

**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.