



**MINUTES OF THE REGULAR MEETING
OF THE CITY COUNCIL
OF THE CITY OF SPRINGVILLE, UTAH
COUNCIL CHAMBERS, 50 SOUTH MAIN STREET
MARCH 18, 2008 – 7:00 P.M.**

The following are the minutes of the regular meeting of the Springville City Council. The meeting was held on Tuesday, **March 18, 2008** at 7:00 p.m. in the Springville City Civic Center Council Chambers at 50 South Main Street, Springville, Utah. Adequate notice of this meeting, as required by law, was posted in the Civic Center and on the City's website, and delivered to members of the Council, media, and interested citizens.

Mayor Gene R. Mangum presided. In addition to Mayor Mangum, the following were present: Cl. Phillip Bird, Cl. Benjamin Jolley, Cl. Dean Olsen, Cl. J. Niel Strong, City Administrator Troy Fitzgerald, City Attorney John Penrod, and City Recorder Venla Gubler. Cl. Mark Packard was excused. Also present were: Community Development Director Fred Aegerter, Finance Director David Allen, Power Distribution Superintendent Tony Fieldsted, Public Safety Director Scott Finlayson, Power Director Leon Fredrickson, Generation Superintendent Matt Hancock, Public Works Director Brad Stapley, and Library Director Pam Vaughn.

CALL TO ORDER

Mayor Mangum welcomed public, Council, and staff at 7:00 p.m. He excused Cl. Packard and noted that a quorum of four members was present. He extended a special welcome to the youth in the audience, and the volunteers being appointed to serve on Springville's boards and commission. The invocation was offered the Mr. Martin Conover and the Pledge of Allegiance led by Power Director, Leon Fredrickson.

APPROVAL OF THE MEETING'S AGENDA

CL. STRONG MOVED TO APPROVE THE MEETING'S AGENDA AS WRITTEN.
CL. JOLLEY SECONDED THE MOTION, AND ALL PRESENT VOTED AYE.

APPROVAL OF THE MINUTES – There were no minutes.

MAYOR'S COMMENTS

Mayor Mangum observed that the agenda purposely puts time at the first of the meeting to allow the Council to stay in touch with members of the community. This time is reserved to hear directly from anyone who would like to address the Council. He asked persons wishing to present to sign up so that the Council has their contact information for a reply. He made the public aware of the State Law that does not allow the Council to formally respond until the item is brought up on an agenda. He asked members of the audience to turn off their electronic devices to reduce interruptions to the meeting.

PUBLIC COMMENT:

Springville City Council, March 18, 2008

Mr. Robert Wise commented that he appreciates the opportunity to speak to the Council. He disclosed that he has talked to both Cl. Olsen and Director Stapley, who have advised him to bring his concerns to the Council. He drew three squares on the easel and explained that these squares represent 1,000 square feet. The water rate is \$40 per thousand gallons and \$80 for every thousand after the first thousand. The first property will pay \$160; the larger second property will pay \$160 plus \$160. They have watered their lawns the same, but the cost for the larger parcel is \$0.53 cents per gallon and the smaller cost is \$0.04 per gallon. He reported that he has the larger lot and pays more per gallon than his neighbors with smaller lots. He disclosed that his water bill in 1984 was \$25. Now in 2007, his July bill was \$650. He is barely keeping his lawn green and waters it only two days a week. He expressed appreciation for the City's efforts to equalize the pressure zones. He complained that his wife can smell chlorine in the water. He also asked that the Council consider another way to calculate the sewer rates. He explained that he uses water in October to water the lawn and wished that the sewer calculations started with November. He thanked the Council for listening. Mayor Mangum thanked him for pointing out an inequity and noted that an issue takes two Council members to request that an item be placed on the agenda. Administrator Fitzgerald commented that there have been many questions surrounding water use on larger lots or by large families. He suggested a look at rates as part of the budget retreat. Mr. Wise asked that the Council consider a rate that allows larger lots to pay \$0.04 per gallon so they can make it through the summer months, water their lawn and still eat.

CEREMONIAL ITEMS

1. Presentation of Certificates of Completion to new CERT members

Mayor Mangum observed that there are a number of new CERT members in the audience to be awarded their Certificates of Completion. He thanked these citizens for their willingness to be prepared to respond in emergencies and take care of their neighbors. He added that he hopes they do not have to use their newfound knowledge, but the odds suggest that they may. He thanked them for acquiring new skills.

Chief Finlayson also expressed gratefulness for members of the community that are willing to train and be prepared in an emergency. He disclosed that Springville now has about 600 trained responders in the community. The program has become a model for other cities. He expressed appreciation for the work of the volunteer trainers. Mayor Mangum asked the Emergency Preparedness Coordinator, Karrie Beardall, to come up and present the graduates.

Ms. Beardall introduced her helpers, Mr. Martin Palmer and Ms. Janille Stearmer. Mr. Troy Vincent, Mr. David Wise, Mr. Neil Wylie, Mr. Alan Steele, Ms. Janee Livingston, Mr. Lang Kim, Ms. Kathy Stevens, Ms. Chris Wright, Ms. Talaeseina Wilson, Mr. Kevin Eppich, Mr. Adam Ethington, Mr. David Creighton, Ms. Suzanne Storer, Ms. Chris Carlson, Ms. Nancy Gray, and Ms. Brandy Turnbow were presented with their certificates of completion. There were pictures taken and applause.

Cl. Jolley commented that it was nice to know there are familiar faces in the neighborhoods trained to help in emergencies. He thanked them for their efforts. Cl. Bird added his congratulations. He thanked them for taking time out of their busy lives. He noted that as Springville grows, it becomes more critical to have help in times of need. Cl. Strong observed that they may only have the opportunity to help one person, but now they are prepared to really help. He also commended them for volunteering their time and energy for the benefit of the community. Cl. Olsen echoed the sentiments of the Council. Mayor Mangum expressed his thanks and asked if there was other comment. There was none.

Springville City Council, March 18, 2008

CONSENT AGENDA

2. **Approval of all City purchase orders properly signed (Springville City Code §2-10-110(5))**
3. **Approval of the appointments of Ms. Stacey R. Petersen, Mr. Ryan C. Staker, and Ms. Norma L. Shelline to the Planning Commission**
4. **Approval of the appointment of Mr. Lynn Bartholomew to the Parks and Recreation Board**
5. **Approval of the appointment of Ms. Margy Layton to the Library Board of Trustees**
6. **Approval of the re-appointments of Ms. Delora Bertelsen, Ms. Christi Babbitt, Ms. Kolene Knight, Ms. Peggy Roundy, and Ms. Teddy Anderson to the Springville Arts Commission**
7. **Approval of the re-appointments of Mr. Clyde Gabbitas and Mr. Travis Ball to the Power Advisory Board**
8. **Approval of an Ordinance amending Title 4, Chapter 4, Buildings and Grounds Department, and Chapter 5, Cemeteries – Alex Roylance, Director of Buildings and Grounds**
9. **Approval of a Resolution submitting the 2008 Municipal Wastewater Planning Program report to the State of Utah – Rick Roberts, Water Reclamation Plant Superintendent**
10. **Approval of the purchase of a transformer for the Knight Substation – Leon Fredrickson, Power Director and Tony Fieldsted, Distribution Superintendent**
11. **Approval of a contract with Jerrald Hatfield for “Plat A” Water Master Services in 2008 – John Penrod, City Attorney**
12. **Approval of a bid award and contract to Whittaker Construction Company for the Konold Springs Pipeline Replacement Project in the amount of \$105,150.00 – Brad Stapley, Public Works Director**

Each member of the Council read two or three of the consent items to the audience.

CL. STRONG MOVED TO APPROVE THE CONSENT AGENDA AS WRITTEN AND READ. CL. OLSEN SECONDED THE MOTION. CL. STRONG, CL. OLSEN, CL. BIRD, AND CL. JOLLEY VOTED AYE. THE MOTION CARRIED UNANIMOUSLY (4-0) WITH ONE ABSENT (CL. PACKARD).

PUBLIC HEARING

13. **Public Hearing to consider an amendment of Title 11 to allow outdoor recreational facilities as a conditional use in the Business Park (BP) zone – Fred Aegerter, Community Development Director**

Mayor Mangum explained the public hearing process and introduced Director Aegerter. Director Aegerter reported that this is a relatively simple item. The proposed ordinance allows outdoor recreational facilities as a conditional use in the Business Park zone. He commented that it provides the possibility for facilities such as the soccer fields in front of Novell in Provo. He noted that the Planning Commission felt that the facilities are in keeping with the character of the zone, like landscaping and trails. Mayor Mangum opened the public comment. There was no comment.

CL. BIRD MOVED TO CLOSE THE PUBLIC HEARING. CL. JOLLEY SECONDED THE MOTION, AND ALL PRESENT VOTED AYE.

Springville City Council, March 18, 2008

APPROVED AS WRITTEN – April 15, 2008

Cl. Jolley asked if the ordinance has implications on the regional park. Director Aegerter replied no.

CL. BIRD MOVED TO APPROVE ORDINANCE NO 06-2008 AMENDING SECTION 11-3-702, 11-4-301, AND 11-7-205 CONCERNING OUTDOOR RECREATIONAL FACILITIES IN THE BUSINESS PARK (BP) ZONE. CL. JOLLEY SECONDED THE MOTION. CL. OLSEN, CL. BIRD, CL. JOLLEY, AND CL. STRONG VOTED AYE. THE MOTION CARRIED (4-0) WITH ONE ABSENT (CL. PACKARD).

ACTION ITEMS

14. Consideration of a proposed Second Amendment to the Grindstone Water System Settlement Agreement – John Penrod, City Attorney

Attorney Penrod reported that the original agreement was brought before the Council last year in May. He noted that the Grindstone Subdivision was subdivided in Utah County back in 1960 to 1962. The claim by the Homeowners Association is that they traded the City land for the golf course in exchange for assumption of the care and maintenance of the water and power systems in the subdivision. There is no documentation of this agreement, but the land is in the golf course and the City has been taking care of the power system. There has been a lengthy dispute about the water system. The Settlement Agreement was negotiated last year. Each side agreed to share the costs of a new water system equally. The estimated costs of this replacement were \$120,000, and the City agreed to share half-limited to a maximum of \$60,000.

Attorney Penrod observed that the next item on the agenda is the bids for the replacement project. The bids have come back \$50,000 higher than expected, and that does not include engineering and inspection costs. The total cost of the project is \$215,731.20. Springville City staff has offered the Grindstone Homeowners Association the agreed upon \$60,000 plus the man hours for inspection (estimated at \$21,973.00). Grindstone will be responsible for the remaining \$133,758.20; the \$60,000 is due upon commencement of the project and the balance of \$73,758.20 will be assessed in their water rates over the next ten years at 5-percent interest. Any change orders for the project will be shared equally. Mayor Mangum asked how long the replacement system is expected to serve. Director Stapley replied that the system will last about 30 years. The City will have the maintenance of the system after it is completed. Mayor Mangum asked if the representatives of the Grindstone Homeowners Association had any comment.

Mr. Dan Aldridge, President of the Homeowners Association, thanked staff and Council for their professional problem solving approach. He reported that the situation had become contentious between the entities over the last ten years, but this administration has treated them with professionalism and made the discussions enjoyable. He acknowledged the staff summary of the history of this issue. He noted that the Homeowners Association was satisfied with the original settlement agreement and realizes the City's desire to limit their exposure to mounting construction costs. He reported that the Homeowners Association does not have the ability to meet the increased costs. He asked the Council to reconsider the agreement in the light of the original 50/50 split. The staff proposal would require an advance from the City, and the 28 members of Grindstone would have a much larger percentage to pay. If the City would pay the 50% intended in the original agreement, Grindstone would be able to reduce their payback to the City. He suggested that the members of the Grindstone subdivision would consider this fair.

Cl. Bird confirmed that Grindstone's portion of the increased construction costs will be paid through increased water rates. Mr. Aldridge agreed. He pointed out that the average water

Springville City Council, March 18, 2008

bill for residents under the staff proposal would be \$29 per month. If the City takes on 50-percent of the costs, the average monthly bill will be reduced to the \$15 to \$16 range. He reported that some of the residents can pay the larger amount, but others are on fixed incomes and the bill will be a hardship. He pointed out that these Grindstone residents feel that the City owned the water system all these years and should have maintained it.

Cl. Jolley commented that the original settlement agreement was signed last May. He asked why the construction bidding took so long. Mr. Aldridge replied that the first bids came in almost double the engineer's estimate. They were advised to wait for winter and re-bid the project in January. The reasoning was that contractors would be less busy and the project would get better bids. The advice worked. The project received ten bids in the range of \$173,000 up to \$280,000. Attorney Penrod commented that the engineer's estimate was in the \$240,000 to \$242,000 range, so the low bid is a great price for the project. Administrator Fitzgerald and Director Stapley agreed with this assessment.

Cl. Jolley asked staff if there were any comments on where the City would get the additional amount. Administrator Fitzgerald replied that the City is being asked to front all of the additional funding, so the amount to budget would be \$155,731.20. He suggested that the City may be better off by asking the Homeowners Association to find the funding privately. Cl. Jolley commented that he personally agrees with the representations of the Homeowners Association. His concern is where the money will come from in the budget. He observed that if the City is planning to control the system in the future, there is a need to invest in it and make sure that it meets City standards.

Administrator Fitzgerald observed that the Grindstone Homeowners Association is not the only water system in the canyon with disputes. Staff had anticipated using the Grindstone Subdivision as a model to globally solve these questions. The question remains how to make equitable solutions, solve all the questions, and resolve concerns about water systems in the Canyon. He commented that the City will be required to come up with the same dollar amount today under either scenario. The question before the Council is the right number in payback over time. Mayor Mangum asked if spending funds in the Canyon can be "squared" with the City's taxpayer community. Administrator Fitzgerald replied that the City is looking forward to taking over the water system. The water rates have been set to capture the investment at some point in the future. He acknowledged that the water rates need to be re-examined and a decision made on whether the rates re-capture costs. In the matter of this system, the negotiation was focused on finding a solution that fit the needs of the involved parties. Cl. Strong warned the Homeowners Association that water rates may increase as a result of this study.

Mr. Aldridge commented that water rates were a part of the discussions. He reported that the representatives of the Homeowners Association sat down many times with staff to find a solution. Cl. Strong asked how much each house in Grindstone is being supplemented by City funds if the full amount is assumed as requested. It was noted that the amount is about \$900 to \$1,000 per house. Cl. Bird commented that the issue for him is Springville's wonderful golf course that was created with the Homeowners Association cooperation. He observed that Springville owes Grindstone for that even if the full circumstances are not known. Cl. Olsen confirmed that the proposal is to split the \$215,731.20 in half for each side. The City will take the cost of the inspection in their half, and be responsible for approximately \$85,000.000. He commented that he would like to live in the spirit of the original agreement. The project scope was discussed.

Springville City Council, March 18, 2008

CL. JOLLEY MOVED TO APPROVE THE SECOND AMENDMENT TO THE GRINDSTONE WATER SYSTEM SETTLEMENT AGREEMENT WITH AUTHORITY TO STAFF TO MAKE THE CHANGE TO INCORPORATE LANGUAGE GIVING SPRINGVILLE CITY 50-PERCENT OF THE RESPONSIBILITY, INCLUDING THE INSPECTION COSTS AS PART OF THE HALF, FOR THE WATERLINE REPLACEMENT AS REQUESTED BY THE GRINDSTONE HOMEOWNERS ASSOCIATION, AND GIVING AUTHORITY TO THE MAYOR TO SIGN ON BEHALF OF THE CITY. CL. BIRD SECONDED THE MOTION. THE COUNCIL UNANIMOUSLY VOTED AYE WITH ONE ABSENT (CL. PACKARD).

15. Consideration of a bid award and contract for replacement of the Grindstone Water System – Brad Stapley, Public Works Director

Director Stapley recommended awarding the bid to the lowest responsible bidder. The water system will serve 28 lots. There were ten bidders on this project and he feels that this is a great bid since the bids were so much higher last summer. He observed that the contractor will be encouraged to work closely with the residents. He explained that Grindstone consists of narrow roads and access will need to be maintained. They will be working in confined areas.

CL. OLSEN MOVED TO APPROVE JOHANSEN CONSTRUCTION AS THE LOW BIDDER FOR THE GRINDSTONE SUBDIVISION WATER PIPELINE REPLACEMENT PROJECT IN THE AMOUNT OF \$173,696.20, AND AUTHORIZE THE DIRECTOR OF PUBLIC WORKS TO ISSUE A “NOTICE TO PROCEED” FOR THE PROJECT. CL. STRONG SECONDED THE MOTION, AND ALL PRESENT VOTED AYE.

16. Consideration of a Resolution authorizing the sale and issuance of up to \$3.5 million of sewer and water revenue bonds (in addition to amounts previously authorized), fixing certain maximum terms for the bonds; and providing for related matters – David Allen, Finance Director

Director Allen reported that the City started the process in January 2008 to borrow funding for a wastewater treatment expansion project and to recover expenditures for the 1500 West sewer line project. Building permit issuance has slowed due to the sluggish economy and Nestle has elected not to participate in the project. Therefore, the City needs \$3.5 million more in bonding capacity in order to ensure immediate needs are adequately addressed in the completion of these water and sewer projects. This amount is in addition to the original parameters resolution. It will increase the bonding capacity from \$11.75 million to \$15 million. Since the bonds will very likely be through a private placement, an allowance for a ten-percent bond debt reserve for both the initial amount and the additional amount will not be required.

Cl. Jolley asked about the terminology change from the last parameters resolution on “water and sewer” revenue bonds. Administrator Fitzgerald replied that the last parameters resolution was solely for wastewater. He recalled that the Council held a meeting two weeks ago on how to close the gap on the water fund. It was decided to add the amount needed to this parameters resolution. He assured the Council that the repayment would be divided between the affected enterprise funds. Cl. Strong asked for a breakdown. Administrator Fitzgerald reported that roughly \$12 million is needed for wastewater fund, and \$3 million in the water fund. The projects are the 400 South water pipeline project, the 1500 West sewer project, and the wastewater treatment plant expansion project. The Council discussed the shortfall in projected

Springville City Council, March 18, 2008

APPROVED AS WRITTEN – April 15, 2008

Page 6 of 15

impact fee revenues in the funds, the flux in the market, and the private funding source possibly saving hundreds of thousands in fees to the City.

CL. STRONG MOVED TO APPROVE RESOLUTION NO 2008-07 AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$3,500,000 WATER AND SEWER REVENUE BONDS IN ADDITION TO THE INITIAL \$11,750,000 WATER AND SEWER REVENUE BONDS. CL. BIRD SECONDED THE MOTION. CL. BIRD, CL. JOLLEY, CL. STRONG, AND CL. OLSEN VOTED AYE. THE MOTION CARRIED WITH ONE ABSENT (CL. PACKARD).

17. Consideration of a Resolution declaring a surplus and authorizing the disposal of three (3) Electro-Motive Division (EMD) 645F4B Duel Fuel natural gas engine-generator skids and associated engine control, generator control, radiators and excitation systems – Leon Fredrickson, Power Director and Matt Hancock, Generation Superintendent

Director Fredrickson reported that the City Council instructed his department to find a prospective buyer for the EMD engines at the Whitehead Plant. He introduced Superintendent Hancock to explain. Superintendent Hancock reported that the EMD engines have a BTU heat rate that was operationally feasible in the past, but not at today's gas prices. The department has not used them for some time. The engines have been converted to use biofuel or natural gas, so there is a market for them. He suggested that the money from the sale can be put into the fund reserves or used to purchase better technology. Mayor Mangum asked the estimated value of the engines. Superintendent Hancock replied that he hopes to get better than \$200,000 per unit. He reported that he plans to advertise the units in trade magazines and get the information to vendors.

Cl. Strong asked if the City will give a warranty on the sale. Superintendent Hancock replied that the City had purchased the engines from a nuclear site in New York. They were kept for backup and did not have many hours. The cost for them was about \$50,000 plus conversion, and installation. He assured the Council that the City would warranty the sale. Cl. Strong asked about shipping costs. Superintendent Hancock replied that they would remove the engines and place them on the truck. The buyer would be responsible from that point on.

Cl. Olsen asked how the value was established. Superintendent Hancock replied that he had checked surplus equipment sales. He reported that these particular units are the only ones available in the country, and since they have been converted to natural gas, they have more value. Cl. Olsen asked the engine's state of repair. Superintendent Hancock replied that the engines are in very good shape. There is only 1200 hours on the units. Mayor Mangum asked how the engines have been depreciated. Director Allen replied that the engines were bought in 1997 and were depreciated over 20 years, so there will be some book value left to write down.

Administrator Fitzgerald asked the impact of the sale on the City's air permit. Superintendent Hancock replied that if the engines are replaced with new technology, then the tonnage in the air permit will not be affected. If they are not replaced, then the permit may be cut back. Administrator Fitzgerald asked how much time the City has to replace the units. Superintendent Hancock replied that the City has about a year. Administrator Fitzgerald asked if the capacity of the permit will allow the purchase of larger, more efficient units for replacement. Superintendent Hancock observed that the permit allows 250 tons of Nitrogen Oxide (NOx) and 25 tons of Carbon Monoxide (CO). The City is only using 40 tons now. The City was pushing the limits of the air permit in 1999. If the engines are not replaced, the State may reduce the

Springville City Council, March 18, 2008

permit by about 80 tons. Administrator Fitzgerald asked if the remaining engines can run at full capacity and still stay within the limits of a reduced air permit. He noted that the replacement engines must be budgeted to be replaced this year. Superintendent Hancock replied that they will add a capital item to the budget and present some estimated costs. He reported that Caterpillar 3416 engines can be installed for \$7.7 million and produce 2.7 megawatts each.

Cl. Strong asked if the Power Board has discussed the surplus sale of the engines. Superintendent Hancock replied that the sale has been discussed. Cl. Strong asked if they were in favor of the surplus, and addressed the concerns on replacement. Administrator Fitzgerald suggested that the Council approve the sale proposal to allow time for analyzing finances and other impacts to operations. Cl. Olsen agreed. He observed that the City does not want to jeopardize back up for the wastewater treatment facility and the ability to provide power to residents. Mayor Mangum asked if Mr. Conover had a comment from the Power Board. Mr. Conover reported that the board was in favor of the surplus sale because the opportunity to replace the units is before the City now.

CL. STRONG MOVED TO APPROVE RESOLUTION NO 2008-08 DECLARING A SURPLUS AND AUTHORIZING THE DISPOSAL OF THREE ELECTRO-MOTIVE DIVISION 645f4b DUAL FUEL NATURAL GAS ENGINE GENERATOR SKIDS AND ASSOCIATED ENGINE CONTROLS, GENERATOR CONTROLS, RADIATORS, AND EXCITATION SYSTEMS SUBJECT TO FINAL APPROVAL OF THE SALE BY THE CITY COUNCIL. CL. OLSEN SECONDED THE MOTION. CL. JOLLEY, CL. STRONG, CL. OLSEN, AND CL. BIRD VOTED AYE. THE MOTION CARRIED WITH ONE ABSENT (CL. PACKARD).

- 18. Consideration of a Resolution authorizing and approving the execution by Springville City of an annually renewable master lease agreement by and between South Utah Valley Municipal Water Association, Utah (“SUVMWA”) as lessor and Springville City, Elk Ridge City, Mapleton City, Payson City, Salem City, Spanish Fork City, and the City of Woodland Hills, as lessees; approving the issuance and sale by SUVMWA of its lease revenue bonds, series 2008 in the principal amount of not to exceed \$6,000,000 (the “bonds”), to finance the cost of acquiring land as the site of a future regional wastewater facility; authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by the resolution; and contingent upon SUVMWA passing a resolution binding SUVMWA and plant participants to balance their investments at future market value at the time of additional funding on the project - Troy Fitzgerald, City Administrator**

Administrator Fitzgerald reported that SUVMWA has proposed to obtain land for a future regional wastewater treatment plant. He observed that this is a forward thinking proposal. The City discussed the proposal two weeks ago and had two primary concerns: first, what happens to the percentage of use when growth happens in the future; and second, what happens if one or more cities default? He reported that the answer to the second question is that the remaining cities have a year to take over the defaulting city’s position without putting the project at risk. The first question took some discussion and negotiation. Springville staff proposed some language to the other cities and Zion’s Bank, the bonding provider. He read the proposed contingency language to the Council. The cities, SUVMWA, and Zion’s Bank indicate that they accept the contingency language. They will bring the language before the SUVMWA board on Thursday, March 20, 2008. The language is as follows:

Springville City Council, March 18, 2008

“Expenses associated with the SUVMWA Regional Wastewater Treatment Plant should be allocated based upon project participation. Because future project participation is currently unknown, the property purchase for the anticipated SUVMWA Regional Plant is being allocated upon population of participating members. Before additional funding on a Regional Wastewater Treatment Plant is obtained, SUVMWA will obtain commitments from SUVMWA members concerning anticipated need for plant capacity. Once project participation is determined based upon need of plant capacity, SUVMWA agrees to balance the costs of the property acquisition to project participation levels in order to reflect the actual member’s use of the plant. Credit, payment and/or expense will be made or charged to the participants based upon fair market value of the property at the time of balancing. Fair market value shall be determined based upon a certified appraisal completed within 60 days of the balancing action taken by SUVMWA.”

Administrator Fitzgerald reported he had struggled to get information about the potential water purchase from SUVMWA by Elk Ridge City. He had received a copy of the agreement today. The agreement allows Elk Ridge City to use the water this year and pay \$600,000 before March 27, 2008 and the balance in 30 days. However, there is no signed contract. He admitted that Springville can wait and see what happens, but he is not confident the sale will be consummated. Springville City’s share of the water sale is about \$415,000 to \$445,000. The debt service security fund on the property purchase is about \$275,000 with an annual payment of about \$71,000.

Cl. Strong commented on Springville City’s efforts to pull information together. He reported that other cities are anxious to see the land purchase consummated. He observed that he feels Administrator Fitzgerald and Attorney Penrod have given Springville every protection requested by the Council. Their equity is secure and Springville will enjoy a good investment. Administrator Fitzgerald observed that the documentation contains two other clauses that may be helpful for discussion. These are from the new documentation received after business hours last night. He suggested that additional changes and more documentation needs to be reviewed before signature by Springville. He recommended that if the Council is inclined to approve the Resolution, the motion should be contingent on a legal review of the documents and the approval of the same documents by the other cities in SUVMWA.

Cl. Jolley observed that he “was in a hard place” on this proposal. He reported that he had thought about it for some time. He agreed that the property purchase can be considered an investment in the future, but Springville is wrestling with new construction projects constantly. This purchase spends \$71,000 per year that could be used on another project of much higher priority and more immediate need. He also noted that the other cities of SUVMWA do not have the infrastructure that Springville has already. Springville has a treatment plant that fulfills its needs and another is not necessary. He admitted that he was hesitant.

Cl. Strong observed that he was hoping not to confuse the commitment to a land purchase contract with the commitment to the regional treatment plant. Springville is making an investment in the future. He pointed out that the water quality standard for Utah Lake is unknown. Phosphorus levels limits are expected to be more stringent in the near future, and may be reduced even more in the next ten years. He observed that the statement about other cities having a pressing interest in the completion of a treatment plant is not true. Spanish Fork also has an expansion of their current facilities planned. He commented that Springville and the other

Springville City Council, March 18, 2008

cities of SUVMWA have been talking about a regional facility for four years. He added that if the land is not purchased now, SUVMWA's plans may never come to fruition. A large parcel of land may not be available if they wait. Open ground is disappearing daily.

Cl. Jolley asked if all the members of SUVMWA are participating. Cl. Strong replied that Genola and Santaquin are not participating on this project. Cl. Jolley asked if other councils are waiting on Springville's decision. Cl. Strong replied that most have already approved and signed authorizing resolutions, but agreed with Administrator Fitzgerald's suggestion to make Springville's motion contingent on approval of the amended documentation by all participants.

Cl. Olsen reported that he had given this proposal long and serious thought. He had made himself notes that he summarized for the Council. He considers the span of control too extensive on this project. He pointed out that there are six other cities to deal with on every question and every decision. There are so many players; there is also a loss of control, greater opportunity for indecision, possible delays, and disputes. He suggested that there is a high potential for future litigation in trying to resolve eventual differences of opinions, misunderstandings, and ambiguity of contract language even with the most exacting, well written and intentioned documents. This leads to litigation expense for both side of the dispute.

Cl. Olsen observed that there is difficulty in determining fairness for Springville citizens' initial and future investment value of 29.95-percent of the project, which is somewhat relieved with Administrator Fitzgerald's contingency language. He pointed out that smaller communities have a smaller initial investment than Springville's investment, and much greater need for the facilities in the future. They get the advantage of lower bond payments now at Springville's expense and a greater advantage later in the construction of the plant. The smaller cities also have an advantage because they have greater potential for growing impact fees and property taxes, while enjoying minimal expenditures for a very indispensable, yet costly, segment of a city's infrastructure. He pointed out that this holds true because adjustments cannot be made to the bond payment after the bonds are issued.

Cl. Olsen commented that there are repercussions to the remaining SUVMWA members in the event one member defaults on their portion of the bond payment. Springville is already investing over \$10 million into upgrades at their current facility. This will take Springville to a population of 50,000, near build-out population. He commented that he understands the investment value of buying property now and holding it for 20 years, but the absence of any necessity on Springville's part to make this investment gives it little value in his opinion. He added that he feels that this project is not to Springville's advantage.

Cl. Bird disclosed that he has a completely different point of view. He pointed out that Springville is a member in many interlocal associations. Being a member gives Springville leverage to be part of projects it would otherwise have difficulty doing on its own. He pointed out, for instance, the solid waste district and CUP water as examples of interlocal cooperation. He also suggested that environmental restrictions are tightening and creating greater pressures on local governments. The cooperation of a group of cities can make meeting these restrictions more affordable. Woodland Hills will have just as hard a time funding their portion based on their population as Springville will have funding a portion. He agreed with Cl. Strong that an opportunity to buy undeveloped property in a large parcel may not happen again. Springville does not know what will happen in 20 years—no one knows. However, there is a strong possibility that Springville will need to be part of the facility in the future. The language has been proposed to cover Springville's investment if it is decided not to participate in the future. But if Springville does not participate now, the project will die and the opportunity will disappear. He

Springville City Council, March 18, 2008

agreed that Springville will not have complete control, but they don't have complete control of the landfill either. He asserted that he was in favor of following through with the land purchase with the appropriate protections and guarantees in the contract.

Cl. Jolley asked if a city like Santaquin can opt back into the project in 25 years from now. Cl. Strong replied technically no, but realistically they would be allowed to buy back in at the value at that point in time. Cl. Jolley commented that this seems unfair. The other seven finance and plan the project and a member who opted out gets to buy back into the project after it is completed. Cl. Bird pointed out that it would cost them. Cl. Strong observed that he wished he could explain adequately that this is an investment in Springville's future. The City is exchanging cash for land, but if they opt not to continue in the project at some point, the money will be returned at the fair market value of the portion owned at that future date. Mayor Mangum commented that it would not only cost Santaquin more to buy back into the project, but some of these small towns may have to buy more capacity to meet their growth needs in the future too. Cl. Bird observed that if any city waits to get involved, they will have to prepare a much larger amount of funding to buy back into the project. There may not be capability to buy out at that time. The Council discussed the "default of a member" scenarios.

Ms. Karen Ifedaba reported that in 1954 when Springville was considering a sewer system, they asked Mapleton if they wished to participate. Mapleton refused. In 1960 and 1992, when Springville was considering an update to the facility, Mapleton was again asked if they wished to participate. They again refused. Their argument was that they did not want to spend the money, and they had plenty of land for septic tanks. Now when development has impacted their growth rate, Mapleton has no choice. They are putting the improvements into Spanish Fork's facility. She urged the Council to not be shortsighted and take advantage of this opportunity now.

The location of the parcel under consideration was discussed. The contingencies proposed by Administrator Fitzgerald were reviewed. Mayor Mangum commented that the future holds many unknowns. Cl. Strong assured the Council that the language of the contingencies helps Springville to stay abreast of the changes.

CL. BIRD MOVED TO APPROVE RESOLUTION NO 2008-09 AUTHORIZING AND APPROVING THE EXECUTION BY THE CITY OF AN ANNUALLY RENEWABLE MASTER LEASE AGREEMENT BY AND BETWEEN SOUTH UTAH VALLEY MUNICIPAL WATER ASSOCIATION (SUVMWA) AS LESSOR, AND SPRINGVILLE CITY, ELK RIDGE CITY, MAPLETON CITY, PAYSON CITY, SALEM CITY, SPANISH FORK CITY, AND THE CITY OF WOODLAND HILLS, AS LESSEES; APPROVING THE ISSUANCE AND SALE BY SUVMWA OF ITS LEASE REVENUE BONDS, SERIES 2008 IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$6,000,000 TO FINANCE THE COST OF ACQUIRING LAND AS THE SITE OF A FUTURE REGIONAL WASTEWATER FACILITY; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THE RESOLUTION; CONTINGENT UPON SUVMWA PASSING A RESOLUTION BINDING SUVMWA AND PLANT PARTICIPANTS TO BALANCE THEIR INVESTMENTS AT FUTURE MARKET VALUE AT THE TIME OF ADDITIONAL FUNDING ON THE PROJECT, CONTINGENT TO A LEGAL REVIEW OF ALL DOCUMENTS; AND CONTINGENT UPON APPROVAL OF ALL OTHER CITY PARTICIPANTS TO THOSE DOCUMENTS. CL. STRONG SECONDED THE MOTION. CL. STRONG, CL. BIRD, AND

Springville City Council, March 18, 2008

CL. JOLLEY VOTED AYE. CL. OLSEN VOTED NAY. THE MOTION CARRIED (3-1) WITH ONE ABSENT (CL. PACKARD).

Cl. Jolley commented that he feels impelled to explain why he voted yes. He acknowledged that he was torn over this decision, but from this day on he will be “nitpicky” about the project. He reported that he likes the concept of having foresight. He also recognizes that environmental issues will need to be addressed in the near future. This prospect gives Springville the opportunity to fix unknown issues. Mayor Mangum stated that the motion has carried. He cautioned the Council about the slowdown in the economy. He reported that the latest forecast on new home starts for Fiscal Year 2008-2009 is now at 125. The original forecast was 350, and it was cut and then cut again for this year. He expressed concern about cash flow and wished that the Elk Ridge water payment was more certain. He noted that he can only hope, but the City needs to be prepared for a tough year and good planning is needed.

19. Discussion of a proposed amendment to the Springville Irrigation Articles of Incorporation – John Penrod, City Attorney

Attorney Penrod introduced Mr. Albert Harmer and Mr. Marlin Boyer from Springville Irrigation. He reported that this item was brought before the Council last December. The reason it is back here tonight is because Springville Irrigation has called a shareholder meeting for March 26 to vote on the amendments.

Attorney Penrod reported that the purpose of the amendment to the Articles of Incorporation is to join six irrigation companies into one. He explained that some irrigation companies are defunct; many are operating. Springville City hold shares in all of the irrigation companies. This action by Springville Irrigation would make all the companies legitimate again, so it would be in the City’s best interest to see the amendment adopted. However, there are concerns and questions to be answered.

Attorney Penrod reported that the defunct companies will need a shareholders’ meeting to vote on dissolving their company. The liabilities of these companies are not known. The transfer of assets from the companies in exchange for stock in Springville Irrigation brings into question the proving the beneficial use of the water, and how the rates will be determined. The Articles of Incorporation create a class of stock for each irrigation company being absorbed, plus a class for Springville Irrigation Canyon shares and Springville Irrigation City Valley shares—eight classes in all. The directors of the new company will be elected from each class of stock, but three more directors will be appointed by the other directors. This also raises questions on conflicts of interest by the directors, and possible dilution of voting rights. Attorney Penrod reported that Springville City has about 1600 shares in Springville Irrigation alone.

Mayor Mangum asked what Springville Irrigation is attempting to accomplish with the merging of all the irrigation companies. Attorney Penrod reported that merging all the companies under one leadership will resurrect the defunct water companies to give the owners of shares value, and simplify management responsibilities. He averred that the merge is a benefit to the City because the City is using the infrastructure of these companies. The City will deal with one leadership instead of several. Mayor Mangum asked if the benefit offsets the lack of knowledge on the questions and issues he had raised. Attorney Penrod replied that he has not had the time to research this question. The City offered to pay for the research necessary to answer these questions, but instead received a shareholder meeting notice. Administrator Fitzgerald commented that a buyer is cautioned to perform “due diligence” before completing a real estate transaction. The City would like to have Springville Irrigation understand what they are taking

Springville City Council, March 18, 2008

on before merging these companies. There may be disputed shares, unresolved liabilities, or other issues that may burden Springville Irrigation shareholders. He pointed out that the shareholders will be the ones paying for resolution of disputes.

Mr. Boyer commented that Springville Irrigation is just setting up the engine that will allow them to join. They plan to resolve disputes before the other company is allowed to merge. He observed that the City is not ready to take over the management of these companies, and their shares and voting right will not be diluted much either. Administrator Fitzgerald expressed concern about how the board of directors will function, and how Springville City will be able to protect their interest. Mr. Boyer reported that the amended Articles of Incorporation allow special meetings of the shareholders to be called any time and board members replaced.

Cl. Strong asked about the weighted vote issue. Attorney Penrod reported that Springville Irrigation has seven board members now. The board will change to 11 under the new articles of incorporation. Springville Irrigation will be entitled to elect two on the new board, yet they have about 5,000 shares outstanding. The other companies only have 300 to 500 shares outstanding. He asked if the other irrigation shares are more important than Springville Irrigation shares, or should Springville Irrigation have more votes on the Board of Directors to take care of their interests—a weighted vote. Mr. Boyer commented that Springville City currently has only one Director on the Springville Irrigation Board. The City could have at least one more in the new Board of Directors. Administrator Fitzgerald observed that the concern is for Springville Irrigation on this issue, not the City. Attorney Penrod reported that under the new articles, each Director's vote is counted equally. A weighted vote means Springville Irrigation Company could have more than one vote based on the number of shares in each class of stock.

Attorney Penrod pointed out that this also brings up the subject of “conflict of interest.” Board members are duty bound to vote the interests of the shareholders they have been elected to represent; however, the interests of the major shareholders are split between the companies. The major shareholders own shares in more than one company and their loyalties are divided between the shares they own and the shares they represent. Mr. Boyer pointed out that Springville City is in the same situation. Attorney Penrod agreed.

Mayor Mangum asked about the liability risk. Attorney Penrod replied that he sees no mechanism in the proposed Articles of Incorporation to say when and how stock may be issued. There is no requirement to clear or transfer liabilities or assets before the issuance of stock. Administrator Fitzgerald declared that there are liability issues and contested shares out there, so it is not wise to ignore them. Mr. Boyer commented that it does not make sense to investigate liabilities and assets without the mechanism in place allowing a merge to happen. Why find the problems if there is no advantage to finding them? Attorney Penrod replied that this is why the City offered to pay some of the attorney's costs. The City will help with the costs to do it properly. Mr. Harmer commented that Springville Irrigation may not allow a company to merge if the problems are too great to overcome. Administrator Fitzgerald pointed out that the Articles of Incorporation would have to be amended again to remove that class of stock.

Administrator Fitzgerald asked Mr. Boyer how Springville Irrigation will assure their shareholders their officers will perform “due diligence” before they allow Springville Irrigation Company shares to be issued to other irrigation company shareholders. Mr. Boyer replied that allowing these defunct companies to sign documents could also cost. Administrator Fitzgerald confirmed that their intent is to return legitimacy to these other companies by issuing them stock in Springville Irrigation in exchange for their defunct stock and assets. Mr. Boyer agreed that the

Springville City Council, March 18, 2008

companies have been dissolved according to the State Department of Commerce, but they still hold assets in water rights, easements, and have obligations to their shareholders.

Mayor Mangum asked the City Attorney for a recommendation on how the City representative to Springville Irrigation should vote on March 26. Attorney Penrod replied that he understands the need and desire for this action, but his concerns have not been resolved. He would not feel comfortable recommending approval right now. Mayor Mangum asked if he does feel confident that the problems and concerns can be worked out if given enough time. Attorney Penrod replied that if Springville Irrigation will commit in writing before the meeting to perform “due diligence,” he would be satisfied. Mr. Boyer objected and said that due diligence is not usually part of the Articles of Incorporation. Administrator Fitzgerald pointed out that no limitations or restrictions have been placed on the conditions under which shares of stock may be issued to other irrigation companies by Springville Irrigation. He suggested that there should be a Memorandum of Understanding on the merging process between Springville Irrigation and each company they plan to absorb. He added that the “due diligence” is still theoretical. Attorney Penrod agreed that the amendment does not provide enough information to make sure this process is completed.

Cl. Strong commented that he does not feel that the officers of Springville Irrigation are opposed to completing the due diligence before issuing stock. He observed that the disagreement appears to be a matter of semantics. He suggested a letter of understanding between Springville City and Springville Irrigation before the meeting would resolve the concerns. Mr. Boyer commented that the Springville Irrigation stock cannot be issued without the due diligence. He pointed out that the present board members of the defunct companies continue until the company business is resolved. They would have the authority to sign over assets, and continue the business of the company as needed. Cl. Strong pointed out that the amended Articles of Incorporation give the officers authority to issue stock. How will Springville know that the officers will not issue stock until the issues with that particular company have been resolved? Attorney Penrod asked Springville Irrigation to sign a binding agreement to ensure proper due diligence will be done.

Cl. Strong asked what Springville City has to lose if this agreement is not made. Administrator Fitzgerald replied that this risk may cost Springville City in the millions of dollars. He pointed out that a quick survey of Springville City shares has found a number of shares at issue. There could ultimately be lawsuits over the disposition and ownership of shares. The eventual costs of errors will accrue to the shareholders, and Springville City is the major shareholder. The value of water makes fighting for a share worthwhile. It is in Springville City’s interest, along with all other shareholders, to make sure that the proper steps are being taken to protect their interests. Attorney Penrod assured the Council and the Springville Irrigation principals that their proposal is supported; the concern is that it is done the right way. Mr. Boyer asked the City to allow the amendment so it can be done the right way. Administrator Fitzgerald asked if he was willing to sign a document before the shareholders’ meeting to help avert the liability. Cl. Strong observed that he has confidence in Springville City’s legal representation to sign on behalf of Springville City. He pointed out to Springville Irrigation that it is important to “cross the ‘t’s’ and dot the ‘i’s’.”

CL. STRONG MOVED TO DIRECT AND AUTHORIZE SPRINGVILLE CITY’S REPRESENTATIVE TO SPRINGVILLE IRRIGATION COMPANY, CL. J. NIEL STRONG, TO ATTEND THE SPRINGVILLE IRRIGATION COMPANY SHAREHOLDERS MEETING ON WEDNESDAY, MARCH 26, 2008 AT 7:00 P.M., AND TO VOTE THE ENTIRETY OF

Springville City Council, March 18, 2008

SPRINGVILLE CITY'S SPRINGVILLE IRRIGATION COMPANY SHARES IN FAVOR OF THE ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF THE SPRINGVILLE IRRIGATION COMPANY, CONTINGENT ON THE EXECUTION OF A MEMORANDUM OF UNDERSTANDING BINDING SPRINGVILLE IRRIGATION COMPANY TO THE COMPLETION OF DUE DILIGENCE PRIOR TO ISSUING STOCK CERTIFICATES IN SPRINGVILLE IRRIGATION TO OTHER IRRIGATION COMPANY SHAREHOLDERS THAT MEETS THE APPROVAL OF THE CITY ATTORNEY. CL. OLSEN SECONDED THE MOTION. CL. OLSEN, CL. BIRD, CL. JOLLEY, AND CL. STRONG VOTED AYE. CL. PACKARD WAS ABSENT. THE MOTION CARRIED.

20. Consideration of a Resolution authorizing the execution and delivery of an amendment to a Master Lease Agreement; and related matters

Attorney Penrod reported that this Resolution is the final step to the amendment of the MBA bonding to allow the demolition of the Maxam Building. Springville City is agreeing to accept the amended master lease. He asked if the Council had questions. There was none.

CL. OLSEN MOVED TO APPROVE RESOLUTION NO 2008-10 AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO THE MASTER LEASE AGREEMENT BETWEEN SPRINGVILLE CITY AND THE MUNICIPAL BUILDING AUTHORITY OF SPRINGVILLE CITY DATED JULY 1, 2000 IN CONNECTION WITH LEASE REVENUE BONDS, SERIES 2000. CL. JOLLEY SECONDED THE MOTION. CL. BIRD, CL. JOLLEY, CL. STRONG, AND CL. OLSEN VOTED AYE. CL. PACKARD WAS ABSENT. THE MOTION CARRIED.

MAYOR, COUNCIL AND ADMINISTRATIVE REPORTS

There were no reports.

CLOSED SESSION, IF NEEDED – TO BE ANNOUNCED IN MOTION

CL. JOLLEY MOVED TO TEMPORARILY ADJOURN THE CITY COUNCIL MEETING AT 9:59 P.M. AND CONVENE IN A CLOSED SESSION FOR THE PURPOSE OF PENDING OR REASONABLY IMMINENT LITIGATION AND THE PURCHASE, EXCHANGE, OR LEASE OF REAL PROPERTY. CL. OLSEN SECONDED THE MOTION. CL. JOLLEY, CL. STRONG, CL. OLSEN, AND CL. BIRD VOTED AYE. CL. PACKARD WAS EXCUSED.

ADJOURNMENT

CL OLSEN MOVED TO ADJOURN THE CITY COUNCIL MEETING AT 10:24 P.M. CL. BIRD SECONDED THE MOTION, AND ALL PRESENT VOTED AYE.

Springville City Council, March 18, 2008

APPROVED AS WRITTEN – April 15, 2008

Page 15 of 15