

MEETING OF THE
STATE BOARD FOR FINANCING WATER PROJECTS

Summary Minutes

Monday, June 15, 2009
8:00 AM
The Bryan Building
901 S. Stewart Street - 2nd floor Tahoe Hearing Room
Carson City, Nevada 89701

Members Present:

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

A. INTRODUCTION AND ROLL CALL (Non Action)

Chairman Scott called the meeting to order at 8:00 am.

At the Chairman's invitation, Board members and individuals in the audience introduced themselves. Others present associated with the Board included Bryan Stockton, Senior Deputy Attorney General and Counsel to the Board, and from the Nevada Division of Environmental Protection (NDEP): Dave Emme, Adele Basham, Michelle Stamates, Daralyn Dobson, and Marcy McDermott.

B. APPROVAL OF MINUTES - MARCH 4, 2009 MEETING (Action)

There were no amendments or additions to the minutes of the March 4, 2009 meeting.

Motion: Ms. Williams moved that the minutes be approved as presented. Motion was seconded by Mr. Goetsch and passed unanimously.

C. APPROVAL OF MINUTES - APRIL 20, 2009 MEETING (Action)

There were no amendments or additions to the minutes of the April 20, 2009, special meeting.

Motion: Ms. Williams moved that the minutes be approved as presented. Motion was seconded by Mr. Belanger and passed unanimously.

D. SET A DATE FOR THE NEXT TWO BOARD MEETINGS (Action)

The Board discussed options for a meeting date for consideration of further federal stimulus loans that were not ready for the June meeting but could be ready for a July meeting. The consensus for a special July meeting was Friday, July 24, 2009.

The Board then discussed and decided on Thursday, September 10, 2009, for the next regular quarterly Board meeting.

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

1. Overview of ARRA (Non Action)

Ms. Adele Basham presented an overview of the American Recovery and Reinvestment Act (ARRA) as it pertained to the Drinking Water State Revolving Fund. This information was reviewed in depth at the April 20, 2009, special Board meeting where the Board approved the ARRA Priority List. Ms. Basham's prepared remarks can be found in **Attachment 1**.

2. a. Carson City Utilities Loan Commitment (Action)

Chairman Scott noted, for the record, that while he is not involved in this project, he is doing work for Carson City. He stated that he would participate in the discussion but would abstain from the vote on this project.

Ms. Basham presented a summary of the proposed project and funding. Ms. Basham's prepared remarks can be found in **Attachment 2**. The proposed project has three components:

- 1) Re-drilling Well 4 including new appurtenances. Well 4 has a lower concentration of arsenic and will be blended with other supply sources at the new arsenic treatment facility to reduce the amount of water that must be treated from other sources.
- 2) Up-grade of Well 24 with a new vertical turbine pump and appurtenances. Well 24 was previously re-drilled.
- 3) Up-size the water main on 5th Street for additional flow from Well 24 to eliminate the uranium issue in west Carson City

The environmental review determined that the project is eligible for a categorical exclusion as all up-grades are to be completed within the existing rights-of-way. The total project cost is approximately \$3.91M with \$3.4M provided in SRF stimulus loan at zero percent interest. Approximately 22 jobs will be created during construction.

Mr. Walker questioned the source of water from Well 24. Mr. Arnold, Deputy Director for Carson City Public Works, noted that water from Well 24 is groundwater.

Mr. Belanger asked if all project elements were needed at the same time. Mr. Arnold stated that all were necessary to mitigate both arsenic and uranium. The volume of water from these wells is necessary due to the fact that the Marlette-Hobart surface water source will not be available again this year. Mr. Arnold explained the blending scenario at the arsenic

treatment plant that is currently under construction at the Well 4 site. Actual treatment of all of the supply for arsenic and uranium would create an operation and maintenance cost burden that the community cannot support; therefore, the blending strategy is the only option for the system.

Mr. Walker asked if the surface water supply could also be used in the blending scenario. Mr. Arnold stated that it might be possible; however, more work still needs to be done on this system including the replacement of the primary pipeline from Hobart Reservoir.

In response to questions from the Board, Mr. Arnold noted that the project was ready to proceed and all permits had been obtained. In addition, Wells 4 and 24 are groundwater wells and not induction wells.

Ms. Carr noted that as of February, the water system was in compliance with an arsenic concentration of 10 ppb.

Motion: Mr. Walker made a motion that the Board for Financing Water Projects approve the resolution designated the "American Recovery and Reinvestment Act 6-2009 Carson City Public Works Water System Project Loan Commitment Resolution" to approve a loan commitment for the purpose of financing certain projects. The loan commitment is \$3,400,000.

The motion was seconded by Ms. Williams. The terms of the loan were clarified to be zero interest for no longer than 20 years. The motion passed unanimously with Chairman Scott abstaining.

2. b. Schurz Elementary School Loan Commitment (Action)

Ms. Basham presented a summary of the proposed project and funding. Ms. Basham's prepared remarks can be found in **Attachment 3**.

Mineral County owns and operates the Schurz Elementary School. The school is a non-transient, non-community water system. The proposed treatment is an anion exchange system to remove the uranium followed by a coagulation-filtration system to remove the arsenic. The environmental review determined that the project is eligible for a categorical exclusion. This project will create approximated 14 construction jobs. Staff recommended the proposed project be funded with principal forgiveness ARRA funds in the amount of \$327,000.

Mr. Paul Kirk, Superintendent of the School District, and Mr. Mark Nixon, President of the Board of Trustees, introduced themselves.

Mr. Walker asked for clarification of the tribal authority over the school. Mr. Nixon responded that the school is on private land and is under the jurisdiction of Mineral County.

Mr. Goetsch questioned the seemingly low cost of this project versus other projects that have been completed in the state. Mr. Brent Farr, Farr West Engineering, explained that the system that is proposed is a very small system and quotes were obtained from vendors.

Ms. Williams questioned the requirements for disposal of the spent media. Mr. Farr explained that the proposed system is basically an adsorption type system on a small scale and can be

back-washed to extend the life of the media. The back-wash water will be recycled to keep it from entering the septic system and the spent media can be land-filled.

Mr. Goetsch cautioned the County on possible start-up issues similar to those experienced by Churchill County and others.

Mr. Nixon noted that only the water consumed - approximately 1,000 gallons per day - would be treated. Water for outdoor use is distributed through a separate pipe system.

Mr. Farr noted that the current operator will need training and certification in treatment.

Mr. Belanger questioned the costs of an inter-tie to the tribal system. Mr. Nixon noted that the cost of an inter-tie would be similar to that of the treatment, but the future water rates would be governed by the tribe and could far exceed original estimates making this option more costly in the long run.

Motion: Mr. Goetsch made a motion that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$327,000 to Mineral County School District for Schurz Elementary School. The resolution designated the "American Recovery and Reinvestment Act 6-2009 Mineral County School District Project Loan Commitment Resolution" to approve a loan commitment for the purpose of financing certain projects.

The motion was seconded by Ms. Williams and passed unanimously.

Mr. Walker asked how the quantity of "jobs created" was determined. Ms. Basham stated that the applicant provides the estimate and it is primarily an estimate of construction jobs for the duration of the project.

2. c. Hawthorne Utilities Loan Commitment (Action)

Ms. Basham presented a summary of the proposed project and funding. Ms. Basham's prepared remarks can be found in **Attachment 4**.

The project will construct a new well to replace the failed Babbitt Well. The project has been approved by the Bureau of Safe Drinking Water making this project "shovel ready." The community meets the definition of a disadvantaged community and is therefore eligible for a principal forgiveness loan. An environmental review was completed when the community applied for a CDBG grant. The environmental review determined that the project is eligible for a categorical exclusion. The community received a CDBG grant for \$190,000. Staff recommends that Hawthorne Utilities receive a principal forgiveness loan in the amount of \$470,000. In addition, the community will contribute \$80,000 of their own funds towards the project. The project is expected to result in approximately 10 new construction jobs and 10 new indirect jobs in material production, sales, and delivery.

Ms. Williams asked the reason for the failure of the well and also the planned location of the new well. Mr. Steve Gustafson, Hawthorne Utilities, noted that the well was originally drilled by the Army in 1943 and has since been reconditioned a number of times but is now beyond reasonable repair. Mr. Gustafson stated that the new well was planned to be drilled approximately 100 feet from the old well. The water quality and temperature is good in this area. In 2005, the community lost their largest producing well due to uranium concentration

issues. The primary supply for Hawthorne now comes from wells located 19 miles outside of town. There is no back-up power and, as with many areas in Nevada, the pipeline is located in a seismic region.

Ms. Williams questioned the causes of the failure of the Babbitt Well. Mr. Gustafson stated that the original well was properly constructed but has now outlived its useful life.

Mr. Walker questioned the drawdown and volume of water necessary. Mr. Gustafson noted that there was no significant drawdown with the original well and the new well should pump 900 gpm.

Mr. Gustafson mentioned that the project has already been bid and is ready to be awarded. The pad was constructed by the utility.

Mr. Belanger questioned if the \$80,000 contribution by the utility was from rates. This was confirmed by Mr. Gustafson. The average water rate is \$20 per month for 5,000 gallons. Further small rate increases are planned.

Motion: Mr. Belanger made a motion that the Board for Financing Water Projects approve the resolution designated the "American Recovery and Reinvestment Act 6-2009 Hawthorne Utilities Water System Project Loan Commitment Resolution" to approve a loan commitment for the purpose of financing certain projects in the amount of \$470,000 to the Hawthorne Utilities.

The motion was seconded by Mr. Walker and passed unanimously.

Ms. Basham requested that the Board delay hearing item 2. d. Silver Springs Mutual Water Company Loan Commitment as the applicants had not, yet, arrived. Chairman Scott suggested the Board move on to agenda item 2. e.

2. e. McDermitt Loan Commitment (Action)

Ms. Basham presented a summary of the proposed project and funding. Ms. Basham's prepared remarks can be found in **Attachment 5**.

Mr. John Moddrell, Chairman of the Water and Sewer System for McDermitt, introduced himself.

Ms. Basham stated that there were three items involved in the project:

- 1) A hydrogeologic assessment of the water in the region
- 2) Possible blending of one of the two existing, reconditioned wells
- 3) Drilling a new well if blending is not possible

Staff recommended that only the first two project elements be funded at this time. The environmental review determined that the project is eligible for a categorical exclusion as construction would take place in an area that has been previously disturbed. The community meets the definition of a disadvantaged community and is therefore eligible for a principal forgiveness loan. The amount of loan is recommended to be \$492,000. McDermitt has

offered a local contribution of \$21,000 to the project. Approximately 17 construction jobs will be created.

Mr. Goetsch asked about the particular changes planned for the wells. Mr. Moddrell stated that Well 1 would be rehabilitated this year and would be video logged to assure it is a viable well. Discrete interval sampling would be done to find water with lower arsenic concentration. Well 2 was rehabilitated last year.

Mr. Goetsch also asked where the funding would come from if the third component was necessary. Mr. Moddrell noted that the water system was being incorporated into the existing GID. Ms. Basham mentioned that funding could come from the state grant program or from other funders if that third project component was found to be necessary.

Mr. Walker asked several questions about the hydrogeologic sources of the waters at the existing wells. Mr. Moddrell noted that the discrete interval sampling would determine general sources of the water and various contributions to the arsenic concentrations in the well. He also noted that the general source of water was the high desert plateau in Oregon, north of the community.

Ms. Williams questioned if some knowledge of differing arsenic concentrations existed. Mr. Moddrell responded that the community has seen a reduction in arsenic in Well 2 when the pumping rate was lowered. Well 2 commonly has the higher arsenic levels with high arsenic concentrations recorded at 18 ppb. Well 1 tends to vary between 8 and 12 ppb arsenic.

Chairman Scott clarified that the community was attempting to make the existing well work within the required arsenic parameter by blocking contribution of water to the well that exceeds the arsenic standard. Chairman Scott questioned the current ownership of the water system. Mr. Moddrell noted that this was a community owned system at present.

Mr. Walker questioned how the funds were being used during the project. Mr. Moddrell stated that the money would first go towards refurbishing Well 1 and then towards blending if a particular low arsenic zone could be established.

The Board briefly discussed what would happen if a low arsenic source point could not be found to blend.

Motion: Mr. Goetsch made a motion that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$492,000 to the McDermitt water system. The resolution designated the "American Recovery and Reinvestment Act 6-2009 Mineral County School District Project Loan Commitment Resolution" to approve a loan commitment for the purpose of financing certain projects.

The motion was seconded by Ms. Williams and passed unanimously.

2. d. Silver Springs Mutual Water Company Loan Commitment (Action)

Ms. Basham presented a summary of the proposed project and funding. Ms. Basham's prepared remarks can be found in **Attachment 6**.

Silver Springs Mutual Water Company (SSMWC) is a non-profit organization. All of the SSMWC wells exceed the arsenic MCL. The project includes a central treatment facility and pipeline

from the wells to the new treatment system. All other options for mitigation of the arsenic were eliminated. A coagulation/filtration type process was pilot tested and found to be effective. The backwash water will be re-circulated and the solids will be discharged to the sanitary sewer.

The environmental review determined that the project is eligible for a categorical exclusion as construction would take place in areas that have been previously disturbed. The community meets the definition of a disadvantaged community and is therefore eligible for a principal forgiveness loan. The amount of loan is recommended to be \$2,871,350. The SSMWC will contribute \$70,000, and \$96,250 was received in CDBG grant. The project will result in the need for 15 to 20 new construction jobs.

Mr. Don Allen, Manager of the SSMWC, introduced himself to the Board. Mr. Goetsch noted that there were some general statistics that the Board sees with state grants that are not included with these ARRA loans. He proceeded to follow up with questions on water rates, population served, the funding of a capital replacement account, and the status of the water system. Mr. Allen responded to these questions including the note that the system was moving toward a tiered rate and had been contributing to a capital replacement account. Mr. Goetsch questioned the willingness of the SSMWC to set water rates so that system would remain viable. Mr. Allen noted that the SSMWC had raised their rates and would continue to do so. He also stated that they did a separate income survey and found many folks were significantly below the MHI shown in the census numbers for the county.

Ms. Williams questioned the continuing contribution to a restricted capital replacement account. Ms. Basham stated that that was a normal condition of the SRF loan.

Mr. Walker noted that no new wells had been drilled in about 30 years. Mr. Allen responded that the production from the wells remained the same over time. Mr. Walker questioned if growth was factored into the size of the treatment plant. Mr. Allen noted that they were including all parcels within the existing service area in the sizing of the treatment plant. Mr. Walker asked if they had water rights for all parcels. Mr. Allen stated that all water rights were in place for all existing parcels in the service area.

Susan Jorgensen, Farr West Engineering, noted that the treatment facility was sized for the existing population's maximum-day and peak-hour demand; however, expansion of the facilities could be done in the future if growth warranted.

Mr. Goetsch stated that the State Engineer had approach both SSMWC and Lyon County regarding the over-allocation and over-pumping of water in the basin. He wanted to be sure the funds were being spent for a system that would be allowed to continue. Ms. Basham stated that part of the loan review was the adequacy of current water rights for the existing customers. In this case, SSMWC appears to have water rights for the existing population. Mr. Allen stated that the SSMWC does have a record of 1.12 acre-feet of water rights per lot in the service area.

Chairman Scott asked about the similarity in the boundaries of the water and sewer systems. Mr. Allen noted that they were similar; however, there were some parcels up by Skyline still on septic systems within the water company boundaries.

Motion: Ms. Williams made a motion that the Board for Financing Water Projects approve \$2,871,350 under the resolution designated the "American Recovery and Reinvestment Act 6-

2009 Silver Springs Mutual Water Company 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.

The Board and staff briefly discussed the allocation of ARRA funding. Ms. Basham pointed out that much of the ARRA funds were being applied to the arsenic issues in the use of 50% of the ARRA funds for the disadvantaged communities. This is in keeping with the priority list and the un-funded federal mandate to comply with the new arsenic standard. She also noted that the amount of the ARRA funds given to disadvantaged communities could exceed the targeted 50% if necessary. Ms. Basham pointed out that the various funding agencies had discussed the best source of funding for the communities in need so that the maximum number of systems could benefit.

2. g. Beatty Loan Commitment (Action)

Ms. Basham presented a summary of the proposed project and funding. Ms. Basham’s prepared remarks can be found in **Attachment 7**.

The proposed project is to construct central treatment for arsenic and fluoride mitigation. The environmental review determined that the project is eligible for a categorical exclusion. The community meets the definition of a disadvantaged community and is therefore eligible for a principal forgiveness loan. The amount of a loan is recommended to be \$2,910,000. The community will contribute \$50,000 to the project. The project will create approximately 15 to 20 jobs.

Mr. Walker asked if loan or grant had previously been approved for this District. Ms. Basham stated that a grant had been approved for the PER and pilot testing and that is what helped the Beatty system get in a position to apply for the stimulus loans.

Mr. Ray Williams, Manager for the Beatty Water System, noted that they were very excited about the results of the pilot testing for treating arsenic and fluoride.

Ms. Williams stated, for clarification, that pilot testing has shown that electro-flocculation will mitigate the arsenic and fluoride issues, but if another type of process would like to compete for this project, they will need to demonstrate through pilot testing that their process will mitigate the arsenic and fluoride. She expressed some concern about the timeline to complete further pilot testing and design. Mr. Williams stated that they were well along in the design for the treatment facility and also noted that there were other project elements to consider in the future.

Mr. Walker asked about the concentration of fluoride in the water. Ms. Jorgensen stated that it ranged from 2.4 to 2.6 mg/L. Ms. Jorgensen went on to give a brief description of the electro-flocculation process and added that the O&M should be lower than other processes. When asked about rates, Ms. Jorgensen stated that regardless of the treatment type, water rates would need to be raised. Mr. Williams stated that the rates did meet the 1.5% of the MHI.

There was a brief discussion on the use of alum to remove the fluoride with a filtration system.

Mr. Goetsch mentioned that from his observation, the pH balancing can create issues with a system. This should be watched carefully.

Mr. Goetsch also expressed some concern over the number of projects that Farr West has taken on. Mr. Brent Farr, Farr West Engineering, stated that they were proud of how aggressive his firm has been in getting his clients in a position to take advantage of this funding. Farr West has added additional new staffing to assure the projects move along on time. Ms. Basham noted that regardless of the engineering firm, staff would be actively involved in assuring that projects were properly designed and peer-reviewed so that this stimulus money would be appropriately spent within the time constraints imposed.

Ms. Carr made the comment that it is likely that systems with historical concentrations of arsenic over 25 ppb would not be eligible for further extensions to their exemptions.

Motion: Mr. Belanger made a motion that the Board for Financing Water Projects approve the resolution designated the "American Recovery and Reinvestment Act 6-2009 Beatty Water and Sanitation District Project Loan Commitment Resolution" to approve a loan commitment for the purpose of financing certain projects in the amount of \$2,910,000.

The motion was seconded by Mr. Walker and passed unanimously.

2. f. Five Star Mobile Home Park Loan Commitment (Action)

Ms. Basham presented a summary of the proposed project and funding. Ms. Basham's prepared remarks can be found in **Attachment 8**.

The proposed project is to drill a new well that will be below the arsenic MCL. If after drilling and developing the new well, the water does not meet the MCL for arsenic, central treatment using adsorptive media will be installed. NDEP determined that the project is eligible for a finding of no significant impact since construction will take place on already disturbed land. The community meets the definition of a disadvantaged community and is therefore eligible for a principal forgiveness loan. It is estimated that 17 construction jobs will be created. Staff is recommending an ARRA loan with 100% principal forgiveness in the amount of \$580,000.

Mr. Michael Jackson, the owner of the Five Star Mobile Home Park, was present to answer questions.

Mr. Goetsch made the comment that the mobile home parks are businesses with constrained funds and renters primarily on fixed incomes. Raising the water rates to cover the proper infrastructure and operation and maintenance is likely out of the question. This type of system often becomes a burden on cities and counties when their septic and drinking water systems fail. Helping them now may be perpetuating the problem.

Mr. Jackson agreed that the renters in his mobile home park are barely hanging on to survival and cannot afford increased rates. He stated that he paid \$105,000 to install a new septic system last year, and it should have a life of at least 10 years.

Mr. Walker asked how far 5 Star mobile home park was from Silver Springs Mutual Water Company. Mr. Jackson stated approximately 5 miles.

Mr. Goetsch stated that perhaps the Board should only make these deals if they are going to be taken over by a local government or gently phased-out of the non-sustainable business. Mr. Goetsch is uncomfortable with the cost per customer. Small systems that cannot raise their rates to afford the operation and maintenance often end up back before the Board again when their system fails.

Mr. Jackson stated that he felt they are up to the task. They have no debt and were able to invest \$105,000 of their own money in the septic system. The only reason they are in front of the Board is the change in the arsenic standard. Mr. Jackson noted that drilling a deeper well would give them a reliable source at likely a lower arsenic concentration. This may help the large number of domestic well owners in the area in providing information about the quality of water.

Mr. Belanger agreed with the others that he had issues with this kind of funding going to a private system that might not have funds to maintain it. He asked what option would be available if this program did not exist.

Mr. Jackson stated that point-of-use units had been tested but they presented operational issues with access.

Mr. Farr pointed out that no one had an issue with consolidation if the funds were available. He pointed to the consolidation successes of Silver Springs Mobile Home Park with the Silver Springs Mutual Water Company and the Crystal Clear Water System with the City of Yerington.

The Board discussed other potential options that seemed more reasonable in cost (e.g. providing bottled water or a dispenser system where residents could fill up their drinking water bottles for home use). Ms. Carr pointed out that some of these options were not allowed under the federal requirements for a public drinking water system.

Mr. Farr pointed out that another option might be for the Silver Springs Mutual Water Company to apply through the grant program to consolidate the mobile home park.

Mr. Belanger stated that he would be more inclined to support this if it was a zero interest loan.

Chairman Scott noted that it appeared that they were dealing with primarily a larger social issue. He asked if the mobile home park would be willing to consolidate with a large system some day if that option became available. Mr. Jackson stated that he would definitely agree to that.

Ms. Dobson made a comment that if a combination of funding were to be used, all of the ARRA restrictions and requirements would apply.

Chairman Scott stated that the Board has in front of it a non-compliant community water system that serves approximately 90 people that needs to be addressed.

Ms. Williams asked if there was an opportunity for the mutual water company to take this system over after the improvement was made. The Board agreed that entities like the mutual water company did not have an obligation to take these systems over.

Motion: Ms. William made a motion that the Board for Financing Water projects have the applicant make additional review of alternatives that may be available including consolidating

with or being taken over by the Silver Springs Mutual Water Company, the Silver Springs GID, or Lyon County. The impacts on the 29 customer accounts given a zero percent loan from the SRF with a maximum payback period must also be included. A project proposal may be brought back to the Board at the next Board meeting.

The motion was seconded by Mr. Walker. Chairman Scott stated that he would vote against the motion although he does have concerns about funding a private entity. However, the Board is in the business of distributing ARRA funds, and he is more concerned that there is a community out there with health issues.

Mr. Robert Martinez made a comment that the State Engineer's Office wants to do further investigation into the water rights owned by this entity. He committed to helping the mobile home park with information on file if they did pursue drilling a well to replace or supplement their existing well.

For the purpose of clarification, Ms. McDermott asked if the Board was against funding private systems in general or primarily mobile home parks. Mr. Goetsch responded that many private systems, regardless of whether it is a mobile home park or mansions, can only stay in business by not paying the up-keep on their systems. There have been problems in this state for years with these small systems being unable to sustain themselves and then the counties and cities must take them over and provide the needed management and upgrades at a cost to tax payers. While it is great that we have this large pot of funds right now, we are perpetuating the issue, and we have not answered any of the real long-term problems with the financial situation in these systems. He would want these people consolidated with a larger system so that these same people in these same small systems will not be faced with this problem again in the future. We have instead passed the problem on to future generations.

Mr. Jackson made the comment that he had never before, in the 20 plus years he has owned his system, asked for assistance with any of his operations and has maintained his water system during all of those years. He was not aware of the systems that had requested assistance.

Mr. Goetsch cautioned that there is a significant cost to keep up a treatment system and its chemicals. He went on to note that the Board requires its grantees to fund a capital account so that it can perform regular maintenance and ultimately have some funds for capital replacement in the future.

Ms. Basham stated that the SRF operates under federal and state rules which outline how the program is to be implemented. The SRF program is required to follow the Priority List. Staff evaluates proposed projects based on the rules that govern the SRF program eligibility and makes a recommendation based on the rules. Staff does not evaluate the larger social issues that the Board has been discussing.

Chairman Scott called for a vote from the Board on the motion as restated by Ms. Williams. The motion passed with Chairman Scott opposing.

F. CAPITAL IMPROVEMENT GRANT PROGRAM

1. Financial Report

Ms. Daralyn Dobson gave an overview of the fiscal health of the AB198 program (see **Attachment 9**).

Ms. Dobson and Mr. Dave Emme reviewed the financial status of the program and future bond sales. Mr. Emme noted that in May 2009 the Department of Administration requested that we reduce our projected bond needs for FY10/11. The total amount of the \$28M projected has initially been reduced by \$9M. Mr. Emme discussed the logic with respect to this reduction amount. The Board, by policy, has a preference for drinking water needs.

Chairman Scott clarified that this reduction in the projected amount of bonds left mostly grant funding for drinking water systems in FY10/11. The Board may have to decide if it will fund a project in its entirety or reserve funds for some other project that may be coming before the Board.

Chairman Scott asked staff to provide, for the next Board meeting, a summary of projects that may be coming before the Board in the future so that the Board would be aware of the outstanding needs. He asked for an agenda item so that the Board might decide on a policy going forward into the next biennium.

Mr. Emme responded to questions from Ms. Williams regarding whether this was a definite reduction by pointing out that this program is funded by property taxes, and those taxes are significantly lower than previously projected.

Mr. Walker asked if there had been a migration from the AB198 program to the SRF program stimulus loans. Mr. Emme concurred that this appears to be generally true.

G. SB62 GRANT PROGRAM

1. Time Extension Request a. Searchlight (Action)

Ms. Michelle Stamates provided background regarding SB62 grant money that was approved for the Searchlight project and delays the project has experienced. Ms. Stamates' summary memo to the Board can be found in **Attachment 10**.

Mr. Jordan Bunker from the Las Vegas Valley Water District was present to answer questions from the Board. Mr. Bunker stated that they planned to be finished with the SB62 portion of this project well within the one-year extension. The District expects to be drilling later this summer.

Motion: Mr. Goetsch made the motion that the Board for Financing Water Projects approve a time extension to Funding Agreement "01-06-F3 LAS VEGAS VALLEY WATER DISTRICT FOR THE SEARCHLIGHT WATER SYSTEM" to June 19, 2010. This extension is contingent upon the grantee continuing to make reasonable progress on this project and adhere to all of the conditions and requirements of the funding agreement.

Motion was seconded by Mr. Walker and the motion passed, with Mr. Belanger abstaining.

2. Progress Report for Funded SB62 Projects (Non Action)

Ms. Stamates presented a summary of the outstanding projects. Ms. Stamates' summary of the projects can be found in **Attachment 11**. Ms. Stamates asked what the Board would like to see if the final products are not delivered on time. The Board would like any other grantees who fail to complete their projects to appear before the Board to discuss the issue.

F. CAPITAL IMPROVEMENT GRANT PROGRAM

2. Letter of Intent & Grant Application

a. Lander County Combined Sewer & Water Dist #2 GID PER (Action)

Ms. Stamates presented a summary of the proposed project and funding. Ms. Stamates' prepared remarks can be found in **Attachment 12**.

Mr. Louis Lani, Chairman for the GID, and Mr. Dean Day with Day Engineering were available to respond to Board questions.

Chairman Scott asked about the location of the new well and whether it was close to the existing well. Mr. Lani stated that they had sampled an irrigation well further out in the Reese River Valley and the arsenic concentration came in at 3 ppb. It is possible that they might pursue an exploratory well in that area.

For clarification, Chairman Scott noted that the springs have a uranium issue whereas the well has an arsenic issue.

In response to questions from the Board, Mr. Lani provided an approximate location of a new well and noted that it would be some 4 ½ miles from the existing well. Wells in this area are pumping quantities in excess of 3,000 gpm with very low arsenic. Mr. Day remarked that they made be able to find a similar source but closer to the town.

Mr. Walker asked about transferring the existing water rights from the existing well to the new well. Mr. Lani stated that he did not expect issues with a transfer of the existing water rights.

Mr. Walker questioned the seasonal viability of the springs. Mr. Lani noted that flows were better earlier in the year and the springs tended to dry up late in the year. The GID has taken care of the fencing of the springs and is working on the new covers as required by the Bureau of Safe Drinking Water.

Mr. Lani explained the pumping and blending scenario of the existing system.

Mr. Goetsch questioned the funding of a capital replacement account. Mr. Lani stated that they have a 3% per year increase in water rates in place now, and Nevada Rural Water has recently installed financial software (EPA's CUPPS program) that will assist the GID in setting up a funded capital program for the next 20 years. Mr. Preston King from the Nevada Rural Water Association spoke briefly about the benefits of the CUPPS software.

The Board reviewed the steps involved in the PER and then the steps that would follow as the GID and its engineer developed a suitable alternative for a construction project.

Motion: Mr. Goetsch made a motion that the Board for Financing Water Projects approve the Letter of Intent from the Lander County Combined Sewer & Water District #2 General

Improvement District to pursue funding from the AB-198 grant program for completion of a PER for arsenic mitigation. The total grant amount should not exceed \$126,650. The project is subject to the conditions provided in the staff report and included in the resolution.

The motion was seconded by Ms. Williams.

Mr. Walker noted the arsenic compliance schedule date of January 2011 and asked what the schedule was for the PER and construction project to meet this deadline. Mr. Lani stated that the PER should be completed in the fall or later this year.

Ms. Carr commented that the Austin water system might be eligible for an additional extension to their arsenic exemption; however, the SEC would need to see that the system is making progress towards a mitigation alternative.

Chairman Scott called for a vote on the Letter of Intent motion. The motion was passed unanimously.

Chairman Scott then noted that there was a suggested action on a grant for the PER.

Motion: Mr. Belanger made a motion that the Board for Financing Water Projects approve a grant from the AB198 (capital improvements) program to the Lander County Combined Sewer & Water District #2 General Improvement District for the completion of a PER for arsenic mitigation in accordance with the resolution designated the "06-09-F2a Lander County Combined Sewer & Water District #2 Arsenic Mitigation Project"; 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 herewith. The total grant amount should not exceed \$126,650 for a period of 2 years. The project would be subject to the conditions provided in the staff report and included in the resolution.

The motion was seconded by Mr. Goetsch. The motion was passed unanimously.

Mr. Walker asked who was on the Board at the GID and whether it was also the Board of County Commissioners for Lander County. Mr. Lani stated that it was an elected Board specifically for the GID and he was the current chairman.

3. Grant Application

a. Pershing County Water Conservation District (Action)

Ms. Stamates presented a summary of the proposed project and funding. Ms. Stamates' prepared remarks can be found in **Attachment 13**.

Mr. Bennie Hodges, Manager of the Pershing County Water Conservation District, and Mr. Danny Sommers, Farr West Engineering, were present to answer questions from the Board and participated in summarizing the project. Given the projects this District has completed and the history of the projects, staff provided additional information for those Board members who were not on the Board at the time.

Mr. Walker asked about the per acre fee being charged the District water users and if the District would increase that total amount to \$5 per acre given the changes that were approved for irrigation districts (AB226) at the 2009 Legislative Session. Mr. Hodges stated

that he did not see increasing the assessments this year as the water allotment was 15% of normal. Mr. Hodges stated that they intended to contribute in-kind work to assist with their portion of the project.

Mr. Belanger asked how the districts rates compared with the Board's policy on water rates. Ms. Stamates responded that that policy was for drinking water systems only. Chairman Scott added that the Board did not have a comparable policy for irrigation districts but that it looked at the in-kind contributions, the availability of some of the facilities for public recreation, and water conservation.

Ms. Williams asked how often Rye Patch and the Pitt Taylor Reservoirs would actually be filled. Mr. Hodges described the water years the District has seen in the last 50 years. He discussed the need to capture as much water as possible in the high water years, having the capability to store the additional water in the two Pitt Taylor Reservoirs and the current condition of these facilities. He provided examples of what the additional water could mean to the District in the dry years. Mr. Hodges also discussed the public benefits of his facilities.

Chairman Scott stated that the Board also looked at the economic benefit of the projects and these include the public access. He followed up by asking about the District's operation and maintenance plans. Mr. Hodges responded that the District maintains approximately 110 miles of canals and ditches. He discussed the basic capabilities of the district and its machinery.

Mr. Walker asked about the Bureau of Reclamation debt. Mr. Hodges stated that that debt was paid off in the 1970s. All of the facilities that are included in this grant are owned by the District. Mr. Walker asked about other sources of funding. Mr. Hodges stated that the District had looked for other funding and did not find other sources at this time.

Mr. Walker stated that AB237 had a requirement for conservation, and he was not certain this was a conservation project. Mr. Hodges stated that he provided annual water conservation plans to the Bureau of Reclamation for this entire District. Mr. Walker asked staff if this project had been reviewed to the statutory requirements. Ms. Stamates responded that the Division of Water Resources, Board staff, and the AG's office had all reviewed the elements of this project and agreed they met the intent of the legislation.

Mr. Stockton read from the statute and stated that he acknowledged that this project met the statutory intent. The Board discussed the elements of efficiency and conservation as they related to the statute and the examples presented by the District.

Mr. Walker asked about the other elements of the project in the grant request. Mr. Sommers discussed the other elements: the Pitt Dam, Anchor Pond, and the Plug. Mr. Walker asked about funding from the USDA. Mr. Hodges stated that there was currently no other funding available; however, Assemblyman Goicoechea is looking for other possible funding sources.

Mr. Walker asked about the mine dewatering upstream. Mr. Hodges stated that there was no longer any mine dewatering discharge to the river.

Ms. Williams made the comment that the bonding amount for the upcoming biennium had been reduced, and she expressed some concern in committing a large amount to this project when there might be more drinking water needs that have yet to come before the Board. Mr. Belanger agreed that he was not certain just how the program's finances could support funding for this project. Mr. Emme reviewed the bonding reductions he discussed earlier in

the meeting and how staff projected the potential financial needs. Mr. Emme stated that the Board was getting close to the point where they would need to make a decision of future irrigation project needs vs drinking water system needs.

Chairman Scott clarified that staff had projected this particular project. He stated that he saw a large regional and public benefit in this project and felt that the Board had a significant investment in this project and that he was inclined to support this grant to continue the original project.

Mr. Belanger asked if this would complete the projects in the District or if they saw themselves coming back to the Board in a few years for additional funding. Mr. Hodges stated that he felt the District could handle the funding of other future projects after these project elements were completed unless there were unexpected disasters such a major earthquake.

Mr. Goetsch mentioned that many of our irrigation districts had aging structures and have seen recent failures. He pointed out that improvements to these structures and the ability to capture water in the high water years and deliver that water for beneficial use provides benefits to the local economies that would pay for the cost of projects like this many times over. He went on to state that he saw the project as two different projects that did not go together. The items that related to the Pitt Taylor Diversion system appeared to be one project and the other three items seemed to stand separately. He asked if the project could be separated into two projects and funded separately without damaging the whole project. Mr. Sommers stated that the plug is a high priority item and has an influence over how much water they can release from Rye Patch. Mr. Goetsch asked about the reservoir assessments. Mr. Sommers stated that dam safety required the assessment and perhaps upgrades before the District could increase the storage to the full capacity in the Pitt Taylor Reservoirs.

Chairman Scott asked if the District might be able to do the work on the Pitt Taylor Reservoir dams that result from the assessments. Mr. Hodges said yes.

Mr. Walker commented that funding this full project for a 5 year period puts the Board in a difficult position if other systems might need funding in the interim and the bonding capacity continues to be limited. Could the project be separated into two separate grants?

Chairman Scott asked how staff budgeted for this project. Ms. Stamates noted that, in addition to funding for drinking water projects, this project was budgeted at \$1.5M for each of the next two years of the coming biennium and then further funds beyond. In addition, during the previous bond sale, approximately \$8M in bonds were sold to cover some of the arsenic projects that were expected to come to the grant program; however, some of these are now at least partially funded with SRF stimulus money.

Ms. Carr commented that there are still water systems that could be eligible for the grant program that are under order or going under order and could be significant in cost. Chairman Scott mentioned that the USDA also funds some of these projects with both loan and grant depending on the income of the community.

Mr. Stockton requested that the Board refrain from using the term AB198 or AB237 when making their motion as it is not the proper name of the program and there is an AB198 every legislative session which can cause some confusion to people not familiar with the program. Mr. Stockton asked that the Board use the term "capital improvements" program.

Motion: Mr. Goetsch made a motion that the Board for Financing Water Projects approve a grant from the grants for capital improvements program to the Pershing County Water Conservation District irrigation system capital improvement project in accordance with the resolution designated the "06-09-F3a Pershing County Water Conservation District Capital Improvement Project"; 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 total grant amount should not exceed \$3,810,000 for a period of 5 years. The project would be subject to the conditions provided in the staff report and included in the resolution. Mr. Goetsch stated that this included the major portions of the project and that Anchor Pond and some of the assessments could be delay or deferred.

The motion was seconded by Mr. Williams. Ms. Williams also stated that this does not preclude the District from coming back to the Board in the future.

The motion passed with Mr. Belanger opposing.

H. BOARD COMMENTS (Non Action)

Chairman Scott noted that the program's statutes had been amended by two different legislative actions that are effective July 1, 2009: 1) changed the grant amount range that may be awarded and 2) the program now includes mutual water companies and non-profit water systems. He asked staff to take a look at both changes and how they might affect the Board policies.

Mr. Emme stated that SB105 (2009 Legislative Session) corrected the language in the statute and allows the Board to provided grants between 25% and 85% of the total eligible project cost. Mr. Emme will amend the Board's policy to allow for this change in statute. A draft policy change will be provided prior to the meeting in July, and if the meeting is not too long, this item will be agendized.

Mr. Emme stated that the Board may wish to consider some requirements for mutual water companies and non-profits as a Board policy. The Board discussed some of their thoughts and concerns.

The Board discussed their thoughts on providing testimony or other input on Senate and Assembly Bills.

Chairman Scott asked staff to draft some points on the oversight of the non-profits perhaps using some of the same items the USDA might use for these systems. He also stated that there might need to be some similar considerations for private water systems.

Ms. Carr mentioned that most of the issues the Board is seeing are from the older mobile home parks as regulations were developed to help prevent sub-standard water system elements.

Ms. Williams asked that the SRF loan summaries include the system background information like water rates.

F. CAPITAL IMPROVEMENT GRANT PROGRAM

4. Progress Report for Funded AB198/AB237 Projects (Non Action)

Ms. Stamates mentioned that a summary was included in the Board's binders. Ms. Stamates' summary of the capital improvement grants can be found in **Attachment 14**.

Mr. Belanger asked that staff supply information in the Board packet on whether or not the grants are open or closed and how much was expended on each.

Ms. Carr mentioned that the Bureau of Safe Drinking Water is in the process of putting together regulations and having workshops on those regulations in order to adopt the new federal regulations on the Long Term 2 (LT2) Enhanced Surface Water Treatment Rule and the Stage 2 Disinfectants and Disinfection By-products Rule. She expects that the Board may see water systems coming for funding in order to comply with these rules.

I. PUBLIC COMMENTS (Non Action)

There being no other comments from the Board or the public, there was a motion to adjourn.

Motion: At approximately 4:15 pm Mr. Walker moved to adjourn; motion seconded by Ms. Williams.

ATTACHMENT 1

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

1. Overview of ARRA (Non Action)

The American Recovery and Reinvestment Act of 2009 (ARRA)

New Opportunities & Challenges for the Clean
Water State Revolving Fund (CWSRF) and Drinking
Water State Revolving Fund (DWSRF) Programs

June 15, 2009

1

Congress Placing Great Trust & Confidence in the SRF Programs

▣ Our solid history of success

- Effective leveraging of Federal investment
- Financial integrity
- State leadership
- Building infrastructure that delivers long-term environmental, public health and economic benefits

We are being given a new challenge

2

SRF Provisions of ARRA

- ARRA appropriations are IN ADDITION TO base SRF program appropriations
- Focus & Objective differs from base SRF program -- ARRA is not focused on building the corpus of the funds
- ARRA is focused on quickly delivering assistance to "ready to go" projects
 - Job creation and preservation
 - Priority for projects ready to start construction

3

New Requirements

- All of the iron, steel, and manufactured goods used in a project must be produced in the United States.
- Administrator of EPA may waive US made requirement
- Davis-Bacon Act wage rules apply to all assistance agreements made in whole or in part with funds appropriated by the ARRA.

4

Additional Subsidization

- ARRA requires that each State use not less than 50 percent of its capitalization grants for additional subsidization “in the form of” principal forgiveness, negative interest loans, or grants
- ARRA encourages the States to target additional subsidization based on community affordability

5

Additional Subsidization - Nevada

- Nevada will target communities that meet Nevada’s DWSRF definition of “disadvantaged”
- Local MHI 80% of state MHI
- Principal Forgiveness
- Small local match – determined by what community can afford to contribute

6

Green Project Reserve

- EPA directed states to prioritize projects that achieve highest intent of the Act
- Nevada priorities are:
 - generate clean energy
 - conservation projects with multiple environmental benefits
- Nevada interest rate: 0%

7

Timeline

- Accelerated Contracts or Construction
 - ARRA: EPA "shall reallocate funds... that are not under contract or construction" by 2/17/10
 - NDEP will monitor project progress
 - If progress not adequate to meet 2/17/10 construction contract date, NDEP will terminate agreement and reallocate funds

8

ATTACHMENT 2

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

2. a. Carson City Utilities Loan Commitment (Action)

Carson City Public Works Water System American Recovery and Reinvestment Act Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund May 2009

Applicant: Carson City
Project: Water System Improvements
Total Cost: \$3,400,000

BACKGROUND

The 1996 Amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA requirements and to further the public health objectives of the Act. The SDWA authorizes EPA to award capitalization grants to States that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) to administer the DWSRF under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295 inclusive. In addition to the authorizing statute, Nevada has adopted Administrative Code (NAC) 445A.6751 to 445A.67644 which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, Operating Agreement with EPA and an assortment of policy directives and guidance from EPA govern the DWSRF program.

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).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 into law. The overall purpose of the Act is to create or save jobs and promote economic recovery. The Carson City Public Works project, if approved, will utilize ARRA funds.

Carson City has developed an Arsenic Compliance Implementation Plan to achieve compliance with the drinking water standard for arsenic. The proposed ARRA project is part of the compliance plan.

Existing System

A map of the Carson City water system is included in Attachment 1. Carson City utilizes both surface water and groundwater. A table of the groundwater sources is included in Attachment 2. The surface water sources listed below are filtered and disinfected.

Ash Creek – 500 to 1,500 GPM
Kings Creek – 300 to 600 GPM
Marlette/Hobart – 500 to 1,800 GPM

The average daily consumption is 6 MGD in the winter and 22 MGD in the summer. The combined source design capacity is 23.6 MGD (16,389 GPM). The combined storage capacity is 26 million gallons. A list of the storage facilities is included in Attachment 3.

Customers, Population and Growth

The number of service connections/persons currently served and to be served in future years is shown in the table below.

	Current	Projected
Residential Connections	14,189	18,020
Commercial Connections	2,039	2,589
Other – Government	212	220
Estimated Population served	57,000	75,000

PROPOSED PROJECT

General Description

The project consists of the following 3 components (see Attachment 4 for map):

Well #4 Upgrade: This portion of the project includes the installation of all new equipment required to extract and deliver additional water from well #4. The goal of this component is to obtain additional water that has a lower level of arsenic thereby enhancing blending capabilities and lowering arsenic treatment plan O&M costs.

Well #24 Upgrade: Increase pumping capability of well #24 from 1000 GPM to 1800 GPM by replacing the existing submersible pump with a vertical turbine pump. This upgrade will require an upsize of the existing plumbing, pump control devices and electrical equipment. A new sound proof enclosure will also be required for the new vertical turbine pump since this pump is located in a residential neighborhood.

East Fifth Street Transmission Main: Upsize to 24 inches the existing water main that extends from River View Park at the east end of East Fifth Street to the intersection of Airport Road and Butti Way. The purpose of upsizing the transmission main is to accommodate the additional flow from well #24 and improve blending in this arsenic impacted zone. Additionally, this main will be the first leg of a 24 inch transmission main to deliver uranium free water to the west side of Carson City to more cost effectively manage uranium in those zones.

Alternatives to Proposed Project

Carson City has concluded that the most cost effective method to manage and reduce the levels of arsenic and uranium in the system is through blending. The only other alternative available is treatment. Carson City is currently expending approximately \$3,000,000 for the construction of an arsenic treatment plant to treat 1,100 gallons per minute. The City cannot afford to treat all of the additional sources that need reduction in arsenic and uranium levels.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612. NDEP has determined that the project is eligible for a Categorical Exclusion because the construction consists of upgrading of existing facilities. Upgrading of the wells will

be conducted within the existing well facilities and the pipeline component is upsizing of an existing pipeline. Best management practices will be utilized during construction. The project will have a beneficial effect by ensuring the customers receive water that is safe to drink. 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.

Public Participation

The proposed project is part of the Capital Improvement Plan which has been presented to the City Supervisors at a public meeting.

Permits

Permits from the State Engineer’s Office and the City Building Department will be required. Also, the plans must be approved by NDEP, Bureau of Safe Drinking Water.

Cost Estimate

The construction costs are estimated to be \$3,400,000 as detailed in the table below. Carson City will contribute \$510,000 in planning and design for a total project cost of \$3,910,000.

Well #24 Upgrade	\$400,000
Well #4 Upgrade	\$650,000
East Fifth St. Transmission	\$2,350,000
TOTAL	\$3,400,000

Jobs Created

This project will result in approximately 22 jobs directly related to construction.

Financial Evaluation

Carson City is a financially viable operation with the ability to meet costs of continuing operations and maintenance. Carson City has the financial capability to handle the loan based on the following:

- The City reviews and makes rate adjustments annually to assure generation of sufficient revenue to pay all proper operation and maintenance (including replacement) costs of the water system.
- Ratio analysis indicates that Carson City has the ability to repay the loan.

Carson City has completed the process of obtaining approval from the Debt Management Commission (DMC). This process requires an extensive credit history. The DMC approved the issuance of \$20,000,000 of general obligation water bonds for the City on February 26, 2007. The City issued \$10,047,500 of general obligation water bonds on June 21, 2007. There is \$9,952,500 of general obligation water bond authority remaining.

Technical, Managerial and Financial Capacity

Carson City has addressed all of the deficiencies identified on the most recent sanitary survey. All monitoring and water quality requirements have been met. The system employs certified operators. Carson City has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards.

Compliance with Safe Drinking Water Act

The Carson City water system is in compliance with requirements of the Safe Drinking Water Act. This project will ensure continued compliance with the Safe Drinking Water Act.

Status of Drinking Water State Revolving Loan Fund ARRA Funds

Nevada received \$19.5 million in ARRA funds for the DWSRF. After reserving set-asides, \$18.9 million remains available for loans. Of the \$19.5 million, ARRA requires that a minimum of 50% provide additional subsidy and a minimum of 20% fund green projects. Carson City's project will utilize ARRA funds remaining after the additional subsidy and green project reserves.

DIVISION RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$3,400,000 to the Carson City Public Works. Since the project is funded with ARRA funds, the interest rate will be 0% as specified in Nevada's ARRA Intended Use Plan. The Division and the Carson City will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 3

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

2. b. Schurz Elementary School Loan Commitment (Action)

Schurz Elementary School Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund May 2009

Applicant: Mineral County School District
Project: Water System Improvements – Arsenic Treatment
Total Cost: \$327,000

BACKGROUND

The 1996 Amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA requirements and to further the public health objectives of the Act. The SDWA authorizes EPA to award capitalization grants to States that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) to administer the DWSRF under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295 inclusive. In addition to the authorizing statute, Nevada has adopted Administrative Code (NAC) 445A.6751 to 445A.67644 which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, Operating Agreement with EPA and an assortment of policy directives and guidance from EPA govern the DWSRF program.

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).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 into law. The overall purpose of the Act is to create or save jobs and promote economic recovery. The Schurz Elementary School project, if approved, will utilize ARRA funds.

Mineral County owns and operates the Schurz Elementary School water system which is a non-transient, non-community water system. Historic concentrations of arsenic in the single well supplying the water system have varied between 12 ppb and 20 ppb. Schurz Elementary is currently operating under an arsenic exemption extension until January 23, 2011. As a non-transient, non-community water system, Schurz Elementary is not required to monitor for radionuclides; however, upon performing an arsenic speciation test, the lab noticed that the levels of uranium were high. The project is to construct central treatment to remove arsenic and uranium.

Existing System

The source of water supply is a single well that is located just outside the school's main office. Water from the well serves both the outside irrigation system and the potable water system

within the school. The potable water enters the school's administration building through a utility room and goes through a series of five hydropneumatic pressures tanks before distribution.

Customers, Population and Growth

The water system supplies water to population of approximately 125 students and staff.

PROPOSED PROJECT

General Description

The proposed project includes the installation of a central treatment system to remove arsenic and uranium. The treatment system will treat all of the water entering the potable distribution system to levels below the MCLs. The proposed treatment technology is granular ferric hydroxide media. A building to house the treatment facility also will be constructed as part of this project.

Alternatives to Proposed Project

Modifying/Drilling a New Well: The results of time series water quality sampling on the existing well showed that the arsenic concentration levels remained the same throughout the testing which suggests that modifying the existing screened zones would not improve water quality. Finding a new water source that meets the arsenic MCL is unlikely since other wells in the area have high arsenic concentrations.

Point-of-Use (POU) Treatment: A POU unit would need to be installed on each of the drinking fountains in the school along with an education program that the drinking fountains are the only safe source for drinking water. POU is both maintenance and management intensive and has a higher O&M cost than central treatment.

Consolidation with the Schurz Tribal Water System: The Tribal water system, located 2,500 feet north of the school site, has arsenic removal treatment built by the Indian Health Service. Schurz Elementary inquired with the Tribe about the water rate if the school were to consolidate with the tribal system. It took a considerable amount of time to get a decision from the Tribal Council on the water rate the school would be charged. The Tribe proposed a monthly user rate of \$270/month to the school with the caveat that the rate could increase significantly based on the revenue requirements of the Tribal water system. This option was not considered viable because of uncertainties about the monthly water rate.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612. NDEP has determined that the project is eligible for a finding of no significant impact (FONSI). The proposed project will be constructed within the boundaries of the Mineral County School District property on previously disturbed land and is unlikely to have a negative effect on the quality of the environment. Best management practices will be utilized during construction. The project will have a beneficial effect by ensuring the children and school employees receive water that is safe to drink. 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.

Public Participation

The Schurz Elementary School Water System has been notifying the public of the arsenic rule and their non-compliance since January of 2006. In addition, the Mineral County School District Board of Trustees has discussed the arsenic issue at their regularly scheduled meetings.

Permits

The following permits are required for the project:

1. NDEP Bureau of Safe Drinking Water Approval
2. Mineral County Building Permit

Financial Evaluation

In order to receive the ARRA grant award from United States Environmental Protection Agency, the State of Nevada must agree to use at least 50% 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 ARRA Intended Use Plan that additional subsidy will be offered to communities that meet the definition of disadvantaged community. The Nevada Administrative Code 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 2000 census 80 percent of Nevada's MHI is \$35,668.

According to the 2000 census Schurz's MHI is \$24,265, placing it well below Nevada's MHI. Therefore, Schurz Elementary School Water System meets the requirement for additional subsidy, making a principal forgiveness loan appropriate.

Cost Estimate – ARRA Funding

The total cost is \$327,000. Subject to the approval of the Mineral County School District Board of Trustees, the Schurz Elementary School Water System will contribute \$5,000 toward the project cost.

Staff is recommending an ARRA loan with 100% principal forgiveness in the amount of \$327,000.

Jobs Created

Several different crews requiring different labor skills will be required for this project. The following is the anticipated number of jobs created for each activity.

- Facility Fabrication = 8
- Building construction = 5
- Inspector = 1

Technical, Managerial and Financial Capacity

With the exception of arsenic, the water quality currently meets the MCLs and generally monitoring requirements have been met. Mineral County School District employs a certified operator who has the technical knowledge and ability to operate the system. The proposed project will bring the system into compliance with the MCLs. The School has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards.

Compliance with Safe Drinking Water Act

The Schurz Elementary School is in compliance with requirements of the Safe Drinking Water Act with the exception of the MCL for arsenic. This project will bring the system into compliance with the Safe Drinking Water Act.

Status of Drinking Water State Revolving Loan Fund ARRA Funds

Nevada received \$19.5 million in ARRA funds for the DWSRF. After reserving set-asides, \$18.9 million remains available for loans. Of the \$19.5 million, ARRA requires that a minimum of 50% provide additional subsidy. Schurz Elementary meets the definition of a disadvantaged community and is eligible for additional subsidy.

DIVISION RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$327,000 to Mineral County School District for Schurz Elementary School. Since Schurz Elementary School meets the definition of a disadvantaged community and is eligible for additional subsidy, it is recommended that 100% of the principal be forgiven. The Division and the Mineral County School District will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 4

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

2. c. Hawthorne Utilities Loan Commitment (Action)

Hawthorne Utilities Water System American Recovery and Reinvestment Act Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund May 2009

Applicant: Hawthorne Utilities
Project: New Babbitt Well
ARRA Funding: \$470,000

BACKGROUND

The 1996 Amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA requirements and to further the public health objectives of the Act. The SDWA authorizes EPA to award capitalization grants to States that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) to administer the DWSRF under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295 inclusive. In addition to the authorizing statute, Nevada has adopted Administrative Code (NAC) 445A.6751 to 445A.67644 which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, Operating Agreement with EPA and an assortment of policy directives and guidance from EPA govern the DWSRF program.

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).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 into law. The overall purpose of the Act is to create or save jobs and promote economic recovery. The Hawthorne Utilities project, if approved, will utilize ARRA funds.

The unincorporated town of Hawthorne is located in Mineral County in the Walker River Basin, along U.S. Highway 95, approximately 130 miles southeast of Reno, Nevada. The town encompasses approximately 950 acres and is surrounded by the Hawthorne Army Ammunitions Depot, which covers 150,000 acres.

Existing System

The system derives most of its water from three wells in the Whiskey Flat area, located about 18 miles southeast of town. In addition, water sources in town include the I street well and the failed Babbitt well. The water from the Whiskey Flat wells is pumped into a 250,000 gallon tank in the Whiskey Flats area. From this tank, the water flows by gravity to two reservoirs, a three million gallon tank and a 300,000 gallon tank, located just south of town. The well pumps are controlled by the water level in the Whiskey Flat Tank. The water system is metered. The

water quality in the Whisky Flats area meets the drinking water standards. The I Street well exceeded the uranium standard and was taken off line.

Customers, Population and Growth

There are 1,484 residential customers, 103 commercial customers, 6 industrial connections and an estimated population of 2,578. Growth in Hawthorne is not anticipated.

PROPOSED PROJECT

General Description

The proposed project is construction of a new well to replace the failed Babbitt well. This project is ready to go to construction. The plans have already been approved by the Bureau of Safe Drinking Water. Funding of this project is consistent with the requirements of ARRA that preference be given to projects that are ready.

Alternatives to Proposed Project

The alternatives include doing nothing, drilling in another location, and replacing the Babbitt well. The do nothing option was not selected because the system needs a local water source. Drilling in another location was not selected because there are no other known, local sites that have water that do not need treatment prior to use. Replacing the Babbitt well was selected because it is the most cost effective approach for providing the town with clean, efficient, emergency and backup water.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612. NDEP has determined that the project is eligible for a categorical exclusion since an environmental review was completed when Hawthorne applied for and obtained funding from Community Development Block Grant (CDBG) in 2007. As part of the application to CDBG, a complete environmental review was conducted. Since the environmental review concluded that there is no significant environmental impact from the project, NDEP has determined that the project is eligible for a categorical exclusion exempting it from further environmental review. A cultural resource inventory of the project site conducted in 2007 recommended no further management consideration prior to the implementation of the proposed project.

Public Participation

As part of the CDBG application for this project, two public meetings were held. Also as part of the CDBG application, there was a public comment period on the environmental notice. There have been no comments from the public or local officials that were adverse to this project.

Permits

Both a building permit and approval from the Bureau of Safe Drinking Water have been obtained.

Financial Review

In order to receive the ARRA grant award from United States Environmental Protection Agency, the State of Nevada must agree to use at least 50% 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 ARRA Intended Use Plan that additional subsidy will be offered to communities that meet the definition of disadvantaged community. The Nevada Administrative Code 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 2000 census 80 percent of Nevada's MHI is \$35,668.

According to the 2000 census Hawthorne's MHI is \$34,413. Therefore, Hawthorne Utilities meets, the requirements for additional subsidies, making a principal forgiveness loan appropriate.

Cost Estimate – ARRA Funding

Total Project Cost	\$720,000
Hawthorne Contribution	\$60,000
CDBG Grant	\$190,000
ARRA Loan	\$470,000

Staff is recommending an ARRA loan with 100% principal forgiveness in the amount of \$470,000.

Jobs Created

This project will result in approximately 10 jobs directly related to construction and over 10 indirect jobs in material production, sales, and delivery.

Technical, Managerial and Financial Capacity

No deficiencies were identified on the most recent sanitary survey. All monitoring and water quality requirements have been met. The system employs a certified operator.

Compliance with Safe Drinking Water Act

The Hawthorne water system is in compliance with requirements of the Safe Drinking Water Act with the exception of the MCL for arsenic. This project will bring the system into compliance with the Safe Drinking Water Act.

Status of Drinking Water State Revolving Loan Fund ARRA Funds

Nevada received \$19.5 million in ARRA funds for the DWSRF. After reserving set-asides, \$18.9 million remains available for loans. Of the \$19.5 million, ARRA requires that a minimum of 50% provide additional subsidy. Hawthorne meets the definition of a disadvantaged community and is eligible for additional subsidy.

DIVISION RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$470,000 to the Hawthorne Utilities. Since the project is eligible for additional subsidy as specified in Nevada's Intended Use Plan for ARRA, 100% of the principal will be forgiven. The Division and the Hawthorne Utilities will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 5

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

2. e. McDermitt Loan Commitment (Action)

McDermitt Water System American Recovery and Reinvestment Act Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund May 2009

Applicant: McDermitt
Project: Water System Improvements
Total Cost: \$492,000

BACKGROUND

The 1996 Amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA requirements and to further the public health objectives of the Act. The SDWA authorizes EPA to award capitalization grants to States that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) to administer the DWSRF under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295 inclusive. In addition to the authorizing statute, Nevada has adopted Administrative Code (NAC) 445A.6751 to 445A.67644 which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, Operating Agreement with EPA and an assortment of policy directives and guidance from EPA govern the DWSRF program.

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).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 into law. The overall purpose of the Act is to create or save jobs and promote economic recovery. The McDermitt project, if approved, will utilize ARRA funds.

The community of McDermitt is located approximately 75 miles north of Winnemucca on the Nevada – Idaho border. Concentrations of arsenic in the two wells have varied between 5 ppb and 20 ppb commonly exceeding the maximum contaminant level of 10 ppb. McDermitt is currently operating under an arsenic exemption extension until January 23, 2011.

Existing System

The McDermitt water system consists of two wells, a 250,000 gallon storage tank and the distribution system. Each of the wells pumps directly into the distribution system. The wells turn on when the storage tank calls for water. Well #2 has a chlorinator. Well #1 does not chlorinate.

Customers, Population and Growth

There are 75 residential customers, 13 commercial customers and an estimated population of 269. Growth in McDermitt is not anticipated.

PROPOSED PROJECT

General Description

The proposed project includes the following components:

1. A hydrogeologic evaluation to identify drilling targets that would intercept an aquifer that is commonly below the arsenic standard by evaluating and sampling existing wells including discrete interval water quality sampling, spinner testing, time series sampling, cleaning of the existing wells, isolation of screen intervals with poor quality, modifications to the existing pump intake depth, installation of well packers, blanking off zones that do not meet the drinking water standards, changing the pumping schedule and repair/replacement of well appurtenances.
2. If well modifications listed above fail to produce water that meets the MCL in both well #1 and well #2, but one of the wells meets the MCL (most likely well #1), a blending pipeline will be installed assuming blending will bring the water into compliance. Wells 1 and 2 would be piped directly to the storage tank for blending rather than first feeding the distribution system as currently configured.
3. If blending wells 1 and 2 will not bring the system into compliance, the proposed project includes drilling and construction of a new well. This component is based on the outcome of components 1 and 2.

Since component 3 may or may not be necessary depending on the outcome of components 1 and 2, staff is recommending that only components 1 and 2 above of McDermitt's proposed project be funded at this time.

Alternatives to Proposed Project

The option of constructing a central treatment facility for the McDermitt water system was considered. A centralized treatment facility would increase the annual O & M and would place a significant burden on the few users. The median household income (MHI) for McDermitt is \$16,563 which is one of the lowest MHIs for communities in Nevada.

Farr West Engineering collected water samples from other wells in the McDermitt area and found that there are wells with arsenic concentration less than 10 ppb. The option to obtain a source of water (either through adjustments to the existing wells, the addition of a new well or blending water from multiple wells) was selected to keep future cost to a minimum.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612. NDEP has determined that the project is eligible for a finding of no significant impact (FONSI) because it is unlikely to have a negative effect on the quality of the environment. The only construction included in this project is the pipeline from the existing wells to the storage tank should it be required to blend. Construction will take place in an area that has been previously disturbed. Best management practices will be utilized during construction. The project will have a beneficial effect by ensuring the customers receive water that is safe to drink. 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.

Public Participation

The McDermitt water system has been notifying the public of their non-compliance of the new arsenic rule since January of 2006. McDermitt has an exemption from the arsenic rule through January 2011.

The McDermitt Water System Capital Improvement Plan & Water Rate Study and McDermitt GID Service Plan have all been approved by the McDermitt Water System Board at public meetings. Public comments involved questions regarding the financial obligations necessary for coming into compliance with the arsenic standard (and the fact that they could not afford rate increases that would be related to significant O & M costs for arsenic treatment). Changing the legal form of the water system from a “non-profit” organization to a NRS 318 District (GID) will open additional funding opportunities to the water system. Both the McDermitt Water System and the McDermitt Sewer District agreed to the GID Service Plan and it is currently with the Humboldt County Commissioners. It is anticipated that the Service Plan will be approved and the McDermitt Water System will become GID in the fall of 2009.

Permits

The following permit is required for the phase of the project utilizing ARRA funds:

1. NDEP Bureau of Safe Drinking Water Approval for blending pipeline

Financial Evaluation

In order to receive the ARRA grant award from United States Environmental Protection Agency, the State of Nevada must agree to use at least 50% 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 ARRA Intended Use Plan that additional subsidy will be offered to communities that meet the definition of disadvantaged community. The Nevada Administrative Code 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 2000 census 80 percent of Nevada’s MHI is \$35,668.

According to the 2000 census McDermitt’s MHI is \$16,563. Therefore, McDermitt meets, the requirements for additional subsidies, making a principal forgiveness loan appropriate.

Cost Estimate – ARRA Funding

Project cost for phase 1 is \$492,000.

The McDermitt Water System offers as local contribution totaling \$21,500 made up of previous and anticipated costs not included in the project cost estimates. Costs include half of the cost of an end of the project audit, which is expected to total approximately \$25,000; five line replacements that have already been authorized to be replaced at an estimated cost of \$1,500 each, total of \$7500, and an annual arsenic/water testing, which will cost in the area of \$1,500 during the scope of the project.

Jobs Created

Several different crews requiring different labor skills will be required for this project. The following is the anticipated number of jobs created for each activity.

Drilling and well construction = 4
Pump installation = 3
Building construction = 4
Pipeline construction = 5
Inspector = 1

Total estimated number of jobs created is 17.

Technical, Managerial and Financial Capacity

With the exception of arsenic, the water quality currently meets the MCLs and all monitoring requirements have been met. The McDermitt water system employs a certified operator who has the technical knowledge and ability to operate the system. No significant deficiencies were identified during the latest sanitary survey. The proposed project will bring the system into compliance with the MCLs or provide the necessary first phase for compliance.

Currently, the McDermitt water system is a Non-Profit Corporation; however, the non-profit corporation is in the process of consolidating with the McDermitt Sewer District (a NRS 318 District) to form the McDermitt GID. It is anticipated this consolidation will be complete in the Fall of 2009.

Compliance with Safe Drinking Water Act

The McDermitt water system is in compliance with requirements of the Safe Drinking Water Act with the exception of the MCL for arsenic. This project will bring the system into compliance with the Safe Drinking Water Act.

Status of Drinking Water State Revolving Loan Fund ARRA Funds

Nevada received \$19.5 million in ARRA funds for the DWSRF. After reserving set-asides, \$18.9 million remains available for loans. Of the \$19.5 million, ARRA requires that a minimum of 50% provide additional subsidy. McDermitt meets the definition of a disadvantaged community and is eligible for additional subsidy.

DIVISION RECOMMENDATION

McDermitt's loan application was for \$1,046,000 which included drilling a new well should the proposed rehabilitation/modification of the existing wells not produce water that meets the arsenic standard. NDEP received more applications for ARRA funds than there are funds available. For the subsidy eligible projects, NDEP is attempting to address as many arsenic compliance projects as possible. McDermitt's proposed project is a two phase project where the second phase may or may not be necessary depending on the results of the first phase. Given the shortness of funds, the uncertainty if the second phase will be needed and the requirement that all of the ARRA funds are under construction contract by February 2010, staff is recommending that only first phase of McDermitt's proposed project be funded at this time.

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$492,000 to the McDermitt water system. Since the project is eligible for additional subsidy as specified in Nevada's Intended Use Plan for ARRA, 100% of the principal will be forgiven. The Division and the McDermitt will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 6

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

2. d. Silver Springs Mutual Water Company Loan Commitment (Action)

Silver Springs Mutual Water Company Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund May 2009

Applicant: Silver Springs Mutual Water Company
Project: Water System Improvements
Total Cost: \$2,871,350

BACKGROUND

The 1996 Amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA requirements and to further the public health objectives of the Act. The SDWA authorizes EPA to award capitalization grants to States that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) to administer the DWSRF under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295 inclusive. In addition to the authorizing statute, Nevada has adopted Administrative Code (NAC) 445A.6751 to 445A.67644 which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, Operating Agreement with EPA and an assortment of policy directives and guidance from EPA govern the DWSRF program.

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).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 into law. The overall purpose of the Act is to create or save jobs and promote economic recovery. The Silver Springs Mutual Water Company (SSMWC) project, if approved, will utilize ARRA funds.

Silver Springs Mutual Water Company (SSMWC) is a private, non-profit, water system serving the unincorporated area of Silver Springs located near the junction of Highway 50 and Highway 95A, west of Lake Lahontan. All of Silver Springs Mutual Water Company wells exceed the maximum contaminant level (MCL) for arsenic. SSMWC is currently operating under an arsenic exemption extension until January 23, 2011. The proposed project is to construct central treatment to remove arsenic.

Existing System

The water source for SSMWC is 4 wells as shown in the table on the next page. Currently, all 4 wells are used for public consumption. However, the Ft. Churchill well is used infrequently and is being phased out of service. Water is disinfected at each of the wells with a sodium hypochloride solution.

Well	Year Drilled	Depth to Water (feet)	Well Depth (feet)	GPM Rating	Arsenic Conc. (ppb)
Ft. Churchill	1951	40	290	125	23
Lake St.	1979	20	350	1100	25
Idaho St.	1973	36	400	800	16
Deodar St.	1954	64	260	600	10

The four wells pump directly into the distribution system. All of the wells are located in the lower pressure zone (Zone 1) along with the 1 million gallon North tank. Water is lifted from Zone 1 to Zone 2 via the Spruce Street Booster Pump Station. Zone 2 is supplied by the 1 million gallon West tank. Zone 2 is able to feed back to Zone 1 through a 2-inch pressure reducing valve (PRV). In the event of a fire in Zone 1, there is 8-inch PRV that will open to supply the needed flows to Zone 1.

The distribution system is generally made of C900 PVC pipe with the exception of a few older thin walled AC and PVC lines. The customers are metered.

Customers, Population and Growth

The water company currently serves 950 residential, 129 commercial and 3 industrial connections. The current population served is 2,795. The projected population in year 2028 is 4,838 based on 2.5% annual growth rate.

PROPOSED PROJECT

General Description

The proposed project includes the installation of a central treatment system and piping to bring water to a central treatment location. The treatment plant will be located at the existing Lake Street well site. The property is owned by SSMWC. Raw water from the Deodar well, Idaho well and Ft. Churchill well will be piped to the treatment plant at the Lake Street well site for treatment. See Attachment 1 for a map of the proposed project.

Alternatives to Proposed Project

Developing a new source, blending, seasonal use and treatment were all evaluated. Development of a new source is not considered feasible because it is unlikely water that meets the arsenic standard can be found within a reasonable distance. Since all of SSMWC wells exceed the MCL, blending is not viable.

Treatment is the only option that will bring SSMWC into compliance with the arsenic MCL. Based on conservative cost information along with the results of the pilot study, it was determined that coagulation/filtration is the most economical treatment for SSMWC. Hungerford and Terry performed the pilot study using their GreensandPlus product at the Lake Street well which is the well with the highest arsenic concentration. The results of the pilot study showed that the arsenic was easily removed. Iron was used as the coagulant. The pilot study provided information about chemical dosing and filter loading rate which allowed Hungerford and Terry to estimate the size of the filters that will be necessary for full scale treatment. Backwash water will be directed to a holding tank where it will settle. After settling, the majority of the water will be recycled back to the head of the treatment plant. The remainder of the low solids content sludge will be discharged into the sanitary sewer.

SSMWC explored two scenarios for the treatment facility location: one centralized treatment facility with dedicated pipeline from each of the wells to the treatment plant or two separate treatment facilities with one located at the Lake Street well and the other near the Idaho and Deodar Street wells. One centralized treatment plant was selected as the preferred option because lower capital cost, less maintenance with only one facility instead of two and less property to be disturbed during construction of the treatment facility.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612. NDEP has determined that the project is eligible for a finding of no significant impact (FONSI) because it is unlikely to have a negative effect on the quality of the environment since the proposed water lines are located in existing street right-of-ways and the treatment facility will be located on already disturbed land at the Lake Street well site owned by Mutual Water Company. Best management practices will be utilized during construction. The project will have a beneficial effect by ensuring the customers receive water that is safe to drink. 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.

Public Participation

SSMWC has been notifying the public of their non-compliance of the new arsenic rule since January of 2006. SSMWC has an exemption from the arsenic rule through January 2011. The alternatives for compliance have been presented to the SSMWC Board at a public meeting.

Permits

The following permits are required for the project:

1. NDEP Bureau of Safe Drinking Water Approval
2. NDOT – waterline crossing of Highway 95A
3. Lyon County

Financial Review

In order to receive the ARRA grant award from United States Environmental Protection Agency, the State of Nevada must agree to use at least 50% 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 ARRA Intended Use Plan that additional subsidy will be offered to communities that meet the definition of disadvantaged community. The Nevada Administrative Code 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 2000 census 80 percent of Nevada’s MHI is \$35,668.

According to the 2000 census Silver Spring’s MHI is \$34,381. Therefore SSMWC meets the requirements for additional subsidies, making a principal forgiveness loan granted to SSMWC appropriate.

Cost Estimate – ARRA Funding

Total Project Cost	\$3,037,600
SSMWC Contribution	\$70,000
CDBG Grant	\$96,250
ARRA Loan	\$2,871,350

Staff is recommending an ARRA loan with 100% principal forgiveness in the amount of \$2,871,350.

Jobs Created

This project will result in the need for a construction crew of approximately 15 to 20 people.

Technical, Managerial and Financial Capacity

The water quality currently meets the MCLs and all monitoring requirements have been met. Silver Springs Mutual Water Company employs a certified operator who has the technical knowledge and ability to operate the system. No deficiencies were identified during a sanitary survey conducted in September 2008. The proposed project will bring the system into compliance with the MCLs. The Water Company has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards.

Compliance with Safe Drinking Water Act

The Silver Springs Mutual Water Company is in compliance with requirements of the Safe Drinking Water Act with the exception of the MCL for arsenic. This project will bring the system into compliance with the Safe Drinking Water Act.

Status of Drinking Water State Revolving Loan Fund ARRA Funds

Nevada received \$19.5 million in ARRA funds for the DWSRF. After reserving set-asides, \$18.9 million remains available for loans. Of the \$19.5 million, ARRA requires that a minimum of 50% provide additional subsidy. SSMWC meets the definition of a disadvantaged community and is eligible for additional subsidy.

DIVISION RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$2,871,350 to Silver Springs Mutual Water Company. Since SSMWC meets the definition of a disadvantaged community and is eligible for additional subsidy, it is recommended that 100% of the principal be forgiven. The Division and the Silver Springs Mutual Water Company will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 7

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

2. g. Beatty Loan Commitment (Action)

Beatty Water and Sanitation District Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund May 2009

Applicant: Beatty Water and Sanitation District
Project: Water System Improvements – Arsenic Treatment
Total Cost: \$2,910,000

BACKGROUND

The 1996 Amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA requirements and to further the public health objectives of the Act. The SDWA authorizes EPA to award capitalization grants to States that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) to administer the DWSRF under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295 inclusive. In addition to the authorizing statute, Nevada has adopted Administrative Code (NAC) 445A.6751 to 445A.67644 which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, Operating Agreement with EPA and an assortment of policy directives and guidance from EPA govern the DWSRF program.

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).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 into law. The overall purpose of the Act is to create or save jobs and promote economic recovery. The Beatty project, if approved, will utilize ARRA funds.

The community of Beatty is located in Nye County at the junction of U.S. Highway 95 and U.S. Highway 374 to Death Valley. Beatty’s main production well exceeds the maximum contaminant level (MCL) for arsenic. Beatty is currently operating under an arsenic exemption extension until January 23, 2011. The proposed project is to construct central treatment to remove arsenic and fluoride.

Existing System

A schematic of Beatty’s water system is included in Attachment 1. Beatty’s water source is three wells (see table next page). The Indian Springs and Summit wells are located north of town. The water from these wells is pumped to the South Tank where it is blended with water from the EW-4 well prior to entering the distribution system. Blending is needed to meet the fluoride standard. The EW-4 well, located east of town is the main production well. A booster station between the EW-4 well and the south tank lifts the water to the south tank. Other than blending and disinfection, the system currently has no other treatment facilities. The customers are metered.

Well	Year Drilled	Well Depth (feet)	GPM Rating	Arsenic Conc. (ppb)
Summit	1989	700	100	0.010
Indian Springs	1988	693	100	0.009
EW-4	1989	1420	500	0.027

Customers, Population and Growth

The Beatty water system currently serves 376 residential customers and 68 commercial customers. The current population served is 960. Beatty is not anticipating future growth.

PROPOSED PROJECT

General Description

The proposed project includes the installation of a central treatment system to remove both arsenic and fluoride. The treatment plant will be located at the existing EW-4 well site. The proposed technology is coagulation/filtration utilizing electro-flocculation technology. This process utilizes electrically charged aluminum and graphite electrodes to create an alum coagulant. Current is passed through the electrodes and aluminum floc is generated in the reactor tank. Arsenic and fluoride in the water is adsorbed onto flocs. The arsenic laden flocs are then removed using conventional filtration. See Attachment 2 for a schematic of the proposed project technology.

Alternatives to Proposed Project

Developing a new source, blending, seasonal use and treatment were all evaluated. Development of a new source is not considered feasible because it is unlikely water that meets the arsenic standard can be found within a reasonable distance. Since all of Beatty’s wells either exceed the MCL or are very close to the MCL, blending and seasonal use are not viable.

Treatment is the only option that will bring Beatty’s water into compliance with the arsenic MCL. The District must utilize a technology that is capable of removing both fluoride and arsenic, or utilize two separate types of treatment. There are limited technologies that will remove both constituents. The following treatment technologies were evaluated:

- Activated Alumina (single stage treatment)
- Coagulation/Filtration with alum or electro-flocculation with aluminum plates as the coagulant (dual stage treatment)
- Traditional Coagulation/Filtration (using ferric chloride for arsenic removal followed by partial stream reverse osmosis or activated alumina for fluoride removal (dual stage)

Activated alumina was eliminated as an alternative because the arsenic and fluoride levels would likely result in need to replace the media frequently increasing the O & M cost.

Pilot tests of conventional coagulation/filtration process with single media filter utilizing alum as a coagulant were not effective at consistently removing both arsenic and fluoride. Additional pilot tests utilizing a dual media filter also did not consistently remove both arsenic and fluoride. The third pilot test utilizing electro-flocculation technology was successful at removing both arsenic and fluoride.

The proposed technology is coagulation/filtration utilizing electro-flocculation technology. Electro-flocculation technology utilizes adsorption followed by filtration to remove arsenic.

Arsenic in the water is adsorbed onto flocs, which are generated through electrical decomposition of aluminum electrodes in the ARS reactor.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612. NDEP has determined that the project is eligible for a finding of no significant impact (FONSI) because it is unlikely to have a negative effect on the quality of the environment since the proposed water treatment facility will be located at the site of the current booster station which is already disturbed. This site is remote, flat and desert-like. Best management practices will be utilized during construction. The project will have a beneficial effect by ensuring the customers receive water that is safe to drink. 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.

Public Participation

Beatty has been notifying the public of their non-compliance of the new arsenic rule since January of 2006. Beatty has an exemption from the arsenic rule through January 2011. The alternatives for compliance have been presented to the Beatty Water and Sanitation Board at a public meeting.

Permits

The following permits are required for the project:

1. NDEP Bureau of Safe Drinking Water Approval

Financial Evaluation

In order to receive the ARRA grant award from United States Environmental Protection Agency, the State of Nevada must agree to use at least 50% 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 ARRA Intended Use Plan that additional subsidy will be offered to communities that meet the definition of disadvantaged community. The Nevada Administrative Code 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 2000 census 80 percent of Nevada's MHI is \$35,668.

According to a 2003 income survey conducted by RCAC, Beatty's MHI is \$19,050. Therefore, Beatty not only meets, but far exceeds the requirements for additional subsidies, making a principal forgiveness loan granted to the Beatty Water and Sanitation District appropriate.

Cost Estimate – ARRA Funding

Total Project Cost	\$2,960,000
Beatty Contribution	\$50,000
ARRA Loan	\$2,910,000

The NDEP Office of Financial Assistance (OFA) recommends that the Beatty Water and Sanitation District be granted a principal forgiveness loan in the amount of \$2,910,000 through the American Recovery and Reinvestment Act (ARRA) Drinking Water State Revolving Fund Grant. Beatty Water and Sanitation District will contribute \$50,000 toward a total project cost of \$2,960,000.

Jobs Created

This project will result in the need for a construction crew of approximately 15 to 20 people.

Technical, Managerial and Financial Capacity

With the exception of arsenic, the water quality currently meets the MCLs and generally all monitoring requirements have been met. Beatty employs a certified operator who has the technical knowledge and ability to operate the system. The proposed project will bring the system into compliance with the MCLs. Beatty Water and Sanitation District has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards.

Compliance with Safe Drinking Water Act

Beatty is in compliance with requirements of the Safe Drinking Water Act with the exception of the MCL for arsenic. This project will bring the system into compliance with the Safe Drinking Water Act.

Status of Drinking Water State Revolving Loan Fund ARRA Funds

Nevada received \$19.5 million in ARRA funds for the DWSRF. After reserving set-asides, \$18.9 million remains available for loans. Of the \$19.5 million, ARRA requires that a minimum of 50% provide additional subsidy. Beatty meets the definition of a disadvantaged community and is eligible for additional subsidy.

DIVISION RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$2,910,000 to Beatty Water and Sanitation District. Since Beatty meets the definition of a disadvantaged community and is eligible for additional subsidy, it is recommended that 100% of the principal be forgiven. The Division and the Beatty will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 8

E. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

2. f. Five Star Mobile Home Park Loan Commitment (Action)

**Five Star Mobile Home Park
American Recovery and Reinvestment Act
Loan Commitment**

**Board for Financing Water Projects Summary
Drinking Water State Revolving Fund
May 2009**

Applicant: Five Star Mobile Home Park
Project: Water System Improvements
Total Cost: \$580,000

BACKGROUND

The 1996 Amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA requirements and to further the public health objectives of the Act. The SDWA authorizes EPA to award capitalization grants to States that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) to administer the DWSRF under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295 inclusive. In addition to the authorizing statute, Nevada has adopted Administrative Code (NAC) 445A.6751 to 445A.67644 which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, Operating Agreement with EPA and an assortment of policy directives and guidance from EPA govern the DWSRF program.

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).

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 into law. The overall purpose of the Act is to create or save jobs and promote economic recovery. The Five Star Mobile Home Park (MHP) project, if approved, will utilize ARRA funds.

Five Star MHP is located south of the community of Silver Springs at the intersection of highway 95A and 5th Street. The MHP well exceeds the maximum contaminant level (MCL) for arsenic of 10 ppb. Since the arsenic concentration in the MHP well exceeds 35 ppb, the MHP was not eligible for an extension to their arsenic exemption. The MHP is currently under an NDEP Administrative Order. The proposed project is to construct a new well and central treatment to remove arsenic if needed.

Existing System

The Five Star MHP water system consists of one well, a 63,000 gallon storage tank and the distribution system. Currently, the water is not treated.

Customers, Population and Growth

There are 29 residential customers and a population of approximately 90.

PROPOSED PROJECT

General Description

The proposed project includes components to development of a new well and construction of a central water treatment facility, if needed. A drought tolerant water supply is needed. Domestic wells adjacent to the mobile home park have experienced a drop in water levels resulting in the need to deepen the wells. Exploration drilling will be completed in the underlying bedrock aquifer. Water sampling results of wells in the bedrock aquifer within one mile south and west of the mobile home park are below the MCL for arsenic. If after drilling and developing the new well, the water does not meet the MCL for arsenic, central treatment using adsorptive media will be installed.

Alternatives to Proposed Project

Point of use (POU), point of entry (POE) and connection to another water system were evaluated. Individual treatment systems, POU and POE, are not considered a feasible alternative due to recurring O&M costs, and difficulty obtaining entry to service all the units. Connection to another water system is cost prohibitive due to the distance to the nearest water system.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612. NDEP has determined that the project is eligible for a finding of no significant impact since construction will take place on already disturbed land. The location of the proposed treatment facility is on property owned by the mobile home park and this property has been previously disturbed. Best management practices will be utilized during construction. The project will have a beneficial effect by ensuring that the customers receive water that is safe to drink. 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.

Public Participation

There has been informal and formal public notification about the arsenic exemption and administrative order.

Permits

The following permits are required for the project:

1. NDEP Bureau of Safe Drinking Water Approval
2. Lyon County

Financial Review

In order to receive the ARRA grant award from United States Environmental Protection Agency, the State of Nevada must agree to use at least 50% 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 ARRA Intended Use Plan that additional subsidy will be offered to communities that meet the definition of disadvantaged community. The Nevada Administrative Code 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 2000 census 80 percent of Nevada's MHI is \$35,668.

Five Star is a small mobile home park and there is not census data available for just the park. Five Star is near the community of Silver Springs which has a MHI of \$34,381. Based on income surveys of similar mobile home parks, the MHI is probably below that of Silver Springs. However, the Silver Springs MHI meets, the requirement for additional subsidy, making a principal forgiveness loan appropriate for Five Star Mobile Home Park.

Cost Estimate – ARRA Funding

The total project cost is \$580,000. The Five Star MHP has made contributions to the project by paying for water testing at the park as well a sampling deeper wells located near the MHP. They will continue to pay the testing costs during the drilling process, as needed. Five Star MHP also incurred costs through the purchase and installation of an individual home arsenic filter system to assess the economic feasibility of using that system for the park. In addition, they have agreed to pay for preliminary engineering for obtaining permits and bids on drilling prior to the June Board meeting.

Staff is recommending an ARRA loan with 100% principal forgiveness in the amount of \$580,634.

Jobs Created

Several different crews requiring different labor skills will be required for this project. The following is the anticipated number of jobs created for each activity.

- Drilling and well construction = 4
- Pump installation = 3
- Building construction = 4
- Treatment installation = 4

Total jobs created = 15

Technical, Managerial and Financial Capacity

The water quality currently meets the MCLs and all monitoring requirements have been met. The owner of Five Star MHP is a certified operator who has the technical knowledge and ability to operate the system. No deficiencies were identified during a sanitary survey conducted in October 2008. The proposed project will bring the system into compliance with the MCLs. The MHP has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards.

Compliance with Safe Drinking Water Act

The Five Star MHP is in compliance with requirements of the Safe Drinking Water Act with the exception of the MCL for arsenic. This project will bring the system into compliance with the Safe Drinking Water Act.

Status of Drinking Water State Revolving Loan Fund ARRA Funds

Nevada received \$19.5 million in ARRA funds for the DWSRF. After reserving set-asides, \$18.9 million remains available for loans. Of the \$19.5 million, ARRA requires that a minimum of 50% provide additional subsidy. Five Star MHP meets the definition of a disadvantaged community and is eligible for additional subsidy.

DIVISION RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF ARRA funds in the amount of \$580,000 to Five Star MHP. Since the project is eligible for additional subsidy as specified in Nevada's Intended Use Plan for ARRA, 100% of the principal will be forgiven. The Division and the Five Star MHP will negotiate the terms and conditions of a loan agreement.

ATTACHMENT 9

F. CAPITAL IMPROVEMENT GRANT PROGRAM

1. Financial Report (Non-Action)

**AB 198 Grant Program
Projected Cash Flow through SFY11
as of 5/18/09**

DESCRIPTION	Available Cash			Available Treasurer's Allocation			Available Statutory Authority			Grant Obligations		
	INCREASE	DECREASE	BALANCE	INCREASE	DECREASE	BALANCE	INCREASE	DECREASE	BALANCE	INCREASE	DECREASE	BALANCE
FY08 Actual			198,876			22,964,436			76,054,236			
Bond proceeds	32,024,266	0	32,223,142	22,000,000	32,024,266	12,940,170		32,024,266	44,029,970			
Interest Payments	258,086		32,481,228			12,940,170			44,029,970			
Pay requests		21,080,319	11,400,909			12,940,170			44,029,970			
Transfer to Debt Service Fund			11,400,909			12,940,170			44,029,970			
Transfer to 4155 (Operating Account)		190,000	11,210,909			12,940,170			44,029,970			
			11,210,909			12,940,170			44,029,970			
			11,210,909			12,940,170			44,029,970			
July - September 2008 (FY09)			11,210,909			12,940,170			44,029,970			30,689,158
Pay Requests		2,698,490	8,512,419			12,940,170			44,029,970		2,698,490	27,990,668
Bond proceeds	12,940,170		21,452,588		12,940,170	0		12,940,170	31,089,800			27,990,668
2008 principal repayments on bonds			21,452,588			0			33,724,800			27,990,668
Transfer to 4155 (Operating Account)		50,000	21,402,588			0	2,635,000		33,724,800			27,990,668
Adjusted to current Obligations			21,402,588			0			33,724,800		2,042,655	25,948,013
October - December 2008			21,402,588			0			33,724,800			25,948,013
Pay Requests		2,423,826	18,978,762			0			33,724,800		2,423,826	23,524,187
Bond proceeds	16,138		18,994,900		16,138	0		16,138	33,708,663			23,524,187
Interest Payments	138,918		19,133,818			0			33,708,663			27,990,668
Transfer to 4155 (Operating Account)			19,072,818			0			33,708,663			23,524,187
Adjusted to current Obligations		61,000	19,072,818			0			33,708,663	1,371,941		24,896,128
January - March 2009			19,072,818			0			33,708,663			24,896,128
Projected Pay Requests		2,137,498	16,935,320			0			33,708,663		2,137,498	22,758,629
Interest Payments	135,002		17,070,321			0			33,708,663			22,758,629
Projected Transfer to 4155 (Operating Acct)		61,000	17,009,321			0			33,708,663			22,758,629
			17,009,321			0			33,708,663			22,758,629
			17,009,321			0			33,708,663			22,758,629
April - June 2009			17,009,321			0			33,708,663			22,758,629
Projected Pay Requests		2,508,752	14,500,569			0			33,708,663		2,508,752	20,249,877
Interest Payments	157,119		14,657,688			0			33,708,663			20,249,877
Projected Transfer to 4155 (Operating Acct)		27,000	14,630,688			0			33,708,663			20,249,877
2009 principal repayments on bonds			14,630,688			0	3,677,570		37,386,233			20,249,877
			14,630,688			0			37,386,233			20,249,877
FY10 Projection			14,630,688			19,000,000			37,386,233			20,249,877
Projected Bond Needs	10,500,000		25,130,688		10,500,000	8,500,000		10,500,000	26,886,233			20,249,877
Projected Pay Requests		9,999,600	15,131,088			8,500,000			26,886,233		9,999,600	10,250,277
Projected Transfer to 4155 (Operating Acct)		268,239	14,862,849			8,500,000			26,886,233			10,250,277
2010 principal repayments on bonds			14,862,849			8,500,000	3,894,878		30,781,111			10,250,277
Projected New Grant Awards			14,862,849			8,500,000			30,781,111	13,950,000		24,200,277
			14,862,849			8,500,000			30,781,111			24,200,277
			14,862,849			8,500,000			30,781,111			24,200,277
FY11 Projection			14,862,849			8,500,000			30,781,111			24,200,277
Projected Bond Needs	8,500,000		23,362,849		8,500,000	0		8,500,000	22,281,111			24,200,277
Projected Pay Requests		9,999,600	13,363,249			0			22,281,111		9,999,600	14,200,677
Projected Transfer to 4155 (Operating Acct)		313,444	13,049,805			0			22,281,111			14,200,677
2011 principal repayments on bonds			13,049,805			0	4,057,186		26,338,297			14,200,677
Projected New Grant Awards			13,049,805			0			26,338,297	10,850,000		25,050,677
			13,049,805			0			26,338,297			25,050,677

Note: Debt service payments reflect debt as of FY09 and do not include estimated payments for future bond issues. Available Statutory Authority reflects balance remaining toward \$125 mil cap.

ATTACHMENT 10

G. SB62 GRANT PROGRAM

1. a. Time Extension Request Searchlight (Action)

Jim Gibbons
Governor

STATE OF NEVADA

Adele Basham
*Program Manager DWSRF
Technical Assistant AB198/AB237*

Michelle Stamates
Engineer AB198/AB237

Nhu Q. Nguyen
Deputy Attorney General



Board Members:
Bruce Scott, *Chairman*
Brad Goetsch, *Vice Chairman*
Lori Williams
Andrew Belanger
Steve Walker

Non-Voting Member:
Jennifer Carr

STATE BOARD FOR FINANCING WATER PROJECTS

June 2009

To: Members of the Board for Financing Water Projects

From: Michelle Stamates

Subject: Extension of Funding Agreement Time for the Searchlight SB62 Project

In June 2008, the Board for Financing Water Projects approved a one-time, one year extension for the Searchlight Water System to expend \$150,000 in funds towards the development of one monitoring well. The monitoring well is part of an overall monitoring wells program that will assist in providing vital information regarding water quality contaminants and groundwater levels in Searchlight.

The Searchlight Water System is requesting an additional one year extension to complete the monitoring wells program, which will help to ensure a safe and reliable water supply for Searchlight residents. Since 2006, the Searchlight Water System has witnessed significant progress with the monitoring wells program; however, the project has experienced delays due to extensive environmental compliance activities required and the rights-of-way permitting processes. A project update and revised completion schedule is attached to this request. Project completion is now expected by June 2010.

There are no regulations to preclude time extensions for the SB62 funding agreements and staff recommends that the Board approve the requested time extension for the Searchlight project to June 19, 2010.

Suggested Motion:

I make a motion that the Board for Financing Water Projects approve a time extension to Funding Agreement "01-06-F3 LAS VEGAS VALLEY WATER DISTRICT FOR THE SEARCHLIGHT WATER SYSTEM" to June 19, 2010. This extension is contingent upon the grantee continuing to make reasonable progress on this project and adhere to all of the conditions and requirements of the funding agreement.

ATTACHMENT 11

G. SB62 GRANT PROGRAM

2. Progress Report for Funded SB62 Projects (Non-Action)

SB 62 PROJECT REPORT

June 2009

Project	Grant Amount	Project Summary
Humboldt River Basin Water Authority	\$120,000.00 (Project Complete)	<p>Assemble existing information into a water resources database in support of threats to water rights. Develop recommendations for collection of additional necessary data. Develop a public information program. Deliver a summary report for each county describing available forecast of economic/demographic conditions and related water.</p> <p>Progress Report, December 2007: The Humboldt River Basin Water Authority project is complete and the documents produced as a part of that project are available electronically on NDEP's website at http://ndep.nv.gov/bffwp/ http://ndep.nv.gov/bffwp/hrbwa_sb62.htm (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>
Esmeralda County	\$16,245.85 (Project Complete)	<p>The project plan was to conduct a physical reconnaissance of the County's present water uses and existing water rights and develop a strategy to enhance and protect the County's water rights to ensure present and future water demands can be met as well as preparing a Water Rights Management Plan. All water rights identified in four hydrographic basins were reviewed. A field reconnaissance trip was conducted with the State Engineers office to physically site the locations for the point of diversion for water rights and ascertain the manner by which the appropriated water is being exercised.</p> <p>Progress Report, June 2007: The Esmeralda County Water Rights Plan is complete and available electronically on NDEP's website at http://ndep.nv.gov/bffwp/esmeralda%20county_sb62.htm (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>
White Pine County	\$116,041.77 (Project Complete)	<p>Update information (including: hydrogeologic framework, groundwater hydrology, and regional groundwater flow system) on County's water resources and update the Water Resources Plan to assist in identifying potential water use and needs based on scenarios for growth and development. The County also added GIS capability in order to maintain and update information as it becomes available.</p> <p>Progress Report, January 2008: White Pine County's Water Resources Plan is complete and available at the NDEP offices in Carson City as well as electronically on NDEP's website at http://ndep.nv.gov/bffwp/whitepineco_sb62.htm (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>
Town of Tonopah	\$11,250.00 (Project Complete)	<p>Assemble all active surface and groundwater rights for Ralston Valley Hydrographic Basin No. 141, Big Smokey – Tonopah Flat Hydrographic Basin No. 137, and Alkali Spring Valley Hydrographic Basin No. 142.</p> <p>Progress Report, Dec 2007: The water rights inventory and map of those rights are complete and available electronically on NDEP's website at http://ndep.nv.gov/bffwp/tonopah_sb62.htm (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>
Churchill County	\$36,500.00 (Project Complete)	<p>Update of the County's Water Resources Plan for surface and groundwater resources. Review of all county records relating to water resource requirements, both existing and projected. Update of the water resource ownership in the County.</p> <p>Progress Report, June 2007: The Churchill County Water Resources Plan update is complete and available on the County's website at http://www.churchillcounty.org/planning/waterplan.php and is linked to NDEP's website at http://ndep.nv.gov/bffwp/sb62.htm (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>

SB 62 PROJECT REPORT
June 2009

Project	Grant Amount	Project Summary
LVVWD – Kyle Canyon	\$27,184.72 (Project Complete)	<p>Install 100 Permalog units for the detection of subsurface leaks and acquisition of a Patroller unit for data collection. This system will allow operators to find and repair leaks, protecting millions of gallons of water previously lost to the system.</p> <p>Progress Report, June 2008: The leak detection units have been installed and the project is complete. A final project report was received in June 2008 and is available electronically on NDEP’s website at http://ndep.nv.gov/bffwp/docs/kcwd_sb62_final.pdf (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>
City of Fernley	\$38,680.59 (Project Complete)	<p>Reconcile all past and future mapping difficulties by attempting to develop a new GIS map of all Truckee Diversion surface water rights within the City of Fernley.</p> <p>Progress Report, January 2009: The mapping project is complete. The final report is on file at NDEP2008 and is available electronically on NDEP’s website at http://ndep.nv.gov/bffwp/docs/initial_mapping_effort_pdf_final_feb_25.pdf (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>
Eureka County	\$120,000.00	<p>The project develops improved estimates of basin discharge and flow system interconnection.</p> <p>Progress Report, June 2008: The project objectives were modified. The objectives are to quantify basin discharge from phreatophyte vegetation and crop use, refine estimates of basin thickness, and estimate subsurface flow between discharge basins.</p>
Gerlach	\$92,833.42	<p>A database of spring flow and water quality will be created and a groundwater model will be developed to determine any changes that might result from the proposed development in the basin that might adversely affects the two springs (Garden and Railroad Springs) that provide water to Gerlach.</p> <p>Progress Report, May 2009: Data loggers & flow meters were installed at both springs and monitoring of water level and discharge rate from the springs is in progress and was used in the calibration of the groundwater model. Water rights were researched and compiled into tabular format. Other model parameter data (e.g., DEM, geology, structure, well logs, rainfall) were compiled and added to the model. Washoe County Water Resources has made an initial review of the steady state model and given a positive review. The County has also reviewed the data logging methods for the long-term spring flow and reinforced the importance of continuing to collect this data with the GID. The final report is due in June 2009.</p>
Virgin Valley Water District	\$116,041.77	<p>Analyze water quality information from throughout the watershed region to develop a conceptual model of groundwater flow, mixing and hydrologic connection through naturally occurring chemical tracers, and develop a steady-state representation of the pre-development conditions of the regional groundwater flow systems utilizing modifications of previous models to develop a comprehensive numerical model.</p> <p>Progress Report, December 2009: The District submitted a thesis on the <u>Interaction of Surface and Subsurface Hydrological Processes in the Lower Virgin Valley</u> and a progress report on the status of the Lower Virgin groundwater model. The ground water model is approximately 65% complete and is expected to be finished in 2009.</p>

SB 62 PROJECT REPORT

June 2009

Project	Grant Amount	Project Summary
LVVWD – Searchlight	\$150,000.00	<p>Drill and develop 4 new monitoring wells to better understand the groundwater resource and groundwater quality in Paiute Valley and the Eldorado Valley Basins. One of the 4 wells will be funded by this grant.</p> <p>Progress Report, May 2009: LVVWD evaluated monitoring well locations in Piute Valley and drilled 4 exploratory wells in 2007. An Environmental Assessment for the monitoring wells was submitted to the BLM in February 2008. Approval of the EA and granting of ROW by the BLM was expected by late 2008; however, issues with Areas of Critical Environmental Concern will preclude well construction of several of the originally planned monitoring wells. An alternate site for the monitoring well to be funded by this grant has been selected. Drilling of the monitoring wells and production wells will occur at the same time and the job will be put out for bid as soon as BLM approval is received. The District will request a second extension to their grant at the June 2009 Board meeting.</p>
Topaz Ranch Estates	\$5221.88	<p>Identification and mapping of proposed point of use/place of diversion for the existing 9 water rights permits.</p> <p>Progress Report, February 2009: The GID was awaiting the construction and testing of the new well to begin this project. The points of use/place of diversion for existing water rights are being moved to this new well and are pending approval by the State Engineer. Mapping is currently in progress and the final product is due in June 2009.</p>
Central Nevada Regional Water Authority	\$150,000.00	<p>Compile and document the baseline information required to determine long-term changes in groundwater levels in the Central Hydrographic Region (including: Churchill, Elko, Esmeralda, Eureka, Lander, Nye, White Pine, and Pershing counties) in order to evaluate the sustainability of present groundwater supplies secured under existing water rights, analyze the impacts of future development, and support future actions by local governments.</p> <p>Progress Report, March 2009: A spreadsheet containing water-level data, supporting database attributes and data-quality information; maps showing spatial distribution of water-level data; and an analysis of data gaps are complete and the data is accessible through an electronic mapping system – Map Guide by Websoft – hosted on the NDWR website. A summary report that documents methods and findings and identifies areas needing additional new water-level measurements was generated. The website that hosts the information for the Central Nevada Regional Water Authority is located at http://www.cnrwa.com/home/index.asp and will soon link to the Map Guide system (http://webmap.water.nv.gov/) developed with NDWR. The CNRWA received a small amount of SB62 funds left from completed projects to continue data collection and has continued to plan for future project phases with the USGS.</p>

ATTACHMENT 12

F. CAPITAL IMPROVEMENT GRANT PROGRAM

2. a. Letter of Intent & Grant Application - Lander County
Combined Sewer & Water Dist #3 GID PER (Action)

Austin Letter of Intent / Grant – Arsenic Mitigation PER

Austin is an unincorporated community on the western slopes of the Toiyabe Range in Lander County. The Town was founded in 1862, as part of a silver rush reputedly triggered by a horse that kicked up a piece of quartz containing gold and silver. By summer 1863, Austin and the surrounding Reese River Mining District had a population of over 10,000, and it became the county seat of Lander County. The county the seat was shifted to Battle Mountain in 1997.

The Nevada Central Railroad was built to connect Austin with the transcontinental railroad at Battle Mountain in 1880; however, by that time the boom was almost over. Major silver production ended by 1887. In the mid 1950s there was a great deal of interest in uranium deposits in the area, but the ore proved to be of low quality. High quality turquoise is still mined in the area in small quantities.

Today Austin is a well-preserved example of an early Nevada mining town. It's water system consists of spring collection in both Pony and Marshall Canyons, one well in the Reese River Valley, booster pumps, 6 storage facilities totaling approximately 600,000 gallons and blending vaults at both springs. For reference, general system schematics were included in your binders with this summary.

Water from the springs in the upper service zone is blended with well water prior to entering the distribution system through the storage tanks. The blending of well water with spring water is necessary due to the concentration of uranium found in the spring water (27 – 32 picocuries/Liter in spring water vs the MCL of 30 pCi/L).

The GID has a wellhead protection plan approved by the Bureau of Water Pollution Control. However, the most recent sanitary survey, conducted by the Bureau of Safe Drinking Water in August 2008, noted that the spring box covers need to be rebuilt to prevent contamination from entering the spring collection system and fencing is necessary around the Marshall Canyon Springs to keep cows out of the spring area.

The GID also has an original Water Conservation Plan approved in 1992; however, this plan has not been updated since the original draft. Water conservation plans must be updated every 5 years and comply with the requirements of Nevada Revised Statutes within Chapter 540.

The water produced at the GID's Reese River Valley well does not meet the current federal and state MCL for arsenic. The maximum arsenic level measured in the well water samples is 14 ppb. The Division ranks arsenic mitigation as a Class II or "chronic issue" water project. In May 2007, the State Environmental Commission granted the Austin water system an exemption from the arsenic compliance requirement until January 23, 2009, and in November 2008, the SEC granted and extension to their exemption until January 23, 2011.

The GID received an AB-198 grant in December 1992 – near the inception of this program. The amount of that grant was approximately \$480K (~85% of the total eligible project cost). That project included the drilling and equipping of a well in Reese River Valley as a supply source to blend with the supply from the springs in Pony and Marshall Canyons to mitigate the uranium levels in the spring water. It also included the installation of booster stations and a transmission line from the new well; and the installation of blending tanks for both spring sources.

The arsenic mitigation PER will consider both treatment and non-treatment alternatives. However, given the construction costs and increased operation and maintenance costs of treatment for this small community, the more favorable alternative is the non-treatment option of drilling and constructing a new municipal production well. The GID has requested that grant funding be approved at this time for an exploration well if the GID and its engineer find a drill site that has the potential to yield water meeting the arsenic MCL. Also, if the springs are to remain in service for this community, the issues identified in the sanitary survey and any other system

issues identified during the preliminary engineering phase of work need to be addressed along with the arsenic mitigation.

Staff recommends that the letter of intent and grant application for the PER be approved subject to the conditions given in the staff report and resolution. The GID has applied to the USDA-RD for match funding for this project. The USDA is planning to provide a grant for the PER and Environmental Report. They will not, however, fund exploratory wells. The GID will need to provide the match funding necessary for the test well. It is the opinion of the funding agencies that this should not cause an undue financial hardship on the GID. The total eligible cost for the PER is \$149,000. The grant amount should not exceed \$126,650 (85% of the total eligible project cost) and would be subject to the following conditions.

CONDITIONS

- The Lander County Combined Sewer & Water District #2 General Improvement District is subject to the provisions of the Nevada Administrative Code regarding the administration of this grant.
- The PER must conform to the USDA-RD RUS Bulletin 1780-2 and the “Quality Control Checklist” developed by the Infrastructure for Nevada Communities’ (INC) Working Group.
- If a non-treatment option(s) is identified and it requires the drilling of a new well(s), the PER needs to include the results of a contaminate source inventory survey within 3,000 feet of the proposed well(s). This inventory must be endorsed by the Bureau of Water Pollution Control, Groundwater Protection Branch prior to applying for funding of a construction project. The new well location(s) would then need to be incorporated into Austin’s Wellhead Protection Plan.
- The PER must re-evaluate the blending of the springs and wells to ensure uranium compliance as arsenic mitigation may impact this operation.
- The Lander County Combined Sewer & Water District #2 General Improvement District Water Conservation Plan must be updated and comply with the requirements of Nevada Revised Statute 540.131 and 540.141.
- The current residential water rate for the GID, based on a usage of 15,000 gallons, is \$36.91 per month. This rate does not conform to the Board’s reasonable water rate calculated to be \$42.37 per month for residential connections using 15,000 gallons. Prior to applying to this grant program for any construction grants, The Lander County Combined Sewer & Water District #2 General Improvement District must provide a plan and schedule to increase water rates to at least the minimum amount described in the Board’s policy on water rates. Before any construction contract may be awarded, the water rates must conform to the Board’s policy.

A suggested motion for the Letter of Intent is included at the end of this project summary.

Please note that, if the Letter of Intent motion passes, staff suggests that the Board move to approve the grant under these same conditions and based on the Resolution in the Board binder.

ATTACHMENT 13

F. CAPITAL IMPROVEMENT GRANT PROGRAM

3. a. Pershing County Water Conservation District Grant Application (Action)

Pershing County Water Conservation District

The Pershing County Water Conservation District is located at Lovelock in Pershing County. The District has 40,000 acres and its main commodities are alfalfa, wheat and cattle. It's water source is the Humboldt River System and it's main storage supply is the Rye Patch Reservoir.

The District has, with the guidance of the Bureau of Reclamation, successfully maintained and operated the Humboldt Project for over fifty years. In these fifty years, the District kept pace with the changing aspects of its operation by updating its equipment and methods. The Humboldt Project has stabilized water supplies, increased productivity of the District's agricultural land, employed managers and consultants experienced in irrigation systems and grazing, provided recreational opportunities and expanded the tax base for Pershing County and the State of Nevada.

The distribution system for Humboldt Project water includes approximately 107 miles of canals with its associated dams and diversion structures. There are 11 principle structures including 10 dams and 1 diversion pond as well as a number of smaller diversion facilities. Most of these structures have outlived their useful life and are in need of renovation or replacement.

The District is continually working on delivery system improvements through ongoing maintenance consisting of regularly scheduled ditch cleaning, construction of new gate and diversion structures, installation of rip-rap in high erosion areas, installation of water measurement devices, and sealing of canals with polymer based adhesives.

The District received a grant from the Board for Financing Water Projects in September 2003 in the amount of \$108,800 (85% of the eligible project cost) for a preliminary engineering report to describe the existing irrigation system structures and their deficiencies and to make recommendations for improvements for water conservation. A Master Plan for the District was completed in December 2005.

Subsequent to the completion of the Master Plan, the District applied for a grant from this program for an irrigation system improvement project. That grant was approved by the Board in May 2006, for \$3,956,282.50 (85% of the total eligible project cost) for a 5-year period. The minutes from that meeting are provided with the staff report.

The highest priority project elements noted in the Master Plan were included in this original project:

- Replacement of Old Channel / Union Canals Diversion Structure
- Replacement of the Pitt-Taylor Diversion Dam & Diversion Structure
- Upper and Lower Pitt-Taylor Dam Stability Assessment
- Complete Replacement of Old Channel / Union Canal Diversion Structure
- Installation of a Back-up Structure at the Humboldt Plug
- Replacement of Upper and Lower Pitt-Taylor Dam Control Structures
- Replacement of Anker Pond
- Installation of Slide Gates on Pitt and Rogers Dams

The Rogers Dam failed on July 18th, 2006, as a result of the very high flows in the Humboldt River that undermined the concrete control section of the dam, making it useless. Severe economic hardship could have been experienced by the farmers of the "lower valley" (approximately 20,000 acres) if deliveries to Union-Rogers Canal could not be reestablished.

Some of the original project elements were put on hold due to the failure of this dam. At a special public meeting on July 28, 2008, the Board reallocated \$850,000 (85% of a set \$1,000,000) of already approved project funding for the construction and costs of a cofferdam and also for study and construction of an improved by-pass around the Rogers Dam and for preliminary engineering and geotech work to begin moving forward on

a new permanent dam structure. This was contingent on the District expending their emergency funds and continuing to pursue other state and federal funding. The Board also required that the District come back to the Board with planning and other information as it became available. The only original project element that moved forward was the Old Channel / Union Canal Diversion Structure as it had time-sensitive, match funding from the Bureau of Reclamation. Other project elements previously funded were to be reviewed by the Board in the future prior to obligation of grant funding for those elements.

Members of the irrigation district came together and provided labor and equipment in concert with the construction efforts from White Rock Construction to build the cofferdam. The cofferdam was completed in a 2-week timeframe and in time to complete the irrigation season.

In March 2007, the District came before the Board to request an additional reallocation of funding from the original grant in order to cover the final costs of the North by-pass spillway and engineering design for the new Rogers Dam. The Board approved an additional \$569,500 in grant funding bringing the total of reallocated funding to \$1,419,500 (85% of the total eligible project cost estimate of \$1,670,000).

The North by-pass spillway around the cofferdam was completed in April 2007 in time for the start of the 2007 irrigation season. The Old Channel / Union Canal Diversion Structure was completed in August 2007. Geotechnical studies and engineering design for rebuilding the Rogers Dam were also completed by August 2007.

During its 2007 session, the Nevada State Legislature allocated \$100,000 from the general fund for replacement of the Rogers Dam. In September 2007, the original grant was closed out, and the Board reallocated the grant amount remaining from the original grant (\$2,571,160) and approved just over \$1M in additional grant funds to assist in the construction of the new Rogers Dam. The total of the new grant was approximately \$3.7M.

Q&D Construction began work on the new dam in October 2007 and completed the project just 5 months later in May 2008. Project completion of the cofferdam, North by-pass spillway, Old Channel/Union Canal Diversion structure and the Rogers Dam, on schedule and in budget, demonstrates the District's capability to manage large-scale projects and provide significant in-house construction capability to curb construction costs.

The grant funding reallocated for the construction of the new Rogers Dam also included funding for the design of the Pitt-Taylor Diversion Dam and Diversion Structure (also known as the Thacker Dam). The geotechnical study for the new structure is now complete and the design is nearing completion.

At this time, grant funding is requested for the following project elements, most of which were funded in the original grant:

1. Replacement of the Pitt-Taylor Diversion Dam & Diversion Structure (Thacker Diversion Dam)
2. Pitt-Taylor Canal Renovation
3. Replacement of Upper and Lower Pitt-Taylor Dam Control Structures
4. Installation of Slide Gates on the Pitt Dam (pending Pitt Dam Assessment)
5. Replacement of Anker Pond
6. Installation of a Back-up Structure at the Humboldt Plug
7. Upper and Lower Pitt-Taylor Dam Stability Assessment
8. Pitt Dam Assessment

A description of each of these elements is included in the Master Plan and discussed in the application. Of the items listed, the Pitt-Taylor Canal Renovation and Pitt Dam Assessment are new to the District's priority list. The Pitt-Taylor Canal delivers water from the Pitt-Taylor Diversion to the Upper Pitt-Taylor Reservoir. As noted in the application, a survey was completed along the canal as a part of the design of the Thacker

Diversion Dam revealing high spots and inconsistent cross-section that reduces the capacity of the canal. Repairs to the canal are necessary to maximize the use of a new Thacker Dam.

About once every 10 years, high water years occur on the Humboldt River. The last high water years occurred in 2005 and 2006. More water needs to be captured during these high flow years. Renovation of the Pitt-Taylor collection system (Items 1, 2, 3, and 7) is the logical way to accomplish this. Irrigation benefits for valley ranchers would be realized and the public benefits of the Upper and Lower Pitt-Taylor Reservoirs include:

- Increased water for boating, fishing, hunting and other recreation
- The Pitt-Taylor Reservoirs can be used as growing area for juvenile fish (NDOW program)
- They provide habitat and nesting grounds

Due to the unexpected failure of the Rogers Dam in 2006, the District is concerned about the condition of its oldest structure, the Pitt Dam. The Master Plan included only the installation of slide gates on the Pitt Dam. It is now recommended that a full assessment of the structure and the underlying soils be conducted prior to any money being spent to up-grade the existing structure. Should this structure need to be completely replaced, the District would not pursue the installation of the slide gates.

The water rate for the District is \$18.82 per acre-foot for the 37,506 irrigated acres with water rights and \$1.50 per acre-foot for the 3,700 irrigated acres without water rights. The District also assesses \$1.55 per acre annually for emergencies and capital improvements (37,506 water righted acres at \$1.55 per acre = \$58,134). For the five-year duration of this project, the District will assess an additional \$3.00 per acre annually to assist with the required project match funds (37,506 water righted acres at \$3.00 per acre = \$112,518). The combined annual assessments total approximately \$170,652. The District also has access to a \$200,000 line of credit. As noted in the application and demonstrated in previous projects, the District has in-house construction capability in both personnel and equipment that can be utilized to implement portions of these project elements.

If an 85% grant is approved for these project elements, the District will be required to provide 15% of the total project costs. This amount is approximately \$768,285 over five years or \$153,657 per year.

The District requested that the Board make a single grant for a period of 5-years in order to allow flexibility in the progress of the project elements. Some elements will require more planning, design and permitting than others. Also, project elements may be bid together or separately to achieve a more cost-effective implementation. Seasonal variation in channel flow and total storage may necessitate a change in project element order.

Staff recommends that the Board approve grant funding for the project elements discussed above, most of which were funded in the original grant. The grant amount should not exceed a total of \$4,353,619.12 (approximately 85% of eligible project costs estimated to be \$5,121,904.85) for a 5-year period and would be subject to the conditions staff report and resolution.

CONDITIONS

1. The Pershing County Water Conservation District is subject to the provisions of the Nevada Administrative Code regarding the administration of this grant.
2. The District will work with DWR and staff to assure that all comments, questions and recommendations from DWR are addressed.
3. The Upper and Lower Pitt-Taylor Reservoirs must continue with restricted storage until such a time as an assessment of their condition is completed and acted upon. Evaluation of the condition and safety of the embankments and necessary refurbishments must satisfy DWR that dam safety is assured prior to the filling of the Upper and Lower Pitt-Taylor Reservoirs. The scope of work for the proposed embankment

study must also include: 1) the assessment of the condition of the embankments in Section 7 of T32N, R33E which bounds the northwest side of the Upper-Pitt Taylor Reservoir, and 2) further evaluation of the embankment protection

ATTACHMENT 14

F. CAPITAL IMPROVEMENT GRANT PROGRAM

2. Progress Report for Funded AB198/AB237 Projects (Non-Action)

PROGRESS REPORT ON OPEN PROJECTS

June 2009

GRANTEE	DATE APPROVED	TOTAL GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Walker River Irrigation District	3/13/02 Additional grant funds approved on 1/22/07 increasing total grant amount	\$4,262,750.00 \$6,685,163.19	Farr West, Lumos, RO Anderson, Black Eagle	Ken Spooner	Feb-08	The diversion structure, spillway, and levee are complete. Remote control of the gates via the SCADA system is in progress. The outlet tunnel investigation is now complete with no significant deficiencies noted. Staff is reviewing the final project documents and the project is in the process of closing.
Kingsbury GID	6/26/02 Additional grant funds approved on 8/23/06 increasing total grant amount Extended funding agreement by 2 years on 6/19/08 with no further increase in grant funds	\$5,099,853.10 \$9,505,311.39	Amec	Cameron McKay	Aug-08	The final pipeline replacement (Palady Perkins) is now complete. Services and meters will be completed in this area in the 2009 construction season. The final project element for Phase 1 is Tank 10B. The plans for Tank 10B call for the installation of a pre-stressed concrete tank on property adjacent to the existing Tank 10A. The tank project was bid in the spring 2009 with the project awarded to Aspen Developers Corp. Construction began in May 2009.
Wells	12/5/02 Additional grant funds approved on 1/27/05 increasing total grant amount	\$757,375.60 \$1,102,310.09	TRW Engineering	Jolene Supp	Dec-08	The installation of the well, well house, chlorination system, and SCADA are complete. The new tank has been constructed and the security fence is installed. The tank is currently being primed and coated. The final project elements – the transmission line and booster station – were bid in the spring 2009 and construction is expected to begin in June 2009.
Washoe Co for Spanish Springs	1/27/05	\$4,000,000.00	Washoe County	Joe Stowell	May-07	The 1 st of a 9-phase sewer project is complete. The entire project is expected to take 20 years. The Phase 1A sewer project is complete and approximately 171 homes have abandoned their septic systems and connected to the new sewer to date. The County is now waiting for federal grant funding to begin installation of the next sewer line phase. The next project phase may begin in 2009 pending the resolution of funding issues.

PROGRESS REPORT ON OPEN PROJECTS

June 2009

GRANTEE	DATE APPROVED	TOTAL GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Virgin Valley Water District	1/27/05 Additional grant funds approved on 6/19/08 increasing total grant amount	\$2,000,137.00 \$3,284,177.16	Bowen, Collins & Associates	Mike Winters	Apr-09	<p>The new coagulation-filtration arsenic treatment facilities for the 2 Bunkerville sites are complete. Four of the five treatment plants in Virgin Valley – including the two facilities in Bunkerville – are currently running under a start-up phase.</p> <p>In January 2009, the District raised water rates for Bunkerville commensurate with the requirements of the Board's policy to meet the conditions of the amended funding agreement.</p>
Metropolis Irrigation District	1/25/06 Extended funding agreement by 1 year on 9/25/08 with no further increase in grant funds	\$489,467.40	Dyer Engineering	Vernon Dalton	Feb-09	<p>In January 2009, staff met with NDOW and State Parks to discuss their participation in the funding of a recreation area at the proposed Bishop Creek Reservoir. A subsequent meeting was held in February with the BLM and others to review the BLM requirements to complete permitting. Environmental and cultural assessments for the dam and reservoir appear to be fairly straightforward. It is not clear what remains with respect to assessments for the recreation facilities or the dam as no final project proposal has been received by the BLM.</p> <p>Dyer Engineering delivered the design and bid documents for the dam in May 2009.</p>
Beatty Arsenic PER	5/3/06 Extended funding agreement by 1 year on 9/25/08 with no further increase in grant funds	\$51,850.00	Farr West	Ray Williams	Dec-08	<p>Two technologies were pilot tested: 1) coagulation/filtration with alum addition as the coagulant and 2) electrochemical flocculation (ARS). ARS involves replacing the alum with large, electrically charged aluminum plates.</p> <p>Staff is reviewing the PER. The arsenic treatment facility may be funded with federal stimulus money.</p>
Yerington Arsenic PER	5/3/06	\$47,600.00	Farr West	Dan Newell		<p>Pilot testing of adsorption media is complete. Coagulation/filtration was not pilot tested. A final decision on the type of arsenic treatment (adsorption or coagulation/filtration) has not been made. It does not appear that Yerington will seek state grant funding for the construction of arsenic treatment facilities.</p>

PROGRESS REPORT ON OPEN PROJECTS

June 2009

GRANTEE	DATE APPROVED	TOTAL GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Pershing Co Water Conservation District	5/3/06 The original grant was closed & the remaining funds from that grant and additional grant funds were approved on a new grant on 9/20/07 for the Rogers Dam	\$3,956,282.50 \$3,663,021.45	Farr West & Dyer Engineering	Bennie Hodges	May-09	Engineering design and permitting of the Pitt Taylor (aka Thacker) Diversion Dam and Diversion Structure is currently in progress. This is the only other project element currently approved for funding by the Board. The District will seek grant funding from this program for construction of the new Pitt Taylor Dam and Diversion Structure, Pitt Taylor Diversion Canal and the necessary work on the Pitt Taylor Reservoirs at the June 2009 Board meeting.
LVVWD for Searchlight	8/23/06	\$2,536,522.34	LVVWD	Jordan Bunker	Aug-07	All four exploratory wells are complete. Two wells were to become production wells while the other two exploratory wells were to become monitoring wells. An approved EA was required by the BLM prior to exploratory drilling and another EA is now required by the BLM for construction of production wells, pipeline, and appurtenances. Issues with Areas of Critical Environmental Concern will preclude well construction of several of the originally planned monitoring wells but should not affect the new production wells. The engineering design for the new wells and appurtenances is complete. Drilling of the new wells will begin as soon as BLM approval of the EA and ROW is received.
LVVWD for Kyle Canyon – Ph 2 & 3	11/09/06	\$3,202,511.74	LVVWD	Jordan Bunker	Sep-08	Due to the short construction seasons, this project will likely take 3 summers to complete. Installation of upgraded/new mains, services, and meters at Echo View and Cathedral Rock were completed in November 2008. Replacement of mains and services and installation of meters will be completed in Upper Rainbow and Old Town in 2009. The Upper Rainbow/Old Town project phase was bid in January 2009 and construction for this phase is underway.
Topaz Ranch Estates	3/14/07	\$1,471,452.01	TEC	Larry Offenstein	June-09	The project for the new well and replacement of the water main (on Sandstone, Granite, Gray Hill and Limestone) – Project Phase 3 – was awarded to Atlas Contractors. Construction began in November 2008 with the drilling of the new well. The pipeline, service connections and well were completed in April 2009. The well house and controls suffered delays due to permitting and power easements but are currently in progress.

PROGRESS REPORT ON OPEN PROJECTS

June 2009

GRANTEE	DATE APPROVED	TOTAL GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Lyon Co Utilities for Crystal Clear	9/20/07	\$2,663,635.00	Farr West	Mike Workman	May-09	<p>The project that will tie Crystal Clear to the Yerington water system, install a new storage tank at Crystal Clear, and upgrade mains and services in the subdivision was awarded to Cambell Construction. Construction began in November 2008. Issues with undisclosed Verizon phone lines in the right-of-way planned for the new transmission main required significant effort from the contractor and some redesign.</p> <p>The mains and services in the development are complete as are the new storage tank, booster pumps and transmission main from the Yerington water system. Final tie-in, installation of the PRV and disinfection of the pipelines and tank will be completed in June.</p>
Lovelock Meadows Phase II	12/13/07	\$3,000,000.00	Farr West	Tom Glab	May-09	Drilling of the new backup well in Oreana began at the end of May 2009. Design of the Phase 2 pipeline improvements is complete and out for bid.
Moapa Valley	12/13/07	\$4,000,000.00	Bowen, Collins & Associates	Brad Huza	Apr-09	The Arrow Canyon and Baldwin Springs arsenic treatment facilities are on-line. The District held an open house on April 15, 2009. The project is in the process of close out.
Alamo Arsenic Mitigation PER	3/20/08	\$102,216.75	Farr West	James Poulsen	May-08	This PER will include water quality sampling, well testing, and possibly arsenic pilot testing. Packer testing and sampling of the industrial well was completed in October 2008.
Battle Mountain Arsenic Mitigation PER	3/20/08	\$117,000.00	Shaw Engineering	Hank Blair	Dec-08	<p>The drilling of the exploratory wells was bid in August with only one bid received from Eklund Drilling. Eklund (now Boart Longyear) drilled three exploratory wells – 2 in the Lower Reese River Valley Basin (Hydrographic Basin 059) and 1 in Hydrographic Basin 064 (at the golf course). All exploration holes yielded water that met the MCL for arsenic.</p> <p>The PER was completed in May 2009. Battle Mountain is pursuing a project to drill new municipal wells in Basin 059 along with the installation of a new a tank and transmission line to meet the requirements for safe drinking water through a non-treatment option and to mitigate existing low system pressures and provide fire flow that is not dependent upon a booster pump system.</p>

PROGRESS REPORT ON OPEN PROJECTS

June 2009

GRANTEE	DATE APPROVED	TOTAL GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Gabbs Phase II PER	6/19/08	\$63,920.00	Day Engineering	Oz Wichman	Oct-08	<p>The initial PER for the town of Gabbs was completed in April 2008. A new source of supply may be possible and exploratory drilling was recommended prior to pursuing a construction project.</p> <p>An exploratory well was drilled near the airport in December 2008. Water quantity met expectations; however, the water quality testing revealed arsenic at approximately 17-18 ppb and fluoride at approximately 9-10 ppm – both exceeding the MCL.</p> <p>Permission to test the water at the Holly Well (a stock water well) in Lodi Valley was granted. The water quality results indicate that the water chemistry meets the MCLs for arsenic and fluoride although arsenic is at the limit of 10 ppb. The engineer and County are awaiting approval from the BLM for drilling an exploratory well in Lodi Valley.</p>
McGill – Ruth PER	3/04/09	\$34,000.00	Day Engineering	Wayne Cameron		This PER amendment will investigate options to improve the reliability of the water supply to Ruth.