

MEETING OF THE
STATE BOARD FOR FINANCING WATER PROJECTS

Summary Minutes

Thursday, September 25, 2008
9:00 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
Bob Firth
Steve Walker
Jennifer Carr (Ex-officio member)

Chairman Scott called the meeting to order at 9:00 a.m. and said he wanted to bring up a business item before the Introductions.

Our Board member, Don Ahern, is not here today due to a conflict with a Sage Commission meeting. Chairman Scott said that he asked Member Ahern for a schedule of future Sage Commission meetings so that potential conflicts between this Board meeting and Commission meetings might be avoided if at all possible. The Commission will be meeting for the next one to two years.

A. INTRODUCTION AND ROLL CALL (Non Action)

At the Chairman's invitation, Board members, staff and individuals in the audience introduced themselves.

Others present associated with the Board included Nhu Nguyen, Deputy Attorney General and Counsel to the Board, Dave Emme, Adele Basham, Michelle Stamates, Marcy McDermott (NDEP) and Kathy Rebert, Recording Secretary, NDEP.

B. APPROVAL OF MINUTES - JUNE 19, 2008 MEETING (Action)

Chairman Scott asked if there were comments or items for discussion.

Motion: There being none, Member Walker moved to approve the minutes as written. Member Firth seconded and the vote was unanimous in favor.

Chairman Scott commented that he noticed more backup/attachments with the minutes than there has been in the past. He asked if some of the attachments are a repeat from the meeting. Ms. Stamates answered that they were and could be left out

if he preferred. Chairman Scott asked if anyone had any particular interest or concern about this, and Ms. Stamates proposed that the backup be put only on-line to cut down on the number of pages in the hard copy minutes. After a few other brief comments, Chairman Scott directed Ms. Stamates to leave the attachments out.

C. SET A DATE FOR THE NEXT BOARD MEETING IN DECEMBER (Action)

Chairman Scott said the next Board meeting is proposed to be in Las Vegas and hopefully would be an overnight where the Board will take a look at some of the projects in Virgin Valley and Moapa Valley. The Las Vegas Valley Water District has offered to provide a meeting room. He asked if anyone had a preference of meeting date for the two staff recommended options, December 10-11, 2008 or Dec 17-18, 2008.

Motion: After some discussion, Member Walker moved to schedule the meeting December 10-11, 2008, and Member Goetsch seconded. Chairman Scott clarified that the actual Board meeting would be on December 11, 2008, and would probably start at 9:30 am. The date was adopted by unanimous consent.

Chairman Scott then asked Ms. Stamates to outline the process so the Board could better understand the arrangements. Ms Stamates reviewed the tentative arrangements and schedule. There being no further discussion on this item, Chairman Scott moved forward to the next item on the agenda.

D. DRINKING WATER STATE REVOLVING FUND (DWSRF) PROGRAM

1. Discussion and possible approval of Revision 1 to the DWSRF Project Priority List (Action)

Ms. Basham presented the revisions and reviewed the key points regarding the Priority List for the Board. (Ms. Basham's written summary and charts for this Revision are located in **Appendix 1** in the Board for Financing Water Projects minutes for September 25, 2008, on their website.)

The development of the Priority List is an integral part of the Drinking Water SRF. Only projects that are on the Priority List can receive a loan. The Statute requires that this Board approve the Priority List and approve revisions to the Priority List. Ms. Basham noted that projects seeking grant funding must also be on the Priority List. The Priority List is a ranked list based on health concerns, and after the initial category ranking, the final rank within each category is adjusted for the local median household income thereby giving the lower income areas a higher ranking. Both publically and privately owned water systems are eligible for the Drinking Water SRF. NAC 445A.67566 to NAC 445A.76573 specifies the detail in how the assignment of points is done. In addition to the assignment of points outlined in the regulations, the regulations do allow NDEP to consider additional factors in the ranking if these factors are described in the Annual Intended Use Plan. To assist with the prioritization of arsenic projects, additional ranking criteria for arsenic projects has been applied based on exemption eligibility criteria which is basically the arsenic concentration. So the higher the arsenic concentration the higher the ranking. In addition to the arsenic criteria, NAC 445A.67569 does not include criteria for security related projects so the

Intended Use Plan, as allowed by the NAC, specifies that security related projects will be ranked in Class III under system rehabilitation and be given a score of 3 points.

This Board approved the year 2008 Priority List on March 20, 2008. Since the 2008 list was approved by the Board, NDEP has received new pre-applications for water system improvement projects in Austin, Gabbs, Ruth, Kingsbury, and Dutchman Acres. Proposed Revision 1 adds these projects to the Priority List.

Loans have been approved and executed for Moapa Valley Water District, Gold Country Water Company, Sierra Estates GID, and Sun Valley GID so these projects were removed from Revision 1 to the DWSRF Project Priority List.

Several projects have been re-ranked in the proposed Revision 1. It came to Ms. Basham's attention that boil water orders have been issued for Deluxe Mobile Home Park, Silver Springs Mobile Home Park, and Tolas Mobile Home Park. The boil water orders move these projects to the top of the list for acute health concerns, and there was also a correction made to the median household income for McDermitt resulting in that project moving from #22 to #9.

NDEP held a public workshop in Carson City on September 9, 2008, on the proposed revised list, and notice of the workshop was sent to all systems with projects on the list and a public notice of the workshop was also published in newspapers in Reno, Las Vegas, Carson City and Elko. No comments were received on the proposed revision. It is recommended that the Board approve Revision 1 to the 2008 Priority List; a Resolution to that effect is in your binder and also a suggested motion is included on page 2 of the Board packet for this agenda item.

Member Firth asked for more definition of a security related project. Ms. Basham replied that we have not had similar projects before - it could be fence and security cameras for example. The reason we added it at this time was for the Dutchman Acres project. Member Firth said the one he is questioning is Kingsbury; how is that a security related project? Ms. Basham explained that the Priority List is broken down into classes: Class I is Acute Health Risks, Class II Chronic Health Risks, and Class III Rehabilitation which includes replacement of aging water lines, tanks, etc. The Kingsbury project includes replacing aging infrastructure, etc. Member Firth asked if that is allowed under the Statute to which Ms. Basham replied "Yes."

Chairman Scott pointed out that private entities qualify for SRF funding but do not qualify for the grant program. The top five water systems on the Priority List are all private as of this proposed Priority List revision.

Member Goetsch asked if any of the mobile home parks had come forward with project proposals or funding requests. Ms. Basham said OFA is working with all three of them, plus one that is not listed, to find solutions to their drinking water problems. Not only do they have arsenic but they also have sub-standard infrastructure. Member Carr informed the Board that there was another meeting this week with her staff and the staff from Farr West Engineering to gather all information collected to date and continue to pursue solutions. She has not had a chance to talk to her staff however she knows they are progressing in finding a solution.

Member Firth noted that in most cases the preferable option is connecting to the municipal system. Member Carr stated that that is an option to look at but there are costs associated with that option, so they are trying to determine the best approach. Member Firth noted that four of the top five systems are in Churchill County. Member Goetsch stated that they are in close proximity as well and that it is a very strange situation where the City (of Fallon) has annexed around and completely engulfed several blocks beyond these mobile home parks but refused to annex the two blocks that contain the parks, so there are City fire hydrants and/or City pipe within feet or yards of the mobile home parks. The City has issues with annexation and the County water system is miles away. It is a matter of millions of dollars for the County to reach them or hundreds of dollars for the City. The mobile home parks and the City of Fallon have not been able to reach a resolution satisfactory to both.

Ms. Basham said, in contrast, Silver Springs Mutual Water Company is very willing to work out an arrangement with Silver Springs Mobile Home Park.

Chairman Scott suggested that one of the options, in addition to the options Member Goetsch referred to, is for the mobile home parks to become public entities then the funding situation might be different. The Board would always encourage the most economical solution in terms of trying to be as practical as possible and at the same time meeting the health requirements that are critical.

Member Goetsch noted that he would probably need to recused himself from participating in any actions this Board took on those the issues with the mobile home parks in Churchill County.

Ms. Basham explained that she spoke to Nevada's contact person at US EPA about the Dutchman Acres project. Dutchman Acres is regulated by the PUC. The PUC has recommended that they build a secured storage facility to store their materials and equipment. That is why this is considered a security project.

Chairman Scott observed that one of the Board's primary focuses is to help eligible, small water systems with critical situations. If the solution to one of these problems involves the ability for this Board to consider AB198 funding, the Board would work very hard to make that happen. If a water system is under a boil water order and timing is a factor, we might even entertain some sort of consideration that would accelerate the resolution process.

Motion: Member Firth moved for approval of the Resolution designated Revision 1 to the Year 2008 Project Priority List Drinking Water State Revolving Fund; Member Goetsch seconded and the vote was unanimous in favor.

Member Walker commented that when he worked at Washoe County there were about 33 trailer parks in Reno with compliance issues. This is a common issue with the small trailer parks. If they could hook up to the public water system they would but there is no money. In addition, they are reluctant to do it. To deal with the health issues, we have to overcome the barriers of reluctance and finance issues because this is always going to be a concern. There is also frequently a water rights issue. Is there a water rights issue in converting from a mobile home park to a municipal system and would the State Engineer recognize something like a domestic well credit or similar programs

so that some of these barriers can be dealt with? These are some issues we should consider in the future.

Ms. Carr said that those issues and others have been complicating factors in getting these systems compliant. The average age of the residents and the quality of their residence itself also compound the issue. Fortunately, a number of these parks are providing their residents with bottled water so that they do have a safe drinking supply. It is a complicated scenario but they are doing their best to work with us. One thing that may come up in the future that is at the Board's disposal as I understand it, are the very low interest loans for the disadvantaged communities. So hopefully we can look at everything at our disposal when it comes time.

The Board discussed other issues with the mobile home parks noting that a lot of these parks provide low cost housing for folks with limited incomes and older parks had few options regarding the requirements for annexation into the city. Chairman Scott said that the Board would be making a site visit to Churchill County and Fallon and that might help the Board better understand some of the on-site issues.

Member Firth asked the question regarding the process for these small systems. Once they get on the priority list, is the next step that they would have to come in and apply for a loan? Ms. Basham agreed and noted that this Board has already approved one zero interest loan. Ms. Basham also added that, over the past year, she has been laying the ground work that would allow principal forgiveness. This may be a possibility - not for huge amounts of money, but this should not take huge amounts of money.

2. Discussion and possible approval of Loan Commitment to Cave Rock GID (Action)

Ms. Basham presented background information and an overview of the proposed Douglas County Cave Rock/Skyland project. (Ms. Basham's written summary is contained in **Appendix 2** in the Board for Financing Water Projects minutes for September 25, 2008, on their website.)

Ms. Basham stated to the Board that this project was going to be funded 100% by SRF loan.

The Division recommends that the Board approve a loan commitment from the loan fund of the DWSRF in the amount of \$3,500,000 to Douglas County for improvements to the Cave Rock/Skyland water system. The loan will be for a term not to exceed 20 years and at an annual interest rate of 66% of the appropriate bond buyers' index at the time the loan contract is signed. The Division and Douglas County will negotiate the terms and conditions of a loan agreement. To assist the Board there is a proposed motion on page 6 of the Board packet.

Chairman Scott recognized the representatives from Douglas County and asked if they would like to address the Board.

Member Walker recused himself and is not going to vote on this issue. He represents Douglas County on water issues at the State Legislature and feels this poses a conflict.

Mr. Firth asked for clarification from the Douglas County representatives regarding whether or not Cave Rock had water meters. They do not have meters - the water rate is a flat rate. Ron Roman, Senior Engineer with Douglas County Public Works, noted that both Cave Rock and Skyland are enterprise funds and are currently on a flat water rate - Cave Rock's rate is currently \$135.28 and Skyland's rate is currently \$74.70. He noted that as they do system rehabilitation and replace water lines, they are installing meter sets so they will have the ability at some time in the future to drop meters in and move toward a metered rate.

Member Goetsch commended Douglas County for adopting and rehabilitating dozens of these little failing and problem systems. He also thanked them for coming forward for a loan rather than a grant. He commented that they were pretty aggressive in adjusting water rates in spring 2007. This project equates to about \$11,000 per connection that must be invested into the system which requires a large increase in rates, but the residents stepped up and said they were capable of absorbing these costs in their rates. He asked if the additional rate amount that will be collected will allow them to establish a capitalization fund and start putting money away or will it all be needed for just operations and maintenance?

Karen Lommori, Accountant for Douglas County, stated that they are funding a capital reserve account and are phasing in all of the assets. They are not at 100%, yet, but that is the goal.

Chairman Scott asked all of the Douglas County representatives to introduce themselves: Ron Roman, Senior Engineer with Douglas County, Karen Lommori, Accountant with Douglas County, and Michael Brown, Douglas County Manager.

Member Firth asked if there was an anticipated rate increase for either water system - Cave Rock/Uppaway or Skyland - in 2009? Ms. Lommori stated that there would be another increase for the Cave Rock/Uppaway system - from \$135/month to \$185/month or more. Further questions to clarify potential rate increases were asked and discussed briefly.

Chairman Scott noted that he has done some work for Douglas County but does not feel that, for this loan application, he has a conflict and that he would be voting.

Motion: Member Goetsch made a motion that the Board for Financing Water Projects approve a loan commitment to Douglas County. The Resolution is designated "9-2008 Douglas County Cave Rock/Skyland Project Loan Commitment". The Board has determined, and does hereby declare, that it approves and shall provide a loan to the Applicant in an amount not to exceed \$3,500,000. Seconded by Member Firth, there was no further Board discussion and no public comment. The motion was approved unanimously with Member Walker abstaining.

Mr. Roman thanked the Board for their observations about metering and noted that Douglas County staff are making efforts toward metering but recognize that it is one of the challenges you have in a very small system.

Chairman Scott again expressed the Board's appreciation to the Douglas County representatives for moving forward with this project as a loan. Metering is something the Board is serious about, and it will generally be a guaranteed condition on any future grant the Board may provide.

3. Discussion and possible approval of loan commitment to Lamoille (Action)

Ms. Basham presented background information and an overview of the Lamoille Water Users, Inc., water system improvements project along with photos of the system and area. (Ms. Basham's written summary is contained in Appendix 3 in the Board for Financing Water Projects minutes for September 25, 2008, on their website.)

The proposed water system improvements were prioritized by the water users at their annual meeting in June 2008. The water board approved a rate increase from \$50/month to \$100/month starting in July 2008 to pay the debt service on this loan, and the new rate is now in effect.

NDEP determined that the project is eligible for categorical exclusion as the majority of the project consists of rehabilitating existing infrastructure and the new well is within the fenced area owned by the water system.

Currently we have \$11 million uncommitted in loan funds. If both projects on the agenda today are approved by the Board, \$7 million would remain available for future loans.

The Division recommends that the Board approve a loan commitment from the loan fund of the DWSRF in the amount of \$775,000 to the Lamoille Water Users, Inc. The loan will be for a term not to exceed 20 years and at an annual interest of 66% of the appropriate bond buyers' index at the time the loan contract is signed. The Division and the Lamoille Water Users, Inc. will negotiate the terms and conditions of a loan agreement.

To assist the Board there is a proposed motion on page 6 of the Board packet. A representative from Lamoille Water Users, Inc., Mr. Craig Hall, Treasurer of the Board, and their engineer, Mr. Brent Farr of Farr West Engineering were present to address questions.

Member Walker noted that he did not see the replacement of the tank mentioned in the project and asked if the new well would be pumped into the existing 4,200 gallon pneumatic tank. Mr. Farr responded that this is just the first phase of the project and the board elected to pursue another well, a backup generator and the replacement of some critical water lines. Phase 2 of the project includes adequate storage for demand and fire flow. Since there is no elevated tank in the system, the project will need to include a booster pump system.

Member Goetsch asked if the elements not included in Phase 1 would be brought to the Board as a completely separate proposal. Mr. Farr confirm that those additional elements would be a separate proposal.

Member Walker asked if the second phase would mean a rate increase as well. Mr. Farr stated that another increase would be necessary as the second phase is about equal in size to the first. The well planned for the first phase will augment the existing well as the data on the existing well show that there is very little capacity remaining during the higher water use months of the summer.

Chairman Scott asked Mr. Hall if this is a mutual water company. Mr. Hall said that everybody who lives there is an owner. Mr. Farr stated that it is a non-profit corporation.

Chairman Scott asked Ms. Basham and Ms. Stamates to look into the statute to see if the intent of our statute is to help systems like this with grant programs. This organization may not fit, but he would appreciate looking into where we draw the restrictions because this may be private but it is private non-profit. There are probably a number of similar systems out there, and he felt that this is the kind of system we need to try to help if we can. He noted that he would not object to some form of statutory adjustment, if necessary, to include such systems.

Member Firth said he assumed the system is not metered and this was confirmed. Mr. Farr explained that the installation of meters is included in the first project phase. They are very interested in meters so that they have the ability to account for water and losses. Other clarification was made in regard to preparing lines for meters and fire hydrants. Also, it was explained that the maps presented show the entire project and that the spreadsheets would have to be looked at to determine what part on the map is part of each phase.

There was discussion on whether the County had been asked to adopt this system so they might have access to grant funding for this system. The County had been asked and felt that under County ownership, the water rates could increase to \$300 per month. In addition, the County expressed a preference not to take over this system. Member Goetsch suggested that maybe after the first phase of the project, Lamoille might re-open those discussions with the County and point out that they took the initiative to begin the necessary upgrades. Member Goetsch also asked about the project estimate of \$800,000 and how realistic this number was for the extent of work planned.

Mr. Farr answered that the project would complete as much of the phased plan as possible and any elements that could not be covered in this loan amount would default into Phase 2. The system operator is pretty sharp and he is also a contractor. With Lamoille being a non-profit corporation, they can simply negotiate with any contractor they want and it appears they would get a good price from this guy. His involvement should help the cost be more reasonable. The NDOT piece will be difficult and more costly.

Chairman Scott mentioned that, should they desire, Lamoille could form a water GID and qualify for funding under the AB198 program. It would have to be set up with the approval of the County Commission but that might be a possibility to consider. He commended the water users for stepping up to the significant a rate increase. Member Walker also noted that Lamoille could become an unincorporated town and then also be eligible for grant funding.

This ended the Board discussion and there was no public comment.

Motion: Member Walker made a motion that the Board for Financing Water Projects approve a loan commitment to the Lamoille Water Users, Inc. The Resolution is designated the "9-2008 Lamoille Water Users Water Project Loan Commitment." The Board has determined, and does hereby declare, that it approves and shall provide a loan to the Applicant in an amount not to exceed \$775,000. The motion was seconded by Member Firth and the motion was approved unanimously.

Member Carr made a recommendation to Lamoille that, as they are making these upgrades to the system, if they are not already using it, they should look into EPA's checkup program for small systems. The software they have helps maintain the inventory of the physical infrastructure and helps increase the capacity and knowledge of their system for future boards or future generations of the water system. Maybe that is something that could be looked at.

Mr. Farr noted that the software was known as the CUPPS. He said that, through their SRF contract, they were looking at setting up training for software and would invite water systems to that training.

Member Firth asked if the existing well was disinfected. Mr. Hall replied that they do add a little chlorine. Member Firth pointed out that, given the new EPA Groundwater Rule, when they drill their new well, it would be advisable to put in a disinfection system.

E. CAPITAL IMPROVEMENT GRANT PROGRAM

1. Financial Report (Non Action)

Dave Emme of NDEP noted a couple staff changes for the Board. Kathy Rebert is our new Recording Secretary for this Board and for the SEC and replaces Robert Pearson who took a job with the State of Alaska. Daralyn Dobson is our new Accountant, replacing Dana Tuttle, and comes to us from the Department of Wildlife. She is very experienced with State fiscal matters and will be our fiscal officer for the grant and loan programs.

Mr. Emme reviewed the Projected Cash flow spreadsheet provided in the Board packet (Included in Appendix 4 in the Board for Financing Water Projects minutes for September 25, 2008, on their website). The first column shows available cash expended in the prior fiscal year FY08, in FY09 and projected forward. We have about \$21,000,000 in available cash. The next column is the Treasurer's allocation, the amount of bond fund or debt that the Treasurer has allocated to this program. The negative numbers were replaced with zeros indicating that the Treasurer's Office will not provide any further bond funding this biennium or this current fiscal year. The current cash available should be adequate to cover our pay requests through this fiscal year.

Mr. Emme explained the next column - the available long-term statutory authority. The program could be generally self-sustaining at around \$6,000,000 or so a year for

grants without having to go to the Legislature and request a higher bonding authority. There was a brief discussion of the Treasurer's bonds retainment period.

The last column is the existing grant obligations. Our projections for FY10 are about \$9,000,000 in existing obligations. We told the State Treasurer we are projecting a need next biennium, 2010-2011, of about \$28,000,000. The difference is going to be what is available for new grants and projects which were projected.

Mr. Emme replied to some questions from the Board, expanding on the relationship between the numbers. Member Walker asked about the maximum amount of grant funding that had been approved in one year. Mr. Emme did not have those exact figures; however, the maximum in terms of cash outlay was FY08. The financial report sheet shows cash outlay of \$21,000,000 in FY08.

2. Funding Agreement Time Extension

Ms. Stamates with the AB198 program introduced herself for the record. She said that there were no letters of intent nor grant requests this meeting. There are two existing grantees that are requesting an increase in the time that the funding agreement will be administered. (Ms. Stamates' written summary for these extensions is contained in **Appendix 5** in the Board for Financing Water Projects minutes for September 25, 2008, on their website.)

a. Metropolis Water Irrigation District (Action)

This is an extension to the existing funding agreement for the Metropolis Water Irrigation District Engineering and Permitting Grant. Ms. Stamates welcomed questions from the Board and was asked how much of the grant had been expended to which she answered "close to \$100,000."

Chairman Scott invited representatives - Mr. Vernon Dalton, Manager of the Metropolis Water Irrigation District, and Mr. Dan Dyer with Dyer Engineering - to address the Board. He thanked them for their response letter of September 11, 2008 (copy contained in **Appendix 6** in the Board for Financing Water Projects minutes for September 25, 2008, on their website), to the Board's letter of April 14, 2008, and said he was very pleased to see what they had agreed to regarding the minimum pool for the project.

A discussion occurred regarding the viable pool and the fish population. Chairman Scott asked about a financial analysis referred to in the letter and if it was a study the Board has as part of the original submittals. Mr. Dyer replied that it is in the PER and part of their current contract is to refine that analysis as final design is completed and construction costs are better understood.

Member Goetsch referred to the part in Metropolis' letter regarding pending funding from other sources and asked whether those funding numbers would be solidified by the time the extension is finished and Metropolis comes back to request funding from the Board for the construction phase of the project. Mr. Dalton gave an explanation of where the funding may potentially come from, and Mr. Dyer explained that most of the

people making commitments to them made only verbal commitments. This is in part because they want to see the final design before they make final commitments of funds. NDOT made a verbal commitment and supposedly that was even contractual with the City of Wells for the \$420,000. There is a verbal commitment and timeframe from the Department of Wildlife but no written documents and the same for the Division of State Parks. Both have been to the site and are working with the District and feel there is not going to be a problem with funding. There are 7 financial sources lined up right now to participate. Ms. Dobson shared some information regarding source of funds that may be available through NDOW.

A discussion followed regarding the environmental issues. Mr. Dalton noted that they have incurred substantial environmental costs. He feels the District is dealing with the environmental issues and is hopeful they can control the expense with help from other entities. Opposition to the project varies from year to year. There was no apparent opposition this year.

A question was raised regarding the completion of this phase of the project within the time of the extension recommended. Mr. Dalton said the timeframe is not the problem, environmental delays are the problem. When asked if they can finish, he said "Yes, we can do it. Will it happen? I don't know." He does not think the Board will see him asking for another extension next year.

Motion: Member Goetsch made a motion that the Board for Financing Water Projects approve a 1-year time extension for the Funding Agreement 01-06-G4b - Metropolis Water Irrigation District. The funding agreement will be administered through September 2009 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. The motion was seconded by Member Walker and passed unanimously.

b. Beatty Arsenic PER (Action)

This is an extension to the existing funding agreement for the Beatty Arsenic PER and pilot testing. (Ms. Stamates' written summary for this extension is contained in **Appendix 7** in the Board for Financing Water Projects minutes for September 25, 2008, on their website.)

Ms. Stamates reported that she spoke to their new manager, Ray Williams, who indicated that they are still having some problems with the water quality lab testing results. They used 2 different labs, and the labs are coming up with different results from one another and also from the field results. Ms. Stamates said there is a question whether treatment will take out the arsenic and the fluoride.

Ms. Stamates was asked and answered that about a third of the grant funding amount has been disbursed on the grant at this point. There was a discussion regarding the relationship between extending the existing Board funding agreement and the possible extension of the SEC arsenic rule exemption for the town of Beatty. Member Carr reported that there had been progress made by the town toward compliance.

Chairman Scott asked Mr. Farr with Farr West Engineering to come forward to provide a current status with regard to testing results. Farr West contracted with NCS, out of

Arizona, for arsenic pilot testing on this project. The Secondary standard of fluoride complicates the removal of arsenic. Initially NCS thought that bench testing completed for this project was successful in removing fluoride with an alloy coagulant. It turned out that it did not work consistently. They also tested an electromagnetic plate technology (ARS) that is new to this removal technology and, although they do not have a report back on that yet, they are indicating that it has been favorable in removing the fluoride. With both technologies, the arsenic can be removed but the fluoride may be a problem. There have been some discrepancies between results from 2 different labs and field tests so more testing may be necessary. The PER can be completed when the final report from NCS is complete.

The possible need for a lined pond to deal with the waste from the ARS process was discussed. Mr. Farr said costs were an issue but it was something that would have to be looked at.

Member Carr said that it is important to add enough time at the front end of pilot testing to allow the testing agency to try to get the technology as accurate as possible. Re-engineering at the end of a project causes many more issues.

When asked if the extension time recommended is enough, Mr. Farr replied that it would be contingent on the NCS report coming back with good results. If it does not, they would have to look at some other technology. The Board discussed possibly extending for a longer period of time to make sure there was enough time to adequately do the pilot testing.

Motion: Member Walker made a motion that the Board of Financing Water Projects approve a time extension to Funding Agreement 05-06-H2c - Beatty Arsenic PER & Pilot Testing to September 25, 2009. 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. The motion was seconded by Member Firth. There was no further discussion or public comment and the motion was passed unanimously.

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

(Ms. Stamates' report is included in Appendix 8 in the Board for Financing Water Projects minutes for September 25, 2008, on their website.)

Several projects are now complete. Ms. Stamates provided a few pictures for view during her presentation. The Walker Lake grant is now complete. They did not find water. Mark Nixon, the GID's manager, will be looking in other areas. One location is near a private system, Cliff House. They have one well that is free of arsenic and a good producer. Another area is south - toward Hawthorne - where there is an individual who wants to donate land.

The Imlay (Pershing Co.) project is complete and includes a new storage tank and transmission main. In addition, the back up well is now on-line and tested.

In Moapa Valley, at the Arrow Canyon site the filtration tanks are installed in the building and piping is being installed. This is a new treatment facility that should

begin start-up in December. At the Baldwin Springs site, they over excavated for the new treatment building and the natural springs created a pond. Through additional engineering, they stopped the leak, built the new treatment building next to the existing spring building and the spring water flow has been returned to the original flow pattern.

Kingsbury GID produced and delivered the metering plan the Board requested at the last meeting. They are working on a letter of intent to execute that metering plan. If there are any questions the Board has with regard to the GID plan, Ms. Stamates asked that the questions be forwarded to her so she can send them to the District.

Member Firth asked if there was an update for Gabbs (Phase II PER) - did they start their exploratory well? Ms. Stamates said they are bidding the project right now and should be on the ground in about 3 weeks.

Battle Mountain received one bid for the drilling of their exploratory holes. Newmont will oversee the drilling and will do it as they do their exploratory holes. The exploratory holes are planned to be drilled south of Battle Mountain on BLM land.

Member Goetsch asked about Lyon County's Crystal Clear project, and Ms. Stamates said it is on time and on schedule and while there appears to be additional infrastructure work within the actual community, the County should not be coming back to the Board for additional funding.

Lovelock Meadows Phase II is working on a little more data and a cost breakdown for Ms. Stamates regarding the backup well, and it appears they may be able to go to bid within the next month or so.

Topaz Ranch Estates should be on the ground in the next week or week and a half. This is our first phase on pipeline of many phases for them.

F. SB62 GRANT PROGRAM

1. Progress and Financial Report for Funded SB62 Projects (Non Action)

(Ms. Stamates written report was in the Board packet and can be seen in **Appendix 9** in the Board for Financing Water Projects minutes for September 25, 2008, on their website.)

Ms. Stamates said she would be happy to answer any questions but there are no other updates since the last meeting when the Board approved an extension to the projects that were still in progress.

Chairman Scott asked the Board members if they want to provide any direction to Michelle in terms of the status or in terms of the seriousness of the applicants in completing the projects. Chairman Scott noted that one of the Boards responsibilities is that this moves forward in terms of fruition or to be as diligent as they can in monitoring them and keeping them going.

Ms. Stamates said the Central Nevada Regional Water Authority is very close to being completed with their project and provides updates when they make pay requests. Gerlach GID is in the middle of finishing the flow model that they were putting together and have collected all the information they needed. Washoe County will do a review of the model for the Gerlach GID. Virgin Valley Water District is working with the university system in Las Vegas to do their model and the framework of the flow model is completed.

Ms. Dianna Ballash of the Las Vegas Valley Water District provided an update on the Searchlight project. Searchlight needed to move the location of the monitoring well that was funded by SB62. The planned location is a habitat for the desert tortoise so there were issues with BLM approval of the environmental assessment. The LVVWD will complete this project about the time they complete the AB198 drilling of the new production wells next spring or summer.

Member Walker asked if they were still on track with the original goal and budget. Ms. Ballash replied they were still on schedule, but as stated, they will have some delays because their permitting schedule with the BLM was pushed back. They are moving forward and hope to get a decision from BLM regarding the new drilling site early in 2009 and will then begin drilling with completion anticipated by June.

Chairman Scott expressed the interest in seeing a more comprehensive report by December that would show the funding of SB62 projects not, yet, spent. This may be necessary for the Legislature. He instructed Ms. Stamates to provide more specific details on the status of the projects and remaining funding for the December meeting and noted the possibility of re-committing that money.

Member Walker stated that he saw the SB62 grant approved in the Legislature at the last minute with little thought as to the products expected and said he would like to see more details on the products that should be expected from the grantees. Chairman Scott mentioned that if further funding were to be added to this grant, he would like to see more guidance from the Legislature on their expectations.

G. Board Comments (Non Action)

Legislative

Chairman Scott asked Mr. Emme to give the Board a summary of Legislative status - BDR requests. Mr. Emme reported that DCNR submitted 2 Executive Branch bill draft requests one is directly related to this Board.

The first was to provide a technical correction to the statute so that the percentage of local match required is dependent on the amount of project cost not the grant. That gives quite a bit more flexibility in determining local match. That slight wording change was one of the BDRs submitted by DCNR.

The second one would allow the authority to issue sub-grants in a couple of our programs including the drinking water SRF. That is an administrative tool that compliments what Ms. Basham already does in terms of granting zero interest loans

and principle forgiveness. This would allow direct pass-through of drinking water SRF money for situations like connection fees for some of the mobile home park problems that we were talking about earlier. Hopefully that will pass and give us another tool to try to address some of those problems.

Regarding the first BDR dealing with the local match percentages there is an identical BDR that is coming from the Public Lands Committee because we brought that to them as well. They agreed to present that BDR, so we may end up withdrawing the duplicate BDR coming from our agency so there is just one. Our hope is that we can get this technical correction passed without the statute becoming loaded down with expansions to eligibility that are not palatable or other changes that would not let the bill pass. It may be worth talking about adding verbiage related to grant eligibility for not-for-profit water systems. I think that is something staff would support. That was brought up in SB276 last Legislative session; however, there were other issues that prevented that bill from passing.

Member Walker asked if the language in the bill draft requests is available. Mr. Emme read NRS349.983 subsection 3 and the technical changes that will be proposed in the BDR.

Member Walker asked how the Board might support any proposed BDR relating to SB62. What position does the Board take on those things and who represents the Board at the Legislature on those types of issues? What is the position of the Board as far as protecting the funding specific to what is in NAC currently for AB198, and is the Board looking to expand it?

Chairman Scott pointed out that the concept of what they are trying to fund is very valuable. He spoke with Steve Bradhurst of the Central Nevada Regional Water Authority and asked if they had considered a fee on interbasin transfers of water to help fund these studies. Chairman Scott noted that even if the funding of technical water rights issues is not currently proposed in a bill draft it may be submitted as a change later or be on the table at a committee meeting. He ask if the Board had a position on 3% of the bonded indebtedness of the AB198 program being obligated to something that has not been the primary historic mission.

Member Firth pointed out that the Board needed to keep in mind that there are still many water systems with arsenic issues who have not, yet, come to this program for assistance and the Board cannot be sure how much money will be spent there. He stated that he believes the Board's primary goal is to get those health related issues corrected before funding basin studies. Member Firth also questioned who was responsible for overseeing water studies - perhaps the State Engineer or Division of Water Resources rather than this Board? If the Legislature could direct funds to the State Engineer, it would make more sense as they have much of these data and that is the organization you would work with on studies like that as they use the data in decisions regarding water rights and appropriations. The AB198 money is there to help water systems that really need help with health issues, fire protection, etc., and it would be unfortunate if money the Board needs to help these systems is redirected someplace else.

Chairman Scott pointed out that we do have money now but there are no systems coming forward to requests grants for water system assistance. This is an excellent bidding environment and he would like to see the Board be able to help the water systems and keep contractors working. Member Carr pointed out that systems that are not eligible for an extension to their arsenic exemption may be appearing before the Board in early 2009 as they will be under order from the Bureau of Safe Drinking Water to come into compliance.

Member Walker stated that he concurred with the use of the AB198 funds to assist in water system health issues at this time. Member Goetsch added this direction was clear given the number of systems with acute and chronic drinking water health issues and infrastructure replacement needs on the SRF priority list.

A brief discussion took place regarding the SB62 program and the position of the Board if asked to administer new funding for a continuation of that program. The feeling of the Board is that they would be happy to have the program if it came with proper direction or Legislative authority to complete the specific goals desired by the Legislature and also that it cover the administrative and other miscellaneous costs of the program. The Board members support Chairman Scott testifying as needed.

Kingsbury Report

Chairman Scott asked the Board if they had any thoughts on what they wanted Ms. Stamates to discuss with Kingsbury as the Board will expect an agenda item from them in the future.

Member Goetsch replied that he went through the report thoroughly and said he assumed that this document was produced in response to some of the Board's pressure to meter the entire water system. He felt that the report the Board received did not present a satisfactory response. The 3 strategies Kingsbury looked at did not seem to cover all of the real options that are available. In the metering costs table, it was hard to understand why it was going to cost \$1,000,000 plus in engineering and management to dig pits and install meters. As far as the funding sources, there is a small amount of SRF loan money requested but a large amount of grant money. As the Board saw earlier, another Tahoe water system, Cave Rock, asked for a loan instead of grant money and said that they would handle the debt through their rate structure. Here we have another Tahoe community stating that they need all grant money as they cannot increase their rates. Early on in this report, these types of things jumped out as not being well analyzed or rationalized. Some of the challenges listed in the report are things that have been dealt with in a number of other projects in the Tahoe area and were faced and overcome. So using those as justification for \$1,000,000 plus in engineering costs did not make sense. He would like a lot more explanation of those numbers if this project is to come forward to the Board on a mature basis. It appears the rates proposed are extremely low compared to the median household incomes and to some of the other rates the Board has seen in the Tahoe area and in Douglas County area and there should be more information on how those rates were capped.

Member Firth said his questions are similar to those already discussed by Member Goetsch. He noted that he had a lot of experience with meter programs, and he said

you cannot engineer a meter set - the problems you run into with a meter problem are all field problems. You need to put your money in the field crews that are actually doing the work. The problem issues that Kingsbury identified are not new, and every system he knows of has had these problems and worked through them. The only thing different that he sees is that this is in Lake Tahoe where there may be different or rougher terrain, but again, this is a field related issue. If a good program is put together, a lot of meters can be installed during a single day. The rates are less than half of those in the Cave Rock proposal that was heard today. The document needs to be re-worked.

Member Walker said he had a lot of the same comments. He shared some of the projects he had worked on and methods used for reducing the costs including such items as the scheduling of meter installation to coincide with pavement overlays. He thinks it needs to be more proportionate between loan and grant and that the rates should be looked at again. Also, he commented that, in the engineering report, he does not like paper that is simply out of the American Water Works catalog and is just filler for the client. Kingsbury needs to give specific examples of why the meter installations would cost what was shown in the report. He does not buy all of the complaints and how hard it is going to be. He noted that the development up at Kingsbury is likely no earlier than the 1960s and is not that old. Engineering costs shown in the report are excessive, and the costs need to be focused on the basic work.

Chairman Scott stated that this report came to the Board because they asked for it, and they asked for it because they were not satisfied that the meter program was moving ahead in concert with the grants that had been approved for the GID. He asked Ms. Stamates if this gave her some feedback information in terms of just general thoughts. Ms. Stamates answered that it does and would be put on the website so that it would be available to Kingsbury and they could listen to the Board thoughts directly.

The Board does not feel Kingsbury has progressed very well and they need to offer a lot more participation than their proposal offers. A little different approach in meter installation would be quite helpful in controlling costs. The Board pointed out that they could almost hire a small crew to work this project on a more consistent and smaller scale than a full blown construction project. Also, the District could consider incentives where the non-metered rate was considerably higher and could generate a larger source of income that could be contributed to this project.

There being no additional comments from the Board, Chairman Scott moved on to staff and public comments.

G. PUBLIC COMMENTS (Non Action)

None.

I. ADJOURNMENT

Member Firth moved to adjourn, Member Walker seconded and the vote was unanimous to adjourn (time approximately 12:35 pm).

Minutes prepared by Kathy Rebert, NDEP, Recording Secretary, State Environmental Commission.

APPENDIX 1

Item D1 - Revision 1 to the 2008 DWSRF Project Priority List

Revision 1 Year 2008 Priority List

Board for Financing Water Projects Summary Drinking Water State Revolving Fund September 10, 2008

GENERAL

The Nevada Division of Environmental Protection administers the Drinking Water State Revolving Loan Fund (DWSRF) under the Nevada Revised Statutes (NRS) 445A.200 to 445A.295, inclusive. The development of the Priority List of projects is an integral part of the DWSRF program and is required by both federal and state regulation. Only those projects on the Priority List will be considered for possible funding. NRS 445A.265, subsection 3, requires the Board for Financing Water Projects approve the Priority List.

DISCUSSION

Nevada uses a ranking system to prioritize the order in which eligible projects will be financed (NAC 445A.67566 to NAC 445A.67574, inclusive). In general, priority is given to projects that facilitate compliance with national primary drinking water regulations applicable to public water systems under Section 1412 of the Safe Drinking Water Act. The priority ranking system, described generally below, is described in detail in NAC 445A.67569. Projects are ranked into the following four classes, listed in order of priority.

1. Significant health risks;
2. Primary and secondary drinking water standards;
3. Infrastructure replacement; and
4. Refinance of existing debt.

Points are assigned, as specified in NAC 445A.67569, to address different problems within a class. The initial ranking number is multiplied by the ratio of the State median household income to the public water system median household income.

The NAC that governs the Drinking Water State Revolving Fund allow NDEP to consider any other factor as provided in the Intended Use Plan established for the year in which the priority list is developed. In the 2009 Intended Use Plan, NDEP identified additional prioritization for arsenic projects. Water systems under a Bilateral Compliance Agreement for violations of the primary drinking water standard for arsenic have been given a higher priority than those water systems that have received or are eligible to receive an exemption for arsenic. For those systems eligible for an exemption, ranking of projects was adjusted based on the arsenic concentration, with higher arsenic concentrations ranking higher based on exemption eligibility criteria.

In addition to the arsenic criteria, NAC 445A.67569 does not include criteria for security related projects. The Intended Use Plan, as allowed for in the NAC, specified that security related projects will be ranked in Class III system rehabilitation and given a score of 3 points.

If two or more water projects within the same class have the same final rank number, the water project that is associated with the service area with the highest population is ranked higher.

Revision 1

This Board approved the Year 2008 Priority List on March 20, 2008. Since the 2008 List was approved, NDEP has received new pre-applications for water system improvements for the projects identified in the table on the next page.

NEW PROJECTS	DESCRIPTION
Austin	Arsenic compliance
Gabbs	Fluoride compliance
Ruth	Pipe water from Steptoe Valley wells near McGill to Ruth
Kingsbury GID	Meters, transmission & distribution system
Dutchman Acres	Security

The following projects were removed from the proposed Revision 1 to the Priority list since loans for these projects have been approved:

- Moapa Valley Water District
- Gold Country Water Company
- Sierra Estates GID
- Sun Valley GID

Due to new information, several systems have been reranked as follows.

System Name	Old rank	New rank	Reason
Deluxe Mobile Home Park	11	1	Boil water order issued
Silver Springs Mobile Home Park	44	2	Boil water order issued
Tolas Mobile Home Park	19	3	Boil water order issued
McDermitt	22	9	MHI corrected

Public Participation

Federal regulations require that the priority ranking process go through a public review process. State regulations require that NDEP hold a public workshop which was held in Carson City on September 9, 2008. The proposed revised list and notice of the workshop was sent to all systems with projects on the list and posted on NDEP's web site. A public notice of the workshop was published in newspapers in Reno, Las Vegas, Carson City and Elko. No comments on proposed Revision 1 have been received.

Recommendation

It is recommended that the Board for Financing Water Projects approve Revision 1 to the Year 2008 Priority List. A resolution to that effect is attached.

Suggested Motion:

I make a motion that the Board for Financing Water Projects approve the RESOLUTION designated "Revision 1 to the Year 2008 Project Priority List, Drinking Water State Revolving Fund"

Draft Revision 1 Year 2008 Priority List--Drinking Water State Revolving Fund Loan Pre-Applications

Rank	Water System	Total Points	Arsenic Factor	Adjust. Total	State MHI/ PWS MHI	Revised Points	Owner-ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
Class I--Acute Health Risks													
1	Deluxe Mobile Home Park	4	NA	4	1.58	6.32	Private	CH	NV0000047	100	46	Consolidation, arsenic compliance, boil water order	\$171,309
2	Silver Springs MHP	4	NA	4	1.58	6.32	Private	LY	NV0000267	70	36	Consolidation, nitrate compliance, boil water order	\$220,000
3	Tolas Mobile Home Park	4	NA	4	1.58	6.32	Private	CH	NV0000061	54	32	Consolidation, arsenic compliance, boil water order	\$175,000
Total Class I													\$566,309
Class II--Chronic Health Risks													
4	Ember Mobile Manor	10	1.0	10	5.57	55.73	Private	CH	NV0004002	35	23	Consolidation, arsenic compliance	\$180,000
5	South Maine MHP	20	0.9	19	1.58	30.00	Private	CH	NV0000055	100	49	Arsenic & uranium compliance	\$331,238
6	Carson City Utilities	20	0.7	17	1.07	18.13	Public	CC	NV0000015	56,000	16,447	Arsenic & uranium compliance	\$6,000,000
7	Silverpeak	11	NA	11	1.33	14.67	Public	ES	NV0000363	156	77	Uranium & fluoride compliance (new well)	\$315,370
8	Jackpot	10	1.0	10	1.46	14.62	Public	EL	NV0000088	1,240	456	new well, chlorination, storage, distribution, uranium compliance	\$3,405,000
9	McDermitt	10	0.5	5	2.69	13.46	Public	HU	NV0000162	200	100	Arsenic compliance	\$478,000
10	Crystal Clear Water Company	10	0.9	9	1.38	12.45	Public	LY	NV0000361	170	90	Arsenic compliance, well, storage, distribution	\$1,170,000
11	Goldfield	10	0.9	9	1.35	12.17	Public	ES	NV0000072	500	217	Arsenic compliance	\$630,000
12	Truckee Meadows Water Authority	11	1	11	1.10	12.10	Public	WA	NV0000190	325,000	91,000	Groundwater treatment (arsenic, iron, manganese removal) for reliable source during drought	\$27,065,038
13	Topaz Lodge Water Co.	10	0.9	9	1.21	10.93	Private	DO	NV0000070	40	14	Arsenic compliance	\$137,918
14	Five Star MHP	10	0.8	8	1.30	10.37	Private	LY	NV0002516	90	29	Arsenic compliance	\$142,101
15	Alamo Sewer & Water GID	10	0.9	9	1.03	9.25	Public	LI	NV0000005	900	275	Arsenic compliance, new well, storage, distrib.	\$2,087,380
16	Frontier Village MHP	10	0.9	9	1.00	8.99	Private	CL	NV0000147	60	71	Arsenic compliance	\$145,920
17	Old River	10	0.8	8	1.09	8.74	Private	CH	NV0000303	300	110	Arsenic compliance	\$1,451,835
18	Shoshone Estates	10	0.7	7	1.24	8.66	Private	NY	NV0005028	240	76	Arsenic compliance	\$307,926
19	Carvers Smokey Valley RV	10	0.7	7	1.24	8.66	Private	NY	NV0000218	180	120	Arsenic compliance	\$398,394
20	Elk Point	10	NA	10	0.85	8.48	Private	DO	NV0000271	325	88	Uranium compliance	\$200,000
21	Wildes Manor	10	0.5	5	1.58	7.90	Private	CH	NV0000058	70	20	Arsenic compliance	\$86,027
22	Silver Springs Mutual Water Co.	10	0.6	6	1.30	7.78	Private	LY	NV0000223	3,000	1,052	Arsenic compliance	\$1,800,000
23	Carson River Estates	10	0.7	7	1.09	7.65	Private	CH	NV0003068	90	34	Arsenic compliance	\$131,425
24	Panaca	10	0.5	5	1.50	7.48	Public	LI	NV0000185	800	349	Arsenic compliance	\$1,984,750
25	Searchlight	10	0.4	4	1.83	7.31	Public	CL	NV0000219	760	290	Arsenic compliance, two new wells, storage	\$11,125,300
26	Caliente	10	0.4	4	1.73	6.90	Public	LN	NV0000013	1,500	427	New well, distribution	\$2,519,027
27	East Valley	10	0.9	9	0.75	6.74	Public	DO	NV0002216	3,845	1,479	Arsenic compliance	\$7,500,000
28	Spring Creek MHP	10	0.9	9	0.74	6.68	Private	EL	NV0000036	12,000	4,053	Arsenic compliance	\$3,950,000
29	Beatty	10	0.6	6	1.08	6.48	Public	NY	NV0000009	1,100	500	Arsenic compliance	\$750,000
30	Yerington	10	0.4	4	1.43	5.72	Public	LY	NV0000255	2,900	1,835	Arsenic compliance	\$1,720,000
31	Sunrise Estates (Washoe Co)	10	0.5	5	1.10	5.50	Public	WA	NV0002525	86	35	Arsenic compliance	\$451,408
32	Lander Co. - Austin	10	0.4	4	1.32	5.26	Public	LA	NV0000006	350	164	Arsenic compliance	\$500,000
33	Lander Co. - Battle Mountain	10	0.5	5	1.04	5.19	Public	LA	NV0000008	4,600	1,145	Water treatment (arsenic), transmission, distribution, storage	\$11,510,910
34	Roark	10	0.5	5	1.01	5.06	Private	CL	NV0000319	64	27	Arsenic compliance	\$300,000
35	Spring Creek	10	0.5	5	0.97	4.87	Public	WA	NV0004082	1,850	743	Arsenic compliance	\$3,516,613
36	Tonopah	10	0.4	4	1.19	4.77	Public	NY	NV0000237	2,600	1,500	Arsenic compliance	\$127,000
37	So. Truckee Meadows Water Treatment Facility (includes Double Diamond)	10	0.4	4	1.10	4.40	Public	WA	NV0000215 NV0000832	21,214	9,339	Arsenic compliance	\$21,500,000
38	Lemmon Valley	10	0.4	4	1.10	4.40	Public	WA	NV0000202	2,853	1,179	Arsenic compliance	\$2,060,664
39	Truckee Canyon	10	0.4	4	1.10	4.40	Public	WA	NV0000978	25	5	Arsenic compliance	\$975,000
40	Desert Springs	10	0.4	4	0.97	3.90	Public	WA	NV0001085	7,629	3,869	Arsenic compliance	\$3,859,680
41	Sunrise Estates (Douglas Co)	10	0.5	5	0.78	3.88	Public	DO	NV0000887	91	37	Arsenic compliance	\$1,400,000
42	Dayton Valley MHP	1	NA	1	2.05	2.05	Private	LY	NV0000033	55	28	TDS above std, consolidate with Dayton Utilities	\$79,500
43	Gabbs	1	NA	1	1.56	1.56	Public	NY	NV0000063	411	160	Fluoride compliance	\$300,000

Rank	Water System	Total Points	Arsenic Factor	Adjust. Total	State MHI/ PWS MHI	Revised Points	Owner-ship of System	County	ID#	Pop. Served	Number of Svc. Conn.	Project Description	Amount
Class II--Chronic Health Risks													
Non Transient, Noncommunity Public Water System													
44	Schurz Elementary School	10	0.5	5	1.84	9.19	Public	MI	NV0000827	170		Arsenic compliance	\$283,856
												Total Class II	\$122,877,280
Class III--Rehabilitation													
Community Public Water Systems													
45	Cave Rock/Skyland (Douglas Co)	74	NA	74	0.57	42.50	Public	DO	NV0000259	1,325	530	Redundant microfiltration skid, modify treatment plant export pumps, transmission, distribution, interite w/ Zephyr Water Ut. Dist., new booster stations	\$5,000,000
46	Reno Sahara MHP	25	NA	25	1.42	35.40	Private	WA	NV0000701	90	30	Consolidation with TMWA	\$175,000
47	Foothill MHP	25	NA	25	1.42	35.40	Private	WA	NV0000200	35	17	Consolidation with TMWA	\$100,000
48	Kingsbury GID	27	NA	27	1.03	27.88	Public	DO	NV0000004	5,977	2,353	Storage, transmission, distribution, meters	\$3,000,000
49	Ruth	18	NA	18	1.49	26.91	Public	WP	NV0000164	700	320	Pipe, pump water from existing Steptoe Valley wells in McGill	\$7,000,000
50	Mount Rose	34	NA	34	0.78	26.69	Public	WA	NV0003030	1,650	793	Nitrate treatment, extend water main to Fawn Lane to connect individual wells	\$1,950,000
51	Lyon County - Moundhouse	24	NA	24	1.10	26.29	Public	LY	NV0000838	1,578	895	Storage, upgrade transmission & distribution	\$1,720,000
52	Lamiolle Water Users, Inc	39	NA	39	0.66	25.81	Private	EL	NV0000273	200	71	New well, storage, transmission, distribution	\$1,200,000
53	Kyle Canyon	34	NA	34	0.71	24.01	Public	CL	NV0000142	1,040	353	New well, storage, distribution, water meters	\$3,591,184
54	Lightning W	28	NA	28	0.57	15.92	Public	WA	NV0000865	90	55	Uranium treatment plant	\$850,000
55	Dutchman Acres	3	NA	3	1.10	3.29	Private	HU	NV0000809	145	165	Security	\$90,000
Non Transient, Noncommunity Public Water System													
												Total Class III	\$24,676,184
Class IV--Refinance													
	None												\$0
<i>State MHI (Median Household Income) is \$44,581 based on 2000 Census.</i>													
<i>PWS MHI is based on 2000 Census where data is available for the community. If 2000 Census community data is not available, 2000 Census county data, site specific income survey or other appropriate method was used. Contact NDEP for detailed information.</i>													

APPENDIX 2

Item D2 - Project Summary for a Loan for Cave Rock

Douglas County – Cave Rock/Skyland Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund September, 2008

Applicant: Douglas County Cave Rock/Skyland
Project: Water System Improvements
Total Cost: \$3,500,000

GENERAL

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).

BACKGROUND

The Cave Rock water system is located near the eastern shore of Lake Tahoe, approximately seven miles north of the California/Nevada state line on U.S. highway 50. Romanticized in Indian lore as a sacred place, Cave Rock is the subject of many legends. Named for a cave, a remnant of which can be seen some 200 feet above the waterline, this formation was a landmark on the Lake and a Toll Road in the early days. The rock was first tunneled for the construction of a highway in 1931 and the second tunnel was put through in 1958.

Douglas County acquired the Cave Rock water system from the Tahoe-Douglas Fire District on September 14, 1989. The county acquired the Skyland water system on February 19, 1992 from the Skyland Water Company, Inc. The Cave Rock and Skyland systems are now physically connected. In addition, Cave Rock/Skyland and Uppaway are operated and accounted for as one utility/enterprise fund. However, Uppaway is not physically connected to Cave Rock/Skyland. The proposed project will address the critical needs and deficiencies in the Cave Rock/Skyland and Uppaway water systems, including deficient booster pumping stations, undersized water lines with excessive repair history, and water tank storage deficiencies.

CURRENT SYSTEM

The following table details the system consumption and capacity.

	Cave Rock/Skyland	Uppaway
Average Daily Consumption	269,000 gpd	75,000 gpd
Peak Daily Consumption	538,000 gpd	150,000 gpd
Average Daily Production Capacity	500 GPM (one pump) 800 GPM (two pumps)	130 GPM primary well

Source

At Cave Rock, three pumps submerged in Lake Tahoe pump raw water directly to a microfiltration treatment plant and then into a chlorine contact tank. At Uppaway there are two infiltration wells with submersible pumps that pump directly into the distribution system after chlorination. The primary well has a pumping rate of approximately 130 gpm and the second well has a pumping capacity of approximately 70 gpm.

Treatment

The Cave Rock/Skyland treatment facility uses a Memcor 90 module microfiltration unit to filter raw water from Lake Tahoe. Filtered water is delivered to the chlorine contact tank and injected with chlorine at the inlet to the tank. At Uppaway, water is chlorinated when it is pumped out of the infiltration well before it enters the distribution system.

Storage

The combined storage capacity for Cave Rock and Skyland is 1,823,000 gallons. There is an additional 135,000 gallons of storage at Uppaway. The table below provides details on the six storage tanks serving the system.

Storage	Capacity Gallons
Lower Cave Rock	198,000
Upper Cave Rock	216,000
Lakeridge	300,000
Hidden Woods	124,000
Skyland	780,000
Uppaway	135,000

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	276	322
Commercial Connections	8	8
Other - Irrigation	3	3
Estimated Population served	710	825

PROPOSED PROJECT

General Description

The proposed system improvements described below will reduce system maintenance costs, energy usage, and improve fire protection, reliability and redundancy.

Treatment Plant Modifications – The Cave Rock Treatment Plant uses mechanical flow modulation valves on the treated water pumps to match the pumping rate to the production rate of the treatment plant. These mechanical flow modulation valves are worn, require a high level of maintenance and are in need of replacement; these valves should be replaced with variable frequency drives that will result in more efficient operation of the treated water pumps.

U.S. 50 Water Line Crossing (at Lakeridge) – A short section of line under U.S. Highway 50 at the entrance to Lakeridge is a critical waterline. This existing six-inch steel line under U.S.50 is currently the primary supply line for the Skyland water tank and service area. Utility operators report that this line is corroded and in poor condition. Replacement of this line will improve system reliability.

Pump Stations and Distribution System Improvements:

- Replace Upper Cave Rock Booster Station
- Remove Lower Cave Rock and Hidden Woods Booster Stations
- Remove Cedar Ridge Hydro Pneumatic Station
- Modify Cave Rock treatment plant pumps to pump to the Skyland water tank
- Construct new high pressure water lines on Cave Rock Road and Winding Way
- Install several pressure reducing valve stations
- Construct new water line at the end of Cedar Ridge
- Replace water lines in Sugar Pine Circle and Gull Court

Uppaway Water Tank – The 2007 NDEP sanitary survey requires the County conduct a structural analysis of the Uppaway water tank and prepare a plan to replace the tank if necessary. A 2006 inspection of the tank noted aggressive corrosion on the interior surfaces, the potential for severe damage in a seismic event and recommended a structural seismic evaluation. A preliminary cost estimate to replace the tank is included in the total project cost.

Alternatives to Proposed Project

Four project alternatives were considered. Detail descriptions of each alternative are included in Attachment 2.

The advantages and disadvantages, costs and compliance with codes and regulations were evaluated for each alternative. Based on the results of water modeling and the estimated initial and life-cycle costs, Alternative D is the preferred alternative. Alternative D is the least expensive but requires the use of pressure reducing valves on individual water services on lower Cave Rock Road. While Alternative D has the lowest overall life-cycle cost, NDEP has stated that the County will be responsible for maintenance of the individual PRV's. This places additional risk, responsibility and liability on the County in the event that an individual PRV were to fail and damage private property. This risk can be mitigated through the use of PRV's with a backup relief valve or blow off to atmosphere and a suitable discharge.

In addition to the Alternatives A through E, critical deficiencies in the system common to all the alternatives need to be corrected. These deficiencies are the Highway 50 and replacement of failing water lines.

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 and may be exempted from further substantive environmental review requirements. The basis of this determination is that no floodplains, wetlands, cultural resources or important farmlands will be affected by this project. NDEP has published a Notice of the Categorical Exclusion and circulated the Notice through the State Clearinghouse.

Permits

The following is a list of permits that are required for the project, and the estimated date that permits will be obtained:

- | | |
|--|------------|
| 1. NDEP Bureau of Safe Drinking Water Approval | March 2009 |
| 2. Tahoe Regional Planning Agency Permit | March 2009 |
| 3. U.S. Forest Service Special Use Permit | March 2009 |
| 4. Douglas County Building Permit | April 2009 |
| 5. Douglas County Site Improvement Permit | April 2009 |

Cost Estimate

Budget Item	DWSRF Funding	Local Funding	Totals by Use
Planning		25,000	25,000
Design & Engineering	520,000		520,000
Construction	2,950,000		2,950,000
Administrative		15,000	15,000
Financing Costs	30,000		30,000
Totals by Source	3,500,000	40,000	3,540,000

Financial Evaluation

Douglas County has the financial capability to handle the loan. The Cave Rock Utility Fund is a financially viable operation with the ability to meet costs of continuing operations and maintenance. It is recommended that the County comply with the following conditions:

- Douglas County should evaluate and update the Cave Rock/Skyland Water Systems' rate structure annually. The Cave Rock Utility Fund showed operating losses for 2005, 2006 and 2007 of (\$61,567), (\$62,096) and (\$22,392) respectively. A major rate increase in the 4th quarter of FY 2007 was responsible not only for reducing that year's loss substantially, but resulted in operating income of approximately \$124,000 for FY 2008. An additional rate increase (estimated at \$60 per each of 280 customers), scheduled for early 2009 will be targeted for debt service.
- An asset account should be established and funded with cash or cash equivalents restricted for future maintenance, repairs and replacement. Pursuant to NRS 445A.817, public water systems must have the ability to "pay the costs related to maintenance, operations, depreciation and capital expenses;" and they should

“Establish and maintain adequate fiscal controls and accounting methods required for the operation of the system.” The annual amount of funding should be consistent with depreciation costs of the newly acquired capital assets using the life expectancies tabulated by the National Association of Regulatory Utility Commissioners and the amount restricted should be easily identifiable.

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

Technical, Managerial and Financial Capacity

“Technical capability” requirements are specified in NRS 445A.847. The water quality currently meets the MCLs and all monitoring requirements have been met. Douglas County employs operators who have the technical knowledge and ability to operate the system. The infrastructure and related equipment are maintained on a regular basis.

“Managerial capability” requirements are specified in NRS 445A.827. Douglas County has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards. The wellhead protection plan was recently completed and adopted. Douglas County has about 7 full time engineers on staff and has the ability to prepare and update capital improvement plans.

“Financial capability” is defined in NRS 445A.817. Douglas County retains a certified public accountant and utilizes generally accepted accounting principles. Annual financial statements are prepared. There have not been any findings in the regularly conducted audits. The water system is funding depreciation and has reserves.

Public Notice

The County has been working with the Cave Rock water advisory group and conducted several informal as well as public meetings. The public meetings are summarized below.

- (a) March 15, 2007 Board of County Commissioners meeting – the Board adopted Resolution 2007R-011 increasing monthly rates for Cave Rock and Uppaway.
- (b) August 16, 2007 Board of County Commissioners meeting – Status report to the Board on development of a comprehensive capital improvement plan (CIP).
- (c) January 17, 2008 Board of County Commissioners meeting – Status report to the Board on development of a comprehensive CIP and the Board reaffirmed direction bring back a CIP, financing plan and rate adjustment.
- (d) March 21, 2008 Board of County Commissioners meeting – the Board adopted a long-term comprehensive CIP for the water system and directed staff to bring back a short-term CIP and rate adjustment for Cave Rock.
- (e) May 1, 2008 Board of County Commissioners meeting – the Board adopted the short-term CIP for Cave Rock and directed staff to submit a Letter of Intent for DWSRF.
- (f) May 1, 2008 Board of County Commissioners meeting – the Board approved Resolution 2008R-037 authorizing an interfund loan in the amount of \$400,000 from the General Fund to the Cave Rock Utility Fund to provide funding to contract with an engineering firm for project design.
- (g) June 19, 2008 Board of County Commissioners meeting – the Board approved a contract with HDR Engineering, Inc. for design of the water system improvements.
- (h) July 17, 2008 Board of County Commissioners meeting – the Board approved Resolution 2008R-059 concerning financing for the short term capital improvement project for the Cave Rock-Skyland Water System in the amount of \$3,500,000 and

directing the Clerk to notify the Douglas County Debt Management Commission of the County.

Status of Drinking Water State Revolving Loan Fund

Currently, the loan fund has approximately \$11 million in uncommitted funds for future loans. If the Board approves the two loan commitments on the 9/25/08 Board agenda (Douglas County and Lamoille Water Users Association) \$7 million will remain in the loan fund for future loans.

Division Recommendation

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF in the amount of \$3,500,000 to Douglas County for improvements to the Cave Rock/Skyland water system. The loan will be for a term of not to exceed 20 years and at an annual interest rate of 66% of the appropriate bond buyers index at the time the loan contract is signed. The Division and Douglas County will negotiate the terms and conditions of a loan agreement.

Suggested Motion

I make a motion that the Board for Financing Water Projects approve a loan commitment to Douglas County. The RESOLUTION is designated the "9-2008 Douglas County Cave Rock/Skyland Project Loan Commitment". The Board has determined, and does hereby declare, that it approves and shall provide a loan to the Applicant in an amount not to exceed \$3,500,000.

APPENDIX 3

Item D3 - Project Summary for a Loan for Lamoille

Lamoille Water Users, Inc. Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund September, 2008

Applicant: Lamoille Water Users, Inc.
Project: Water System Improvements
Total Cost: \$775,000

GENERAL

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).

BACKGROUND

Lamoille is located approximately 20 miles southeast of Elko at the base of the Ruby Mountains and is host to some of the most beautiful views the Rubies have to offer. Lamoille was first settled in 1865 by John Walker and Thomas Waterman. By 1868, Walker had built the Cottonwood Hotel, a store and a blacksmith shop. The settlement became known as the “Crossroads”. By 1880, the population of Lamoille Valley was 207 and the Lamoille, Pleasant Valley and Elko stage line served the area. During this period of growth, Lamoille Valley developed into a prosperous ranching and farming community.

Today, the Lamoille area attracts substantial year-round recreational activity including camping and hiking in the summer months and heli-skiing during the winter months. Development of the water utility began in the early 1960s when the existing water system was installed.

CURRENT SYSTEM

The Lamoille Water Users, Inc. (LMUI) water system serves an area of approximately 46 acres within the Town of Lamoille and consists of one well, a hydropneumatic storage tank and distribution system.

Source

One well supplies water to Lamoille. Records indicate that the pump is at a depth of 160 feet and the water pumping depth is approximately 125 feet. Recent testing determined that the well was producing 140 gpm at 50 psi. The existing well is in good condition and the pump is meeting average current demand; however, the well is barely keeping up with demand during the high water usage months due to the limited size of the water storage tank and capacity of the well. The existing well has no pump to waste or backup power.

Storage

The LWUI currently has one 4,200 gallon hydro-pneumatic water storage tank which supplies water to the distribution system at a pressure between 40 and 60 psi.

Distribution

The distribution system includes approximately 2 miles of transmission mains that are 6 inches in diameter or smaller as detailed in the following table.

Diameter	Material	Quantity
2 inch	Copper and Galvanized	2,100 feet
4 inch	Asbestos Cement and PVC	2,500 feet
6 inch	Asbestos Cement	4,300 feet

The Lamoille area experiences some of the coldest wintertime temperatures in Nevada and many distribution mains in the system are too shallow; consequently, the LWUI system experiences problems with freezing pipes. According to long time residents, the waterlines were buried deep enough when originally installed; however, the grading of the dirt roads over the years have resulted in an decrease of the depth to the pipes. Additionally, the diameters of distribution mains and fire hydrant laterals are undersized for the purpose of providing fire flow.

Customers, Population and Growth

According to LWUI records, there are approximately 71 customer accounts in Lamoille. Of these accounts, 64 are residential and 7 are commercial. Lamoille’s total population differs from the estimated number of consumers in the LWUI water system because part of the Town’s base population gets water from individual wells. According to the U.S. Census data, the average household size in Elko County is 2.85 persons. Assuming that this number applies to Lamoille, there are approximately 1,856 (65 x 2.85) residents receiving water from the LWUI system. Currently, there is virtually no population growth in Lamoille. The Town of Lamoille is not anticipating significant growth in the future.

PROPOSED PROJECT

General Description

The LWUI system is in need of a complete overhaul. However, the small number of customers makes a complete overhaul financially infeasible and improvements will need to be phased. Proposed system improvements were prioritized by the water users at their annual meeting in June 2008. The following list of improvements were agreed on and approved by the LWUI Board.

- Install new well
- Renovate above ground plumbing of existing well
- Back up power source
- Replace distribution pipe on Main Street with 8" pipe
- Replace all distribution system pipe less than 6" in diameter
- Install fire hydrants associated with water main replacement

Also at the June 2008 water users meeting, water users voted and LWUI Board approved a water rate increase from \$50 a month to a \$100 a month starting July 2008 to pay the debt service on a loan of \$775,000.

Alternatives to Proposed Project

The water system is small and simple. The alternatives considered were whether to upgrade inadequate system components or not. The following four options were considered by the water users.

Option 1 – Full Project in a Single Phase for estimated cost of \$1,440,000

Option 2 – Phased project: new well, renovate existing well plumbing, replace distribution system for estimated cost of \$775,000

Option 3 – Phased project: tank only for estimated cost of \$250,000

Option 4 – Phased project: new well only for estimated cost of \$350,000

The water users voted for option 2.

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 and may be exempted from further substantive environmental review requirements. The basis of this determination is that the project construction consists mostly of rehabilitation of existing infrastructure. The location of the new well is on property owned by LWUI and this property has been previously disturbed. The process for issuing a categorical exclusion has been initiated, but is not yet complete. The categorical exclusion will be issued prior to NDEP executing the loan contract.

Permits

The following permits are required for the project:

1. NDEP Bureau of Safe Drinking Water Approval
2. NDOT permit for waterline replacement on Main St. (State Route 227)

Cost Estimate

The total cost for option 2 is \$775,000 of which approximately \$682,000 is for construction and \$93,000 is for engineering design, inspection and administration.

Financial Evaluation

The LWUI is a financially viable operation with the ability to meet costs of continuing operations and maintenance. The LWUI has the financial capability to handle the loan. It is recommended that the LMUI comply with the following conditions:

- Lamoille should evaluate and update Water Systems' rate structure annually. Operating income averaged approximately \$7,350 per year over the period 2002 through 2007. Included in the computation of operating income was an average of approximately \$11,330 per year during that same time for repairs and maintenance. Although the rates were recently increased by 100%, indicating a strong commitment on the part of the water customers to comply with Federal drinking water standards, the increase will cover debt service only. Repairs, replacement and maintenance costs must be considered. While the new construction will substantially reduce repairs and maintenance costs, operating costs have been increased by the addition of a salary paid to an operator. The increase, while hefty, must be re-evaluated annually in order for the Lamoille Water Users, Inc. to remain solvent.
- An asset account in which cash is restricted for repayment of the DWSRF loan should be established and funded over approximately a 5 to 6 year period to subsequently be maintained in an amount equal to one year's debt service on the Drinking Water SRF Loan.
- Since sustainability is one of the paramount goals of the DWSRF, an asset account should be established in which cash is restricted for maintenance, repairs and replacement. Pursuant to NRS 445A.817, public water systems must have the ability to "pay the costs related to maintenance, operations, depreciation and capital expenses;" and they should "Establish and maintain adequate fiscal controls and accounting methods required for the operation of the system." The annual amount of funding should be consistent with depreciation costs of the newly acquired capital assets using the life expectancies tabulated by the National Association of Regulatory Utility Commissioners and the amount restricted should be easily identifiable.
- Financial statements must be prepared in accordance with Generally Accepted Accounting Principles, as stated in the loan agreement.

Technical, Managerial and Financial Capacity

"Technical capability" requirements are specified in NRS 445A.847. The water quality currently meets the MCLs and all monitoring requirements have been met. The LWUI employs a certified operator who has the technical knowledge and ability to operate the system. The proposed project will address a number of the technical deficiencies with the system.

"Managerial capability" requirements are specified in NRS 445A.827. The LWUI has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards. Lamoille's wellhead protection plan has been endorsed by NDEP and was last updated in 2006. The Board of the Lamoille Water Users meets on a regular basis and recently received Board training.

"Financial capability" is defined in NRS 445A.817. The LWUI retains a certified public accountant. With the recent rate increase, the LWUI has the financial capacity to cover both operations and debt service. The requirements of the loan contract will insure continuation of financial capability.

Public Notice

The water users discussed and voted on the proposed project and a 100% rate increase at their annual meeting on June 20, 2008.

Status of Drinking Water State Revolving Loan Fund

Currently, the loan fund has approximately \$11 million in uncommitted funds for future loans. If the Board approves the two loan commitments on the 9/25/08 Board agenda (Douglas County and Lamoille Water Users Association) \$7 million will remain in the loan fund for future loans.

Division Recommendations

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF in the amount of \$775,000 to Lamoille Water Users, Inc. The loan will be for a term of not to exceed 20 years and at an annual interest rate of 66% of the appropriate bond buyers index at the time the loan contract is signed. The Division and the Lamoille Water Users, Inc. will negotiate the terms and conditions of a loan agreement.

Suggested Motion

I make a motion that the Board for Financing Water Projects approve a loan commitment to Lamoille Water Users, Inc. The RESOLUTION is designated the "9-2008 Lamoille Water Users Water Project Loan Commitment". The Board has determined, and does hereby declare, that it approves and shall provide a loan to the Applicant in an amount not to exceed \$775,000.

APPENDIX 4

Item E1 - Grant Program Financials

AB 19t 4 Program
 Projected Cash flow through SFY 2011

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			22,600,000			76,054,236			
Bond proceeds	32,024,266	0	32,223,142	22000000	32,024,266	12,575,734		32,024,266	44,029,970			
Interest Payments	258,086		32,481,228			12,575,734			44,029,970			
Pay requests		21,080,319	11,400,909			12,575,734			44,029,970			
Transfer to Debt Service Fund			11,400,909			12,575,734			44,029,970			
Transfer to 4155 (Operating Account)		190,000	11,210,909			12,575,734			44,029,970			
			11,210,909			12,575,734			44,029,970			
July - September 2008 (FY09)			11,210,909			12,575,734			44,029,970			30,689,158
Pay Requests		2,266,065	8,944,844			12,575,734			44,029,970		2,266,065	28,423,093
Bond proceeds	12,940,170		21,885,014		12,940,170	0		12,940,170	31,089,800			28,423,093
2008 principal repayments on bonds			21,885,014			0	2,635,000		33,724,800			28,423,093
Projected Transfer to 4155 (Operating Acct)		80,000	21,805,014			0			33,724,800			28,423,093
			21,805,014			0			33,724,800			28,423,093
October - December 2008			21,805,014			0			33,724,800			28,423,093
Projected Pay Requests		12,172,435	9,632,579			0			33,724,800		12,172,435	16,250,658
Projected Transfer to 4155 (Operating Acct)		25,000	9,607,579			0			33,724,800			16,250,658
			9,607,579			0			33,724,800			16,250,658
January - March 2009			9,607,579			0			33,724,800			16,250,658
Projected Pay Requests		3,659,500	5,948,079			0			33,724,800		3,659,500	12,591,158
Projected Transfer to 4155 (Operating Acct)		25,000	5,923,079			0			33,724,800			12,591,158
			5,923,079			0			33,724,800			12,591,158
			5,923,079			0			33,724,800			12,591,158
April - June 2009			5,923,079			0			33,724,800			12,591,158
Projected Pay Requests		3,659,500	2,263,579			0			33,724,800		3,659,500	8,931,658
Projected Transfer to 4155 (Operating Acct)		50,000	2,213,579			0			33,724,800			8,931,658
			2,213,579			0			37,402,370			8,931,658
2009 principal repayments on bonds			2,213,579			0	3,677,570		37,402,370			8,931,658
			2,213,579			0			37,402,370			8,931,658
FY10 Projection			2,213,579			28,000,000			37,402,370			8,931,658
Projected Bond Needs	15,000,000		17,213,579		15,000,000	13,000,000		15,000,000	22,402,370			8,931,658
Projected Pay Requests		15,800,000	1,413,579			13,000,000			22,402,370		15,800,000	0
Projected Transfer to 4155 (Operating Acct)		190,000	1,223,579			13,000,000			22,402,370			0
2010 principal repayments on bonds			1,223,579			13,000,000	3,894,878		26,297,248			0
Projected New Grant Awards			1,223,579			13,000,000			26,297,248	9,100,000		9,100,000
			1,223,579			13,000,000			26,297,248			9,100,000
			1,223,579			13,000,000			26,297,248			9,100,000
FY11 Projection			1,223,579			13,000,000			26,297,248			9,100,000
Projected Bond Needs	13,000,000		14,223,579		13,000,000	0		13,000,000	13,297,248			9,100,000
Projected Pay Requests		12,350,000	1,873,579			0			13,297,248		12,350,000	0
Projected Transfer to 4155 (Operating Acct)		190,000	1,683,579			0			13,297,248			0
2011 principal repayments on bonds			1,683,579			0	4,057,186		17,354,434			0
Projected New Grant Awards			1,683,579			0			17,354,434	10,100,000		10,100,000
			1,683,579			0			17,354,434			10,100,000

Note: Available Statutory Authority reflects the \$125 million cap less outstanding debt obligations plus principal payments on debt as of FY09.

APPENDIX 5

Item E2a - Funding Agreement Time Extension for the Metropolis Irrigation District

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*
Bob Firth
Don Ahern
Steve Walker

Non-Voting Member:
Jennifer Carr

STATE BOARD FOR FINANCING WATER PROJECTS

September 2008

To: Members of the Board for Financing Water Projects

From: Michelle Stamates

Subject: Extension of Funding Agreement Time – Metropolis Water Irrigation Restoration Project – Engineering Design and Permitting

In January 2006, the Board for Financing Water Projects (Board) awarded grant funding in the amount of \$489,567.40 (85% of the estimated eligible cost of \$575,844.00) to the Metropolis Water Irrigation District (District) to complete Engineering Design and Permitting for the construction of a new dam on Bishop Creek. The 2-year funding agreement term expired in January 2008.

The District submitted a progress report and a request for a time extension of the funding agreement for consideration by the Board at this meeting. The report provides information on the design and permitting completed to-date on the dam, access road and recreation area. A current projection of project costs as well as prospective funding sources is also detailed in this summary.

Staff recommends that the Board approve the 1-year time extension requested.

Suggested Motion:

I make a motion that the Board for Financing Water Projects approve a 1-year time extension to Funding Agreement 01-06-G4b – Metropolis Water Irrigation District. The funding agreement will be administered through September 2009 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.

APPENDIX 6

Item E2a - Letter from Metropolis Irrigation District

Metropolis Water Irrigation District

HC 60 Box 130, Wells, NV 89835

Directors:

James Bradish Dalton, President
Carl Uhlig
Carl O. Peavey

D. Vernon Dalton
District Manager
775-752-3498 phone
775-752-3626 fax

September 11, 2008

Mr. Bruce Scott, Chairman
Nevada Board for Financing Water Projects
Nevada Division of Environmental Protection
901 South Stewart Street, Suite 4001
Carson City, Nevada 89701

**Subject: Funding Agreement Extension
Metropolis Irrigation Restoration Project**

Dear Mr. Scott,

Metropolis Water Irrigation District (District) respectfully requests that their funding agreement with the Board of Financing Water Project be extended for a period of one year. This letter provides a progress report for project.

What has been accomplished?

The District is eagerly working forward on this project. Our plan is to be prepared to start construction of the Access Road this fall (2008) and to start construction of the Dam next year. Work completed or in progress is described below. Additionally, explanations of delays are added to the descriptions.

1. The engineer has designed the intersection of Highway 93 and the Access Road. An encroachment permit application has been submitted. The permit is still pending, as the District is waiting for the agency response.
2. Aerial survey of the entire Access Road and Dam has been completed. Aerial work could not be performed during periods of October to May because of snow cover at the site.
3. The BLM required that the District find the Section Corners within the project area or subsequently re-locate and construct five new section corners along the Access Road. All of this survey work has been completed to the requirements of the BLM. This work was not anticipated in the budget estimate and time schedule for the existing funding agreement.

4. The permanent Access Road and Dam right-of-way (RoW) application (SF299) has been submitted to BLM. Three applications were required, one for temporary access along the RoW, one for the permanent road and a third SF299 for the drilling program. BLM has not decided, yet, if a fourth application is required for the permanent embankment dam. It will depend on the Environmental Assessment.
5. The cultural resource inventory for the Access Road had been completed. The cultural resource survey of the reservoir and dam must still be completed. The environmental issues are discussed in detail, below.
6. The District has tackled the environmental issues head-on. Nevertheless, the cost has far exceeded our expectations; and the requirements to complete environmental surveys, required by the BLM, have delayed progress on this project for two years. Uncertainty, lack of direction, and changes by the BLM with respect to the scope of the Environmental Assessment has delayed progress on the project.
7. Because the dam sits over the California Emigrant Trail, there has been a keen interest by BLM in environmental issues. While the District continues to move through these concerns systematically, delays have been the result of:
 - Cultural resource surveys of the dam and reservoir pool,
 - Cultural resource survey of the proposed new Access Road, and
 - Undefined environmental assessment of the proposed project.
8. The BLM has assigned their third new project manager to this project. There has been a significant familiarization period or learning curve with each change. The present project manager for BLM is Mr. Bryan Hockett. Significant progress has resulted from his guidance and assistance.
9. Final design is in progress for all parts of the permanent structure.

RECREATION

Facility Emphasis and Design

Design of the Recreational Facility is progressing. The District is committed to completing the Recreational Facility and has agreed that a fishery will be included. The District agrees to maintain a minimum pool for fisheries of 15 feet of head at the dam or 2,000 acre feet of storage, whichever is smaller.

There is a shortage of money for Recreational Facility design. Because the Recreational Facility has been excluded from the funding agreement, the District is seeking other financing. The Recreational Facility continues to be an integral part of this project and

the City of Wells and Elko County are committed to assisting with the development of these amenities.

According to the financial analyses prepared by Dr. Jeffery Englin and Dr. Thomas R. Harris, Department of Resource Economics, College of Agriculture, Biotechnology, and Natural Resources, University of Nevada, Reno, a major financial advantage of the proposed project is the recreational value. In fact, the recreation may be the primary financial value of the proposed rehabilitation.

Relocation of Recreational Facility

The minimum pool should be available to boaters and fisherman. Therefore, the Recreational Facility has been moved closer to the embankment at the suggestion of the Nevada Division of Wildlife. This has necessitated redesign and additional topographic information.

With the move closer to the embankment and minimum pool area, the hiking trail is also being redesigned. Nevada Division of Parks has agreed to provide funding assistance provided the hiking trails are enhanced. The Engineer is in the process of the redesign.

FINANCING

Project Costs

The revised project cost estimate is \$10,925,000. A portion of this may be financed by the State of Nevada, Board for Financing Water Projects (Board). The Recreational Facility cost is estimated to be \$1,400,000 and the Cultural and Environmental Assessments, \$413,000 (does not include mitigation, if any), neither of which is eligible for financial assistance from the Board. Table 1 is a summary of the costs. Table 2 is a summary of the anticipated sources of funding to date. The federal funding request has been initiated for \$2,648,000. The District understands that the Board of Water Financing is not obligated for the funding anticipated in Table 2. The District has worked with NDEP staff and have been advised that the project cost for embankment construct may be available in the next biennium.

Table 1 Cost Summary

Cost Item	Budget	Comments
Dam Construction	\$6,261,000	Summer 2008, access road, dam structures, water conveyance
Final Eng. Design	\$576,000	Final design is in progress
Construction Testing	\$430,000	Engineering and inspection during construction
Recreational Facility	\$1,400,000	Assumes no complication with environmental issues
HWY-93 Intersection	\$420,000	Design is being reviewed by NDOT presently
Environmental Cost	\$413,000	Excluded from state financial assistance
Contingency @ 15%	\$1,425,000	Increased environmental, construction and fuel costs
TOTAL	\$10,925,000	

Table 2 Anticipated Source of Funding

Funding Source	Expected Commitment	Comments
State of Nevada Board of Water Financing	\$6,177,000	AB198/237, \$576,000 has been committed for design & environmental studies, Jun 08.
*Elko County	\$250,000	Approximately \$20,000 has already been paid toward design elements.
*City of Wells	\$80,000	Approximately \$20,000 has already been paid for design elements.
State of Nevada, NDOT	\$420,000	Grant for construction of HWY-93 approach lane widening. (Grant to City of Wells)
*Water Users (11 farms with 1,800 ac.)	\$250,000	Approximately \$150,000 has already been paid by Water District for design elements
Nevada Division of Wildlife	\$1,000,000	Approximate cost of a boat ramp in the Recreation Area.
Nevada Division of State Parks	\$100,000	Approximate cost of hiking trails and appurtenances.
Requested federal assistance	\$2,648,000	Metropolis Water Irrigation District petitions for federal assistance.
TOTAL	\$10,925,000	

* Local contribution

The District is attempting to obtain federal financial assistance for the Metropolis Irrigation Reclamation Project. Mr. Vernon Dalton has met with US Senator Harry Reid in Washington DC to discuss the project and to review the financing of the project. Senator Reid has been very positive with respect to obtaining a Congressional Appropriation for the project. One condition attached to get federal project funds is that some federal agency be designated as the Paying Agent to receive the funds and who would be responsible for dispensing the same to vendors.

Contact has been made with Mr. Ron Davidson, Acting State Conservationist, US Natural Resource Conservation Service in Reno to inquire as to their interest in acting as the fiscal agent for the project federal funding. The response has been positive and Mr. Davidson has agreed that the NRCS will provide this service.

Having met the above condition, stipulated by Senator Reid, letters have been sent to the Senator and his staff requesting their assistance with a congressional appropriation.

Operations and Maintenance of the Embankment Dam

Operation and maintenance of the facility is divided into two parts, the embankment dam, and the Recreational Facility. The District will maintain the dam embankment, outlet facilities, and the water delivery system. The District will monitor water inflow into the reservoir and irrigation outflow. The District will retain others to maintain the Recreational Facility, as discussed in the next subsection.

The design life for the proposed dam is 100 years. The design of the conveyance system will be 60 years. Operation and maintenance will be required annually.

It is assumed that an operation and maintenance budget of \$60,000 annually will be the minimum required for the embankment dam and conveyance system. Approximately, \$25,000 annually will be required for operation for the Metropolis Water Irrigation District administration ($\$1,100/\text{month} \times 12 = \$13,200$) and for retaining a part-time water master for seven months out of the year. The water masters work responsibilities should not exceed approximately four hours per day ($\$20/\text{hr} \times 4\text{hrs}/\text{day} \times 147 \text{ days} = \$11,760/\text{year}$). The remaining budget, \$35,000 ($\$60,000 - \$13,200 - \$11,760 = \$35,040$) will be placed in a savings account for long-term maintenance and replacement.

The District will assess their members based on their ability to pay. A financial assessment of their "ability to pay" will begin as soon as the final design is understood with more clarity. Based on the PER, it is calculated that the "ability to pay" will range from a low of \$8 to a high of \$24 per acre (2005 estimate). The actual number cannot be determined with better accuracy until a detailed financial assessment is completed. The District anticipates that an ability to pay of \$24 per acre appears reasonable.

Using \$24 per acre and multiplying by the number of irrigated acres, 2,419 acres, we get a total of \$58,056, say \$58,000. The difference ($\$60,000 - \$58,000 = \$2,000$) of \$2,000 will be required of the Recreational Facility as its contribution to the maintenance of the embankment dam. In conclusion, the District will have adequate finances to operate and maintain the embankment dam and conveyance system.

Recreation Area Financial Stewardship

The District is in the process of establishing a group of agencies and governmental entities to operate and maintain the recreational facilities. The District itself is not in a position to finance the operation and maintenance of the Recreational Facility.

There are several elements to the proposed Recreational Facility that must be properly operated and maintained. The following recreational activities are being proposed that will provide an excellent outdoor experience for visitors:

- Fishing
- Boating
- Water Sports
- Camping
- Picnicking
- Hiking
- Hunting
- Interpretive Presentations (plants, wildlife, and cultural including the California Emigrant Trail)

Adequate and routine operation and maintenance of these facilities are important to the success of the project. It will be necessary to arrange for an agency to provide the service required to oversee the activities provided.

Inquiries have been made to several outdoor organizations with respect to providing the operation and maintenance services required. These organizations include the Rocky Mountain Elk Foundation, Ducks Unlimited and the US Forest Service. It does not appear that Elko County, nor the City of Wells, has the manpower or resources to provide the O & M services.

Pyramid Enterprises, a subsidiary of Rocky Mountain Recreation, provides the oversight, operation and maintenance of recreational facilities such as campgrounds, marinas, picnic areas, and other outdoor recreational facilities. A member of their staff has visited the Bishop Creek site and has indicated a high interest in working with the Metropolis Water Irrigation District. Their services include general maintenance of the public facilities, providing a camp host, removal of trash, repairs and general oversight of the facilities. Their services are based on a fixed fee-contract with the owner, the Metropolis Water Irrigation District.

Maintenance funds are being explored at the present time. Discussions have been held with the staff of the Nevada Department of Wildlife who has tentatively indicated that maintenance funds are available. Elko County and the City of Wells acknowledge the importance of the recreational facilities with respect to the impact on tourism in the area. Although there are no commitments for operation and maintenance from these communities at this time, it is anticipated that financial assistance will be available as soon as a contract for the operation and maintenance has been consummated.

It is anticipated that the Recreational Facility will be used for a seven-month period, May 1 to November 30 (to include deer season). There are a total of 214 days in this seven-month period or 30.5 weeks. It is assumed that all campsites will be occupied on Fridays and Saturdays and that an average of two sites will be occupied during the week. It is expected that there will be an average occupancy of 22 per week. A proposed 'user fee' for the facilities has been discussed and it is anticipated that patrons at the facility will be a significant source of funds for the O & M costs. At \$5.00 per day per site, the revenue will be \$110.00 per week or \$3,355.00 annually.

The proposed budget for operation and maintenance for the Recreational Facility is anticipated to be:

O&M Cost:	Contract for O & M	\$40,000.00
	Embankment O&M	\$ 2,000.00
	Repairs and Supplies	<u>\$11,355.00</u>
	Total O&M Cost	\$53,355.00
O&M Source:	Elko County	\$30,000.00
	City of Wells	\$10,000.00
	Nev. DOW	\$10,000.00
	User Fee	<u>\$ 3,355.00</u>
	Total from financing sources	\$53,355.00

CONCLUSIONS

The District is requesting O&M funding from the agencies identified above and with that fund, there will be adequate money available for the operation and maintenance of both the embankment dam and the Recreational Facility. Applications for the funding are in progress and will be mailed shortly.

The District has made significant advances toward financial responsibility for the construction, operation and maintenance of the Bishop Creek Dam and the associated Recreational Facility. We respectfully request that our Funding Agreement be extended so we may complete the Final Design.

Sincerely,

METROPOLIS WATER IRRIGATION DISTRICT



D. Vernon Dalton
Project Manager

APPENDIX 7

Item E2b - Funding Agreement Time Extension for the Beatty Arsenic PER

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*
Bob Firth
Don Ahern
Steve Walker

Non-Voting Member:
Jennifer Carr

STATE BOARD FOR FINANCING WATER PROJECTS

September 2008

To: Members of the Board for Financing Water Projects

From: Michelle Stamates

Subject: Extension of Funding Agreement Time - Beatty Arsenic PER & Pilot Testing

In May 2006, the Board for Financing Water Projects (Board) awarded grant funding in the amount of \$51,850 (85% of the estimated eligible cost of \$61,000) to the Beatty Water & Sanitation District (District) to complete a Preliminary Engineering Report (PER) and arsenic pilot testing to determine a method of treatment to bring the water system into compliance with the new arsenic MCL. The 2-year funding agreement term expired in May 2008.

At the time of application, the District served approximately 420 customers in the town of Beatty and ghost town of Rhyolite. The system currently uses four wells to serve the community (see Conceptual System Diagram below): Well 1 (W01), the Indian Springs Well (W04), the Summit Well (W06), and EW-4 (W07). The Indian Springs Well and Summit Well flow to the Indian Springs tank. Water from the Indian Springs tank flows to the South Tank and blends with water from the EW-4 well. Well 1 is not included in the blending process, but feeds water into the system essentially 24 hours per day. Assuming that Well 1 is abandoned, the only well requiring arsenic treatment is Well EW-4.

The system currently has an exemption to the new arsenic rule until January 2009, and if progress is made towards compliance, they may be eligible for further 2-year extensions. The pilot testing was delayed for an approximate six-month period while the EW-4 Well underwent repairs. This is the District's largest producing well and arsenic concentrations in this well exceed the MCL (>10 ppb). Another challenge found at the EW-4 Well is the fluoride concentration level, which is above the secondary MCL (>2.0 ppm) and will also need to be mitigated.

BEATTY WATER & SANITATION DISTRICT CONCEPTUAL WATER SYSTEM DIAGRAM

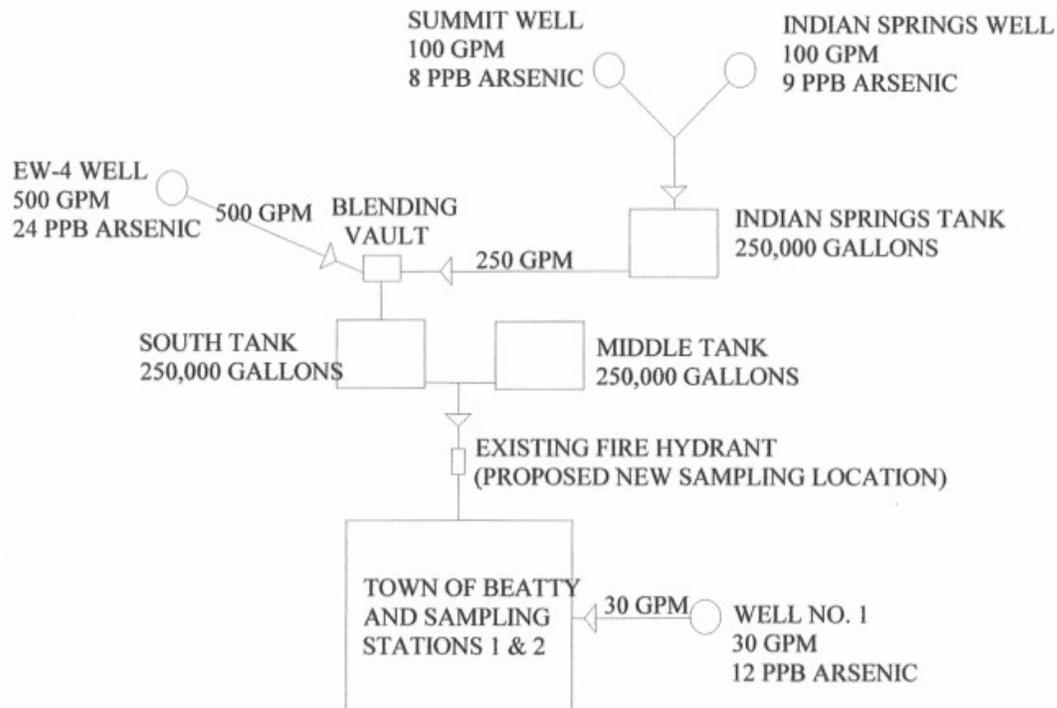


Figure 1: Beatty Water System Conceptual Diagram

Two technologies were planned for testing: 1) coagulation/filtration with alum addition as the coagulant and 2) electrochemical flocculation (ARS). ARS involves replacing the alum as a coagulant with large, electrically charged aluminum plates. If it is determined that ARS successfully coagulates and thereby removes the arsenic and fluoride it would eliminate the need for any chemical usage for the treatment of the water.

The District submitted a request for a time extension for this project to December 31, 2008. Staff recently reviewed the current status of the pilot testing with the District's General Manager, Ray Williams. Issues with differing results from two contract labs and field measurements are presenting problems with the pilot testing that must be resolved. In addition, the processes pilot tested may not be completely effective with fluoride. In order to give the District and its technical staff time to resolve these issues and complete the PER, Staff recommends that the Board approve the requested time extension to March 31, 2009.

Suggested Motion:

I make a motion that the Board for Financing Water Projects approve a time extension to Funding Agreement 05-06-H2c - Beatty Arsenic PER & Pilot Testing to March 31, 2009. 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.

APPENDIX 8

Item E3 - Progress Report for Funded AB198/AB237 Projects

PROGRESS REPORT ON OPEN PROJECTS

September 2008

GRANTEE	DATE APPROVED	GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Walker Lake	12/10/97	\$1,143,447.00	Farr West	Mark Nixon	Jul-08	<p>One bid was received from Humboldt Drilling for the drilling of the new well. Drilling was completed in July 2008, however, an insignificant amount of water was found and the borehole was abandoned.</p> <p>This project is in the process of closing. The GID is reviewing options for alternative sources.</p>
City of Caliente	3/14/02	\$2,021,314.72	Amec & Sunrise Engineering	April Nelson	May-07	In February 2008, the City Council adopted and implemented a metered water rate. The City has apparently decided not to use funding from the AB198 program for the future well. The remaining funding may be considered for deobligation at the December 2008 Board meeting.
Walker River Irrigation District	3/13/02 1/22/07	\$6,685,163.19	Farr West Lumos RO Anderson Black Eagle	Ken Spooner	Feb-08	<p>The diversion structure, spillway, and levee are complete. Staff made a final walk-through of the new structures with NDWR and CA DSOD in February 2008.</p> <p>The diversion structure gates are currently manually operable. The generator still needs to be installed to run the compressor for automatic gate control.</p> <p>The outlet tunnel investigation is still scheduled for the fall 2008. No further updates have been received.</p>
Kingsbury GID	6/26/02 8/23/06	\$9,505,311.39	Amec	Cameron McKay	Aug-08	<p>All but one section of the pipeline project (Palady Perkins) is now complete. This last section started construction in September 2008.</p> <p>The final project element is Tank 10B. AMEC is redesigning this part of the project and using a concrete tank on the originally planned site above the existing Tank 10A. The District is also considering the possibility of a direct replacement of Tank 10A instead of building above the existing tank. Final design decisions are pending.</p> <p>The District delivered a Water Metering Plan at the Board's request in August 2008. Details for consideration of a letter of intent to proceed with a meter construction project are in reviewed with the District, the SRF, and the AB198 program.</p>
Wells	12/5/02 1/27/05	\$757,375.60 \$1,102,310.09	TRW Engineering	Jolene Supp	Mar-08	The installation of the well, well house, chlorination system, and SCADA are now complete. Design and bid documents are complete for the new tank and water line. The project is out for bid.
Hawthorne PER	12/16/04	\$42,500.00	Farr West	Steve Gustafson		The PER was received in April 2008.

PROGRESS REPORT ON OPEN PROJECTS

September 2008

GRANTEE	DATE APPROVED	GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Washoe Co for Heppner Subdivision	3/31/04	\$1,280,300.00	Washoe County	Joe Stowell	Aug-08	<p>Heppner Waterline Extensions Phase 1-3 and 5a are complete. With the improvements to Lemmon Valley Well #8 are on hold indefinitely, funding from the grant was used to install a new waterline from the tank transmission line at Ohio St to Matterhorn Blvd along Oregon Blvd to allow efficient use of the imported water from Fish Springs Ranch.</p> <p>Construction of the tank and transmission line is nearing completion. These two elements will complete this project.</p>
Churchill County	7/20/04 4/05 8/23/06 11/9/06	\$3,667,667.54	Brown & Caldwell/ V-Point	Milorad Stojicevic	May-08	The Sand Creek treatment system was put on-line in the fall of 2007. Oasis MHP, West Star MHP, and Jetway Chevrolet were connected to the system in 2008. The project is in the process of closing.
Golconda GID	1/27/05	\$956,478.75	Farr West	Becky Trigg	Jun-08	The new storage tank, transmission main, PRV, and all pipeline in town are complete. A last minute design change, requested by the GID, tied the fire well into the system allowing Golconda to have a back-up source of supply. The project is in the process of closing.
Washoe Co for Spanish Springs	1/27/05	\$4,000,000.00	Washoe County	Joe Stowell	May-07	<p>The 1st of a 9-phase sewer project is complete. The entire project is expected to take 20 years.</p> <p>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 later this year or early in 2009 pending the resolution of funding issues.</p>
Virgin Valley Water District	1/27/05	\$2,000,137.00	Bowen, Collins & Associates	Mike Winters	Sep-08	<p>The Scenic reservoir construction is complete from Well No. 30 to the distribution system including the tank.</p> <p>The new coagulation-filtration arsenic treatment facilities for the 2 Bunkerville plants were redesigned to include concrete-lined drying beds to handle the sludge from the backwash, and backwash water will now be recycled to the plants. The project is more than 50% complete at both sites and the filtration systems are currently being installed in the new facilities.</p> <p>At the meeting in June 2008, the Board approved an increase in funding for the Bunkerville plants due to the increased project costs associated with the backwash sludge and water.</p>

PROGRESS REPORT ON OPEN PROJECTS

September 2008

GRANTEE	DATE APPROVED	GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
Metropolis Irrigation District	1/25/06	\$489,467.40	Dyer Engineering	Vernon Dalton	Jun-07	<p>Engineering design and environmental and cultural assessment for BLM permitting is currently in progress. Soil boring/sampling was conducted in August 2008.</p> <p>The District will request a time extension for the funding agreement at the September 2008 meeting in order to complete design and permitting.</p>
Beatty Arsenic PER	5/3/06	\$51,850.00	Farr West	Ray Williams		<p>Well EW4 is back on line and pilot testing began in March 2008. Two technologies were 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. If it is determined that ARS successfully coagulates and thereby removes the arsenic and fluoride it would eliminate the need for any chemical usage for the treatment of the water.</p> <p>Issues with differing results from two contract labs and field measurements are presenting problems with the pilot testing that must be resolved. In addition, the processes pilot tested may not be completely effective with fluoride.</p> <p>The District will request a time extension to the funding agreement at the September 2008 meeting in order to complete the PER and pilot testing.</p>
Yerington Arsenic PER	5/3/06	\$47,600.00	Farr West	Dan Newell		<p>Pilot testing is complete. Staff sent comments on the draft PER in July 2008.</p> <p>It does not appear that Yerington will seek state grant funding for the construction of arsenic treatment facilities. No further updates have been received.</p>
Pershing Co Water Conservation District	5/3/06 9/20/07	\$3,956,282.50 \$3,663,021.45	Farr West & Dyer Engineering	Bennie Hodges	Aug-08	<p>The new Rogers Dam is complete.</p> <p>The District will continue with the engineering design and permitting of the Thacker Dam. This is the only other element currently approved for funding by the Board.</p>
Pershing Co for the Town of Imlay	8/23/06	\$563,993.96	Farr West	Celeste Hamilton	Aug-08	<p>The tank and transmission line are complete. A final project walk-through was conducted in August 2008. The project is in the process of closing.</p>

PROGRESS REPORT ON OPEN PROJECTS

September 2008

GRANTEE	DATE APPROVED	GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
LVVWD for Searchlight	8/23/06	\$2,536,522.34	LVVWD	Dianna Ballash	Aug-07	<p>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.</p> <p>Issues with ACEC (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. Drilling of the new wells will begin as soon as BLM approval of the EA and ROW is received.</p>
LVVWD for Kyle Canyon – Ph 2 & 3	11/09/06	\$3,202,511.74	LVVWD	Kara Petersen	Sep-08	Construction of upgraded/new mains and services at Echo View and Cathedral Rock began in May 2008 (Harber Co). Due to the short construction seasons, this project will likely take 3 summers to complete.
Topaz Ranch Estates	3/14/07	\$1,471,452.01	TEC	Bill Maher	Aug-08	Engineering design for the new well and pipeline is complete and the project is out for bid.
Lyon Co Utilities for Crystal Clear	9/20/07	\$2,663,635.00	Farr West	Mike Workman	Aug-08	Engineering design is complete and the project was bid in August with Cambell Construction being the apparent low bidder. Construction should begin in September 2008.
Lovelock Meadows Phase II	12/13/07	\$3,000,000.00	Farr West	Kristy Berge	Apr-08	Pump testing of the existing wells in Oreana has shown less desirable results than previously expected. The original well site evaluation is on-going with the possibility of a new site being selected. Information received is currently under review. Project bidding will likely be delayed until late 2008 or Spring 2009.
Moapa Valley	12/13/07	\$4,000,000.00	Bowen Collins	Brad Huza	Sep-08	<p>Construction is well underway on the 2 treatment plants (Arrow Canyon & Baldwin Springs). The filtration system is currently being installed in the Arrow Canyon facility.</p> <p>The pipeline to/from Jones Springs is complete; however, final tie in must wait until later in the year when Jones Springs can be taken off-line.</p> <p>Initial treatment start-up is expected in December 2008.</p>

PROGRESS REPORT ON OPEN PROJECTS

September 2008

GRANTEE	DATE APPROVED	GRANT AMOUNT	ENGINEER	OWNER'S REPRESENTATIVE	LAST STAFF SITE VISIT	PROGRESS
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.
Battle Mountain Arsenic Mitigation PER	3/20/08	\$117,000	Shaw Engineering	Hank Blair		The drilling of the exploratory wells was bid in August with only one bid received from Eklund Drilling. Eklund plans to drill in early October and estimates that the project will take approximately 10 days to complete.
Gabbs Phase II PER	6/19/08	\$63,920	Day Engineering	Oz Wichman		<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>The County received a new grant for the proposed exploratory drilling at the June 2008 Board meeting. The project will go out to bid in September with drilling is expected to take place in late October or early November 2008.</p>

APPENDIX 9

Item F1 - Progress and Financial Report for Funded SB62 Projects

**BOARD FOR FINANCING WATER PROJECTS
SB62 FINANCIAL SUMMARY**

PROJECT NAME	GRANT AMOUNT	GRANT USED	GRANT REMAINING
Central NV Regional Water Auth.	150,000.00	116,828.03	33,171.97
Churchill County	36,500.00	36,500.00	
Esmeralda County	16,245.85	16,245.85	
Eureka County	120,000.00	90,000.00	30,000.00
City of Fernley	38,680.59	24,671.25	14,009.34
Gerlach GID	92,833.42	54,228.62	38,604.80
Humboldt River Basin Water Auth.	120,000.00	111,439.17	8,560.83
LVVWD - Kyle Canyon	27,184.72	26,702.02	482.70
LVVWD - Searchlight	150,000.00	2,571.41	147,428.59
Topaz Ranch Estate GID	5,221.88		5,221.88
Town of Tonopah	11,250.00	11,250.00	
Virgin Valley Water District	116,041.77	92,754.05	23,287.72
White Pine County	116,041.77	114,642.00	1,399.77
TOTALS	1,000,000.00	697,832.40	302,167.60

SB62 Program Summary - Inception to present

Total Grant Funds	1,000,000.00
FY 06 Expenditures	45,888.68
FY 07 Expenditures	398,263.00
FY 08 Expenditures	206,473.02
FY 09 Expenditures	47,207.70
Total Grant Funds Used	650,624.70
Remaining Authority	349,375.30

Budget Account 3175 - Summary of FY09 Activity through

09/09/08

Beginning Cash	300,000.00
Balance Forward	
Total Receipts / Funding Available	300,000.00
Total Payments to Grantees to Date	47,207.70
Current Funds Available for Grants	252,792.30

SB 62 PROJECT REPORT
September 2008

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>
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
September 2008

Project	Grant Amount	Project Summary
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, quantify basin discharge by crop use, refine estimates of basin thickness, and estimate subsurface flow between discharge basins.</p> <p>Eureka County submitted a letter to the Board for consideration of a project time. At the June 2008 meeting, the Board approved a one year time extension to the funding agreement for Eureka County.</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, June 2008: Data loggers & flow meters were installed at both springs; Monitoring of water level and discharge rate from the springs is currently in progress and will be used in 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) are being compiled and added to the model.</p> <p>The Gerlach General Improvement District submitted a letter to the Board for consideration of a project time extension. At the June 2008 meeting, the Board approved a one year time extension to the funding agreement for the Gerlach General Improvement District.</p>
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. A final project report was received in June 2008 and is available electronically on NDEP's website at http://ndep.nv.gov/bffwp/docs/kcwg_sb62_final.pdf (contact: Michelle Stamates at 775.687.9331 or mstamate@ndep.nv.gov).</p>
City of Fernley	\$38,680.59	<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, May 2008: Data on all deeds relating to water rights transfers to the City of Fernley have been obtained and included in a database. Initial mapping of both sections 10 and 13 is in progress.</p> <p>The City of Fernley submitted a letter to the Board for consideration of a project time extension. At the June 2008 meeting, the Board approved a one year time extension to the funding agreement for the City of Fernley.</p>

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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 predevelopment conditions of the regional groundwater flow systems utilizing modifications of previous models to develop a comprehensive numerical model.</p> <p>Progress Report, March 2008: 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 within the next year.</p> <p>The Virgin Valley Water District submitted a letter to the Board for consideration of a project time extension. At the June 2008 meeting, the Board approved a one year time extension to the funding agreement for the Virgin Valley Water District.</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>
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, September 2008: LVVWD evaluated monitoring well locations in Piute Valley and drilled 4 exploratory wells in 2007. An Environmental Assessment for the monitoring well was submitted to the BLM in February 2008. Approval of the EA and granting of ROW by the BLM was expected by September 2008; however, issues with ACEC (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.</p> <p>The LVVWD submitted a letter to the Board for consideration of a project time extension for the Searchlight project. At the June 2008 meeting, the Board approved a one year time extension to the funding agreement for the Searchlight project.</p>

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Project	Grant Amount	Project Summary
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, May 2008: The GID was awaiting final easement on the new well to begin this project. The easement was finalized in August 2007. The points of use/place of diversion for all 9 existing water rights are to be moved to this new well pending approval by the State Engineer.</p> <p>The Topaz Ranch Estates General Improvement District submitted a letter to the Board for consideration of a project time extension. At the June 2008 meeting, the Board approved a one year time extension to the funding agreement for the Topaz Ranch Estates General Improvement District.</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 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, June 2008: 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 now complete. A summary report that documents methods and findings and identifies areas needing additional new water-level measurements was generated. The website that will host the information is in the final implementation stages and will link to the Map Guide system (http://webmap.water.nv.gov/) developed with the Nevada Division of Water Resources. When this site becomes active, NDEP will include a copy of the summary report and a link to this site on its webpage.</p> <p>The Central Nevada Regional Water Authority submitted a letter to the Board for consideration of a project time extension. At the June 2008 meeting, the Board approved a one year time extension to the funding agreement for the Central Nevada Regional Water Authority.</p>