**MINUTES OF THE VINEYARD
REDEVELOPMENT AGENCY BOARD
240 East Gammon Road, Vineyard, Utah
March 22, 2017 – 7:13 PM**

Present	**Absent**
Chair Randy Farnworth	
Boardmember Tyce Flake	
Boardmember Dale Goodman	
Boardmember Nate Riley	
Boardmember Julie Fullmer	

Staff Present: City Manager/Finance Director Jacob McHargue, Economic Development Director Morgan Brim, Planning Commission Chair Chris Judd, Attorney David Church, Records Management Assistant Kelly Kloepfer

Others Present: Gerald Anderson and Stewart Park with Anderson Geneva, Jason Burningham with Lewis Young Burningham and Robertson, Brian Baker with Zions Bank

7:13 PM RDA SESSION

Chair Farnworth opened the meeting at 7:13 PM.

CONSENT AGENDA:

No items were submitted.

BUSINESS ITEMS:

2.1 DISCUSSION AND ACTION - Funding Request - Bond

Anderson Geneva is requesting a bond to fund remediation and infrastructure on the Geneva Site. The RDA Board will take appropriate action.

Chair Farnworth turned the time over to Anderson Geneva. Gerald Anderson introduced Brian Baker with Zions Bank. Mr. Anderson explained that they approached the Board a year ago, and the RDA Board established a budget for environmental cleanup. Anderson Geneva indicated at that time that they would later come back seeking an appropriation towards that budget. He detailed the process that Anderson Geneva and Vineyard have followed over the last several months to review the numbers to get to this point.

He proposed a bond that would provide for environmental cleanup on the east side, transferring the material into a Containment Area Management Unit (CAMU). He indicated that it would not be a total cleanup. For the west side, they would take everything inside the of the Vineyard Connector right-of-way, clean it up, and put it into a 20-acre area at the north end. Mr. Anderson said that on June 8, 2016, the RDA Board approved $24.2 million for the environmental remediation of the east side, and now Anderson Geneva was requesting an appropriation $9.5 million towards that budget of $24.2 million. He explained that the east side cleanup would not be total because contaminants needed to be moved out of the soil and into the CAMU. These contaminants continued to recharge the groundwater. He added that the contamination had been stabilized for the most part, and they were proposing that the groundwater not be cleaned up at this time. Mr. Anderson said that once the contaminated soils were removed, that they would continue to monitor the groundwater and find a less extensive method to clean it up.

In addition, he said that there were about 3.5 million cubic yards of uncontaminated material that needed to be removed from the site. The rate to do this was $5 per yard, which would total about $15 million, and would take five to six years, without incurring any future expenses. He felt that they could sell that material. He proposed that that not be put into the budget. He further explained that Anderson Geneva had entered into an agreement with U.S. Steel for getting the CAMU operational, and that their portion would be $9.5 million; the U.S. Steel portion would be a little over $70 million.

Mr. Anderson added that that would clean up almost all of ground on the east side so that it was saleable. He pointed out that there would still be some concrete, and there would still be groundwater issues. He gave the example of the UVU north parcel, which also had groundwater issues. Anderson Geneva put deed restrictions on that parcel, so that if UVU built a building there, they would need to build a barrier. He explained that that was a less expensive way to handle the environmental issues that were less troublesome. He stated that Anderson Geneva's goal was to keep costs down. He added that they anticipated that getting the CAMU operational would be about a 24- to 36- month project.

Mr. Anderson then explained that on July 27, 2016, the RDA Board approved an expenditure of $8.4 million for the remediation of the west side (all of the land west of the railroad tracks, within the town center area). Anderson Geneva was requesting a $7.486 million appropriation towards the $8.486 million budget. The other $1 million would be for operations and maintenance (O&M) for the next 30 years, which was the ongoing monitoring. He explained that as part of their agreement with U.S. Steel, Anderson Geneva would assume the obligation for all future monitoring on the west side. U.S. Steel would be responsible for all future monitoring on the east side.

Mr. Anderson then gave a breakdown of the figures for the westside remediation project. He explained that the oil reclamation area (ORA) soils were approved for use under parking lots and roads, and after working with Mr. Overson, he was proposing that ORA soils be used as base for parking facilities and roads in the town center. He explained that they had been working with Mr. Overson on the design of the storm drain for the last year, and that the design had been approved by Mr. Overson and JUB Engineers and was ready to go out to bid. He commented that they had had to take into consideration the Union Pacific (UP) contract since the storm drain would be going under both the UP and UTA spurs.

Westside remediation project breakdown:

- $4,736,760 for environmental remediation
- $2,000,000 for movement of ORA material for base under roads and parking
- $ 750,000 for west side storm drain

Total: $7.486 million

Mr. Anderson then explained that they had originally set an amount of $30 million for concrete removal but they had since determined that instead of removing all of the concrete they could remove it down to four to six feet below the soil and then build up the soil over that. There would be about six feet between the top of the footings and where a building or parking structure might sit. This would reduce the concrete removal cost to $2.5 million. He predicted that the $2.5 million would take care of a lot of the 130 acres, if not all. He anticipated that it could be done within 24 months.

Mr. Anderson said that they had worked with staff, and based on increment currently being collected from the RDA, that they estimated a bond amount of $30 million. He asked Brian Baker about Zions Bank's commitment.

Mr. Baker replied that the bank was ready to buy the bond at $30 million and believed that the rate would be no greater than 3.1% and could be under 3%. He added that current banking regulations did not allow them to give an exact rate when discussing a bond of this amount, but they had tentatively approved it. He added that this would work with the legal coverage requirements and cash flow needs of the RDA. Mr. Baker further explained that all of the projections were based off the increment already received last year. He said that they anticipated no growth, therefore a few years from now, and as tax increment growth increased, there would be plenty of supply. Even if there were no new increment, they would have no problems making the payment on this debt.

Requested amounts summary:

- $9,550,000 for east side
- $7,486,760 for west side
- $2,500,000 for concrete removal
- $10,463,240 for infrastructure

Estimated bond amount: $30,000,000

Mr. Anderson further explained the $10.5 million set aside for infrastructure. He estimated that of the remaining 700 acres that needed to be cleaned, this would clean most of it: 100% of the west side, and 90-95% of the east side. He added that on the east side, they would clean up everything they were aware of, except for the groundwater. They would see what would happen with that once the offending soils were removed. He asked the Board if they had any questions.

Councilmember Riley asked if the $2 million covered purely the transportation of the impacted soil from the east side to the west side, or if the RDA was purchasing that material. Mr. Anderson replied that there was no cost to the material and stated that the $2 million was for transportation and compaction of the material. He said that they would have to show a small cost because EPA regulations dictate that in order to move the material, it had to become a product and to be deemed of some value. He stated that Anderson Geneva would offset that cost.

Councilmember Riley asked that since there was $10.5 million left over for infrastructure, but they really needed about $14 million to cover everything, if there was any room to go above $30 million to get that infrastructure in. Mr. Baker responded in the negative, explaining that there was a two times coverage requirement, so of the $6.1 million, Vineyard's debt payment could not be above $3.05 million per year. He further explained how the bond worked.

Jason Burningham with Lewis Young Burningham and Robertson sought to further clarify the numbers, stating that the $6.1 million would grow to $8 million because of additional development. Other things needed to come online.

Mr. Baker reiterated that the coverage worked when using the $6.1 million figure. He recommended staying with $6.1 million and forecasting forward. He then stressed that when future growth occurred, there would be new capacity that Vineyard could use down the road. He explained about how the bond would work and how Vineyard could borrow against it in the future. The discussion continued. Mr. Baker remarked that they estimated significant new increment in the future, so there was a comfort level.

Mr. Anderson commented that Anderson Geneva prepared a proposal, anticipating that the Board might not want to approve a bond that would commit all of the future tax increment, and that they also anticipated that the Board would be counseled to send it out to bid to possibly get a better interest rate. Mr. Burningham responded, stating that understanding the cash flow was important. He confirmed that there was a $30 million bonding capacity. He expressed concern about $6.1 million in cash flow covering that, pointing out that there were almost $5.7 million in annual obligations. He emphasized that the tax increment would increase, and that the other phases had to trigger in order to get more cash flow.

Mayor Farnworth asked Mr. McHargue about the cash flow, who confirmed that years two and three were going to be lean. Mr. Burningham remarked that they were showing that the cash flow would not be enough to cover the interest. Mayor Farnworth agreed, adding that they would be $700,000 short. Mr. Burningham proposed that the board set aside some fund balance in escrow to make the interest payment, then after the two to three years, they would have the capacity to go up to the $30 million. The discussion continued.

Mr. McHargue observed that it did not increase the amount the Board bonded for, because that two-times coverage extended out several years. He added that there were ways to get past the year three bottleneck, such as putting money into escrow or working out a new agreement with Anderson Geneva. He asked Mr. Anderson about their agreement with U.S. Steel.

Mr. Anderson replied that one of the issues with their contract with US Steel was the level at which they were to compact the soil. He explained that U.S. Steel's definition of compactable differed from Anderson Geneva's, which made for about a million dollars' difference in the cost. Another concern was with making sure that a subcontractor employed by U.S. Steel could not put a lien on Anderson Geneva's property, which was a problem they had had in the past when the subcontractor was not paid. A third issue was the landscaping of the west wall of the CAMU. He stressed that if they made a commitment to start on a certain date but then couldn't get an appropriation, then it would be a bad situation. He expressed hope that they could enter into a contract and move forward.

Mr. McHargue asked Mr. Anderson to tell the Board about the State's approval of the CAMU.

Mr. Anderson responded, explaining that the CAMU was the most expensive piece of the environmental cleanup. He said that the Utah Department of Environmental Quality (DEQ) put the responsibility with who originally created the mess. They (DEQ, U.S. Steel and Anderson Geneva) entered into a three-way contract that determined who had the obligation to clean it up. He said that most of the CAMU was U.S. Steel's responsibility. He explained the process of getting a permit issued to build and fill the CAMU.

Mr. Park commented that they had a preliminary meeting with U.S. Steel about a year ago in the DEQ office, where Anderson Geneva made general presentation on the CAMU. He said that they received a very positive response from DEQ, so they did not anticipate any problems getting the approval.

Mr. McHargue emphasized that when discussing modeling with no growth, it was important to consider the different types of development. There was current development and approved development. Then there was a lot of anticipated development but there was no bank in the world that would issue bonds against that.

He stated that the money needed to be spent in the next three years. He had been working with Anderson Geneva and with Mr. Overson to address that. He related that when the application was originally submitted, the bond amount was closer to $34 million. He stated that the bond could end up being a different amount than $30 million, either higher or lower. He said what they were looking at was not funding projects, but deciding if they could issue the bonds. Then after issuing the bonds, they would address the specific projects.

Mr. Anderson reminded the Board that they had to have two-times coverage, but that once the RDA made a payment, it would not have to continue that coverage. For example, after making the first-year payment, they would have 100% coverage available in additional money. Mr. Burningham clarified that the money would be available, not to monetize, but to put into projects.

Mr. Anderson observed that since they were $3-4 million dollars short of funding Mr. Overson's projects, that that would likely be only two to three years of payments. He suggested that once those payments were made, the following year the cash could go towards those projects.

Mr. McHargue summarized this for the Board. He emphasized that they needed to come up with a dollar amount. He said that there were various factors to consider, such as the interest rate affecting how much the RDA could bond for, variable (as the Zions bid was) and fixed interest rates, etc. These were issues that needed to be resolved before issuing the bonds. Then they would address how the money would be spent.

Mr. Anderson remarked that since interest rates were not expected to go down, the sooner it was done, the more they would be able to bond for. Mr. McHargue replied that they hoped to be able to move forward fairly quickly.

Mr. Park stressed that all phases must be triggered by 2020. The more they could do by 2020, the greater the ability to maximize the value of the RDA. He stated that it was in everyone's best interest to move quickly.

Chair Farnworth called for a motion.

Motion: BOARDMEMBER FLAKE MOVED TO ADVISE STAFF TO ACCELERATE THEIR RESEARCH AND ANALYSIS AND MOVE FORWARD INTO THE AREAS AS NOTED SO THE BOARD CAN READDRESS THIS AS SOON AS POSSIBLE ABOUT THE ADVISABILITY OF ISSUING A BOND TO THE LEVEL ANDERSON GENEVA IS REQUESTING OR LESS.

Mr. Church asked for clarification.

Boardmember Flake said that he wanted them to do their research to answer the questions posed by staff in this meeting, to determine what the interest rate would be, and so forth.

Mr. McHargue noted that the Board would have a public hearing, and that it would be about a month-long process to issue a bond.

Mr. Church replied that it was at least one month, and suggested that the motion be that our financial advisor and attorney proceed with the steps to borrow as much money as they could against the increment, to start the process for the bond. He emphasized that it was not a commitment to spend the money but to borrow the money. Boardmember Flake agreed with Mr. Church.

Mr. Burningham sought to further clarify the motion by stating that the way to start the process was by doing a parameters resolution, which was a notice of intent that the Board planned to issue bonds. He explained that that would allow the Board to proceed and do its due diligence with legal noticing, the public hearing, etc. He emphasized that it did not bind the Board to issue a bond or to determine how the money would be spent, but that it would start the process.

Amended Motion: BOARDMEMBER FLAKE MOVED THAT MR. MCHARGUE AND MR. CHURCH PROCEED WITH A PARAMETERS RESOLUTION TO START THE PROCESS OF ISSUING THE BOND TO THE LEVEL ANDERSON GENEVA IS REQUESTING OR LESS. BOARDMEMBER FULLMER SECONDED THE MOTION. CHAIR FARNWORTH, BOARDMEMBERS FLAKE, FULLMER, AND RILEY WERE IN FAVOR. BOARDMEMBER GOODMAN WAS OPPOSED. MOTION CARRIED WITH ONE DISSENTING.

Mr. Anderson asked if the Board was taking action on the request or tabling it. Mr. Church told Mr. Anderson that there were more details that needed clarification.

Mr. Anderson said that he had worked with staff to answer those questions. He expressed concern that the RDA had decided to look at doing the bond, but that did not resolve their request.

Mr. Church replied that they needed more details about each project to determine if the money was there before committing to a project.

Boardmembers Fullmer and Flake agreed, saying that the motion was to continue the process.

Mr. Church asked Mr. Anderson which project would be the first one done. Mr. Anderson replied that it was the Town Center. Mr. Church suggested that if they had a definite, definable project, that they put that into detail so it can be presented it to the Board to fund.

ADJOURNMENT

Chair Farnworth called for a motion to adjourn the meeting.

Motion: BOARDMEMBER FLAKE MOVED TO ADJOURN THE MEETING AT 8:01 PM. BOARDMEMBER FULLMER SECONDED THE MOTION. ALL WERE IN FAVOR. MOTION CARRIED.

MINUTES APPROVED ON: May 10, 2017

CERTIFIED CORRECT BY: /s/Kelly Kloepfer
KELLY KLOEPFER, RECORDS MANAGEMENT ASSISTANT