

**MEETING OF THE
STATE BOARD FOR FINANCING WATER PROJECTS
Summary Minutes**

**Wednesday, September 28, 2011
9:30 AM
901 S. Stewart St., 2nd Floor Tahoe Room
Carson City, NV 89701**

Members Present:

Bruce Scott, Chairman
Brad Goetsch, Vice-Chairman
Andrew Belanger
Steve Walker
Lori Williams**
Jennifer Carr, Ex-officio Member

Staff Attending:

Jasmine Mehta, DAG
Adele Basham
Daralyn Dobson
Michelle Stamates
Kathy Rebert

**Ms. Williams was not in attendance at the very beginning of the meeting but joined during the presentation of agenda item C.1.a.

THE FOLLOWING MINUTES OF THE MEETING ARE SUMMARIZED. TO HEAR DETAILS, DISCUSSION AND BOARD OR PUBLIC COMMENTS ON INDIVIDUAL AGENDA ITEMS OR THE FULL MEETING GO TO:

<http://ndep.nv.gov/bffwp/audio1011/indexlan.html>

A. INTRODUCTION AND ROLL CALL (Non Action)

At the invitation of Chairman Scott, Board members and others present introduced themselves.

B. APPROVAL OF MINUTES - July 27th, 2011 MEETING (For Possible Action)

Motion: Mr. Walker moved to accept the minutes as written. The motion was seconded by Mr. Belanger and passed.

C. DRINKING WATER STATE REVOLVING FUND PROGRAM

1. Discussion & Possible Approval of Loan Commitments

a. Kingsbury GID (For Possible Action)

Director Scott noted that although he has done work for Kingsbury GID, he is not currently and will participate in the process and vote on the item.

Ms. Michelle Stamates presented the information and staff recommendation for approval on this proposal. For details of each, see **ATTACHMENT 1**.

Ms. Williams arrived during this presentation.

Staff Recommendation: Approval of a loan commitment from the loan fund of the DWSRF in the amount of \$5,000,000 to the Kingsbury GID for installation of an ultraviolet (UV) disinfection system.

Mr. Cameron McKay, General Manager for Kingsbury GID, was present and informed the Board that Kingsbury now has a fully metered system and they will be reviewing water rates. Mr. McKay also answered some questions for the Board in regard to water usage.

Motion: Mr. Goetsch moved to approve a loan commitment from the DWSRF in the amount of \$5,000,000 to the Kingsbury GID. The loan will be for a term not to exceed 20 years and at an annual interest rate of 66% of the appropriate Bond Buyers Index at the time the loan contract is signed. The Division and KGID will negotiate the terms and conditions of a loan agreement. Also, adopt a resolution designated the “9-2011 Kingsbury General Improvement District Project Loan Commitment Resolution” to approve a loan commitment for the purpose of financing certain projects. The motion was seconded by Mr. Walker and passed unanimously.

1. b. Nye County for the Town of Gabbs (For Possible Action)

Ms. Stamates also presented the information and staff recommendation for approval on this proposal. For details of each, see **ATTACHMENT 2**.

Recommendation: Approval of a loan commitment from the loan fund of the DWSRF in the amount of \$806,376 to Nye County for the Town of Gabbs for improvements to the Gabbs water system to attain compliance with the fluoride MCL.

Attending the meeting to answer any questions on this project were Mr. Oz Wichman, Nye County Public Works, Ms. Amy Fanning, Nye County Grants Administrator, and Mr. Marty Ugalde, Day Engineering.

Some discussion followed with Mr. Wichman explaining what has been found in previous drillings and providing information on the most recent drilling and water quality.

Motion: Ms. Williams moved to approve a loan in the amount of \$806,376 to Nye County for the Town of Gabbs to fund water improvements including the well as outlined in the staff report. Also, adopt the resolution designated “9-2011 Nye County for the Town of Gabbs Project Loan Commitment Resolution” to approve a loan commitment for the purpose of financing certain projects and that the loan be granted with 100% principal forgiveness. The motion was seconded by Mr. Goetsch and passed unanimously.

Chairman Scott asked Ms. Daralyn Dobson for clarification of content in the loan contract for a principal forgiveness loan, which Ms. Dobson provided. A brief discussion followed.

1. c. Frontier Village MHP Revise Loan Commitment (For Possible Action)

One year ago, the Board approved a loan commitment to Frontier Mobile Home Park; however, the Board motion limited the funds to go towards consolidation. After a year of effort, it has become apparent that consolidation is not feasible mainly because of the high cost of connection fees. Ms. Adele Basham presented the information and staff recommendation for approval on this proposal. For details of each, see **ATTACHMENT 3**.

Recommendation: Approval of a resolution modifying the loan commitment of the DWSRF to IGWT for the Frontier Village Mobile Home Park to be used for construction of on-site treatment for arsenic.

Discussion followed on water rights of the MHP. Also, concerns were discussed regarding funding projects to small water systems and the success of the projects instead of encouraging connection to municipal systems.

Ms. Basham advised the Board that the top priority in the SRF program is making sure that public health is protected. She said we have to ensure that the water is meeting drinking water standards and that the people are drinking water that is safe. She stated that although consolidation to another system is always the preferred option, consolidation can take a long time to implement with obtaining easements, negotiating conditions and connection fees, etc., and delays result in people continuing to drink water that does not meet drinking water standards. In this case, Frontier's water is almost six times the drinking water standard for arsenic.

Motion: Mr. Belanger moved to adopt resolution dated the "9-2011 Frontier Village Mobile Home Park Project Loan Commitment Resolution" to approve a loan commitment for the purpose of financing certain projects in the amount of \$150,000 and to modify the previous motion made a year ago. The loan to be approved not to exceed 20 years at an annual interest rate of 66% of the appropriate Bond Buyers Index at the time the loan contract is signed and that the Division and the applicant negotiate terms and conditions. The motion was seconded by Ms. Williams. After a brief discussion including a suggestion by Chairman Scott that the agreement make clear that the water rights are encumbered by the loan, the motion passed unanimously.

D. BOARD COMMENTS - (Non Action)

None.

E. PUBLIC COMMENTS - (Non Action)

None.

Chairman Scott asked staff to comment on pending projects, funds available, and the possibility of a future meeting. Ms. Dobson gave a brief report and answered Board questions.

Meeting was adjourned at 10:58 a.m.

ATTACHMENTS

ATTACHMENT 1: Kingsbury GID Loan Commitment and Resolution

ATTACHMENT 2: Nye County for the Town of Gabbs Loan Commitment and Resolution

ATTACHMENT 3: Frontier Village MHP Revise Loan Commitment

ATTACHMENT 1

Kingsbury GID Loan Commitment and Resolution

**Board for Financing Water Projects
Loan Commitment from Drinking Water State Revolving Fund
Kingsbury General Improvement District
September 2011**

Project: Water System Improvements
Project Estimate: \$5,274,000
Loan Amount: \$5,000,000

GENERAL

The Division of Environmental Protection (Division) administers the Drinking Water State Revolving Fund (DWSRF) under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295, inclusive. One of the requirements of the NRS pertaining to the DWSRF is that the Division shall not “commit any money in the account for the revolving fund for expenditure...without obtaining the prior approval of the board for financing water projects” (NRS 445A.265, subsection 3). Regulations adopted by the State Environmental Commission pursuant to NRS 445A.270 describe how the Division administers the DWSRF.

BACKGROUND

Construction of the Kingsbury water system began in the 1940s. The majority of the water system was constructed during the 1960s. The water system was initially a private water system, known as the Kingsbury Water Corporation. The assets of the Kingsbury Water System were purchased by Kingsbury General Improvement District (KGID) in 1976.

Over the past several years, KGID has been working on implementing Phase 1 water system improvements. Phase I addresses that portion of the service area considered to be in greatest need of repair – the highest priority in terms of health and safety, service reliability, and economics. The project included the replacement of waterlines and transmissions lines, construction of a new storage tank and PRV station, and the installation of 386 water meters. In 2010/2011, KGID installed water meters for the remaining customers and the system is now fully metered.

KGID is required to comply with the US Environmental Protection Agency Long Term 2 Enhance Surface Water Treatment Rule (LT2ESWTR) by October 2014. The purpose of the LT2ESWTR is to reduce illness linked with the contaminant *Cryptosporidium* and other disease-causing microorganisms in drinking water. The LT2ESWTR supplements existing regulations by targeting additional *Cryptosporidium* treatment requirements to higher risk systems. These higher risk systems include filtered water systems with high levels of *Cryptosporidium* in their water sources and all unfiltered water systems, which do not treat for *Cryptosporidium*.

CURRENT SYSTEM

The KGID water treatment system is an unfiltered system. Water from Lake Tahoe flows by gravity through a lake intake to the subsurface water treatment facilities. The water receives primary disinfection treatment by ozonation. Following the ozonation process, the water receives post disinfection by chlorination. Six pump stations within the KGID water system supply water to 6 primary pressure zones and 19 secondary pressure zones. There are 49 pressure-reducing valves (PRVs) to regulate conveyance of water in the distribution system.

Water storage facilities are located within each pressure zone. The storage facilities are interconnected to supplement storage tanks located at lower adjacent pressure zones.

Water Conservation

KGID adopted a Water Conservation Plan October 20, 1992. The plan was last updated in 2009. The objectives of the conservation plan include public education, reduce consumption, reduce leaks, develop water rates that will reduce water usage and provide incentives that encourage water conservation. As of August 2011, the system is fully metered and working to develop a new metered water rate that will also incorporate the debt service that will be incurred from this new loan to upgrade the treatment system for LT2ESWTR compliance.

Customers, Population and Growth

The number of service connections served by KGID water system is shown in the table below. Total current and future population served is hard to estimate since KGID has a large second-home and visitor population that is not picked up by any census. The District is built out and there is very little growth expected.

	Current	Projected Future
Residential Connections	2,420	2,450
Commercial Connections	55	55
Estimated Population	3,832	3,900

PROPOSED PROJECT

The project will install ultraviolet (UV) disinfection for LT2ESWTR compliance and will replace the air generated ozone system with a high-purity, liquid oxygen system thereby providing room for the UV equipment in the existing building without increasing the treatment plant footprint. A vacuum-primed pump station off the existing lake intake will provide flow to the UV reactors as well as provide protection against low lake levels. After UV treatment, the flow will be routed back to the existing ozone reactors for disinfection and continue through the existing treatment and distribution system. UV is the most cost effective disinfectant to meet *Cryptosporidium* inactivation and ozone eliminates taste, odor and disinfection byproducts issues.

Alternatives to Proposed Project

Two disinfectants are required under LT2ESWTR. Four disinfectants and membrane filtration were reviewed to satisfy the Surface Water Treatment Rule and LT2ESWTR: UV, ozone, chlorine dioxide, chlorine and ultra-filtration.

Each alternative was evaluated for its ability to achieve the treatment criteria. Alternatives were evaluated through a cost-benefit decision process. The selection process resulted in a combination of alternatives that bring the system into compliance with the LT2ESWTR with the greatest benefit and lowest cost. Other alternatives considered:

- Replacing the ozone with chlorine and adding UV disinfection had the lowest life cycle cost of the alternatives. However, this alternative had the possibility of producing issues with taste and odor as well as increasing disinfectant byproduct formation.
- Using ultra-filtration with chlorine would provide protection from changes in water quality or future regulations. The capital and O&M costs are significantly higher than the other alternatives. In addition, the waste stream created by the necessary backwashing of the filters appeared to exceed the on-site sewer capacity.

- Using the existing air generated ozone system along with the addition of UV disinfection required a new building for the UV equipment. Given the limitations on building in the existing KGID easement, this alternative did not appear feasible.

Environmental Review

No known wildlife or endangered species, historic or archeological sites will be affected by the proposed project. There are no negative impacts to either commercial or residential land uses; however, the project will have a positive benefit of improved water quality to all commercial and residential users. Construction will be done entirely within the existing water treatment building site and easement, and sufficient application of water, by truck or fire hose, will be used to prevent dust.

Environmental review of water projects is conducted by the NDEP pursuant to Nevada Administrative Code (NAC) 445A.6758 to 445A.67612. Certain types of projects are eligible for a categorical exclusion from the environmental review process under NAC 445A.67583. The NDEP determined that the KGID project is eligible for a categorical exclusion under NAC 445A.67583(2)(a), rehabilitation of an existing facility and NAC 445A.67583(2)(b), replacement of equipment or structures and meets the required criteria for a categorical exclusion. The project is also eligible for a categorical exclusion under NAC 445A.67583(2)(e) because there is sufficient evidence that a significant effect on the quality of the environment is unlikely since construction will be permitted by Tahoe Regional Planning Agency (TRPA) and subject to strict environmental criteria and mitigation if necessary. A Best Management Plan (BMP) will be developed and followed for the entire project area. Any barren areas and areas disturbed by construction will be re-vegetated in accordance with the TRPA Handbook of Best Management Plan Practices.

The basis of this determination is that the project will substantially utilize existing buildings and facilities. The project may be exempted from further substantive environmental review requirements.

Notice of the proposed categorical exclusion determination by NDEP was published in the Tahoe Daily Tribune on or about September 21, 2011. It was also circulated through the Nevada State Clearinghouse. Consultation with the State Historic Preservation Office has been initiated. Compliance with section 106 of the National Historic Preservation Act will occur before construction begins.

Permits

The following permits will be required:

1. TRPA – Site piping, pump vaults, etc. will require a permit
2. Bureau of Safe Drinking Water – Letter of approval of the final design and construction documents
3. Douglas County Building Permit
4. Tahoe Douglas Fire Protection District

Cost Estimate

Budget Item	DWSRF Funding	Local Funding	Totals by Use
Planning	\$ -		\$ -
Design & Engineering	\$ 956,600.00	\$ 274,000.00	\$ 1,230,600.00
Land Acquisition	\$ -	\$ -	\$ -
Equipment/Materials	\$2,103,200.00		\$ 2,103,200.00
Construction/Improvements	\$1,940,200.00		\$ 1,940,200.00
Administrative	\$ -		\$ -
Financing Costs	\$ -		\$ -
Project Total	\$5,000,000.00		\$ 5,274,000.00

Project Schedule

Planning, Design & Specification	Nov 2011 – Oct 2012
Advertise for Bids	Nov 2012
Award of Contract	Jan 2013
Start of Construction	May 2013
Start-up of Water Project	Dec 2013

Water Rates

KGID provides services for street maintenance, snow removal, wastewater collection, drainage and water service to District customers. Since the original loan commitment in 2002, KGID has increased water rates. The base rate for unmetered, flat-rate customers is currently \$65 per month. The proposed base rate for metered customers is \$67 plus a commodity charge of \$5.83 per 1,000 gallons for residential customers with a ¾" meter.

Financial Evaluation

NDEP's Office of Financial Assistance reviewed the financial information submitted with the Project Loan Application for Kingsbury General Improvement District. The materials include:

- Audited Financial Statements for fiscal years ended June 30, 2008, 2009 and 2010
- DWSRF Loan Application
- Schedule of debt service

Indicators of KGID's financial capability include the following:

- KGID's policy has been, and continues to be, one of establishing and maintaining water rates at a level necessary to meet both operations and debt service requirements.
- Income from Operations for the three years examined was as follows: 2008: \$861,471; 2009: \$813,589; and 2010: \$619,070.
- Cash Flows from Operations and Increases in Cash have averaged \$1,461,429 and \$265,410, respectively over the three years examined.
- Both the Current Ratio of 3.129 (FY10) and the Debt Coverage Ratio of 1.71 (FY10) indicate KGID has the ability to easily absorb the increase in debt obligations as a result of this loan.

- KGID's current general obligation outstanding debt of \$7,081,122 is well below the statutory limit of \$113,277,675.

The DWSRF program will also rely upon the extensive credit history obtained by bond counsel during the process of issuing the required general obligation bonds which will provide security for the DWSRF loan.

Technical, Managerial and Financial Capacity of Kingsbury GID

A TMF Capacity Survey was conducted with KGID in 2011, and the resulting total capacity score exceeded 93%. KGID is currently in compliance with drinking water standards. The water quality meets the MCLs and all monitoring requirements have been met. KGID employs certified operators who have the technical knowledge and ability to operate the system. KGID has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards and retains a certified public accountant and utilizes generally accepted accounting principles.

Public Notice and Public Participation Process

KGID has been working on LT2ESWTR compliance alternatives for the past two years. Both consolidation and stand-alone alternatives have been investigated. These studies have been presented at public meetings for discussion.

Status of Drinking Water State Revolving Loan Fund

Currently, there is approximately \$13.6 million available in the loan fund. This loan commitment along with other recommended projects before this Board will reduce the funds available for future loans to approximately \$7.8 million.

RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF in the amount of \$5,000,000 to the KGID. The loan will be for a term of not to exceed 20 years and at an annual interest rate of 66% of the appropriate Bond Buyers Index at the time the loan contract is signed. The Division and KGID will negotiate the terms and conditions of a loan agreement. A resolution designated the "9-2011 Kingsbury General Improvement District Project Loan Commitment" is attached for your consideration (See Attachment #1).

ATTACHMENT 1

Resolution of the Board for Financing Water Projects

Commitment of Funds from the

Account for the Revolving Fund

RESOLUTION

A RESOLUTION DESIGNATED THE "9-2011 KINGSBURY GENERAL IMPROVEMENT DISTRICT PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve for the Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Division has the responsibility of administering the Drinking Water State Revolving Fund program; and

WHEREAS, on July 27, 2011, the Board, pursuant to NRS 445A.265, approved the Year 2012 Priority List of water projects eligible for loans from the account for the revolving fund under the Drinking Water State Revolving Fund; and

WHEREAS, the Kingsbury General Improvement District's water system ("Kingsbury") is a public water system located on the Nevada side of the Lake Tahoe Basin and which has been authorized by Douglas County as a general improvement district formed under NRS 318; and

WHEREAS, the Division ranked the Project as #1 on the Year 2012 Priority List of water projects, which was approved by the Board on July 27, 2011; and

WHEREAS, Kingsbury's Project is one of those projects which indicated a readiness to proceed and to which a loan can and should be offered; and

WHEREAS, the Division has determined that Kingsbury has the technical, managerial and financial capability to manage and repay a loan for funding a portion of the Project; and

WHEREAS, the Division has taken all necessary and proper actions with respect to the Application as required pursuant to the regulations adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive) pertaining to loan applications; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “9-2011 Kingsbury General Improvement District Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Applicant shall be negotiated by Kingsbury General Improvement District with the Division.

Section 3. Based on the review of the Application by the Division and based on the recommendation submitted by the Division to the Board concerning the Project, and subject to the provisions of Section 2 of this Resolution, the Board hereby approves a commitment of funds in the amount not to exceed \$5,000,000 from the account for the revolving fund in accordance with NRS 445A.265.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

Section 5. This resolution shall be effective on its passage and approval.

PASSED, ADOPTED AND SIGNED SEPTEMBER 28, 2011

Chairman
Board for Financing Water Projects

Attest:

Advisor
Board for Financing Water Projects

ATTACHMENT 2

Nye County for the Town of Gabbs
Loan Commitment and Resolution

Nye County for the Town of Gabbs Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund September 2011

Project: Water System Improvements for Fluoride Compliance
Project Estimate: \$1,296,221
Loan Amount: \$806,376

GENERAL

The Nevada Division of Environmental Protection (Division) administers the Drinking Water State Revolving Fund (DWSRF) under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295, inclusive. One of the requirements of the NRS pertaining to the DWSRF is that the Division shall not “commit any money in the account for the revolving fund for expenditure...without obtaining the prior approval of the board for financing water projects” (NRS 445A.265, subsection 3).

The Town of Gabbs is a small rural town of approximately 270 people located in northwestern Nye County approximately 80 miles southeast of Fallon. The groundwater source of supply currently exceeds the State Drinking Water Secondary Standard Maximum Contaminant Level (MCL) of 2.0 milligrams per Liter (mg/L also referred to as parts per million, ppm) for fluoride. Fluoride levels in the town municipal well are currently 2.5 mg/L.

CURRENT SYSTEM

The Gabbs water system consists of one 0.562 MGD groundwater well and pumping station, one 0.50 MG welded steel storage tank and transmission and distribution mains. Water is chlorinated at Well No. 1. The emergency well (Well No. 8) cannot be used as a back-up well without treatment due to high fluoride levels.

Water levels in Well No. 1 have been declining at an approximate rate of 3 feet per year since 1989. In that time, fluoride levels have increased and now exceed the State’s Maximum Contaminant Level of 2.0 mg/L. Fluoride levels in Well No. 1 are currently 2.5 mg/L. Fluoride levels in Well No. 8 exceed 8 mg/L. The Division ranked this project as a Class II water project per NAC 445A.67569 1 (b) (2)¹.

Customers, Population and Growth

The estimated population projections indicate that there is little anticipated growth for the Town of Gabbs through 2020. There is a small amount of excess capacity in the system based on

¹ **NAC 445A.67569 Priority list: Criteria for ranking water projects; prioritizing requests for certain financial assistance. (NRS 445A.270)**

(2) A Class II water project is intended to address chronic health concerns by satisfying the requirements for water quality set forth in [NAC 445A.453](#) and [445A.455](#). The Division shall prioritize Class II water projects, giving projects with a higher score priority over projects with a lower score, according to the total score each receives for:

(I) Demonstrated or documented noncompliance with any one of the requirements for water quality set forth in [NAC 445A.453](#), 10 points each;

(II) Exceeding any one of the secondary drinking water standards found in [NAC 445A.455](#), 1 point each; or

(III) Any other factor as provided in the intended use plan established for the year in which the priority list is developed.

the existing water usage. Current water use in Gabbs appears to be higher than other rural communities with similar amenities and vegetative growth. Some growth might be more manageable if water meter reading was incorporated for all users to encourage water conservation and discourage water wasting.

PROPOSED PROJECT

The proposed capital improvement project to mitigate the fluoride issue includes a new, primary well and appurtenances on BLM land (See map in Attachment #1). Well No. 1 would then serve as a back-up or emergency well to the system. The estimated total cost of the new well, pump station, transmission line and appurtenances is \$806,376. Operating and maintenance costs should be similar to those paid for the current system.

Alternatives to Project

A Preliminary Engineering Report (PER) was developed by Day Engineering in April 2008. The alternatives investigated included: importing water, spring rehabilitation, bottled water, under-the-counter treatment, new groundwater source and municipal water treatment for fluoride. The recommendation resulting from this PER was to conduct exploratory drilling in search of a groundwater supply that meets the compliance regulations for drinking water. The recommendation was based on the significant capital costs and moreover the significant operations and maintenance costs associated with a treatment facility. In the fall and winter of 2008, two test wells were drilled, constructed, test pumped and analyzed for water chemistry. One site was located at the existing airport 3.5 miles north of town and the other site was located in Lodi Valley between an existing stock well and the existing town municipal well (See map in Attachment #2 – Phase 1). The fluoride levels in the existing stock well are below the MCL. Water chemistry analysis from both boreholes indicated that the two sites were not suitable for pursuing a production well, exceeding both fluoride and arsenic standards for drinking water. Although the existing town municipal well water temperature is approximately 60°F, the water temperature exceeded 90°F at both test well sites. Both test wells were properly abandoned.

Eighty-five percent of the funding for the PER and first borehole was provided by a Capital Improvements Grant (AB 198) with a fifteen percent match by the County. Nye County funded the second exploratory borehole. In December 2009, additional funds were obtained from Nye County to continue the exploratory well drilling program. Two more sites were selected; one was located approximately three quarters of a mile southeast of the existing town municipal well (closer to town) and the other site was located approximately one half mile southwest of the existing town municipal well on the west side of State Route 361 near existing overhead power lines (See map in Attachment #2 - Phase 2). Drilling of the two new boreholes commenced in December 2010. Drilling operations were again performed by Parsons Drilling. The boreholes were drilled to depths of 400 and 500 feet, respectively, and water chemistry was analyzed for each site. The two boreholes were not cased but instead were drilled by reverse rotary method to preclude the introduction of mud and were air-lifted to facilitate the collection of water samples. Water quality results from the first borehole indicated marginal fluoride levels and acceptable arsenic levels. Water quality results from the second borehole met drinking water quality standards for fluoride and arsenic and a monitoring well was constructed at the second borehole site. The monitoring well was then test pumped for 48 hours and the full panel of water quality constituents was analyzed. The results indicate the water chemistry from the monitoring well meets drinking water standards for all constituents.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to Nevada Administrative Code (NAC) 445A.6758 to 445A.67612. An environmental review and responses from local, state and federal agencies is in process. As the land manager, the BLM will provide guidance on any necessary cultural and environmental assessments. The NACs allow NDEP to utilize an environmental review/assessment conducted by another agency as long as the review complies with NDEP's environmental requirements. NDEP will determine if the BLM's environmental review/assessment satisfies NDEP's requirements and if so will concur with the BLM's determination.

Permits

The following permits/easements are required for the project:

1. NDEP Bureau of Safe Drinking Water approval of Plans and Specifications
2. BLM ROW / Easement
3. NDOT Encroachment Permit within the State Route 361 ROW

Cost Estimate

Budget Item	DWSRF Funding	Local Funding	Other	Totals by Use
Planning		\$400,000	\$89,845	\$489,845
Design & Engineering	\$67,639			\$67,639
Land Acquisition Permitting and Environmental	\$10,000			\$10,000
Equipment/Materials				
Construction/Improvements	\$723,737			\$723,737
Administrative	\$5,000			\$5,000
Financing Costs				
Totals by Source	\$806,376	\$400,000	\$89,845	\$1,296,221

Project Schedule

Project Funding	September 2011
Design & Permitting	March 2012
Advertising Invitation to Bid	March 2012
Start of Construction	April 2012
Project Completion	October 2012

Financial Evaluation

In order to receive the Fiscal Year 10 & 11 grant award from United States Environmental Protection Agency, the State of Nevada must agree to use at least 30% of its grant to provide additional subsidization to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants or any combination of these. Nevada specified in the Intended Use Plan that additional subsidy will be offered to communities that meet the definition of

disadvantaged community. The NAC defines a disadvantaged community as an area served by a public water system in which the median income per household is less than 80 percent of the median household income (MHI) of the state. Based on the 2005-2009 Community Survey, 80 percent of Nevada's MHI is \$44,438.

According to the 2005-2009 Community Survey, the MHI for the Town of Gabbs is \$33,173. Therefore, Gabbs meets the requirements for additional subsidy, making a principal forgiveness loan appropriate for the Town of Gabbs.

Nye County uses an enterprise fund to account for its water and sewer activities in the Town of Gabbs. The water system in Gabbs is metered; however, a metered rate is not charged. Water service is charged at a flat rate of \$62.00 per month which is significantly above the 'reasonable' monthly water rate (1.5% of the MHI) of \$41.47 per month for residential users.

Technical, Managerial and Financial Capacity

A TMF Capacity Survey was conducted with the Town of Gabbs in 2011, and the resulting total capacity score was 85%. The water quality currently meets the MCLs with the exception of fluoride and all monitoring requirements have been met. Gabbs employs a certified operator who has the technical knowledge and ability to operate the system. The Nye County has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards and retains a certified public accountant and utilizes generally accepted accounting principles.

Compliance with Safe Drinking Water Act

The Town of Gabbs is in compliance with requirements of the Safe Drinking Water Act with the exception of the MCL for fluoride. The proposed project is intended to bring Gabbs into compliance with the fluoride MCL.

Status of Drinking Water State Revolving Loan Fund

Currently, there is approximately \$13.6 million available in the loan fund. This loan commitment along with other recommended projects before this Board will reduce the funds available for future loans to approximately \$7.8 million.

RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF in the amount of \$806,376 to Nye County for the Town of Gabbs for improvements to the Gabbs water system to attain compliance with the fluoride MCL. This loan will fund the design of the project and the drilling/equipping of a new well to achieve fluoride compliance. Since the project is eligible for additional subsidy as specified in Nevada's Intended Use Plan, 100% of the principal will be forgiven. The Division and the Nye County will negotiate the terms and conditions of a loan agreement. A resolution designated the "9-2011 Nye County for the Town of Gabbs Project Loan Commitment" is attached for your consideration (See Attachment #3).

Attachments

Proposed Project

Attachment 1

Exploratory Drilling Sites

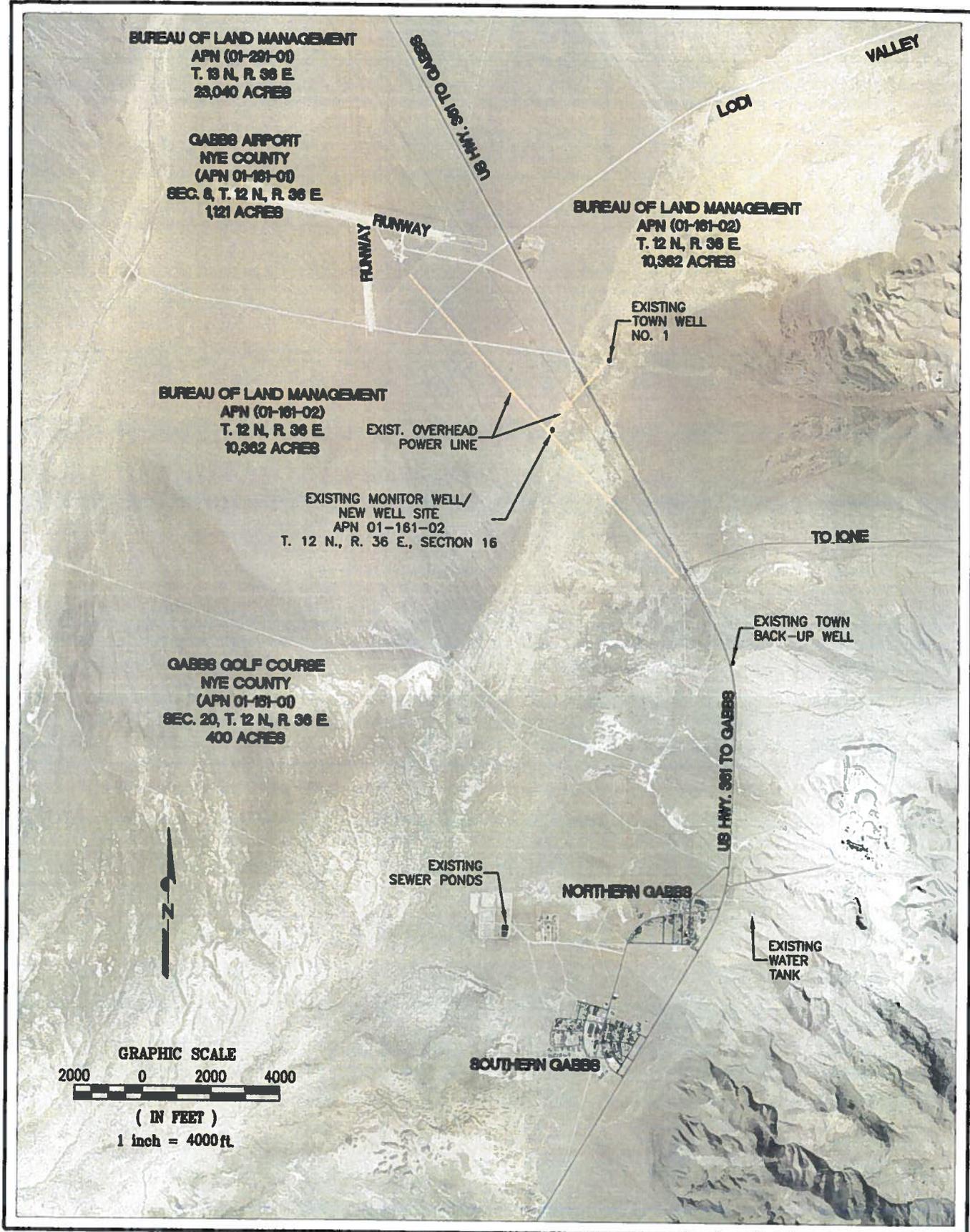
Attachment 2

Resolution

Attachment 3

ATTACHMENT 1

PROPOSED PROJECT



**TOWN OF GABBS
PROPOSED NEW WELL LOCATION MAP**

ATTACHMENT 2

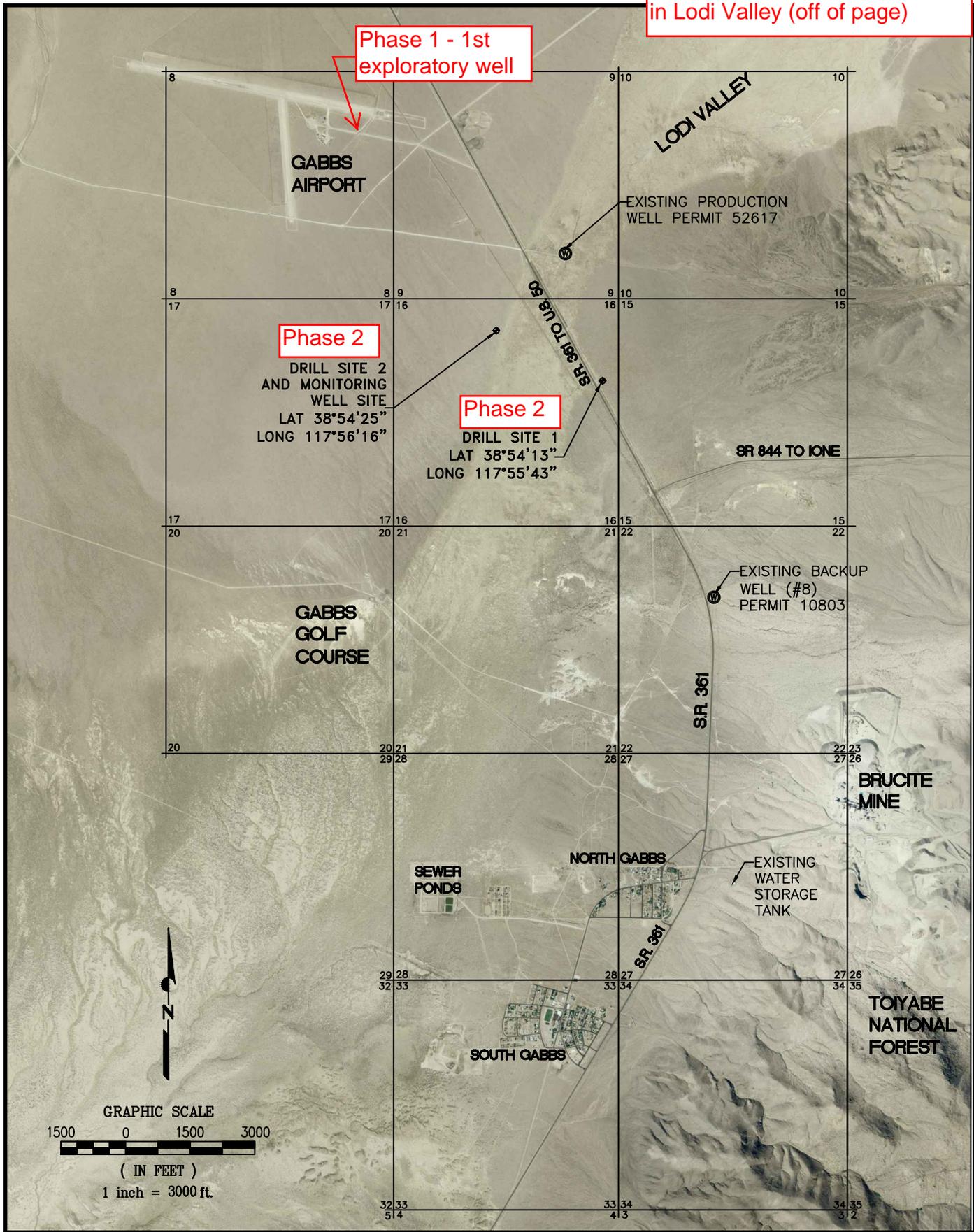
EXPLORATORY DRILLING SITES

Phase 1 - 2nd exploratory well
in Lodi Valley (off of page)

Phase 1 - 1st
exploratory well

Phase 2

Phase 2



TOWN OF GABBS, NYE COUNTY
WELL SITE MAP

ATTACHMENT 3

Resolution of the Board for Financing Water Projects

Commitment of Funds from the

Account for the Revolving Fund

RESOLUTION

A RESOLUTION DESIGNATED THE "9-2011 NYE COUNTY FOR THE TOWN OF GABBS PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve the Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Division has the responsibility of administering the Drinking Water State Revolving Fund program; and

WHEREAS, on July 27, 2011, the Board, pursuant to NRS 445A.265, approved the 2012 Priority List of water projects eligible for loans from the account for the revolving fund under the Drinking Water State Revolving Fund; and

WHEREAS, the Nye County owns and operates the public water systems located in Gabbs; and

WHEREAS, the Nye County submitted a pre-application to the Division for funding a project to make improvements to the Gabbs water system, which is hereinafter referred to as the "Project"; and

WHEREAS, the Division ranked the Project as #17 on the 2012 Priority List of water projects, which was approved by the Board on July 27, 2011; and

WHEREAS, the Nye County submitted to the Division a Letter of Intent to proceed with the Project; and

WHEREAS, the Nye County - Gabbs project is ready to proceed; and

WHEREAS, in connection with seeking a loan, the Applicant has submitted a written application (“Application”) pursuant to NAC 445A.67613 to the Division; and

WHEREAS, the Division has reviewed the Letter of Intent and the Application including supporting material thereof, and has determined that Nye County has the technical, managerial and financial capability to manage and repay a loan for the Project; and

WHEREAS, the Division has taken all necessary and proper actions with respect to the Application as required pursuant to the regulations adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive) pertaining to loan applications; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “9-2011 Nye County for the Town of Gabbs Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Applicant shall be negotiated between the Nye County and the Division.

Section 3. Based on the review of the Application by the Division and based on the recommendation submitted by the Division to the Board concerning the Project, and subject to the provisions of Section 2 and 4 of this Resolution, the Board hereby approves a commitment of funds in the amount not to exceed \$806,376 from the account for the revolving fund in accordance with NRS 445A.265.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

Section 5. This resolution shall be effective on its passage and approval.

PASSED, ADOPTED AND SIGNED September 28, 2011

Chairman
Board for Financing Water Projects

Attest:

Advisor
Board for Financing Water Projects

ATTACHMENT 3

Frontier Village MHP Revise Loan Commitment

Frontier Village Mobile Home Park Revise Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund September 2011

Applicant: IGWT Investment
Project: Arsenic Treatment
Total Cost: \$150,000

Background

IGWT Investment owns the Frontier Village Mobile Home Park located in Henderson, Nevada at the far south limit of existing development in the Las Vegas metro area. The Park has 71 lots at build out; however, currently 30 lots are vacant land. The concentration of arsenic in the Park's water supply is 58 mg/L, almost 6 times the maximum contaminant level (MCL).

In September 2010, staff presented to the Board for Financing Water Projects a proposed loan to fund construction of on-site arsenic treatment. During the Board meeting, a Board Member stated that the Las Vegas Valley Water District (LVVWD) has a grant program to pay 85% of the costs to consolidate with the LVVWD or City of Henderson. The Board for Financing Water Projects approved a loan commitment to Frontier Mobile Home Park; however, the Board motion limited the funds to go towards consolidation.

Consolidation Effort

For the past year, Frontier's engineer and staff from the LVVWD and the City of Henderson have worked to hammer out the details of how the LVVWD's grant program can be applied to this project. The LVVWD grant covers 85% of the eligible project cost. LVVWD has determined that the total eligible project cost is \$374,086. Frontier is responsible for 15% of \$374,086 or \$56,113.

In addition to the 15% of eligible cost, Frontier is responsible onsite improvements totaling \$53,401 and the majority of connection fees as described below.

The grant program covers connection charges based on the duty of water rights being "retired". Frontier MHP has a total of 71 total lots of which 30 are currently vacant. The closest municipality is the City of Henderson. The City has a policy to charge a connection fee for every lot in a mobile home park regardless if the lot is occupied or vacant.

The following 2 connection fees are associated with obtaining water from on the City of Henderson:

- Henderson Water System Development Charge = \$960 per connection
- SNWA Regional Connection fee = \$3,400 per connection

Based on Frontier's water rights, LVVWD has determined that Frontier MHP is eligible for reimbursement of 21 connections. The District's grant covers the SNWA Regional Connection fee, but does not cover the City of Henderson connection fee.

Total cost to connect = $(\$960 + \$3,400) \times 71 = \$309,560$

Grant eligible cost $\$3,400 \times 21 = \$71,400$

Frontier connection cost = $\$309,560 - \$71,400 = \$238,160$

Frontier cost

The total amount that Frontier will have to pay for the consolidation is detailed in the table below.

Connection Fees	\$238,160
On-site costs	\$53,401
15% eligible project cost	\$56,113
TOTAL	\$347,674

RECOMMENDATION

In order to consolidate utilizing the LVVWD grant program, Frontier's required contribution would be at least \$347,674 which is almost twice the amount of on-site treatment. Taking on even a small amount of debt is a challenge for very small water systems. Based on costs, NDEP, LVVWD and the City of Henderson all agree that consolidation is not feasible. NDEP recommends that Board for Financing Water Projects approve a resolution modifying the loan commitment of the DWSRF in the amount of \$150,000 to IGWT for the Frontier Village Mobile Home Park so the loan can be used for construction of on-site treatment. The resolution modifying the loan commitment is included in Attachment 1.

The loan will be for a term of not to exceed 20 years and at an annual interest rate of 66% of the appropriate Bond Buyers Index at the time the loan contract is signed. The Division and the IGWT will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 1

Resolution of the Board for Financing Water Projects

Commitment of Funds from the

Account for the Revolving Fund

RESOLUTION

A RESOLUTION DESIGNATED THE "9-2011 FRONTIER VILLAGE MOBILE HOME PARK PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve for the Nevada Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Frontier Village Mobile Village Home Park is on the Priority List for an arsenic mitigation project for improvements to the water system hereinafter referred to as the "Project"; and

WHEREAS, on September 14, 2010, the Board for Financing Water Projects, approved resolution 9-2010 Frontier Village Mobile Home Park Project Loan Commitment Resolution which approved a commitment of funds in the amount not to exceed \$150,000 from the account for the revolving fund in accordance with NRS 445A.265; and

WHEREAS, In Resolution 9-2010 Frontier Village Mobile Home Park Project Loan Commitment, the Board further recommended that \$150,000 go towards the cost of consolidation with the City of Henderson water system.; and

WHEREAS, consolidation with the City of Henderson water system will cost Frontier Mobile Home Park approximately twice as much as on-site arsenic treatment; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “9-2011 Frontier Village Mobile Home Park Water Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Applicant shall be negotiated between IGWT Investment and the Division.

Section 3. The Board amends Resolution 9-2010 Frontier Village Mobile Home Park Project Loan Commitment, to allow the \$150,000 fund the cost of on-site arsenic mitigation.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

Section 5. This resolution shall be effective on its passage and approval.

PASSED, ADOPTED AND SIGNED September 28, 2011

Chairman
Board for Financing Water Projects

Attest:

Technical Advisor
Board for Financing Water Projects