

**Meeting Minutes**  
**STATE BOARD FOR FINANCING WATER PROJECTS**  
**Tuesday, June 25, 2019**  
**1:30 p.m.**

Tahoe Hearing Room  
901 South Stewart Street, 2nd floor  
Carson City, NV 89701

**Members Present:**

Bruce Scott, chair  
Andrew Belanger, vice-chair  
Lori Williams  
Mike Workman  
Carl Ruschmeyer  
My-Linh Nguyen, ex-officio member

**Legal Counsel Present:**

Katie Armstrong, senior deputy attorney  
general

**NDEP Present:**

Jason Cooper  
Michelle Stamates  
Kyle Casci  
Stacey Rauh  
Erik Ringle  
Max Sosa

**Public Present:**

Tom Pyeatte, Nevada Water Resources  
Roy McDonald, Silver Springs Mutual Water  
Company  
Matthew Martensen, Silver Springs Mutual  
Water Company  
Ali Ali, Indian Health Service  
Rob Rauh, Washoe County School District  
Tony McMillen, Washoe County School District  
Chris Anderson, Manhard Consulting  
Martin Ugalde, Day Engineering  
Rob Shirley, Beatty Water & Sanitation District  
Bridgit Harris, Rural Community Assistance  
Corporation

## Begin meeting

### 1) Introduction (Discussion)

Chair Bruce Scott opened the meeting and invited introductions from board members and those present in person and on the phone.

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### 2) Establish quorum (Discussion)

Chair Scott established a quorum as all board members were present.

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### 3) Public comment (Discussion)

There were no public comments.

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### 4) Approval of minutes – April 17, 2019 meeting (Action item)

**Motion:** Member Mike Workman moved to approve the minutes. Member Lori Williams seconded the motion, and it passed unanimously.

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### 5) Election of board chair & vice-chair (Action item)

**Motion:** Member Williams moved that Bruce Scott remain as chair and Andrew Belanger as vice-chair. Member Workman seconded the motion, and it passed unanimously.

## Drinking Water State Revolving Fund program (DWSRF)

### 6) Program updates (Discussion)

Jason Cooper of the Nevada Division of Environmental Protection (NDEP) updated the board on funding for the Drinking Water State Revolving Fund program:

- **The fund currently has \$46,778,082 in cash.**
- **\$48,132,596 is committed** but not yet disbursed. After the approval of an additional \$1,339,270 during this meeting, this number increases to \$49,471,866.
- **\$30,289,247 is the lowest cash flow balance in three years**, even with \$49,471,866 committed to borrowers.
- Of the \$2,309,884.18 obligated for principal forgiveness loans, **\$970,614.18 will remain for principal forgiveness loans** after \$1,339,270.00 is committed during this meeting.
- The 2019 Federal Drinking Water Grant will **add an additional \$3.3 million** in funding for principal forgiveness loans.

Vice-Chair Andrew Belanger asked about the target cash balance.

Mr. Cooper responded that the cash balance should never drop below \$20 million.

Chair Scott expressed the importance of getting the word out about the available money. Where a system has needs, financial resources are available to meet those needs.

Chair Scott asked about the qualifications a loan must meet to be eligible for principal forgiveness.

Mr. Cooper explained the requirements for principal forgiveness funding as defined in the Intended Use Plan include a disadvantaged community, projects that consolidate one system into another to sustain capacity, and projects with other specifications as listed in the Intended Use Plan and posted online are eligible for principal forgiveness.

Member Workman asked about the maximum amount of a principal forgiveness loan.

Mr. Cooper answered that the maximum amount is \$500,000 per project unless extenuating circumstances are justified to staff and approved by the board. For example, bonding may not make sense to complete a project or a system may have an acute or chronic health concern, an unfunded mandate, or a bid bust. \$100,000 in principal forgiveness funds are also available for planning and design projects, but borrowers must include a 15% match.

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## 7) DWSRF loan commitments

### **Silver Springs Mutual Water Company – DWSRF loan** (Action item)

See Staff Report Exhibit 7A

Representing NDEP, Michelle Stamates recommended that the board approve a \$279,270 loan for the Silver Springs Mutual Water Company. Ms. Stamates explained that the loan will help fund a project to rehabilitate and recoat a water tank. The estimated project cost is \$310,270 — \$279,270 of which will come as a loan from the SRF program. The remaining \$31,000 will be funded by the water system. Conditions of this principal forgiveness loan include:

- Reviewing water rates at least every three years,
- Preparing and maintaining a fiscal sustainability plan that is reviewed by the governing body at least every five years, and
- Maintaining a short-lived capital replacement account that is funded annually and reevaluated every five years.

Member Workman asked about the significance of the tank's rafter damage.

Matt Martensen of Silver Springs Mutual Water Company answered that the rafter damage is unknown until work on the tank begins. Rafter replacement was included in the project as a way to prevent future issues.

Member Williams asked how the project could take place during the summer without affecting water usage.

Mr. Martensen responded that an additional storage tank nearby would store enough water to finish the project.

**Motion:** Member Workman moved to approve the resolution titled "06-2019 Silver Springs Mutual Water Company Project Loan Commitment Resolution." Member Williams seconded the motion and it passed unanimously.

### **Verdi Elementary School – DWSRF loan** (Action item)

See staff report, Exhibit 7B

Representing NDEP, Ms. Stamates recommended that the board approve a \$500,000 loan for the Washoe County School District for Verdi Elementary School. Ms. Stamates explained that the loan will help fund a project to treat elevated arsenic levels at the school by consolidating the school with Truckee Meadow Water Authority (TMWA), abandoning the existing well and arsenic treatment system. The estimated project cost is \$1,516,450 — \$500,000 of which will come as a

loan from the SRF program. The remaining \$1,016,450 will be funded by TMWA (contributing \$200,000) and Washoe County School District (contributing \$816,450).

Member Workman asked whether the project qualifies to exceed the \$500,000 principal forgiveness maximum.

Mr. Cooper answered that no elements of the project justify a larger amount under Nevada's Intended Use Plan. NDEP staff evaluate every project seeking principal forgiveness funding for this possibility, but each system needs to demonstrate need. Mr. Cooper said that the Verdi project does not have a compliance order against it and consolidation projects are limited to \$500,000. It also contains partner funding, which covers the upsize in piping.

Chair Scott asked whether the water system will abandon the existing well.

Tony McMillen of the Washoe County School District answered that the existing well and treatment will be abandoned after consolidation.

Member Williams commented that she would be inclined to go over the \$500,000 loan limit due to complications the school has faced because of the arsenic problem. She pointed to school days being canceled and bottle water notices as examples.

**Motion:** Member Williams moved to approve the resolution titled "06-2019 Washoe County School District Project Loan Commitment" in an amount not to exceed \$500,000. Member Carl Ruschmeyer seconded the motion, and it passed unanimously.

**Beatty – DWSRF loan** (Action item)

See staff report, Exhibit 7C.1

*Part 1* — Representing NDEP, Ms. Stamates recommended that the board approve a \$475,000 loan to Beatty Water and Sanitation District. Ms. Stamates explained that the loan will help fund a project to replace valves, other system appurtenances, and several sections of old water line. The estimated project cost is \$499,013 — \$475,000 of which will come as a loan from the SRF program. The remaining \$24,013 will be funded by conditions of the principal forgiveness loan, including:

- Reviewing water rates at least every three years,
- Preparing and maintaining a fiscal sustainability plan that is reviewed by the governing body at least every five years, and
- Maintaining a short-lived capital replacement account that is funded annually and reevaluated every five years

Member Williams asked how many phases are needed to complete the entire project.

Ms. Stamates answered that specific phasing is not completely defined yet.

Member Williams asked if Beatty could apply for a \$500,000 principal forgiveness loan for each phase or only receive a single principal forgiveness loan.

Mr. Cooper answered that Beatty is allowed to request additional funding for each phase. The SRF does not prohibit phasing a project with principal forgiveness funds.

Vice-Chair Belanger questioned whether the project would be more cost-effective if done all at once instead of in phases.

Ms. Stamates answered that the system cannot afford to do the project all at once; they cannot receive the entire amount needed in principal forgiveness.

Chair Scott asked whether a phase planning program has been developed.

Martin Ugalde with Day Engineering answered that a preliminary engineering report (PER) is necessary to plan for needed improvements.

Chair Scott asked whether funds were being requested to update the PER.

Mr. Ugalde affirmed that the system was requesting money for a PER

Rob Shirley with Beatty Water and Sanitation District said the repairs being completed in the first phase are the most critical. Updating the PER will identify and prioritize other locations in the system that need replacement.

Member Ruschmeyer asked whether the service laterals and meters are being replaced in the line segments.

Mr. Ugalde affirmed that the water mains, service lines, and meters will be replaced.

**Motion:** Vice-Chair Belanger moved to approve the resolution titled “6A-2019 Beatty Water and Sanitation District Project Loan Commitment.” Member Williams seconded the motion, and it passed unanimously.

*Part 2* — Ms. Stamates recommended that the board approve an \$85,000 loan to Beatty Water and Sanitation District to help fund a PER and environmental review (ER) to examine potential alternatives to increase the availability and sustainability of the source water for Beatty. The estimated project cost is \$100,000. The Intended Use Plan requires a 15% match, so \$85,000 will come as a loan from the SRF program and the remaining \$15,000 will be funded by the system.

See staff report, Exhibit 7C.2

Mr. Ugalde stated that two wells will need pilot tested to determine how to eliminate arsenic and fluoride in the water. Some analysis has been done to find other locations to drill wells, but new wells do not seem feasible at this time.

**Motion:** Vice-Chair Belanger moved to approve the resolution titled “6B-2019 Beatty Water and Sanitation District PER and ER Loan Commitment.” Member Ruschmeyer seconded the motion, and it passed unanimously.

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## Capital Improvement Grants Program policies

### 8) Program updates (Discussion)

Mr. Cooper updated the board on funding for the Capital Improvement Grant Program:

- **\$918,105.44 is currently available**, \$15,726.34 of which is reserved for administration.
- **\$868,487 is committed** but not yet disbursed, leaving \$33,892 in uncommitted funds.
- **\$3,000,000 for the Capital Improvement Grant Program was authorized by Assembly Bill (AB) 541, section 17.** This bill authorizes the State Board of Finance to issue general obligation bonds of the State of Nevada for no more than \$3,000,000 for the fiscal year 2020 and 2021 biennium. To issue a bond, 30% of the money must be spent within one year of issuance to avoid arbitrage.

The DWSRF priority list will be reopened so that more projects may be added following the increase funding. NDEP staff is seeking feedback from the board on what projects and allocations should be included.

Member Williams asked for clarification on when a project would be considered for a capital improvement grant instead of a principal forgiveness loan.

Mr. Cooper answered that capital improvement grants are geared toward systems serving a population of less than 6,000 compared to less than 10,000 people for the DWSRF. Some systems on the priority list that do not meet eligibility requirements for principal forgiveness may be eligible for a capital improvement grant. Overall, the program is normally used as a last resort, and a system must show that all other funding sources have been exhausted.

Ms. Stamates stated that precedent in the past was to refrain from dispensing all funds at once. She explained that a grading scale is now used to determine which systems and projects qualify for grant funding. The board will be provided with a copy of the grading scale.

Member Ruschmeyer asked if median household income (MHI) is still used as a grading factor in the grant application process.

Mr. Cooper responded that MHI is still used in the point system but is only one of many factors used in the point scale.

Vice-Chair Belanger stated that systems in southern Nevada face a new hurdle. New residential developments are not connecting to the sanitary sewer even while Nevada Revised Statute (NRS) 349.981 supports the consolidation of sewer systems.

Ms. Stamates said the board has a policy against funding those type of projects in favor of funding drinking water projects, so that policy may need to be reviewed by the board.

Vice-Chair Belanger cited subsection D of NRS 349.981, which says an eligible recipient to pay the following costs associated with abandoning an individual sewage disposal system and connecting the property formerly served by the abandoned to a community sewage disposal system.” He asked whether a board policy deprioritizes that type of project.

Ms. Stamates said the board will need to review the policy on it.

Member Williams stated that she would like to see grant funding used for projects that address water quality, acute and chronic health issues, or serious reliability issues.

Member Ruschmeyer asked whether the current policies, procedures, and grading scale are adequate for issuing grant funds for projects that are ready to proceed.

Mr. Cooper responded that board-established policies will guide staff when working through the priority list, giving guidance on who is ready to proceed, when to bond, and for how much. He reiterated that money issued has to be spent in a timely fashion in order to avoid arbitrage costs.

Ms. Stamates explained that some water systems in Nevada have great needs but are reluctant to take on debt to fix such needs.

Member Ruschmeyer responded that systems with needs — wherever they are ranked on the priority list — should be given strong consideration in receiving funding if they are ready to proceed.

Chair Scott said that it is a major responsibility of the board and NDEP staff to ensure that systems receiving funding operate successfully through good management.

Member Williams suggested that grant funds may be most effective if used to provide better quality water for isolated communities within big water systems. She said that bigger water systems typically have the financial resources available to match the grant funds.

Chair Scott asked whether a workshop between the board and NDEP staff is needed to discuss issues and opportunities regarding projects and system funding.

Vice-Chair Belanger agreed that a workshop would be a good idea as it appears more money will be available in the capital improvement grant program in the future. The board would get a refresher on program policies and procedures and discuss the evolving needs of water systems.

Mr. Cooper clarified that principal forgiveness funding was not part of the DWSRF program when the capital improvement program began. Principal forgiveness funds now address many issues previously supported by capital improvement grants.

Conversation then switched to Senate Bill 150 (SB 150).

Chair Scott stated that the board needs to evaluate the SB 150 planning grant.

Vice-Chair Belanger asked whether the DWSRF could be used to complete water resource plans.

Mr. Cooper answered that he did not believe so but would look into it. He added that the DWSRF can provide principal forgiveness for designs, PERs, and construction because they lead to a capital project. SB 150 is for water resource plans that need to be maintained and updated every 10 years. This changes NRS 278, which defines a governing body as a city and county only, not a general improvement district or board. Water plans as specified in SB 150 do not lead to an actual project either; the plans cover water demand and how to maintain it. The capital improvement grant fund is funded by tax-exempt bonds that, according to Internal Revenue Service rules, must go to a capital project. Unless they can be tied directly to a capital project, planning documents must be issued a taxable bond (instead of a tax-exempt bond). NDEP staff do not anticipate governing bodies requesting funding for a planning document as a result of SB 150.

Vice-Chair Belanger suggested that he expects little interest in the program, saying that the Treasurer's Office still needs to see if the law is even applicable or how exactly it would work.

Chair Scott asked whether there are any other funds available for the program if it is taxable.

Mr. Cooper answered that tax-exempt bonds are the only source of funding for the program at this time.

Chair Scott stated that he doesn't believe it is good precedent for the State to issue taxable bonds.

Vice-Chair Belanger remarked that the program needs to be put on hold until an additional revenue source can be found to fund the program besides taxable bonds.

Mr. Cooper explained that Nevada's bond counsel believes it is unclear that a 10-year plan will qualify as a capital expenditure. Given this bond counsel opinion and under current law, the board cannot render an opinion that bonds issued to finance a 10-year plan are tax exempt. Unless it is tied to a capital expenditure, a plan is not qualified for tax exemption.

Mr. Cooper returned to the earlier suggestion to hold a workshop to address the priority list, policies for eligible systems, and projects for the capital improvement grant.

Chair Scott said he would like to see information regarding new projects that may be added to the priority list.

Member Williams affirmed that approving the new priority list and discussing the new grant go hand in hand.

Mr. Cooper said he would schedule a workshop to finalize the priority list.

Member Workman said it would be nice to receive information from NDEP's Bureau of Safe Drinking Water or other staff regarding projects on the priority list that need to be seriously addressed.

My-Linh Nguyen with the Bureau of Safe Drinking Water commented that NDEP continues to work to provide resources and assistance to support water systems.

Chair Scott said Nevada is admirable for being willing to help water systems instead of just fining them.

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**9) Board comments (Discussion)**

Vice-Chair Belanger commented that the new format of NDEP's staff reports is very clear, organized, and concise.

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**10) Public comments (Discussion)**

There were no public comments.

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**11) Adjourn Board for Financing Water Projects public meeting**

The board meeting adjourned at 3:12 p.m.

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## Loan Commitment from the Drinking Water State Revolving Fund

Board for Financing Water Projects

June 2019



# Silver Springs Mutual Water Company

Amount and Term	Recommendation
\$279,270 Principal Forgiveness	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects approve a loan commitment to Silver Springs Mutual Water Company.

## Community Information

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<b>Location</b>	Silver Springs is located at the intersection of U.S. 50 and U.S. 95A, approximately 35 miles northeast of Carson City.
<b>Structure</b>	Private, nonprofit company formed in 1952
<b>Population</b>	3,070
<b>Service Connections</b>	Residential: 1,194 Commercial: 101 Industrial: 3

## Project for Funding

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**Need** In September 2016, the Silver Springs Mutual Water Company contracted Blue Locker Commercial Diving Services to inspect its water storage tanks. The Blue Locker inspection report for north tank #1 — a one million gallon tank originally constructed in 1997 — indicates:

- Blistering and loss of coating on the interior floor, walls, and ceiling;
- Use of incorrect epoxy to make prior repairs; and
- Interior structural twisting of ceiling rafters from either seismic activity or ice damage.

The coal tar coating used during the original construction is failing and cannot be repaired. Also, the access ladder, cage, and top landing do not meet Occupational Safety and Health Administration standards and need to be upgraded.

**Chosen Project** The water company plans to rehabilitate and recoat north tank #1. This rehabilitation will ensure that this asset meets, if not exceeds, its life expectancy of 50 years.

**Project Alternatives** *No Action:* The Blue Locker inspection report indicates that north tank #1, in its current condition, has the potential to cause water quality issues and possible loss of capacity to the system if left unaddressed.

**Timeline** Design: July 2019  
 Construction procurement: August 2019  
 Contract bid and award: September 2019  
 Start of construction: September 2019  
 Completion: November 2019

**Detailed Sources and Cost of Project**

	Drinking Water State Revolving Fund (DWSRF)	Other Partner Funders	Local	Total
Planning	\$4,000	\$0	\$0	<b>\$4,000</b>
Design, inspection, & Construction Management	\$31,000	\$0	\$0	<b>\$31,000</b>
Construction	\$244,270	\$0	\$26,000	<b>\$270,270</b>
Administration	\$0	\$0	\$5,000	<b>\$5,000</b>
Contingency	\$0	\$0	\$0	<b>\$0</b>
<b>Totals</b>	<b>\$279,270</b>	<b>\$0</b>	<b>\$31,000</b>	<b>\$310,270</b>

**Environmental Review**

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NDEP conducts environmental reviews of water projects as authorized by Nevada law.<sup>1</sup> Projects that rehabilitate an existing facility and will not have a significant individual or cumulative effect on the quality of the environment are eligible for a categorical exclusion and may be exempted from further substantive environmental review.

Consultation with appropriate crosscutting agencies will be completed prior to signing a final commitment of financial assistance. No wetlands, floodplains, agricultural lands, or significant fish or wildlife species or habitat is affected by the project. No landmarks or property with nationally-significant historic, architectural, prehistoric, archeological, or cultural value is affected by the project. NDEP shared a public notice of this determination in a newspaper of general circulation throughout the project area, on the electronic mailing list for the DWSRF and board, and on the Nevada State Clearinghouse and NDEP websites.

**Community Engagement**

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<sup>1</sup> Nevada Administrative Code 445A.6758 to 445A.67612

The water company originally planned to finance construction costs with a Community Development Block Grant (CDBG). Following the requirements of the CDBG application process, the water company's Board of Directors held public meetings on July 19, 2018; August 16, 2018; and September 20, 2018 to allow the community to comment on the project and the prospect of submitting an application for a CDBG. The board unanimously approved the grant application.

After reviewing the CDBG application, NDEP contacted the water company to suggest that the DWSRF could fund planning, design, and construction for its project, where the CDBG would only cover construction costs. On May 16, 2019, the water company's Board of Directors approved pursuing a DWSRF principal forgiveness loan.

## Current System Information

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**Infrastructure** The water system has three active production wells and 3,000,000 gallons of storage that serve two pressure zones. The wells have arsenic levels that exceed primary drinking water standards. In September 2010, the system installed a centralized, coagulation/filtration arsenic treatment facility, which brought it into compliance with the arsenic standard.

**Compliance** NDEP's Bureau of Safe Drinking Water completed its most recent sanitary survey of the system on September 14, 2017. Deficiencies noted in the survey were found to be non-issues and addressed in a letter from the water company on September 19, 2017. The water system has no monitoring or reporting issues and complies with the Safe Drinking Water Act.

**Water Conservation Plan** The Nevada Division of Water Resources reviewed and approved a water conservation plan for the system on August 3, 2015. The water company provides water conservation information for residents and businesses on its website.

**Technical Capacity** The Nevada Rural Water Association conducted a technical, managerial, and financial capacity survey with the general manager of the water company in March 2015. The evaluation noted areas of potential improvement; however, the survey score satisfied the regulatory requirements for capacity. The water company employs multiple certified distribution and treatment operators and has operators available at all times.

**Managerial Capacity** The water company is governed by a seven-member board. It also employs a full-time manager to oversee all operations and fiscal matters of the system. The company has the ability to conduct its affairs in a manner enabling the system to achieve and maintain compliance with federal and state requirements and regulations.

**Financial Capacity** Based on available financial information, the water company is capable of meeting its short- and long-term financial needs.

Financial information as of December 31, 2018:

- Unrestricted cash: \$672,457
- Outstanding debt: \$2,037,747
- Current ratio: 6.02
- Debt coverage before depreciation: 6.28

Financial information is independently audited by Eide Bailly. The auditors

issued an unqualified or “clean” report.

**User Water Rates** The water rates established are sufficient to cover operating, maintenance, debt service, and reserves of the system.

Rates per user, per month:

**Zone 1 (North and East of Spruce Street and Atkins Street)**

Residential zone 1: \$50.00 for 0 – 15,000 gallons

Commercial and industrial: \$54.00 for 0 – 15,000 gallons

\$2.00 per 1,000 gallons over 15,000 gallons used per month

**Zone 2 (South and West of Spruce Street and Atkins Street)**

Residential zone 2: \$54.00 for 0 – 15,000 gallons

Commercial and industrial: \$58.00 – 15,000 gallons

\$2.00 per 1,000 gallons over 15,000 gallons used per month

**Average residential water rate/use for system**

\$50.00 for 10,000 gallons.

**Fiscal Sustainability Plan** The system has prepared a fiscal sustainability plan as outlined in Nevada’s Intended Use Plan but has not presented it to the governing board for review. NDEP has received the system’s certification that the water system will meet the requirements of a fiscal sustainability plan prior to the final disbursement of funds from the loan.

**Short-Lived Asset Reserve Account** The system’s short-lived asset reserve account — as required by Nevada’s Intended Use Plan — has a balance of \$366,880.

**Principal Forgiveness Eligibility Criteria** The system meets the definition of a disadvantaged community per NAC 445A.675245.

## Loan Conditions

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The principal forgiveness loan will contain the following conditions. The water company will:

- Review user rates at least every three years for the life of the loan;
- Maintain a fiscal sustainability plan that is reviewed by the governing board at least every five years; and
- Maintain a short-lived capital replacement account that is funded annually and reevaluated every five years.

## DWSRF Authority and Purpose

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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 and to further the public health objectives of the SDWA. The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation that authorizes NDEP 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 Nevada Administrative Code (NAC) 445A.6751 to 445A.67644, inclusive, which describes the program requirements. Federal regulations for implementing the DWSRF are found in 40 CFR, part 35. Other program directives include the Operating Agreement between NDEP and EPA, the annual Intended Use Plan, EPA guidance and policies, and conditions of each grant award.

One of the requirements of the NRS pertaining to the DWSRF is that NDEP 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(3)).

## **RECOMMENDED MOTION**

I move to approve the resolution titled “6-2019 Silver Springs Mutual Water Company Project Loan Commitment,” which is intended to finance certain projects in an amount not to exceed \$279,270. Since the project is eligible for additional subsidy as specified in Nevada’s Intended Use Plan, 100 percent of the principal will be forgiven.

# RESOLUTION 6-2019

## *Silver Springs Mutual Water Company Project Loan Commitment*

- WHEREAS:** The Board for Financing Water Projects (Board) of the State of Nevada is authorized by Nevada Revised Statutes (NRS) chapter 445A.265 to approve the Nevada Division of Environmental Protection (NDEP) prioritized lists of water projects and to commit loans from the revolving fund account to help community water systems and non-transient water systems pay for capital improvements and debt refinancing, both of which are required and made necessary under NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*), and by corresponding regulations; and
- WHEREAS:** NDEP has the responsibility of administering the Drinking Water State Revolving Fund program; and
- WHEREAS:** On April 17, 2019, the Board, under NRS 445A.265(3), approved the Year 2020 Priority List, which ranks water projects that are eligible for loans from the Drinking Water State Revolving Fund account; and
- WHEREAS:** Silver Springs Mutual Water Company (Recipient) owns and operates a public water system in Nevada; and
- WHEREAS:** The Recipient submitted a pre-application to NDEP for funding a project to rehabilitate a water storage tank (Project); and
- WHEREAS:** The Project is included as project #54 on the Year 2020 Priority List of water projects; and
- WHEREAS:** The Recipient's Project is ready to proceed; and
- WHEREAS:** In connection with seeking a loan, the Recipient has submitted a written application to NDEP consistent with NAC 445A.67613; and
- WHEREAS:** NDEP has reviewed the application — including supporting materials — and has determined that the Recipient has the technical, managerial, and financial capability to manage a loan for the Project; and
- WHEREAS:** NDEP has taken all necessary and proper actions as required by regulations on loan applications adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive); and
- WHEREAS:** The Board must give prior approval before NDEP may expend any money from the revolving fund account for the purposes set forth in NRS 445A.275;

**IT IS RESOLVED by the Board for Financing Water Projects of the State of Nevada:**

**Section 1:** This resolution shall be known as the “6-2019 Silver Springs Mutual Water Company Project Loan Commitment”

**Section 2:** The terms and conditions of the loan for the Project shall be negotiated between the Recipient and NDEP. These terms will include 100% principal forgiveness.

**Section 3:** Based on NDEP’s review of the application and recommendation to the Board concerning the Project, and subject to the provisions of Section 2 and 4 of this resolution, the Board approves a commitment of funds in the amount not to exceed \$279,270 from the revolving fund account consistent with NRS 445A.265(3).

**Section 4:** The Board further recommends that NDEP take all other necessary and appropriate actions to advance the provisions of this resolution consistent with NRS 445A.200 to 445A.295, inclusive, and with corresponding regulations.

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

**PASSED, ADOPTED, AND SIGNED JUNE 25, 2019**

Signed: \_\_\_\_\_

**Chair**  
Board for Financing Water Projects

Attest: \_\_\_\_\_

**Advisor**  
Board for Financing Water Projects



## Loan Commitment from the Drinking Water State Revolving Fund

Board for Financing Water Projects

June 2019



# Washoe County School District

Amount and Term	Recommendation
\$500,000 Principal Forgiveness	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects approve a loan commitment to the Washoe County School District.

## Community Information

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**Location** The Verdi Elementary School and Library are located at 250 Bridge Street in Verdi, NV.

**Structure** The Verdi Elementary School is a non-transient, non-community water system that operates under the direction of the Washoe County School District.

**Population** 374

**Service Connections** Commercial: 1

## Project for Funding

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**Need** Water service to the school is provided from an on-site well that must be treated for elevated levels of arsenic. The school district wants to extend a Truckee Meadows Water Authority (TMWA) water main to the Verdi Elementary School and Library and abandon the existing well and arsenic treatment system.

**Chosen Project** TMWA is in the process of extending its 18-inch Verdi water main on US Hwy 40/SR 425 from the West Meadows subdivision to a point just west of Hab Drive in Verdi. The school district owns and operates the nearby Verdi Elementary School located at 250 Bridge Street.

The project will construct about 2,400 feet of 18- and 12-inch ductile iron water main. The pipeline will run from Hab Drive along US Hwy 40/SR 425 for approximately 1,000 feet. It will then run along an alignment through a parcel owned by TMWA, crossing under the existing Verdi hydroelectric canal to the elementary school, where it will tie into the school buildings and library to provide drinking water, irrigation water, and water for fire flow. On the school property, two- and three-inch PVC pipe will supply potable water to the school and library. Three-inch PVC pipe will supply water for the irrigation system at the school. Eight-inch PVC pipe will provide fire-flow water to the hydrants. Existing pipe from the well and treatment system will be abandoned in place after the new water service is started at



the end of the project — which is estimated to be before the end of the calendar year.

The school district wants to complete the pipe and appurtenance work on the school and library sites before school starts this year. The main distribution supply from TMWA can be done before or after school starts as it will not occur on school property. Most of the main line is on property owned by TMWA and fenced to prevent public access.

The school district and TWMA entered into an annexation agreement on June 4, 2019, for TMWA to provide water service to the Verdi Elementary School. The agreement also requires TMWA to pay oversizing costs required in the agreement, which will be determined through the bid process.

**Project Alternatives** *No Action:* If the school district chose to take no action, arsenic treatment would still be required for the existing well. Although the school complies with the arsenic rule, it must hire or otherwise obtain the services of a higher-level certified treatment operator and must continue to maintain the treatment plant and source in perpetuity.

**Maps** Maps are attached to this report.

**Timeline** Design: Design is complete  
 Construction procurement: June 2019  
 Construction bid and award: July 2019  
 Completion: December 2019

**Sources of Project Funding**

	Drinking Water State Revolving Fund (DWSRF)	Other Partner Funders <sup>1</sup>	Local	Total
Planning	\$0	\$0	\$0	<b>\$0</b>
Design, inspection, & Construction Management	\$78,000	\$0	\$0	<b>\$78,000</b>
Construction	\$422,000	~\$200,000*	\$635,228	<b>\$1,257,228</b>
Materials Testing	\$0	\$0	\$28,000	<b>\$28,000</b>
Administration	\$0	\$0	\$27,500	<b>\$27,500</b>
Contingency	\$0	\$0	\$125,722	<b>\$125,722</b>
<b>Totals</b>	<b>\$500,000</b>	<b>~\$200,000</b>	<b>\$816,450</b>	<b>\$1,516,450</b>

<sup>1</sup> Reimbursement or fee credit from TMWA for pipe upsizing per annexation agreement. Final amount to be determined at bid date.

## Environmental Review

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NDEP conducts environmental reviews of water projects as authorized by Nevada law.<sup>2</sup> Projects that include the minor expansion of the existing capacity of the distribution system and will not have a significant individual or cumulative effect on the quality of the environment are eligible for a categorical exclusion and may be exempted from further substantive environmental review.

Consultation with appropriate crosscutting agencies will be completed prior to signing a final commitment of financial assistance. No wetlands, floodplains, agricultural lands, or significant fish or wildlife species or habitat is affected by the project. No landmarks or property with nationally-significant historic, architectural, prehistoric, archeological, or cultural value is affected by the project. NDEP shared a public notice of this determination in a newspaper of general circulation throughout the project area, on the electronic mailing list for the DWSRF and board, and on the Nevada State Clearinghouse and NDEP websites.

## Community Engagement

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On November 29, 2018, the Washoe County School District Board of Trustees held a public meeting to discuss the 2020 Capital Renewal Program, which includes \$1.15 million for this project. No public comments were received regarding this specific project.

## Current System Information

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**Infrastructure** The current school system consists of one ground well, arsenic adsorptive treatment system, primary and secondary chlorination, and distribution piping. Pressure is achieved through three bladder pressure tanks. Untreated well water enters a dedicated arsenic filter room on the east side of the library building, where it is filtered, chlorinated, metered, and distributed to the library and school buildings.

**Compliance** Based on the December 19, 2017, sanitary survey conducted by Washoe County Health District, the Verdi Elementary School complies with the Safe Drinking Water Act (SDWA) and has no monitoring or reporting violations. The TMWA system also complies with all requirements of the SDWA and meets all monitoring requirements.

**Water Conservation Plan** Both the Verdi Elementary School and TMWA have current water conservation plans on file with the Nevada Division of Water Resources. TMWA has a comprehensive water conservation and drought management plan with extensive customer outreach and education.

**Technical Capacity** The school district currently employs distribution and certified treatment operators to operate and maintain the school's water system. TMWA will ultimately be the purveyor of water for the school. TMWA employs certified operators who have the technical knowledge and ability to operate the water system and conducts its administrative affairs in a manner that ensures compliance with all applicable standards.

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<sup>2</sup> Nevada Administrative Code 445A.6758 to 445A.67612

**Managerial Capacity** The school district is governed by a board of seven trustees. It also employs a superintendent to oversee all operations and fiscal matters of the school district. The school district has the ability to conduct its affairs in a manner that maintains compliance with federal and state requirements and regulations but is not in the business of operating water systems. This project will consolidate the Verdi Elementary School water system with TMWA, eliminating the need for the school to operate and maintain the water system that treats for arsenic.

**Financial Capacity** Based on the financial information provided, the school district is capable of meeting its short- and long-term financial needs.

Financial Information as of June 30, 2018:

- Unrestricted cash: \$408,185,523
- Outstanding debt: \$772,719,073 (1.61% of assessed property value)
- Current ratio: 3.55

Financial information is independently audited by Eide Bailly. No findings were reported on the FY2018 audit.

**User Water Rates** No water rates are established for the school as there are no chargeable users to the water system. All expenses are paid out of the general operating budget for the school district.

**Fiscal Sustainability Plan** The school district maintains a capital improvement plan for all schools in the district. Since this project consolidates the water system with TMWA, NDEP will not require the school district to keep a fiscal sustainability plan as a condition of the loan.

**Short-Lived Asset Reserve Account** NDEP will not include a condition on the loan for a short-lived asset reserve account. The school district maintains a capital improvement plan funded with bond proceeds specifically to address school improvements and new construction. Additionally, this project consolidates the system with TMWA, eliminating the need for the school district treatment system.

**Principal Forgiveness Eligibility Criteria** The system is owned by a public educational institution as outlined in the 2019 Intended Use Plan. The project also consolidates one system with another, which will ensure that the system maintains technical, managerial, and financial capacity.

## DWSRF Authority and Purpose

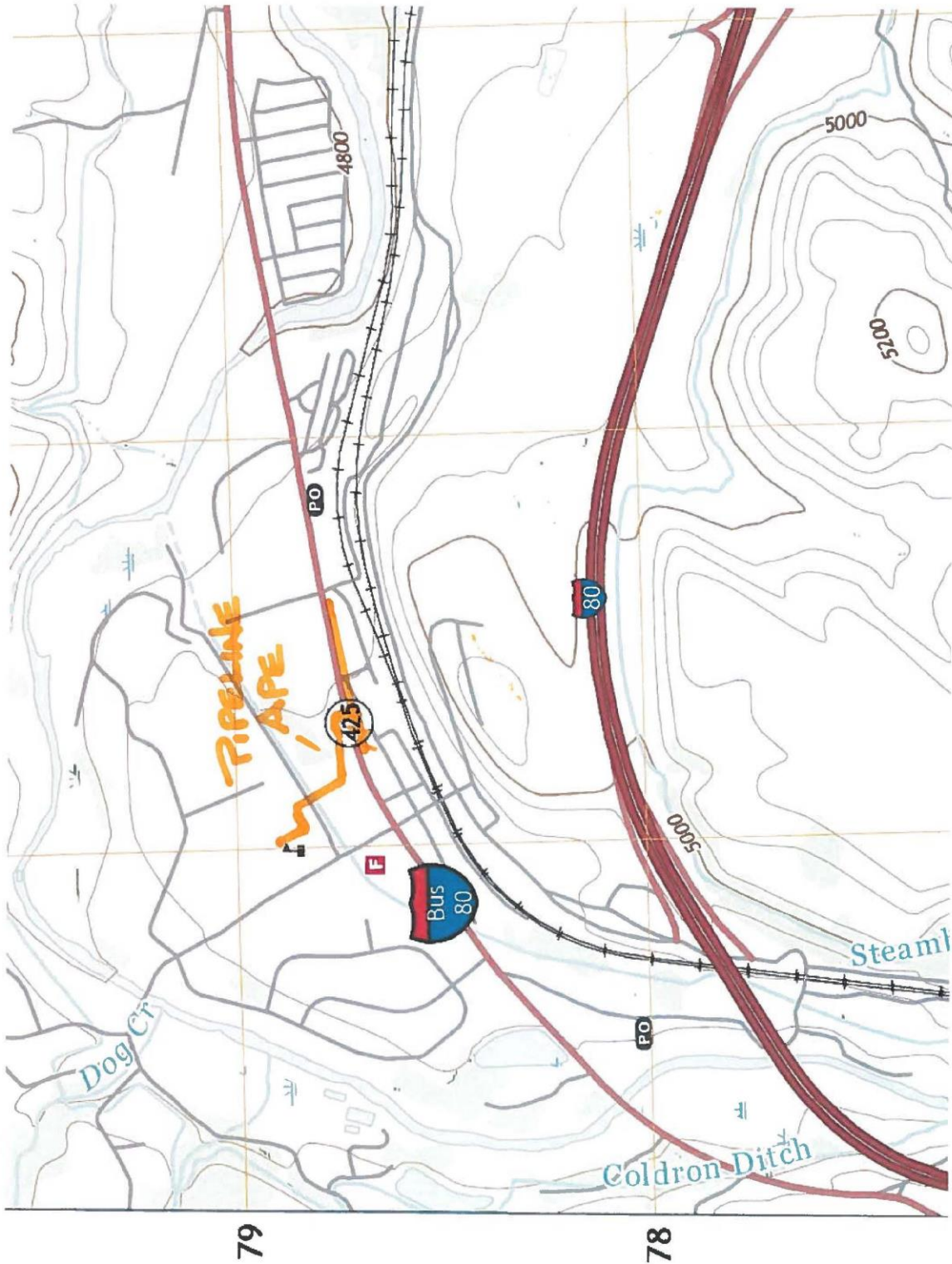
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The 1996 amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA and to further the public health objectives of the SDWA. The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation that authorizes NDEP 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 Nevada Administrative Code (NAC) 445A.6751 to 445A.67644, inclusive, which describes the program requirements. Federal regulations for implementing the DWSRF are found in 40 CFR, part 35. Other program directives include the Operating Agreement between NDEP and EPA, the annual Intended Use Plan, EPA guidance and policies, and conditions of each grant award.

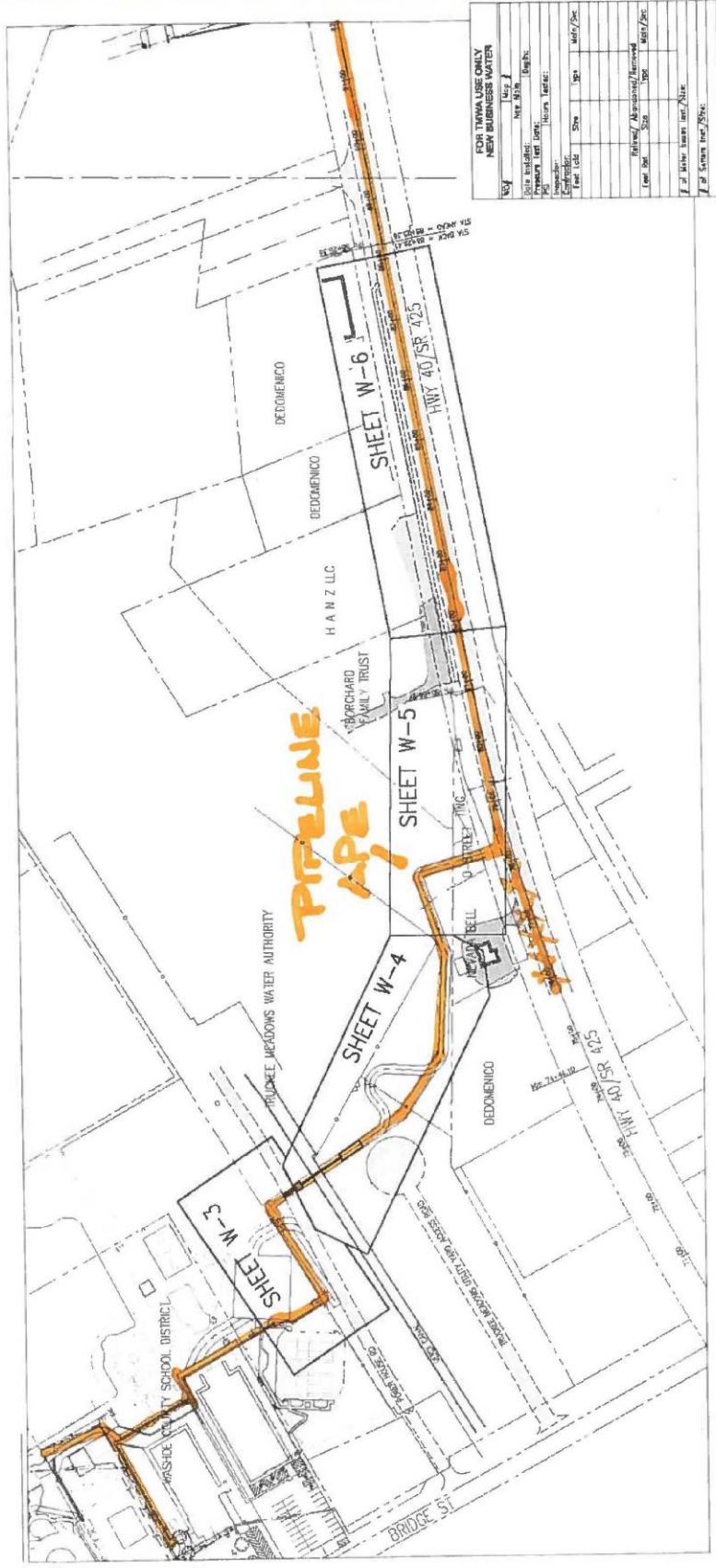
One of the requirements of the NRS pertaining to the DWSRF is that NDEP shall not “commit any money in the account for the revolving fund for expenditure ... without obtaining the prior approval of the board for financing water projects” (NRS 445A.265(3)).

## **RECOMMENDED MOTION**

I move to approve the resolution titled “6-2019 Washoe County School District Project Loan Commitment,” which is intended to finance certain projects in an amount not to exceed \$500,000. Since the project is eligible for additional subsidy as specified in Nevada’s Intended Use Plan, 100 percent of the principal will be forgiven.



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City:	Map:
Site included:	Map No.:
Primary use:	Scale:
Project:	Notes:
Contractor:	Sheet:
Year:	Size:
File No.:	Sheet No.:
Project No.:	Sheet No.:
Project Name:	Sheet No.:
Project No.:	Sheet No.:
Project Name:	Sheet No.:

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# RESOLUTION 6-2019

## *Washoe County School District Project Loan Commitment*

- WHEREAS:** The Board for Financing Water Projects (Board) of the State of Nevada is authorized by Nevada Revised Statutes (NRS) chapter 445A.265 to approve the Nevada Division of Environmental Protection (NDEP) prioritized lists of water projects and to commit loans from the revolving fund account to help community water systems and non-transient water systems pay for capital improvements and debt refinancing, both of which are required and made necessary under NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*), and by corresponding regulations; and
- WHEREAS:** NDEP has the responsibility of administering the Drinking Water State Revolving Fund program; and
- WHEREAS:** On April 17, 2019, the Board, under NRS 445A.265(3), approved the Year 2020 Priority List, which ranks water projects that are eligible for loans from the Drinking Water State Revolving Fund account; and
- WHEREAS:** Washoe County School District (Recipient) owns and operates a public water system in Nevada for the Verdi Elementary School; and
- WHEREAS:** The Recipient submitted a pre-application to NDEP for funding a project to make improvements to the Verdi Elementary School water system (Project); and
- WHEREAS:** The Project is included as project #45 on the Year 2020 Priority List of water projects; and
- WHEREAS:** The Recipient's Project is ready to proceed; and
- WHEREAS:** In connection with seeking a loan, the Recipient has submitted a written application to NDEP consistent with NAC 445A.67613; and
- WHEREAS:** NDEP has reviewed the application — including supporting materials — and has determined that the Recipient has the technical, managerial, and financial capability to manage a loan for the Project; and
- WHEREAS:** NDEP has taken all necessary and proper actions as required by regulations on loan applications adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive); and
- WHEREAS:** The Board must give prior approval before NDEP may expend any money from the revolving fund account for the purposes set forth in NRS 445A.275;

**IT IS RESOLVED by the Board for Financing Water Projects of the State of Nevada:**

**Section 1:** This resolution shall be known as the “6-2019 Washoe County School District Project Loan Commitment”

**Section 2:** The terms and conditions of the loan for the Project shall be negotiated between the Recipient and NDEP. These terms will include 100% principal forgiveness.

**Section 3:** Based on NDEP’s review of the application and recommendation to the Board concerning the Project, and subject to the provisions of Section 2 and 4 of this resolution, the Board approves a commitment of funds in the amount not to exceed \$500,000 from the revolving fund account consistent with NRS 445A.265(3).

**Section 4:** The Board further recommends that NDEP take all other necessary and appropriate actions to advance the provisions of this resolution consistent with NRS 445A.200 to 445A.295, inclusive, and with corresponding regulations.

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

**PASSED, ADOPTED, AND SIGNED JUNE 25, 2019**

Signed: \_\_\_\_\_

**Chair**  
Board for Financing Water Projects

Attest: \_\_\_\_\_

**Advisor**  
Board for Financing Water Projects





## Loan Commitment from the Drinking Water State Revolving Fund

Board for Financing Water Projects

June 2019



# Beatty Water and Sanitation District

Amount and Term	Recommendation
\$475,000 Principal Forgiveness	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects approve a loan commitment to Beatty Water and Sanitation District.

## Community Information

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<b>Location</b>	Beatty is an unincorporated town along the Amargosa River in Nye County. US 95 runs through the town and connects Beatty to Las Vegas, which is approximately 120 miles to the southeast, and Tonopah, which is approximately 90 miles to the north.
<b>Structure</b>	General improvement district
<b>Population</b>	1,010
<b>Service Connections</b>	Residential: 347 Commercial: 80 Industrial: 0

## Project for Funding

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<b>Need</b>	Parts of the existing distribution system are in poor condition. Many of the pipes were installed before 1970, primarily using asbestos cement. Many of the valves are original and no longer operate, preventing the system from shutting down for repairs without taking a large number of customers out of service.
<b>Chosen Project</b>	The district will replace several sections of the old water line with C-900 polyvinyl chloride water main in the following areas: <ul style="list-style-type: none"> <li>• Alley between Hill St. and Phillips St. from N 4<sup>th</sup> St. to 2<sup>nd</sup> St.</li> <li>• Alley between Hoyt St. and Ward St. from 3<sup>rd</sup> St. to N 1<sup>st</sup> St.</li> <li>• Alley between Reibel St. and Montgomery St. from N 4<sup>th</sup> St. to N 1<sup>st</sup> St.</li> </ul> Valves and other system appurtenances will also be replaced.

**Project Alternatives** *No Action:* If the district does not replace the older water lines, leaks will continue to occur, increasing water loss from the system and potential health risks to its customers.

**Maps** Existing system maps and a map of the proposed water line replacements are attached to this report.

**Timeline** Design: September 2019 – January 2020  
 Construction procurement: February 2020 – March 2020  
 Construction bid and award: April 2020  
 Completion: July 2020

Sources of Project Funding	Drinking Water State Revolving Fund (DWSRF)	Other Partner Funders	Local	Total
	Planning	\$0	\$0	\$0
Design, inspection, & Construction Management	\$57,579	\$0	\$0	\$57,579
Construction	\$383,856	\$0	\$0	\$383,856
Contingency	\$33,565	\$0	\$24,013	\$57,578
<b>Totals</b>	<b>\$475,000</b>	<b>\$0</b>	<b>\$24,013</b>	<b>\$499,013</b>

## Previous Commitments and Studies

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### Capital Improvements Grant Program

In 1995, the district received \$2,281,060 (85% of total project costs) to:

- Construct a new back-up well in the Indian Springs well field;<sup>1</sup>
- Construct a seven-mile transmission line from the new backup well to town;
- Construct a new booster pump station midway between the new well and town;
- Adapt one town water tank for blending two sources of water;
- Interconnect the two existing storage tanks;
- Install telemetry;
- Construct an interceptor line redirecting water from the Indian Springs well-field to the blending facility;
- Purchase water rights in the Amargosa Valley for use at the EW-4 well.

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<sup>1</sup> At the time, the district chose to construct a new backup well in lieu of the purchase and modification of an existing mining well — EW-4 — in Amargosa Valley. EW-4 was constructed and funded through a loan from the Rural Economic and Community Development Services and was owned by a mining company. EW-4, however, is now owned by the water system.

In 2006, the district received an additional \$51,850 (85% of the total project cost) for a PER and pilot testing for an arsenic mitigation project to help the district comply with the U.S. Environmental Protection Agency's revised arsenic rule.

### **Drinking Water State Revolving Fund**

In 2009, the district received \$2,910,000 in principal forgiveness funding from the DWSRF to cover 100% of the cost to construct an arsenic treatment plant to treat water from the EW-4 well. This funding was increased in 2013 by \$83,245, bringing the total commitment of principal forgiveness funding for this project to \$2,993,245. However, the final expenses totaled \$2,912,624 and a portion of the authorized funding was de-obligated.

## **Environmental Review**

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NDEP conducts environmental reviews of water projects as authorized by Nevada law.<sup>2</sup> Projects that make minor expansions to the existing capacity of a distribution system and will not have a significant individual or cumulative effect on the quality of the environment are eligible for a categorical exclusion and may be exempted from further substantive environmental review.

Consultation with appropriate crosscutting agencies will be completed prior to signing a final commitment of financial assistance. No wetlands, floodplains, agricultural lands, or significant fish or wildlife species or habitat is affected by the project. No landmarks or property with nationally-significant historic, architectural, prehistoric, archeological, or cultural value is affected by the project. NDEP shared a public notice of this determination in a newspaper of general circulation throughout the project area, on the electronic mailing list for the DWSRF and board, and on the Nevada State Clearinghouse and NDEP websites.

## **Community Engagement**

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The district has discussed the need for this project at public board meetings. No one from the public spoke in opposition to the project.

## **Current System Information**

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**Infrastructure** The district receives its water from five active municipal wells. Wells 2 and 3 are located in town and are not permitted for regular use, as they do not meet the primary maximum contaminant level (MCL) for arsenic or fluoride. The Indian Springs and Summit Wells are located north of the town and meet all water quality standards, but both lack the full capacity to meet the town's needs. The EW-4 well, located east of town, is the main production well and exceeds the MCLs for arsenic and fluoride. Water from this well is treated for arsenic via a coagulation-filtration process. Before entering the distribution system, a booster station lifts water from the treatment plant to the south tank where it is blended with water from the Indian Springs and Summit Wells to mitigate the fluoride.

The system also has 750,000 gallons of storage distributed equally in 3 tanks.

All of the district's customers are metered; however, the meters are old and out of calibration, affecting both how water loss is calculated and system

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<sup>2</sup> Nevada Administrative Code 445A.6758 to 445A.67612

revenue.

**Compliance** The NDEP Bureau of Safe Drinking Water (BSDW) conducted a sanitary survey on June 14, 2017. All significant and minor deficiencies have been resolved. Two observations/recommendations remain:

1. No tank redundancy for booster station ST04 at the treatment plant
2. No redundancy in storage and blending.

BSDW is planning to prepare a PER and ER to address additional supply and treatment that will allow a secondary source.

**Water Conservation Plan** A water conservation plan is on file with the Nevada Division of Water Resources. This plan was last reviewed and updated on June 13, 2014, and is due again for review and update. The district notes that minimal public education on water conservation currently takes place. The system assumes that water rates generally promote water conservation.

**Technical Capacity** The water system's manager conducted a technical, managerial, and financial capacity survey in May 2019. The evaluation noted areas of potential improvement; however, the survey score satisfied the regulatory requirements for capacity. The manager is currently the only certified distribution and treatment operator. The district is prioritizing hiring or training additional staff with the appropriate certification, something noted in the 2017 sanitary survey.

**Managerial Capacity** The district is governed by a five-member board. The district also employs a full-time manager to oversee all operations and fiscal matters of the system. The district has the ability to conduct its affairs in a manner enabling the system to achieve and maintain compliance with federal and state requirements and regulations.

**Financial Capacity** Based on available financial information, the district is capable of meeting its short- and long-term financial needs. Financial information is independently audited by Daniel C. McArthur, LTD.

Financial Information as of June 30, 2018:

Unrestricted cash: \$118,067

Outstanding debt: \$71,487

Current ratio: 3.50

Debt coverage: 12.52

**User Water Rates** The water rates established are sufficient to cover operating, maintenance, debt service, and reserves of the system.

Residential base rate per user, per month: \$23.70 for 0 – 2,000 gallons

Tier one: \$1.47 for each 1,000 gallons between 2,000 – 8,000 gallons

Tier two: \$2.05 for each 1,000 gallons between 8,000 – 15,000 gallons

Average water rate/use for system: \$36.62 with 10,000 gallons.

<b>Fiscal Sustainability Plan</b>	A fiscal sustainability plan will be required in the loan agreement. NDEP has received the district's certification that they will meet the requirements of a fiscal sustainability plan prior to the final disbursement of funds from the loan.
<b>Short-Lived Asset Reserve Account</b>	The system currently maintains a short-lived asset reserve account as outlined in Nevada's Intended Use Plan. The reserve account was originally required through a grant commitment of \$2,281,060 in 1999 from the Capital Improvements Grant Program. The current balance is \$382,254. The district has withdrawn \$143,443 in the last two years to fund well rehabilitation expenses, and the system anticipates additional expenses in the future to address aging infrastructure. This loan will include a condition they maintain this reserve account for the life of the loan.
<b>Principal Forgiveness Eligibility Criteria</b>	The system meets the definition of a disadvantaged community per NAC 445A.675245.

## Loan Conditions

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The principal forgiveness loan will contain the following conditions:

- The district's governing board will review user rates at least every three years for the life of the loan.
- The district will maintain a fiscal sustainability plan that is reviewed by the governing board at least every five years.
- The district will maintain a short-lived capital replacement account that is funded annually and reevaluated every five years.

## DWSRF Authority and Purpose

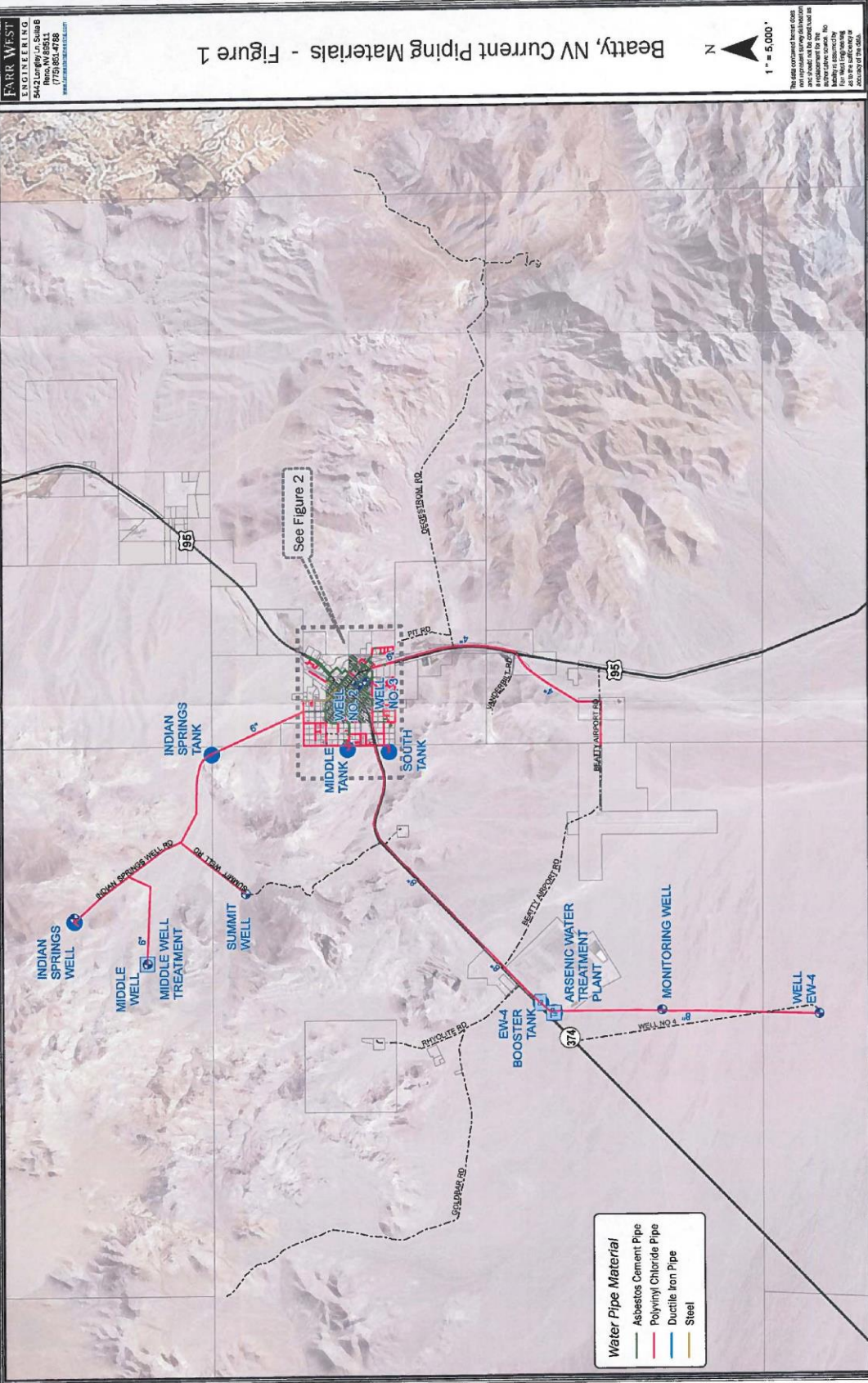
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The 1996 amendments to the Safe Drinking Water Act (SDWA) authorized the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a national program to assist public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with the SDWA and to further the public health objectives of the SDWA. The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation that authorizes NDEP 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 Nevada Administrative Code (NAC) 445A.6751 to 445A.67644, inclusive, which describes the program requirements. Federal regulations for implementing the DWSRF are found in 40 CFR, part 35. Other program directives include the Operating Agreement between NDEP and EPA, the annual Intended Use Plan, EPA guidance and policies, and conditions of each grant award.

One of the requirements of the NRS pertaining to the DWSRF is that NDEP 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(3)).

## **RECOMMENDED MOTION**

I move to approve the resolution titled "6A-2019 Beatty Water and Sanitation District Project Loan Commitment," which is intended to finance certain projects in an amount not to exceed \$475,000. Since the project is eligible for additional subsidy as specified in Nevada's Intended Use Plan, 100 percent of the principal will be forgiven.

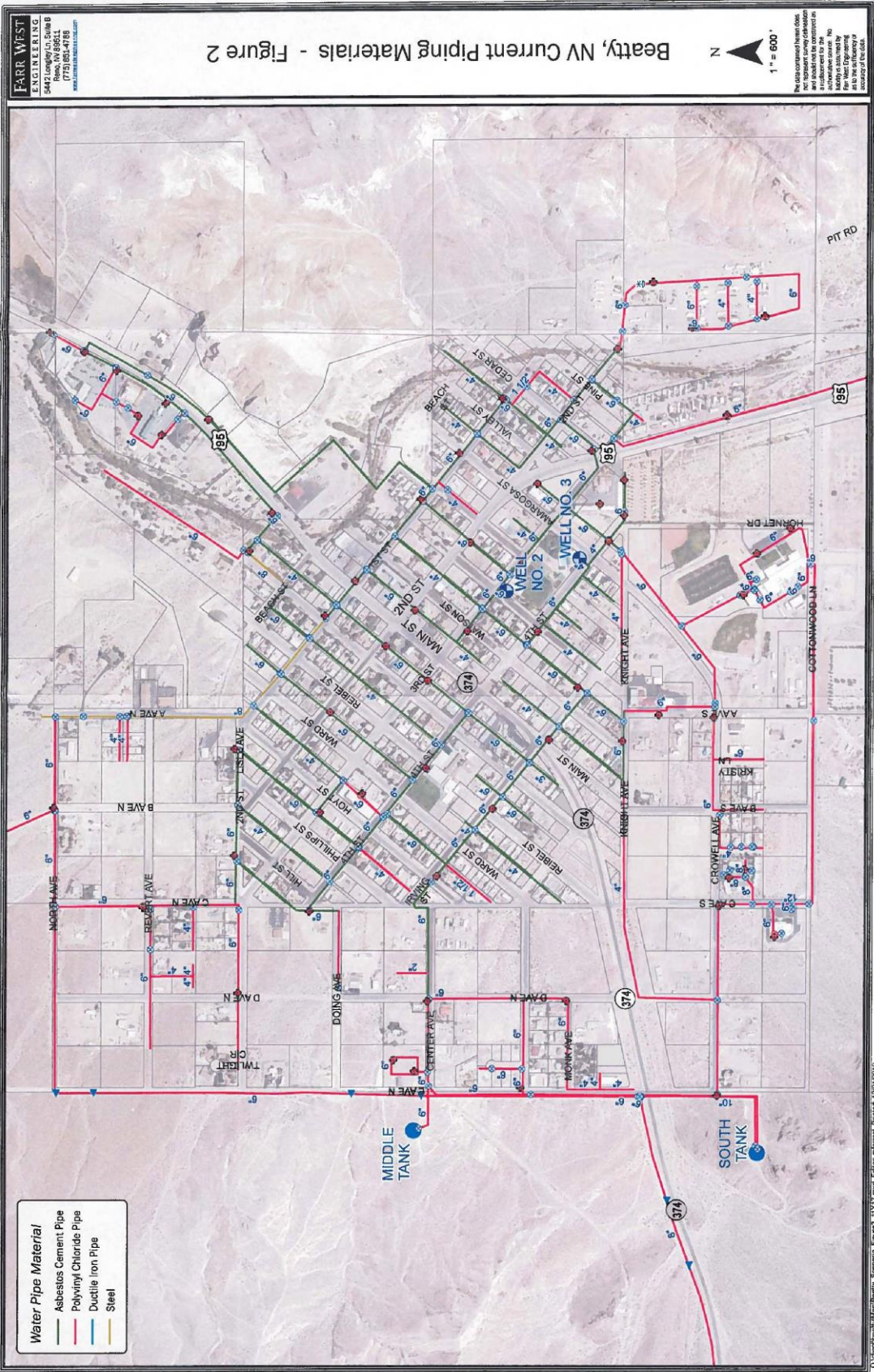


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Beatty, NV Current Piping Materials - Figure 1

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# RESOLUTION 6A-2019

## *Beatty Water and Sanitation District Project Loan Commitment*

- WHEREAS:** The Board for Financing Water Projects (Board) of the State of Nevada is authorized by Nevada Revised Statutes (NRS) chapter 445A.265 to approve the Nevada Division of Environmental Protection (NDEP) prioritized lists of water projects and to commit loans from the revolving fund account to help community water systems and non-transient water systems pay for capital improvements and debt refinancing, both of which are required and made necessary under NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*), and by corresponding regulations; and
- WHEREAS:** NDEP has the responsibility of administering the Drinking Water State Revolving Fund program; and
- WHEREAS:** On April 17, 2019, the Board, under NRS 445A.265(3), approved the Year 2020 Priority List, which ranks water projects that are eligible for loans from the Drinking Water State Revolving Fund account; and
- WHEREAS:** The Beatty Water and Sanitation District (Recipient) owns and operates a public water system in Nevada; and
- WHEREAS:** The Recipient submitted a pre-application to NDEP for funding a project to make improvements to the Beatty Water System (Project); and
- WHEREAS:** The Project is included as project #15 on the Year 2020 Priority List of water projects; and
- WHEREAS:** The Recipient's Project is ready to proceed; and
- WHEREAS:** In connection with seeking a loan, the Recipient has submitted a written application to NDEP consistent with NAC 445A.67613; and
- WHEREAS:** NDEP has reviewed the application — including supporting materials — and has determined that the Recipient has the technical, managerial, and financial capability to manage a loan for the Project; and
- WHEREAS:** NDEP has taken all necessary and proper actions as required by regulations on loan applications adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive); and
- WHEREAS:** The Board must give prior approval before NDEP may expend any money from the revolving fund account for the purposes set forth in NRS 445A.275;

**IT IS RESOLVED by the Board for Financing Water Projects of the State of Nevada:**

**Section 1:** This resolution shall be known as the “6A-2019 Beatty Water and Sewer District Water System Project Loan Commitment”

**Section 2:** The terms and conditions of the loan for the Project shall be negotiated between the Recipient and NDEP. These terms will include 100% principal forgiveness.

**Section 3:** Based on NDEP’s review of the application and recommendation to the Board concerning the Project, and subject to the provisions of Section 2 and 4 of this resolution, the Board approves a commitment of funds in the amount not to exceed \$475,000 from the revolving fund account consistent with NRS 445A.265(3).

**Section 4:** The Board further recommends that NDEP take all other necessary and appropriate actions to advance the provisions of this resolution consistent with NRS 445A.200 to 445A.295, inclusive, and with corresponding regulations.

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

**PASSED, ADOPTED, AND SIGNED JUNE 25, 2019**

Signed: \_\_\_\_\_

**Chair**  
Board for Financing Water Projects

Attest: \_\_\_\_\_

**Advisor**  
Board for Financing Water Projects



**Loan Commitment from the Drinking Water  
State Revolving Fund**  
Board for Financing Water Projects

*June 2019*



## Beatty Water and Sanitation District

Amount and Term	Recommendation
\$85,000 Principal Forgiveness	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects approve a loan commitment to Beatty Water and Sanitation District.

### Community Information

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<b>Location</b>	Beatty is an unincorporated town along the Amargosa River in Nye County. US 95 runs through the town and connects Beatty to Las Vegas, which is approximately 120 miles to the southeast, and Tonopah, which is approximately 90 miles to the north.
<b>Structure</b>	General improvement district
<b>Population</b>	1,010
<b>Service Connections</b>	Residential: 347 Commercial: 80 Industrial: 0

### Project for Funding

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**Need** The town of Beatty needs additional and redundant compliant sources of drinking water. Currently, only one of Beatty's wells (EW-4) is treated to remove arsenic and blended to remove fluoride, which provides compliant drinking water for the town. If the well goes down or if either treatment or blending are off-line, the town does not have a compliant source for water.

The sanitation and water district is proposing to prepare a preliminary engineering report (PER) and environmental review (ER) to examine all potential alternatives to increase the availability and sustainability of the source water for the town.

These alternatives may include:

- Treating fluoride and arsenic in wells 2 and 3, which would increase the production of compliant water. This alternative would require a treatment plant and media that will remove both fluoride and arsenic economically.
- Adding fluoride treatment in the existing treatment plant, which would

eliminate blending and optimize water production from the town's largest producing well: EW-4.

- Adding well EW-3 to the system to improve reliability. Well EW-3 is an existing well in the Amargosa Valley near well EW-4. Well EW-3 is owned by the mine but might be made available to the town, boosting water into the treatment plant and allowing for full flow backwash.

**Maps** An existing system map is attached to this report.

**Timeline** July 2019 – September 2020

**Sources of Project Funding**

	Drinking Water State Revolving Fund (DWSRF)	Other Partner Funders	Local	Total
Planning	\$85,000	\$0	\$15,000	<b>\$100,000</b>
Design, inspection, & Construction Management	\$0	\$0	\$0	<b>\$0</b>
Construction	\$0	\$0	\$0	<b>\$0</b>
Contingency	\$0	\$0	\$0	<b>\$0</b>
<b>Totals</b>	<b>\$85,000</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$100,000</b>

**Previous Commitments and Studies**

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**Capital Improvements Grant Program**

In 1995, the district received \$2,281,060 (85% of total project costs) to:

- Construct a new back-up well in the Indian Springs well field;<sup>1</sup>
- Construct a seven-mile transmission line from the new backup well to town;
- Construct a new booster pump station midway between the new well and town;
- Adapt one town water tank for blending two sources of water;
- Interconnect the two existing storage tanks;
- Install telemetry;
- Construct an interceptor line redirecting water from the Indian Springs well field to the blending facility;
- Purchase water rights in the Amargosa Valley for use at the EW-4 well.

In 2006, the district received an additional \$51,850 (85% of the total project cost) for a PER and pilot testing for an arsenic mitigation project to help the district comply with the U.S. Environmental Protection Agency's revised arsenic rule.

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<sup>1</sup> At the time, the district chose to construct a new backup well in lieu of the purchase and modification of an existing mining well — EW-4 — in Amargosa Valley. EW-4 was constructed and funded through a loan from the Rural Economic and Community Development Services and was owned by a mining company. EW-4, however, is now owned by the water system.

## Drinking Water State Revolving Fund

In 2009, the district received \$2,910,000 in principal forgiveness funding from the DWSRF to cover 100% of the cost to construct an arsenic treatment plant to treat water from the EW-4 well. This funding was increased in 2013 by \$83,245, bringing the total commitment of principal forgiveness funding for this project to \$2,993,245. However, the final expenses totaled \$2,912,624 and a portion of the authorized funding was de-obligated.

## Community Engagement

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The district has discussed the need for this PER and ER at public board meetings. No one from the public spoke in opposition to the project.

## Current System Information

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**Infrastructure** The district receives its water from five active municipal wells. Wells 2 and 3 are located in town and are not permitted for regular use, as they do not meet the primary maximum contaminant level (MCL) for arsenic or fluoride. The Indian Springs and Summit Wells are located north of the town and meet all water quality standards, but both lack the full capacity to meet the town's needs. The EW-4 well, located east of town, is the main production well and also exceeds the MCLs for arsenic and fluoride. Water from this well is treated for arsenic via a coagulation-filtration process. Before entering the distribution system, a booster station lifts water from the treatment plant to the south tank where it is blended with water from the Indian Springs and Summit Wells to mitigate the fluoride.

The system also has 750,000 gallons of storage distributed equally in 3 tanks.

All of the district's customers are metered; however, the meters are old and out of calibration, affecting both how water loss is calculated and system revenue.

**Compliance** The NDEP Bureau of Safe Drinking Water conducted a sanitary survey on June 14, 2017. All significant and minor deficiencies have been resolved. Two observations/recommendations remain:

1. No tank redundancy for booster station ST04 at the treatment plant
2. No redundancy in storage and blending.

The district is planning to prepare a PER and ER to address additional supply and treatment that will allow a secondary source.

**Water Conservation Plan** A water conservation plan is on file with the Nevada Division of Water Resources. This plan was last reviewed and updated on June 13, 2014, and is due again for review and update. The district notes that minimal public education on water conservation currently takes place. The system assumes that water rates generally promote water conservation.

**Technical Capacity** The water system's manager conducted a technical, managerial, and financial capacity survey in May 2019. The evaluation noted areas of potential improvement; however, the survey score satisfied the regulatory requirements for capacity. The manager is currently the only certified distribution and treatment operator. The district is prioritizing hiring or training additional staff with the appropriate certification, something noted in the 2017 sanitary survey.

**Managerial Capacity** The district is governed by a five-member board. The district also employs a full-time manager to oversee all operations and fiscal matters of the system. The district has the ability to conduct its affairs in a manner enabling the system to achieve and maintain compliance with federal and state requirements and regulations.

**Financial Capacity** Based on available financial information, the district is capable of meeting its short- and long-term financial needs. Financial information is independently audited by Daniel C. McArthur, LTD.

Financial Information as of June 30, 2018:

Unrestricted cash: \$118,067

Outstanding debt: \$71,487

Current ratio: 3.50

Debt coverage: 12.52

**User Water Rates** The water rates established are sufficient to cover operating, maintenance, debt service, and reserves of the system.

Residential base rate per user, per month: \$23.70 for 0 – 2,000 gallons

Tier one: \$1.47 for each 1,000 gallons between 2,000 – 8,000 gallons

Tier two: \$2.05 for each 1,000 gallons between 8,000 – 15,000 gallons

Average water rate/use for system: \$36.62 with 10,000 gallons.

**Fiscal Sustainability Plan** Since this proposed funding is for a PER and ER and not a construction project, no condition will be added to this loan agreement for a fiscal sustainability plan.

**Short-Lived Asset Reserve Account** The system currently maintains a short-lived asset reserve account as outlined in Nevada's Intended Use Plan. The reserve account was originally required through a grant commitment of \$2,281,060 in 1999 from the Capital Improvements Grant Program. The current balance is \$382,254. The district has withdrawn \$143,443 in the last two years to fund well rehabilitation expenses, and the system anticipates additional expenses in the future to address aging infrastructure.

**Principal Forgiveness Eligibility Criteria** The 2019 Intended Use Plan outlines criteria that systems must meet to be eligible for principal forgiveness funding. Preparation of a PER with an ER is a qualified project for principal forgiveness funding if the system further demonstrates other conditions that would qualify enough points to make them eligible for principal forgiveness funding. The district received 135 out of 400 possible points. Only 50 points were needed to qualify for principal forgiveness funding.



## Loan Conditions

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The principal forgiveness loan will contain the following conditions:

- A 15% match for each disbursement request.
- The PER must meet the conditions of NDEP’s guidance documents and the Rural Utilities Services Bulletin 1780-2. The ER must address the chosen project(s) area of impact to move the project into the design phase for funding. Should the document not meet these conditions, the funding awarded to create the document must be repaid to OFA.
- OFA will request planning meetings with borrowers and their selected engineering professional to discuss the status of the document. OFA may reimburse eligible expenses in connection with these meetings throughout the creation of the documents.

<b>Whichever is shorter</b>		
<b>% Complete</b>	<b>Months Expired</b>	<b>Eligible expenses may be reimbursed up to % of loan</b>
30%	6 months	30%
60%	9 months	60%
90%	12 months	90%
100%	15 months	100%

## DWSRF Authority and Purpose

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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 and to further the public health objectives of the SDWA. The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation that authorizes NDEP 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 Nevada Administrative Code (NAC) 445A.6751 to 445A.67644, inclusive, which describes the program requirements. Federal regulations for implementing the DWSRF are found in 40 CFR, part 35. Other program directives include the Operating Agreement between NDEP and EPA, the annual Intended Use Plan, EPA guidance and policies, and conditions of each grant award.

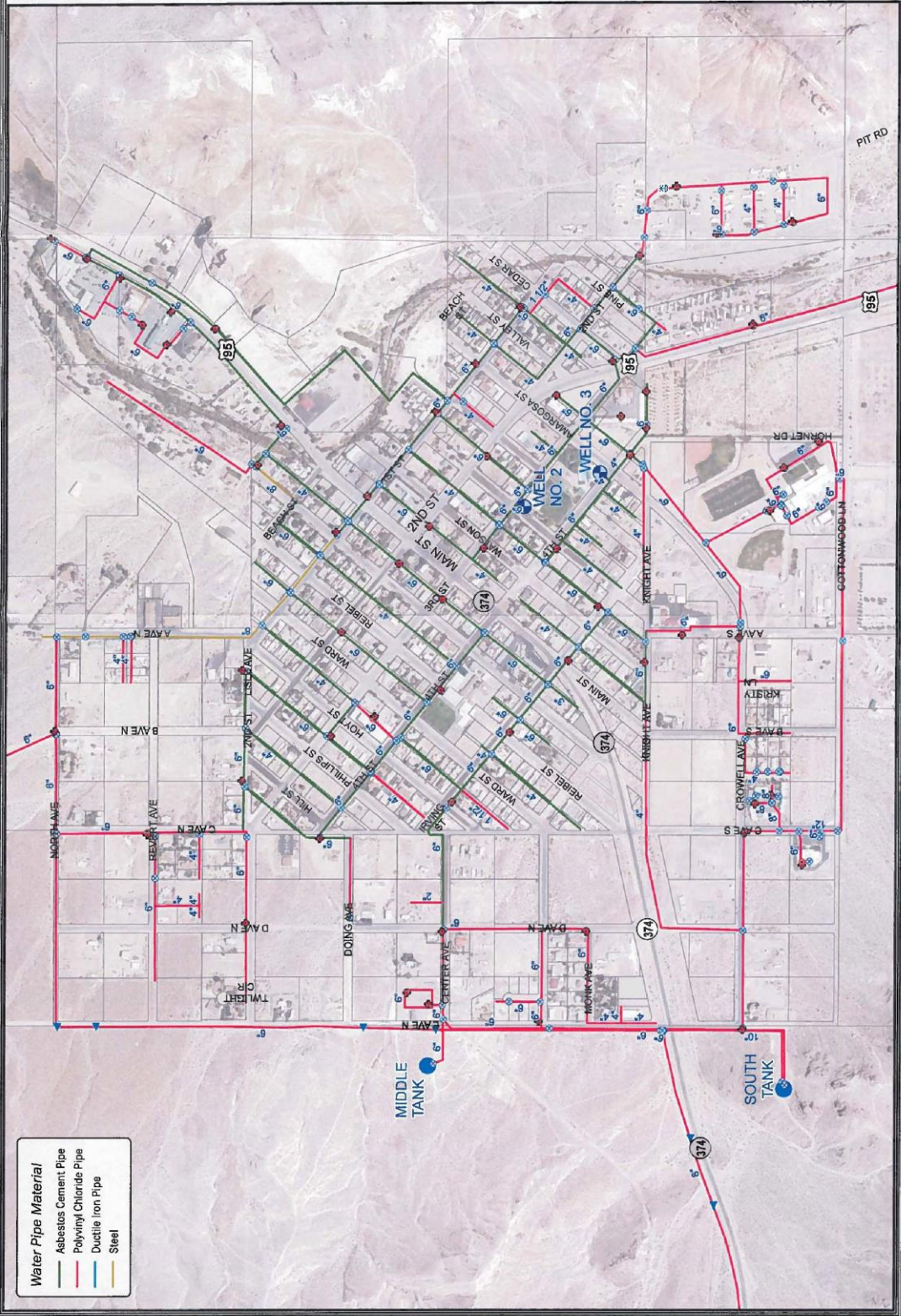
One of the requirements of the NRS pertaining to the DWSRF is that NDEP shall not “commit any money in the account for the revolving fund for expenditure ... without obtaining the prior approval of the board for financing water projects” (NRS 445A.265(3)).



## **RECOMMENDED MOTION**

I move to approve the resolution titled “6B-2019 Beatty Water and Sanitation District PER and ER Loan Commitment,” which is intended to finance certain projects in an amount not to exceed \$85,000. Since the project is eligible for additional subsidy as specified in Nevada’s Intended Use Plan, 100 percent of the principal will be forgiven.

This data was collected from field observations and is subject to change. It is not intended to be used for any other purpose. No warranty is made by Farr West Engineering, Inc. for the accuracy or completeness of this information.



Water Pipe Material	
<span style="color: green;">—</span>	Asbestos Cement Pipe
<span style="color: red;">—</span>	Polyvinyl Chloride Pipe
<span style="color: blue;">—</span>	Ductile Iron Pipe
<span style="color: yellow;">—</span>	Steel

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# RESOLUTION 6B-2019

## *Beatty Water and Sanitation District Project Loan Commitment*

- WHEREAS:** The Board for Financing Water Projects (Board) of the State of Nevada is authorized by Nevada Revised Statutes (NRS) chapter 445A.265 to approve the Nevada Division of Environmental Protection (NDEP) prioritized lists of water projects and to commit loans from the revolving fund account to help community water systems and non-transient water systems pay for capital improvements and debt refinancing, both of which are required and made necessary under NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*), and by corresponding regulations; and
- WHEREAS:** NDEP has the responsibility of administering the Drinking Water State Revolving Fund program; and
- WHEREAS:** On April 17, 2019, the Board, under NRS 445A.265(3), approved the Year 2020 Priority List, which ranks water projects that are eligible for loans from the Drinking Water State Revolving Fund account; and
- WHEREAS:** The Beatty Water and Sanitation District (Recipient) owns and operates a public water system in Nevada; and
- WHEREAS:** The Recipient submitted a pre-application to NDEP for funding a project to make improvements to the Beatty Water System (Project); and
- WHEREAS:** The Project is included as project #4 on the Year 2020 Priority List of water projects; and
- WHEREAS:** The Recipient's Project is ready to proceed; and
- WHEREAS:** In connection with seeking a loan, the Recipient has submitted a written application to NDEP consistent with NAC 445A.67613; and
- WHEREAS:** NDEP has reviewed the application — including supporting materials — and has determined that the Recipient has the technical, managerial, and financial capability to manage a loan for the Project; and
- WHEREAS:** NDEP has taken all necessary and proper actions as required by regulations on loan applications adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive); and
- WHEREAS:** The Board must give prior approval before NDEP may expend any money from the revolving fund account for the purposes set forth in NRS 445A.275;

**IT IS RESOLVED by the Board for Financing Water Projects of the State of Nevada:**

**Section 1:** This resolution shall be known as the “6B-2019 Beatty Water and Sewer District Water System PER and ER Loan Commitment”

**Section 2:** The terms and conditions of the loan for the Project shall be negotiated between the Recipient and NDEP. These terms will include 100% principal forgiveness.

**Section 3:** Based on NDEP’s review of the application and recommendation to the Board concerning the Project, and subject to the provisions of Section 2 and 4 of this resolution, the Board approves a commitment of funds in the amount not to exceed \$475,000 from the revolving fund account consistent with NRS 445A.265(3).

**Section 4:** The Board further recommends that NDEP take all other necessary and appropriate actions to advance the provisions of this resolution consistent with NRS 445A.200 to 445A.295, inclusive, and with corresponding regulations.

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

**PASSED, ADOPTED, AND SIGNED JUNE 25, 2019**

Signed: \_\_\_\_\_

**Chair**  
Board for Financing Water Projects

Attest: \_\_\_\_\_

**Advisor**  
Board for Financing Water Projects