is moved. There may be enough contingency, but

it sure looks close to me there will be little room for error. With JUB Engineers being the low bidders, it makes one wonder what else in the project may have been missed.

I would strongly recommend that this project be put on hold for at least the next 20 years or longer, find the funds to expand the existing treatment plant. And when the real need for water arises, this plant may be a viable project. In the mean time the impact fees collected can go towards building a plant in the future. I say let the new growth pay for this, they are the ones putting the impact on the water and sewer systems.

Operation and Maintenance

Cost to run two treatment plants

It is evident that the city will be operating two treatment plants for the next few years. It is hard for me to understand the logic behind this. Other than that the City is at its borrowing limits and cannot borrow enough money to eliminate the existing lagoons. With the growth rate the way it is and not having more rate payers it looks to me that it could be 20 years before the lagoons can be eliminated.

This makes no sense to me at all.

In closing;

I would like to recommend that the issuance of the bonds be denied, or at least delayed. And then have a third party conduct a value engineering study. That way it will not be Jub's the Mayor's or even my opinion.

I would like to remind the city council that your duty is to spend the citizen's money wisely.

I think this project needs to have second look.

Keith Broadhead

- Born during the depression
 - uncle's home - a dirt floor - no indoor plumbing
 - cousin 2 yrs old died of Tuberculosis
 - my dad built our home - indoor plumbing but there were many homes - outhouses in our neighborhood
 - We were poor but my father had the foresight to plumb. He died a few years later but he left us with the benefits of advanced technology
- Now fast forward to today -

We moved to Santaquin twelve years ago last month. When we would come home at night from the north we'd see very few lights on the east side of the freeway - mostly the red lights from Stringham's True Value sign greeted us.

End of 1999 left for 18 months to serve a mission in CA

Not long after our return we started to hear things from our former mission president Robert Grow about So. Jordan. He was helping Kennecott develop Daybreak - It broke and things happened fast.

Son in law worked in the city's finance dept so we were aware of development. I visited my cousin who had built a home off from Bangarter and 114th south. It was like a wilderness around it. Now boom! a year ago last Sept. big article in Deseret News as I read about the things that So. Jordan did - how they aggressively embraced new technology and change - I thought ~~on~~ those things had happened in Santaquin - things that got us

Notes for my comments at Santaquin December 22, 2010 Public Hearing

Name: Wesley Morgan. Owned Santaquin residential property since 1991. Septic tanks then.

Initial sewer project about 10 years ago.

Required paying monthly rates, but allowed for future growth.

Demonstration of forward thinking by Mayor and Council at the time, notwithstanding some objections about rates and objections from those who did not want future city growth.

Later, as a city councilman, I approved winter storage enlargement a few years ago. This was expected to extend life to about 2020.

Times have changed. Previous projections proved to be optimistic. Now time for new waste water system.

Many public hearings have been held concerning new system.

I attended them all. As an engineer, I challenged the project proposals. (Need, timing, trade study results which led to selected best processing method, site location, non-recurring and recurring costs, funding sources)

I was satisfied with the City's engineering team's responses and in recent times I have spoken in favor of the MBR system, its timing and cost estimates.

City Council did the right thing when it approved the entire MBR project and funding.

Bid opening - more funding required. I am impressed with the quickness and success by Mayor and Council in finding ways to meet this funding challenge without requiring increased sewer fees from citizens. The willingness of State agencies to help is confirmation that their experts consider our project to be important and timely, and that the approach is correct.

Objective of this public hearing: Receive comments concerning the need for additional funding and the method for attaining it.

My comment: I am in favor of the project, with its increased cost of \$900,000, and the method by which the increased funding will be obtained. I commend the City for finding a way to meet the increased need without requiring increased citizen monthly fees. My recommendation is that the City Council approve the increased cost, and the method for achieving it. I further recommend that the Council not go back and revisit project issues unrelated to funding and which have already been settled by prior Council approvals.



Wesley B. Morgan
185 E. 200 North
Santaquin, Utah