

Exhibit A



State of Utah

DEPARTMENT OF ENVIRONMENTAL QUALITY DIVISION OF DRINKING WATER

Michael O. Leavitt
Governor

Dianne R. Nielson, Ph.D.
Executive Director

Kayll W. Brown, P.E.
Division Director

150 North 1950 West
P.O. Box 144830
Salt Lake City, Utah 84114-4830
(801) 536-4200 Voice
(801) 536-4211 Fax
(801) 536-4414 T.D.D.
www.deq.state.ut.us

Drinking Water Board
Daniel McArthur
Chairman
Boyd Workman
Vice-Chairman
David Cline
Anne Erickson, Ed.D.
Donald F. Hayes, Ph.D.
Steve Jenkins
Linda Kruse
William A. Luce
Dianne R. Nielson, Ph.D.
Dale F. Pierson
Chris Webb

January 3, 2001

Fred Smolka, Chairman
Board of Trustees
Emigration Improvement District
P.O. Box 58945
Salt Lake City, Utah 84158

Dear Mr. Smolka:

Subject: Federal SRF Loan Authorization and Procedures for Committal of Funds

On October 13, 2000 the Drinking Water Board (hereinafter called the "Board") authorized a loan of \$1,256,000.00 to the Emigration Improvement District, Salt Lake City, Utah (hereinafter called the "Applicant") for the construction of drinking water system improvements (hereinafter called the "Project"). The loan from the Board will be secured by General Obligation bond(s), Non-voted Water Revenue bond(s), or a combination thereof; issued by the Applicant as incremental disbursement bond(s) (hereinafter referred to as the Bond(s) disbursed on a quarterly basis). The Board has determined the retirement period for the Bond to be no more than 15 years, with interest and a hardship grant assessment payable on the unpaid principal from the date of each advance of loan funds. The annual Interest Rate is 1.005% and the annual Hardship Grant Assessment is 1.005% for an annual total effective rate of 2.01%. The Board will require annual principal payments on the Bonds, plus interest and hardship grant assessments totaling approximately \$97,820 (See enclosed proposed bond repayment schedule). If a revenue bond is used, a reserve fund equal to this annual amount must be established by no more than 10 equal annual deposits.

Special Conditions:

This financial assistance was authorized subject to the availability of funds. The assistance represented by this authorization will be funded, in whole or in part, from the proceeds of a federal SRF Capitalization Grant (Section 1452 SDWA) to the State of Utah. Under the SRF Capitalization Grant Program, federal funds are to be made available to the State by way of authorized draws on a letter of credit over the construction period of the Project. Therefore, this authorization is expressly subject to the continued availability of federal funds through the SRF Capitalization Grant and the letter of credit related thereto.

Fred Smolka

Page 2

January 3, 2001

Neither the Board nor the State of Utah shall be bound by this authorization or by any obligation to provide further loan funds to or purchase any bonds from the Applicant if the SRF Capitalization Grant funds to which this authorization relates are not awarded or if payments under the letter of credit are withheld for any reason.

As a condition of this authorization, the Board will require the Applicant to provide a schedule of estimated engineering and construction time for the Project within ninety (90) days of the date of this letter. If the Project has not progressed sufficiently for the Board to purchase the first of the incremental disbursement bond(s) within twelve months of the date of authorization, authorized funding may be withdrawn.

As a condition of this loan, the Board will require the Applicant to establish a capital facilities replacement reserve account. Deposits to that account shall be made at least annually in the amount of five percent (5%) of the Applicant's annual drinking water system budget, including depreciation, and must continue until the Bonds are redeemed. Failure to maintain the reserve account will constitute a technical default on the Bonds and may result in penalties being assessed.

The Bonds may be prepaid, in whole or in part, at any time in minimum amounts of \$1,000 or any integral multiple thereof, with the prepayments applied against the Bond principal in inverse order of maturities. In addition, if any Bond proceeds remain after the Project is completed, those remaining proceeds shall be used to redeem Bond principal in inverse order of maturities. The Bond documents must contain the following provisions:

- i) The Bonds will initially be in the form of a single, fully-registered bond with provisions for incremental advances quarterly, based on a schedule that coincides with the rate at which engineering/construction related costs are expected to be incurred for the Project.
- ii) If revenue bonds are used the Bonds must be secured by a pledge by the Applicant of 100% of the net revenue produced by the Applicant's water system, and the Applicant will be required to warrant and demonstrate that those net revenues equal or exceed 125% of the total annual debt service requirements on the Bonds and any other obligations secured by a pledge of those revenues.
- iii) If interest is payable on the Bonds, that interest must be tax-exempt, and delivery of the Bonds must be accompanied by an opinion of recognized bond counsel that the interest is not subject to state or federal income taxes.

Mr. Fred Smolka
Page 3
January 3, 2001

- iv) If a revenue bond is used, and if the Applicant has previously issued bonds or other obligations secured by a pledge of water system revenues, the Bonds to be purchased by the Board should be issued on a parity with those prior bonds or obligations with respect to the revenue. If it is not possible for the Bonds to be issued on a parity basis, the Applicant should contact Michael Georgeson immediately at 536-4197.

Based on the information presented to the Board, the following sources of funding will be available for the construction of the Project:

Cost Sharing

<u>Agency</u>	<u>Share</u>	<u>% of Total</u>
Applicant (Direct Contribution)	\$ 586,000	31.81%
Drinking Water Board (Loan)	<u>1,256,000</u>	<u>68.19%</u>
Total Project Cost	\$1,842,000	100.00%

As a condition to the purchase of the Bonds by the Board, the Applicant must make arrangements for all loan proceeds and all other Project funds to be available for deposit into the escrow account described below at the time the Board delivers its initial disbursement unless other acceptable arrangements have been previously made.

The financial assistance is conditioned upon the availability of funds at the time of closing, satisfaction of the conditions specified in this letter, and adherence to the project schedule approved at that time. If the Project does not proceed according to the project schedule, the Board may withdraw project authorization, so that projects which are ready to proceed can obtain necessary funding. Extensions to the project schedule may be considered by the Board, but any extension requested must be fully justified. After the Project's construction bids have been opened and the below listed requirements have been met, and if the project remains substantially as approved, loan closing will proceed subject to funds available at that time. But, if substantial changes in the project are required, they must be considered by the Board for committal of funds.

As the Applicant you will need to complete the following items before the Board will purchase your Bonds:

1. The State of Utah has assigned Special Assistant Attorney General William L. Prater Esq. the responsibility of reviewing all proceedings and documents relating to the sale of bonds to the Board. His address is 6925 Union Park Center, Suite 265, Midvale, Utah 84047; telephone number (801) 566-8882 or mail to P.O. Box 71368, Salt Lake City, Utah 84171. The Applicant's bond counsel should submit the following items to his office at the times indicated below:

Mr. Fred Smolka

Page 4

January 3, 2001

- a. No later than one week prior to the meeting at which the Applicant intends to adopt its Resolution for the issuance of the Bonds, a complete copy of the Resolution shall be submitted for review.
- b. No later than two weeks after the adoption of the Resolution, the following items shall be submitted:
 - i] A true and complete photocopy of the Resolution as adopted, showing signatures of the appropriate officials of the Applicant on the Resolution and on the Notice of Meeting, Acknowledgment of Notice and Consent, Certificate of Publication, Open Meeting Certificate, and other similar documents relating to the Resolution.
 - ii] A true and complete photocopy of the minutes, notices, resolutions, and other documents relating to the Bonds, showing signatures of the appropriate officials.
 - iii] A complete copy of the proposed documents to be signed at Closing, including (but not necessarily limited to) General Certificate, Signature Identification and Non-Litigation Certificate, Receipt, Arbitrage Certificate (if required), Applicant Attorney's Non-Litigation Certificate, Certificate of Clerk (or Recorder) as to contents of Bond Transcript File, Escrow Agreement, and the Bond Attorney's Opinion.
 - iv] A copy of the water rate structure described in paragraph 3 below of this letter.
 - v] A copy of the proposed opinion letter of the Applicant's attorney described in paragraph 7 of this letter. The procedures for bond approval will be substantially the same as required by the Utah Municipal Bond Act as it applies to cities and towns. The opinion of the bond attorney must accompany delivery of the Bonds to the Board before proceeds of the loan will be released.

At or after the Closing, the Applicant will be billed by the Special Assistant Attorney General, and those legal fees must be paid by the Applicant. This is an eligible project expenditure. If the Applicant fails to close the loan after this authorization, it will nonetheless be billed for the actions taken by the Special Assistant Attorney General prior to loan cancellation.

2. Consistent with requirements of the law and the covenants of applicable bond resolutions, the actual payment of funds by the Board to the Applicant will not take place until the Board has assurance the funds will be used for Project costs and the Project will actually be completed. To assure this, all monies to be expended on the project, including the Applicant's share, shall be

placed in an escrow account supervised by the Applicant and the Board. The Board will make incremental advances into the account on a quarterly basis. A copy of the proposed escrow agreement shall be submitted to the Board and the Special Assistant Attorney General for Review.

It is anticipated that the Applicant will spend some of its share of funds prior to bond closing to develop an additional water source(s) as required by item 18. Money spent by the Applicant on approved work prior to bond closing will be subtracted from the amount of funds required for deposit into the escrow account.

3. At the time of the adoption of the bond resolution, the Applicant shall have passed an ordinance or resolution establishing reasonable water use rates and collection enforcement remedies, taking into account many factors including the need to have sufficient revenue income for all outstanding water system debts, operation and maintenance costs, and any reserve funds. It will then be necessary to implement effective collection procedures. A copy of the rate ordinance and collection enforcement procedures shall be submitted to the Board and the Special Assistant Attorney General for review.
4. The Applicant's contract with its engineer should include the cost of developing the plans and specifications and the construction inspection of the Project. The contract should be submitted to the Division of Drinking Water for review. (This requirement is to assure the Board that adequate and appropriate arrangements are made for completing and inspecting the project within the guidelines set by the Board.)
5. The project engineer shall submit plans and specifications, bidding documents, and general conditions to the Division of Drinking Water for review prior to soliciting bids on the Project. The engineer should contact Michael Georgeson, Manager, Engineering Section, Division of Drinking Water to arrange for the expeditious review of the plans and specifications. This loan cannot be closed until after the bid opening to assure that sufficient funds are available to complete the project.
6. Rights-of-way and easements for construction, and operation and maintenance of the Project shall be acquired. The Applicant, through its engineer, shall furnish its attorney a right-of-way map showing the location of all sources, buildings, structures, pipelines, and other pertinent facilities not only in the Project but for the entire water system. This map will be signed by the engineer and presiding officer of the Applicant and a copy provided to the Applicant's attorney as a basis for the certification described below.
7. The Applicant's attorney shall certify the following items in writing to the Board:
 - a. The Applicant is a legal entity.

Mr. Fred Smolka

Page 6

January 3, 2001

- b. The Applicant has valid legal title to the rights-of-way both for the project to be constructed and the remainder of the existing water system.
- c. The Applicant has established the ownership of water rights to any and all water used in the system and such rights are summarized with associated water right numbers.
- d. The contract documents for the construction of the Project have the proper and legal format and are in compliance with the Utah Code Annotated 1953 (including, but not limited to Title 34, Chapter 30).
- e. After the completed and executed construction contract, along with the performance and payment bonds and evidence of necessary insurance, has been reviewed by the Applicant's attorney, the Applicant's attorney shall furnish to the Board his legal opinion that all of such items are legal and binding and in compliance with the Utah Code.

As indicated earlier a draft of this letter is to be submitted to the Board and Special Assistant Attorney General two weeks after the adoption of the resolution.

- 8. The Bonds must be accompanied by a legal opinion of recognized municipal bond counsel that interest on the bond obligations is exempt from federal income taxation. Unless otherwise covered, the opinion must also include a statement that the project to be constructed with the Bond proceeds is not for private activity and that the Applicant has complied with all the requirements of the Board with respect to the Utah Federal State Revolving Fund (SRF) Program (R309-705 of the Utah Administrative Code).
- 9. The Applicant must obtain and maintain continuously throughout the loan repayment period, a fidelity bond on the positions handling the Applicant's funds, in an amount at least equal to the total amount of funds that will be on hand at any one time, exclusive of loan funds. This amount should be at least \$125,000. This fidelity bond must be obtained and furnished to the Board prior to the loan closing date. The names of the insured on the position fidelity bond will be "Emigration Improvement District and the State of Utah acting through the Drinking Water Board."
- 10. As a condition of a non-voted revenue bond, either:
 - a. The Applicant must provide to the Board a legal petition signed by a majority of the users of the Applicant's service area approving the issuance of a non-voted revenue bond to the Board: or

- b. The Applicant must mail notices to each water user in the Applicant's service area informing them of a public hearing. In addition to time and location of the public hearing the notice shall inform water users of the Applicant's intent to issue a non-voted revenue bond to the Board, shall describe the face amount of the bond, the rate of interest, the repayment schedule and shall describe the impact of the project. User charge rates and connection fees should be noted in the notice. The notice shall state that water users may respond to the Applicant in writing or in the public hearing within ten days after the date of the notice. A copy of all written responses and a certified record of a public hearing shall be forwarded to the Division of Drinking Water. If the Board feels there is significant opposition to the proposed Project, it may require the Applicant to hold a bond election before the Board's funds will be made available.
11. As a condition of this loan, the Board will require the Applicant to complete the attached *Water Management and Conservation Plan* form, submit it for review by the Division of Drinking Water, and adopt the approved plan (completing the *Certification of Adoption*) prior to bond closing. If the Applicant has already adopted such a plan, that plan may be submitted in lieu of this form.
12. There are a number of Federal laws, executive orders and government-wide policies that apply to projects receiving Federal financial assistance. These "cross-cutting Federal authorities" include the following:

Environmental Authorities

- Archaeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
 - Clean Air Act, Pub. L. 84-159, as amended
 - Coastal Barrier Resources Act, Pub. L. 97-348
 - Coastal Zone Management Act, Pub. L. 92-583, as amended
 - Endangered Species Act, Pub. L. 93-205, as amended
 - ~~Environmental Justice, Executive Order 12898~~
 - Flood Plain Management, Executive Order 11988 as amended by Executive Order 12148
 - Protection of Wetlands, Executive Order 11990
 - Farmland Protection Policy Act, Pub. L. 97-98
 - Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
 - National Historic Preservation Act of 1966, Pub. L. 89-665, as amended
 - Safe Drinking Water Act, Pub. L. 93-523, as amended
 - Wild and Scenic Rivers Act, Pub. L. 90-542, as amended
- Economic and Miscellaneous Authorities
- Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
 - Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grant, or Loans
 - Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended

- Debarment and Suspension, Executive Order 12549
 - Social Policy Authorities
- Age Discrimination Act of 1975, Pub. L. 94-135
- Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- The Drug-Free Workplace Act of 1988, Pub. L. 100-690 (applies only to the capitalization grant recipient)
- Equal Employment Opportunity, Executive Order 11246
- Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432
- Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590
- Anti-Lobbying Provisions (40 CFR Part 30) [applies only to capitalization grant recipients]

The Applicant must agree to comply with the above mentioned Federal laws, executive orders and government-wide policies that apply to the Project and do the following:

- a. Ensure, to the fullest extent possible, that Minority and Women's Business Enterprise procurement requirements are achieved in all procurements for prime contractors, subcontractors, suppliers, and others. Ensure that the six affirmative steps are taken to assure compliance with the State's "fair share goals" in all procurements. The required language and instructions will be supplied by the Division of Drinking Water (Division).
 - i] Bid solicitations shall state that this is a federally funded project requiring compliance with the State's "fair share goals" and federal EEO regulations.
 - ii] The "Special Conditions" or "Supplemental Conditions" in the bid documents shall contain the language and instructions specifying the MBE and WBE procurement requirements, provided by the Division.
 - iii] The same bid documents shall also contain the federal EEO requirements.
- b. Completion and submittal to the Division of Drinking Water of the MBE/WBE utilization form 334 before loan closing for planning design services and two weeks after the end of each quarter during construction for construction services.
- c. Completion of EPA Form 4700-4, Pre-award Compliance Review Report and submittal to the Division of Drinking Water within 45 days before loan closing.
- d. Include the following certification in the bond resolution:

Mr. Fred Smolka

Page 9

January 3, 2001

"The Issuer agrees, in accepting the proceeds of the Series _____ Bonds, to comply with all applicable state and federal regulations related to the Utah State Revolving Fund administered by the Drinking Water Board. These requirements include, but are not limited to, Title XIV of the Safe Drinking Water Act of 1996, OMB Circular A-133, the Utah Federal State Revolving Fund (SRF) Program (R309-705 of the Utah Administrative Code), the Utah Municipal Bond Act, the Utah Money Management Act, the Utah Procurement Code and the State of Utah Legal Compliance Audit Guide."

13. The applicant shall submit a cash draw-down schedule prepared and certified by their consulting engineer to be a schedule which coincides with the rate at which construction related costs are expected to be incurred for the Project.
14. The applicant shall receive "firm commitments" from at least 57 (85%) of the 67 homeowners anticipated as participants under this project. This would include both the payment of the connection fee and a signed contract to pay water utility bills from each homeowner.
15. Provide acceptable evidence it owns sufficient water rights to serve at least 280 homes (213 homes and lots in EID and 67 homes outside of the District).
16. Document how it is organized, including an organizational chart and description of responsibilities.
17. Provide a water system operation plan satisfactory to the Division of Drinking Water, including operation and maintenance duties.
18. Find additional acceptable sources of drinking water. Demonstrate that together the new sources and the two existing wells will adequately serve at least 280 homes. The sources may be wells, springs, and/or extending another acceptable source of water to the service area. The District must also have Division approval of its "Preliminary Evaluation Report" (PER) for its sources.

In order to facilitate the timely completion of the financial assistance requirements outlined in this letter, the Applicant and its attorney and engineer should submit to the Division of Drinking Water all of the items listed in numbered paragraphs 2 through 18 above prior to seeking committal of funds from the Board and no later than 30 days before the bond closing, and the Applicant's bond attorney should submit to the Special Assistant Attorney General the items listed in subsection "b" of paragraph 1 on or before this date. As much as possible, this information should apply to the Project in general to allow a single review.

Mr. Fred Smolka
Page 10
January 3, 2001

These requirements must be completed on or before September 15, 2001. If the Applicant fails to reasonably comply with the Project schedule, the Authorization may be withdrawn in accordance with R309-705-7.

The Division of Drinking Water must be reimbursed for its expenses in preparing this loan and for those expenses administering the construction contract. The loan preparation expenses will be billed to the Applicant shortly after the loan closing. The contract administration costs will be billed to the Applicant periodically through the life of the construction contract. These costs are eligible project expenses. If the Applicant fails to close the loan after its authorization, the Applicant will also be billed for the Division's expenses.

These requirements will probably not cover all the matters pertaining to the Project. We anticipate that specific questions on matters relating to your Project will arise, and we are confident that a joint cooperative effort can resolve the issues.

If you have any questions concerning these requirements, please contact Michael Georgeson of the Division of Drinking Water.

Sincerely,

DRINKING WATER BOARD



Michael B. Georgeson
Assistant Executive Secretary

KEW:kew

Enclosures:

cc: William Prater, Esq., William L. Prater, LLC, P.O. Box 71368, S.L.C., UT 84171
Rick Wheadon, Carollo Engineers, 1935 E. Vine Street, Suite 200, Salt Lake City, UT 84121
Shirl D. Clarke, Adm., P.C.I.B. Fund, Div. Comm. Dev., 324 So. State St. Suite 500 S.L.C., UT 84111
Richard E. Walker, Adm., CDBG, Div. Comm. Dev., 324 So. State St. Suite 500 S.L.C., UT 84111
John R. Cox, USDA, Rural Development, P.O. Box 11350, Room 4431, S.L.C., UT 84147
Steven L. Wilde, Div. Water Resources, DNR, P.O. Box 146201, SLC, UT 84114