

State of Nevada
Board for Financing Water Projects
Meeting Minutes

A meeting of the State of Nevada Board for Financing Water Projects was held on Thursday, November 9, 2006, at 9:30 am in the 2nd floor hearing room at 901 South Stewart Street, Carson City, Nevada.

Members Present:

Kurt Kramer
Bruce Scott
Stephanne Zimmerman
Brad Goetsch
Bob Firth

A. Introduction and Roll Call

Chairman, Kurt Kramer, called the meeting to order at 9:30 am on November 9, 2006.

B. Approval of Minutes – August 23, 2006

Changes to the Board for Financing Water Projects (Board) meeting minutes of August 23, 2006 included:

Page 80, Line 20: The name Bellim is incorrect. It should be Bellin throughout the document.
Page 139, Line 15: “I’ll” should be “I’m”
Page 156, Line 2: “we” should be “me”
Page 160, Line 13: “We were” should be “We are...”

* All Board members voted to approve the minutes of August 23, 2006.

C. Set a Date for the Next Board Meeting

Next Board meeting is set for February 21, 2006.

D. Arsenic Update from the Bureau of Safe Drinking Water

Doug Zimmerman, Chief, Bureau of Safe Drinking Water updated the Board on arsenic compliance issues in Nevada. A year ago there was a conservative list of about 130 systems that might have arsenic issues. Today we are down to 81 systems that have an arsenic issue. Of the

81 systems, 63 applied for an exemption. At the September 6, 2006, SEC meeting, 36 exemptions were presented and approved by the commission. An additional 27 systems still require additional information before they will be presented to the SEC early in 2007. 18 systems fall into other categories (e.g., treatment installation in progress, BCAs, ignoring the new rule). For systems with approved extensions, three major milestones were developed along with required semi-annual reports to assure that systems would be in compliance by January 2009.

1. July 2007: Investigate and secure financial assistance
2. January 2008: Complete and investigation of all treatment options and select
3. January 2009: Remedy in place

Small systems serving less than 3,300 persons are eligible to apply for up to three 2-year extensions giving them until 2015 to comply with the new arsenic drinking water standard. Some progress must be shown by these systems in order to get extensions.

Approximately 30 publicly owned systems may be grant eligible. Some have come to the Board already and a few have a remedy in progress.

Costs for treatment are still to be determined. EPA demonstration project costs did not include cost for such items as structures, etc. BSDW will be compiling costs of systems that are installed in Nevada and perhaps surrounding states over time (including structures and O&M costs).

E1. Capital Improvement Grant Program – Project Update from the Pershing County Water Conservation District

In May 2006, the Pershing County Water Conservation District applied for and received a grant under the AB 237 program to assist with a capital improvement project for the District. Many of the original project elements are currently on hold due to the failure of the Rogers Dam. The Board held a public meeting on July 28, 2006, to consider reallocating the Pershing County Water Conservation District's existing grant funding to help cover the cost of the cofferdam and the investigation of the failure of Rogers Dam and subsequent preliminary engineering necessary to determine the cost of replacing the Rogers Dam.

The Board decided to reallocate \$850,000 of the already approved project funding for the construction and costs involved in the emergency temporary cofferdam; for study and construction of an improved by-pass; and for preliminary engineering and geotech work to begin moving forward on a new permanent structure contingent on the District expending their emergency funds and the District continuing to pursue other state and federal funding.

The cofferdam was constructed during a two week time period between July 23 and July 31, 2006. Flow to the lower valley via the Union-Rodgers Canal resumed immediately thereafter with minimal disruption in the irrigation schedule. Geotechnical studies and preliminary engineering design for either rebuilding or replacing the dam are in progress.

Bennie Hodges, Pershing County Water Conservation District, and Walt Slack, Dyer Engineering, provided an update on the emergency cofferdam that temporarily replaced the Rogers Dam. The dam failure occurred at the high point of the irrigation season. The Board approved a change in scope to the existing PCWCD project to allow the construction of the cofferdam and begin engineering design for the new structure that will replace the Rogers Dam.

The cofferdam was built in two weeks and saved the irrigation season for the lower valley which comprises 45% - 47% of the irrigated acres in the Lovelock Valley.

There is uncertainty that the cofferdam can withstand another high water year. Soil sampling is currently in progress with design of the new dam to follow. The time-frame for the construction of a new permanent dam is currently not known.

A by-pass of the cofferdam exists but is planned for enhancement to 1000 cfs in order to help protect the cofferdam. Management of the storage volumes and releases on the Humboldt is a key mechanism to protect the cofferdam and other structures if there is an above normal water year next year. The District will evaluate the water conditions on a month-by-month basis to determine the need to spill water from Rye Patch. Later this month, the District will attempt to divert as much water as possible into the Pitt Taylor Reservoirs to maintain a maximum amount of storage. Dyer Engineering should complete a geotechnical report in November that will allow Farr-West Engineering to begin design and estimation of cost of a new Rogers Dam.

E2. Capital Improvement Grant Program – Project Update from the Walker River Irrigation District

In March 2002, the Walker River Irrigation District applied for and received a grant under the AB 237 program to assist with a capital improvement project for the Topaz Reservoir. The scope of this project is to 1) reconstruct the Inlet Channel Diversion Structure, install a remote control system, and demolish the existing structure; 2) construct a new overflow spillway; 3) increase the inlet canal levee height; 4) construct improvements to the existing dam; 5) construct a gated outlet through the existing dam; and 6) perform an engineering evaluation of the outlet tunnel.

Project designs were submitted to the California Department of Safety of Dams in the fall of 2004. The plans and specification were finally approved at the end of 2005. Permitting is now complete from all regulatory authorities. The project has been bid twice but not awarded.

Ken Spooner, Walker River Irrigation District, and Brent Farr, Farr-West Engineering, provided an update to the Board on the project's progress to date. Design and permitting took 3 years. The District has pre-purchased the mechanical parts for this project.

The first bid was in February 2006. Three bids were received with two of the bids more than twice the engineering estimate. Pazargad with a bid nearly half the amount of the other two bidders was the successful bidder; however, they were denied bonding. The project was rebid as two schedules: concrete and earthwork. Four bids were received with the high bidders being Pazargad (concrete) and Burdick Excavating (earthwork). These bids were still well above the money that the District has for construction of this project and what the District felt was a fair amount for the job. The bid tabs appeared to be somewhat padded on some of the bids (e.g., mobilization costs were excessive). A third round of bid will be opened in December 2006 with the District assuming more of the workload. The District expects to receive more reasonable bid; however, it is expected that the District will still request additional funding in the range of \$1,000,000 to \$1,500,000 from the Board at the next Board meeting. The District will also request an extension of at least a year to the project time.

E3. Capital Improvement Grant Program – Project Update from the City of Caliente

Given the other funding that the City of Caliente is expecting to receive from FEMA, EMD, and the USDA and the AB198 funds remaining from the original grant for one well, it appeared that the additional emergency grant funds from AB198 was not necessary for the well project. At the Board meeting in August 2006, staff recommended that the Board deobligate the additional emergency grant funds awarded to the City of Caliente in April 2005. The Board approved the deobligation of the funds.

As a condition of allowing the funds from the original grant of March 2002 to remain available to Caliente to allow for finalization of the water meter project and for the supplemental well installation project, the Board requested an update on the project along with a schedule to complete the water meters and implement a metered water rate at the November 2006 Board meeting.

Bryan Elkins of the City of Caliente provide an update to and answered question from the Board. The utilities manager is in charge of purchasing and installing all remaining meters. These meters will need to be installed by hand due to the extensive runs of fiber optic cables that existing in the city. Originally 45 meters were left to be installed as an insufficient number of meters were included in the engineering design by AMEC. 25 meters are currently left to be installed by the City at this point. The City seems to have a problem with the interface between the meter reading software and their accounting system.

The City has been getting by using a tie in to the Caliente Youth Center and the refurbished city wells. Installing a new well in the Clover Creek drainage should assure that the drinking water is below the arsenic standard. EMD has given the City funds so that Sunrise Engineering can complete the hydrologic study.

This project needs an identified project manager. The Board made it clear that Caliente needs to meet its obligation to the elements of the funding agreement (e.g., monthly and quarterly reports, funds a capital replacement account, etc.). The Board volunteered to go to Caliente to discuss rates and depreciation with the City Council. Bryan will review this with the Mayor and let the Board know if this would be helpful. Staff will work with Caliente and its engineering firm to determine the status of the project and pay requests. The Board requested that they receive regular updates on the progress of this project.

E4. Capital Improvement Grant Program – AB198/AB237 Financial Report

A bond sale for the full \$6,000,000 budgeted amount will occur on November 28, 2006.

E5. Capital Improvement Grant Program – Financial Analysis of Rural Utilities

The USDA and Farr-West Engineering presented a financial analysis of the rural communities based on both audited financial reports and current year budgets.

E6a. Capital Improvement Grant Program – Grant Application – Kyle Canyon

Kyle Canyon General Improvement District applied for a grant for Phases II and III of their project to bring Kyle Canyon into compliance with the regulations pertaining to low systems pressures, fire flow, metering, and system looping.

The Division ranked this project as a Class III water project per NAC 445A.67569 1 (b) (3). Class III water projects are intended to address deteriorated, substandard or inadequate conditions in the public water system.

In March 1996, the Board for Financing Water Projects (Board) awarded a grant of \$976,950 (85% of the eligible costs less administrative fees) to the Kyle Canyon Water District. The grant was amended by the Board on March 4, 1998, and again on June 2, 1999, to provide \$1,736,508.85 (85% of the increased total eligible project costs less administrative fees) to cover increased costs and changes from the original scope of work (e.g., repair storage tanks became replace storage tanks). The amended project included construction of 6,720 linear feet (LF) of pipe; 1 pressure reducing valve station; Rainbow well pump & motor; 2 new 125,000 gallon storage tanks; and New Echo Well 4 with chlorination.

Echo Well No. 4 was drilled in 1998 as a result of this AB 198 grant. This well was to serve as an emergency/backup well in the event of the failure or abandonment of Well No. 3. However, existing geologic conditions did not yield the anticipated water quality or quantity results. At flow rates over 60 gpm, water samples from Well No. 4 indicated increased turbidity above the maximum nephelometric turbidity limit, a secondary water quality standard. The well was only capable of safely producing 60 gpm, a flow rate that was insufficient to serve the community as a reliable backup well source.

In March 2001, the Board approved a Letter of Intent for Kyle Canyon for a phased project that included: a new storage reservoir in the Echo portion of the water system and drilling a new emergency/backup well (Echo Well #5).

An engineering evaluation originally published in March 2002 proposed a plan to address the water system insufficiencies. The plan included new and/or improved facilities to promote water conservation, protect water quality, aid in fire protection and provide necessary distribution system improvements for system reliability. The project was divided into three phases:

Phase I: Construct a new 300,000 gallon storage reservoir and construct Echo Well No. 5

Phase II: Install 367 meters, 6,800 LF of pipeline for looping, a PRV at Old Town, and an altitude valve at Upper Rainbow Tank with an 8-inch bypass through Old Town

Phase III: Install 15,650 LF of pipeline

In June 2002, the Board awarded a grant of \$811,156 (61.9% of the eligible project costs of \$1,310,430) to the Kyle Canyon Water District. This first phase, Phase I, of the project outlined in the Letter of Intent from 2001 included the drilling and construction of a new emergency/backup well and the construction of a new 300,000-gallon storage reservoir. Phase I improvements were completed in the spring of 2006 and increased the capacity and reliability in the Echo portion of the water system. These safeguards will aid this portion of the system during drought conditions and well outages. Phases II and III are currently projected to cost a total of \$5,608,602.

At the recommendation of staff, this application combines project Phases II and III in order to complete the metering project and allow Kyle Canyon to set water rates based on usage. The proposed project includes: the installation of 235 meters and automatic meter-reading devices; 17,880 linear feet of 6, 8 and 10–inch pipeline to replace aged infrastructure; 2,650 linear feet of 6 and 8–inch pipeline to close open loops in the system; 2 PRVs and an altitude valve installation with associated pipeline in the

The Bureau of Safe Drinking Water reviewed the grant application to determine which system components were made necessary by the Safe Drinking Water Act. Based on the results of hydraulic modeling, without the recommended improvements, parts of the system do not meet the requirements of NAC 445A.6672 for minimum pressure under fire flow conditions. Under these conditions, backflow could occur, allowing contaminants to enter the system. There are also dead-ends in the system that are not recommended by NAC 445A.6712 and currently have specific flushing requirements to protect against the risk of water quality issues. Water is supplied from the Echo to the Rainbow portion of the water system via a booster pump station. With the addition of the new Echo View reservoir, an alternative to feeding water to the Rainbow portion of the system is to install an altitude valve with gravity feed to the Upper Rainbow Tank. The existing pumping system experiences recurrent power outages, and with the susceptibility of this area to winter storms and forest fires, feeding the Rainbow portion of the system via gravity is made necessary to comply with capacity requirements of NAC 445A.66725. In addition, the capacity of the booster pump station cannot be counted as available capacity to the Rainbow portion of the system as it does not meet the requirements of NAC 445A.6554.

Based on the information presented, staff recommended that the final phases of the water system improvements for the Kyle Canyon be approved, based on a grant scale of 57.1% per NRS 349.983 (3), for a 2 year grant and subject to the conditions given. The grant amount should not exceed \$3,202,511.74, or approximately 57.1% of eligible project costs estimated to be \$5,608,602.

Kevin Fischer from Las Vegas Valley Water District provided testimony and answered questions posed by the Board.

Bruce Scott made a motion to approve a resolution designated the 11-09-E6a Kyle Canyon GID Water Distribution System Improvements; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to provide a grant for the purpose of financing certain projects; making certain findings of fact and providing other details in connection therewith. On the basis of a total grant eligible cost of \$5,608,602 with a grant amount of 57.1% of eligible cost and subject to the conditions:

- The District is subject to the provisions of NAC 349.554 through 349.574 regarding the administration of this grant.
- The District will need to convert to metered water rates based on the schedule and plan presented in this application.
- Flat rates must be raised by a minimum of \$10/month (to a minimum of \$61/month) during the year 2007, and during the year 2009, rates will again be raised a minimum \$10/month (to a minimum of \$71/month) until the 2010 implementation of a meter rate.

Brad Goetsch seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Bruce Scott, Brad Goetsch, and Bob Firth; Opposed: Stephanie Zimmerman; The motion passed.

E7a. Capital Improvement Grant Program – Request for Additional Funding – Churchill County

Churchill County applied for a grant increase for their project to provide storage, treatment, and distribution to interconnect existing mobile home parks, residential areas, and commercial businesses experiencing both water quality and quantity problems.

This project was never ranked on the State Revolving Fund (SRF) priority listing because it is not, yet, a functioning public water system. Country Club Estates and Churchill County were originally ranked on the SRF list as Class III – Rehabilitation projects per NAC 445A.67569 1 (b) (3). Class III water projects are intended to address deteriorated, substandard or inadequate conditions in the public water system.

An original grant was given to Churchill County in July 2004 in the amount of \$1,999,678.00 (~54.48% of the total eligible project cost of \$3,670,678.00). The original scope of the project included the construction of: 1 new water well, 1 new water storage tank and pumping facility, a distribution system with water meters, service connections, and fire hydrants for 314 residential connections and 59 commercial customers or 373 equivalent domestic units (EDUs).

In April 2005, Churchill County returned to the Board for an increase in grant funding. The Board approved the addition of the water treatment plant for the removal of iron and manganese to the original scope of work from the 2004 grant. The total grant amount was increased to \$2,328,408.73 (~54.48% of the total eligible project cost of \$4,273,878).

In August 2006, Churchill County returned to the Board for a further increase in grant funding. Significant cost increases over the engineering estimates were received during the bidding process. In addition to the cost increases, several major changes in the scope of the project occurred. These changes were based on the County's desire to minimize water treatment costs by consolidating the maximum number of water sources into the minimum number of treatment facilities. The total grant amount was increased to \$3,206,515.41 (~54.48% of the total eligible project cost of \$5,885,674.40).

The operations control building will house the water treatment equipment, the booster and fire pumps, and facilities to support operations crews. The final bid for this operations site was \$2,114,987. At the Board meeting in August 2006, Churchill County presented a revised estimate of the eligible project cost for the operations building based upon an engineering estimate of the building size necessary to support a treatment plant and booster pump system for the existing EDUs. The estimated reduction in overall building size was based on a smaller equipment footprint including: the booster pump system footprint (one less pump than in the design), the elimination of a filter vessel from the treatment plant design, and the elimination of the bathroom. The County determined that a cost of \$1,462,279 was justified for the existing EDUs.

Staff recommended a grant increase of \$461,152.13 for a total grant amount of \$3,667,667.54 based on 54.48% of the total eligible project cost of \$6,732,135.71 and subject to the conditions given.

Eleanor Lockwood (Churchill County Planning) and Rex Massey provided testimony and answered questions posed by the Board.

Bruce Scott made a motion to approve a resolution designated the 11-09-E7a Churchill County Water Distribution System Improvements; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to provide a grant for the purpose of financing certain projects; making certain findings of fact and providing other details in connection therewith. The grant amount is not to exceed \$3,667,667.54 or 54.48% of estimated total grant eligible project costs of \$6,732,135.71 and subject to the conditions:

- The County is subject to the provisions of NAC 349.554 through 349.574 regarding the administration of this grant.
- The County must ensure that all of the mobile home parks funded in this grant are tied into the Churchill County Water System.
- Jetway Chevrolet will be incorporated into the system.

Bob Firth seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Bruce Scott, Bob Firth, Stephanie Zimmerman; Brad Goetsch abstained from the voting. The motion passed.

E7b. Capital Improvement Grant Program – Request for Additional Funding – Lovelock Meadows

The Lovelock Meadows Water District applied for a grant increase for their project to provide distribution system improvements.

The District was ranked as a Class III – Rehabilitation project per NAC 445A.67569 1 (b) (3). Class III water projects are intended to address deteriorated, substandard, or inadequate conditions in the public water system.

The District service area is very large by rural Nevada standards, serving over 115 square miles. Groundwater in the Lovelock area is generally not suitable for domestic use, irrigation, or stock watering because of high concentrations of sulfate, chloride, nitrate, fluoride, and dissolved salts. For this reason, irrigation water is obtained from the Humboldt River system. The District supplies drinking water from two groundwater wells located at Oreana, approximately 15 miles northeast of Lovelock. Storage consists of two elevated tanks: a 1.5 million-gallon tank and a 2.5 million-gallon tank. The District currently meets all storage requirements under NAC 445A.6674 – 445A.66755.

The District took a \$400,000 loan in June 1999 from the USDA so that it could build a 2.5 million-gallon storage tank, construct a disinfection building, and install a gas chlorination station.

In June 2003, the Board approved a grant for a Preliminary Engineering Report (PER) for the Lovelock Meadows Water District in the amount of \$40,950 (63% of the total eligible project cost of \$65,000). The PER was finalized in the fall of 2004. The PER identified the most critical

problem for the water system as the undersized cast iron pipe that exists within the city and Lower Valley. The pipe is over 80 years old and is constantly leaking. Other problems identified included: dead end lines, partially buried or inoperable fire hydrants, negative system pressures, and numerous customers on one meter. During maximum day and peak hour conditions, the minimum residual pressures cannot be met. According to the water model, there appears to be a risk of negative pressures and, therefore, a risk for backflow and possible contamination of the water system. While fire flows are reasonable in Lovelock, they are virtually non-existent in the Lower Valley.

The Letter of Intent for a construction project was approved by the Board on July 20, 2004 for a total eligible project cost of \$3,995,875. The original construction grant for Phase I of the project was given to Lovelock Meadows in October 2004 in the amount of \$2,400,322.11 (~60% of the total eligible project cost of \$3,995,875.00). The grant scale was not used in this project as the LMWD had secured both loan and grant funding from the USDA for 40% of the total project cost. The original scope of the project was the replacement of the old undersized pipe (4-inch ductile iron) in downtown Lovelock and undersized pipe to the farms and ranches west of town, commonly known as the "Lower Valley." Of the grant amount, \$106,221.03 has been used to date.

The project includes:

- 14,300 feet of 6-inch PVC pipe
- 80 6-inch gate valves
- 24,000 feet of 8-inch PVC pipe
- 50 8-inch gate valves
- 15,000 feet of 12-inch PVC pipe
- 14 12-inch gate valves
- Telemetry upgrades
- 80 fire hydrant assemblies
- Replacing 85 water services.

The original grant application was reviewed by the Nevada State Health Division, Bureau of Health Protection Services in September 2004. A leak history map, hydraulic analysis maps, and a letter from the local fire authority indicating the fire flow requirements for the different portions of the water system were considered in this review. A sanitary survey conducted in April 2004 noted that the smaller diameter cast iron pipe in the downtown area was in a deteriorated condition. In addition, the pipeline serving the Lower Valley "consists of a plethora of substandard pipe that does not comply with NAC 445A.67125" and minimum pressures required by NAC 445A.6711 were not being met. Other phases of this total project will address other necessary pipeline replacements in the system. The pipeline and gate valves proposed for this phase of the project were considered items required by the State Board of Health and the Federal Safe Drinking Water Act. NAC 445A.66655 requires the District to provide "a safe and reliable supply of water to all of its customers in its area of service."

The project schedule originally anticipated the funding would be in place by January 2005. Engineering design and permitting were expected to take six months with construction beginning in the fall of 2005 and completed by the fall of 2006. Match funding was not secured at the time expected and the project has shown some lag time with respect to the design phase. Monthly progress reports and quarterly financial reports have not been received consistently for this project. No updates were received between March and October 2006. In addition, staff did not receive a bid package when the grantee went out for bids. Good project management is an

important part of a project, and the District is subject to the provisions of NAC 349.554 through 349.574 regarding the administration of this grant.

Seven construction bids were received in August 2006. The apparent low bid was \$4,190,662.88, approximately \$993,962.88 higher than the original engineering estimate for construction of \$3,196,700. Of the \$993,962.88, the USDA will provide an additional \$415,000 in loan funds and \$173,000 in grant funds towards this increase. The District was required to match the USDA's funding with \$405,962.88 from their cash reserves to cover the difference in the construction cost so that the bid could be awarded. The District wishes to use the \$405,962.88 in cash reserves to cover ineligible project costs such as paving. In order to cover the difference in construction costs, the District would require \$405,962.88 in additional grant funding for construction costs only. No increases will be added for engineering or contingency.

This is the first phase of the project. The cost of improvements that will still need to be made after Phase II is complete will likely exceed \$8,000,000.

Staff recommended that the Phase 1 water system improvements for the Lovelock Meadows Water District be approved for a 2 year grant subject to the conditions given. The total grant amount should not exceed \$2,806,284.99. This is an increase in the original grant amount of \$405,962.88 and covers the construction cost increases to Phase 1 of the project based on the low bid received. The remainder of the construction deficit will be covered by a loan and grant from the USDA.

Christie Bergy (Lovelock Meadows Water District) and Brent Farr (Farr-West Engineering) provided testimony and answered questions posed by the Board.

Stephanne Zimmerman made a motion to approve a resolution designated the 11-09-E7b Lovelock Meadows Water District Water Distribution System Improvements; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to provide a grant for the purpose of financing certain projects; making certain findings of fact and providing other details in connection therewith. The grant amount is not to exceed \$2,806,284.99 or approximately 60% of estimated total eligible project costs of \$4,989,837.88 and subject to the conditions:

- The Grantee is subject to the provisions of NAC 349.554 through 349.574 regarding the administration of this grant.
- Lovelock Meadows Water District must submit a copy of their annual audited financial statement with the capital reserve account clearly indicated at the completion of the project.
- Lovelock Meadows Water District must increase their monthly water rates from \$39.50 to \$45.91 before submitting their last request for payment for Phase 1.

Bruce Scott seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Bruce Scott, Bob Firth, Stephanne Zimmerman, and Brad Goetsch. Opposed: None. The motion passed.

E8. Capital Improvement Grant Program – Progress Report for Funded AB198/AB237 Projects

E9. Capital Improvement Grant Program – Progress Report for Funded SB62 Projects

F1. Drinking Water State Revolving Fund (DWSRF) Program – Discussion and Possible Approval of the 2006 Project Priority List

The Board discussed the possible approval of the updates to the DWSRF priority list. NDEP received eight new pre-applications that have been added to this list. A public workshop was held in on October 24, 2006. Public notices were posted in the newspapers in Reno, Carson City, Las Vegas, and Elko and sent to all of the water systems.

Bruce Scott made a motion to approve a resolution designated the Revision 1 to Year 2006 Project Priority List, Drinking Water State Revolving Fund – Division of Environmental Protection; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to approve the priorities for determining which water systems will receive money from the account of the revolving fund as required in Nevada Revised Statues 445A.265(3); making certain findings of fact and providing other details in connection therewith. This is the revision dated November 7, 2006.

Bob Firth seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Bruce Scott, Bob Firth, Stephanie Zimmerman, and Brad Goetsch. Opposed: None. The motion passed.

F2. Drinking Water State Revolving Fund (DWSRF) Program – Discussion and Possible Approval of Loan Commitment to Kingsbury GID

The Kingsbury General Improvement District (KGID) Phase 1 water system improvements consist of the replacement of transmission and distribution water mains, replacement of a water storage tank, and the construction of two-pressure reducing stations. In general, the replacement of water mains will serve the community as a whole. The water mains have a history of leaking. Due to the limited source of water supply that is available to KGID, the replacement of the water mains will reduce water loss. Also, the amount of resources that KGID invests to repair leaking water mains will be reduced.

The project proposed by Kingsbury General Improvement District (KGID) originally consisted of twelve individual projects. These projects included the replacement of transmission and distribution water mains, replacement of a water storage tank, and the construction of two pressure-reducing stations.

This loan request will provide the match funds for the additional grant funds already approved by this Board. Kingsbury's project has experienced significant cost overruns from the original costs projected in the Preliminary Engineering Report for a variety of reasons. The project to date has consisted of replacing leaking waterlines. Some of the reasons for cost overruns include alignment options have been limited by the permitting restrictions of both TRPA and NDOT,

unexpected easements and utility agreements have been required, design has been complicated by the District's many pressure zones and often confusing existing piping and the cost of waterline construction in 2005 was 40% higher than in 2004 and the cost of construction in 2006 is on average 30% higher than 2006. In addition to replacing leaking waterlines, the project includes the construction of a new tank in Zone 10, the highest zone. The existing tank in zone 10 has significant structural deficiencies and is the only tank in the zone making it critical for fire protection and maintaining pressure. In order to match the grant funds, Kingsbury needs around \$2 million in additional loan funds. Kingsbury has requested \$3 million in additional loan funds. Of the \$3 million, close to \$1 million is contingency for unexpected cost overruns. One million may sound like a lot for contingency out of the \$3 million proposed loan, but of the total project cost of \$15 million it is only 7%. The AB198 grant included a 13% contingency so we're looking at Kingsbury securing funds for a total of 20% contingency which given the complications of this project is not unreasonable.

As of this date, the Drinking Water SRF has \$3,150,250 in funds available for new loans. In the next month, we anticipate the receipt of match bond proceeds, which will add another \$1.6 million to that amount.

Projection for the coming year is a net increase of \$11 million in available funds. Prior to any commitments made at the November 6, 2006 Board meeting, the Drinking Water Revolving Loan Fund will have the capacity to fund \$14 million in new projects in the next 12 months. This is consistent with our previous forecast that the Fund will continue to provide in excess of \$14 million every year in funding for infrastructure.

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 \$3,000,000 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 Revenue Index at the time the loan contract is signed. The Division and KGID will negotiate the terms and conditions of a loan agreement.

Stephanne Zimmerman made a motion to approve a resolution designated the 11-2006 Kingsbury General Improvement District Project Loan Commitment Resolution; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to approve a loan commitment for the purpose of financing certain projects; making certain findings and providing other details in connection therewith. The total loan amount is \$3,000,000.

Brad Goetsch seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Brad Goetsch, Bob Firth, and Stephanne Zimmerman. Bruce Scott abstained from the voting. The motion passed.

F3. Drinking Water State Revolving Fund (DWSRF) Program – Discussion and Possible Approval of Change of Scope for Steamboat Springs

In 2000, Steamboat Springs Water Works (SSWW) received a loan for \$50,000 to rehabilitate the interior lining of their two storage tanks. Work on one tank was completed and approximately half of the loan was utilized. The rehabilitation of the second tank did not occur in a timely manner because there is no way to isolate the tank and take it off line. The funds remaining in the original loan are not adequate to complete the tank rehabilitation project. SSWW recently

applied for a second loan to complete the tank rehabilitation. Additional information is needed before the loan application will be ready to bring to the Board for approval of a loan commitment.

Last summer, the pump in well #1 failed. SSWW obtained a short term loan to replace the pump, motor, and controller. The Division is requesting that the Board approve a change in scope to the existing loan to allow SSWW to pay for the new well pump, motor, and controller from the funds remaining in the existing loan.

The Division is recommending that the Board approve a change in scope for SSWW existing loan with the condition that SSWW obtain the approval of Washoe County District Health for the installation of the new pump, motor and controller in well #1 as required by NAC 445A.66695.

Bruce Scott made a motion to approve the change of scope for the Steamboat Springs Water Works.

Stephanne Zimmerman seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Brad Goetsch, Bob Firth, Bruce Scott, and Stephanne Zimmerman. Opposed: None. The motion passed.

Stephanne Zimmerman left the Board meeting at 4:30pm.

G1. Adopt New Board Policies – Reasonable Water Rates

Board's Policy on Reasonable Water Rates: The USDA has adopted an updated average monthly household water use. Previously, that average amount was 22,000 gallons/month. The new average monthly usage rate is 15,000 gallons/month. Staff proposes that the Board adopt 15,000 gallons/month as the average monthly household usage rate for purposes of determining reasonable water rates. The Board's interpretation is that this is an average calendar year monthly rate.

This Policy would apply going forward for all new grants and any grantees that come back for additional funding.

Bruce Scott made a motion to approve the change to the Board's Policy on Reasonable Water Rates.

Brad Goetsch seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Brad Goetsch, Bob Firth, and Bruce Scott. Stephanne Zimmerman was not present to vote. The motion passed.

G2. Adopt New Board Policies – Scale to Determine Grant Amount

Board's Policy on Scale to Determine Grant Amount: Should the Board adopt the update to the Reasonable Water Rates policy, it will be necessary to make the same changes (22,000 gallons/month to 15,000 gallons/month) to the grant scale policy.

This Policy would apply going forward for all new grants and any grantees that come back for additional funding.

Brad Goetsch made a motion to approve a change to this policy under II B and II C to change the reference from 22,000 gallons/month to 15,000 gallons/month to agree with the amended policy on reasonable water rates and to remove the reference to both the \$30 and the \$40 figures in this section.

Bruce Scott seconded the motion.

Voted in favor of the Grant: Kurt Kramer, Brad Goetsch, Bob Firth, and Bruce Scott. Stephanie Zimmerman was not present to vote. The motion passed.

G3. Adopt New Board Policies – Water Meters

Board's Policy on Water Meters: There are instances where the Board granted funds to install water meters but a metered water rate was never implemented. Staff proposes that a brief sentence be added to the policy to show that the intent of the Board is that a metered rate be implemented if meters are installed with grant funding. That sentence is added to the end of the policy and states:

“A Public Water System that receives grant funding from this program to install water meters must provide a plan and schedule to implement a metered water rate.”

The Board chose not to approve a change to this policy at this time. It was suggested that a workshop should be held to further discuss this and other policies.

H. Nevada Water & Wastewater Review Committee (NWWRC) – Joint Pre-Application Process

I. Board Comment

- The Board is concerned about project management and how it may be affecting costs of projects
- The Board would like to see an objective summary of projects with information on whether or not commitments of the grant funding agreement are being met
- The Board would like to see the water rate be at 1.5% of the MHI for 15,000 gallons/month before the applicant come to the Board for funding – The USDA will not entertain any grant amount if the utility is not at 1.5% of the MHI for a water rate for an average monthly usage of 15,000 gallons
- The Board believes in getting out into the field more

- The Board wants to see a financial summary with the financial ratios similar to those presented by Phil Walsack of Farr-West in Letters of Intent and Grant Applications
- The Board would like to have a workshop session on policies and other items that they want to deliberate perhaps in late January or as a part of the next Board meeting