

**Meeting Minutes**  
**WORKSHOP OF THE**  
**BOARD FOR FINANCING WATER PROJECTS &**  
**November 14, 2019**  
**1:30 p.m.**

Richard H. Bryan Building  
Tahoe Hearing Room  
901 South Steward Street, 2nd Floor  
Carson City, NV 89701

Video Conference  
2030 E. Flamingo Rd., Suite 230  
Red Rock Conference Room  
Las Vegas, NV 89119

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**Members Present:**

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

**Legal Counsel Present:**

Katie Armstrong, senior deputy attorney  
general

**NDEP Present:**

Jason Cooper  
Michelle Stamates  
Kyle Casci  
Valerie King  
Jennifer Carr

**Public Present:**

Vern Horaday, Alamo Sewer & Water GID  
Trevor Laird, Alamo Sewer & Water GID  
Bridget Harris, RCAC  
Carmen Gonzales, RCAC  
Rusty Kiel, Lovelock Meadows Water District  
Ron Roman, Douglas County  
Rick Robillard, Douglas County  
Larry Grant, Hawthorne Utilities  
Cheryl Couch, USDA  
Brian Gach, Forgren Engineering  
Tina Pope, Silver Knolls Mutual Water  
Company

## Board for financing water projects workshop

### 1) Call to order

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) Introduction/establish quorum

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

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### 3) Public comment

There were no public comments.

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### 4) Funding and status update for the Capital Improvements Grant Program

Mr. Cooper gave an update on the available funding and status of the Capital Improvements Grant Program. As of October 29, \$265,509.86 in funding is available. Approximately \$39,109.08 has not been committed. Additional funding is expected to go for bonding.

On October 8, a request was submitted to the Board of Finance for authority to have the State Treasurer's Office issue \$1.5 million in bonds for the Capital Improvements Grant Program. The sale closing date is December 10.

Bonds from the Capital Improvements Grant Program are being issued differently than the state revolving fund bonds. As a result, the rules that govern them are slightly different. The Capital Improvements Grant Program does not have a mandatory redemption requirement. The mandatory redemption bonding requirements from the Internal Revenue Service only apply to pooled bond programs such as the state revolving fund program. Mandatory redemption would require 30 percent of the bonding to be used within one year to prevent some of the bond from being recalled. The Nevada Legislature issued \$3 million in authority for the program, which will be split across two years.

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### 5) Presentation & discussion of the board policies established for the Capital Improvements Grant Program

#### 1. Review of board policies

Ms. Stamates presented staff recommendations regarding board policies established for the Capital Improvements Grant Program. The board discussed each policy with Ms. Stamates and Mr. Cooper:

- I. **Administration funding** — A policy and procedure for maintaining five-years funding for administration of the program.

NDEP staff recommended deleting the policy because funding for administration cannot come from the bond funds.

Board members agreed with the deletion.

- II. **Alternative funding** — The state grant program was created with the intent to be a source of project funding after all other funding mechanisms have been exhausted. The US Department of Agriculture—Rural Development, Community Development Block Grant Program, and NDEP's DWSRF and CWSRF are funding agencies in Nevada that work together to help future water and wastewater loan and grant applicants determine the best approach for funding their projects.  
NDEP staff recommended no change.
- III. **Capital replacement reserve funds** — A policy for setting aside funds each year to renew and replace water infrastructure.  
NDEP staff recommended no change.
- IV. **Request for changes to grant funding or project scope** — Guidance for requests to increase funding of a previously approved grant, for requests to apply funds unnecessary for an original project to other projects, or for requests to change the scope of a project.  
NDEP staff recommended no change.
- V. **Construction, engineering, & contingency** — Guidance to grant applicants on including estimates in a grant application for engineering design, construction, construction engineering, and construction contingency.  
NDEP staff recommended no change.
- VI. **Fiscal sustainability plan** — Guidance to help utilities be aware of their infrastructure and have a plan to replace aging capital assets.  
NDEP staff recommended no change.
- VII. **Funding level for irrigation projects** — A policy for determining the amount of grant funds the Board for Financing Water Projects can award for irrigation projects and for a reasonable level of required matching funds.  
NDEP staff recommended no change.
- VIII. **Policy on the length of a grant** — Guidance to establish a timeline for grants. It limits simple, one-phase grants to a period of two years — one year for design and one year for start of construction. It gives multi-phased projects more time (at one year per phase) up to a maximum of five years.  
NDEP staff recommended no change.
- IX. **Nonprofit public water systems** — Guidance on public water systems owned and operated by nonprofit associations or cooperatives.  
NDEP staff recommended deleting the policy because nonprofits are included in statute and consolidation is always a first consideration.  
Board members suggested that the policy be kept and retitled "Consolidation of nonprofit public water systems."
- X. **Scale to determine grant amount** — A policy that establishes a scale to determine the grant amount the Board for Financing Water Projects can award to each grantee.  
NDEP staff suggested edits that will be reviewed as part of a later discussion.
- XI. **Septic to community sewage system connections** — Guidance for discontinuing funding for abandoning individual septic tanks and connecting homes to community sewer systems unless public groundwater is being impacted by failing septic systems.

NDEP staff recommended deleting the policy and allowing for funding if projects are ready to proceed.

Board members disagreed with the recommendation for deletion and directed staff to keep the policy.

- XII. **Sufficient water rates** — A policy to ensure that every community receiving a grant has a customized financial plan to pay for required maintenance, debt obligations, system rehabilitation, and administration that will sustain the system indefinitely.

NDEP staff recommended no change.

- XIII. **Water meters** — A policy stating that if water meters do not already exist, installing water meters must be a condition of receiving a grant. If a system has water meters, it must provide a metering program before grant funding is considered.

NDEP staff recommended no change.

### **Public comment**

There were no public comments.

## **2. Review of board policy established for the scale to determine grant amount<sup>1</sup>**

Mr. Cooper explained that Nevada Revised Statute 349.983 requires a board policy for the scale to determine the amount of a grant. Grant amounts must not be less than 15 percent or more than 75 percent of the total cost of a project. In reviewing the policy, NDEP discovered areas in which the policy conflicts with other policies in place. Once feedback on suggested amendments is received, NDEP will analyze systems across Nevada that could be eligible for assistance.

Mr. Cooper stated that the board has a policy on sufficient water rates that would determine eligibility. The scale currently gives either 0 or 20 points. NDEP is analyzing a change to the monthly residential water rate to find a sufficient rate. Mr. Cooper explained that because every water system is different, the rationale is to give a higher award to those systems that have a high upgrade.

Mr. Cooper said that NDEP is also analyzing a recommendation to eliminate the property tax rate criteria to focus on the enterprise fund for the *system* versus the *community as a whole*. Mr. Cooper explained that points are currently awarded for doing things that are already part of a given project. He suggested that focus be put into required reports, whether they have been implemented and whether they are being effective with water conservation.

Other factors NDEP is considering, Mr. Cooper continued, include analyzing various reporting and incentive options, including:

- 1) Changing points for items that focus on proper managerial capacity and reporting.
- 2) Eliminating project management and inspections that are required for every project.

Mr. Cooper suggested that the requirement be changed from 25 percent to ten percent.

### **Public comment**

There were no public comments.

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<sup>1</sup> Item 2 discussion followed item 3.

### **3. Senate Bill 150 (2019 legislative session) authorizing the Capital Improvements Grant Program to fund water resource plans**

Jeff Fontaine from Central Nevada Regional Water Authority (CNRWA) talked about SB 150, which passed the Nevada Legislature in 2019. The bill encourages all counties and cities in Nevada to adopt and update a water resource plan within ten years. During the legislative session, CNRWA met with the board and NDEP to talk about including an option in the bill — at the board's discretion — to leverage various funding sources to help counties and cities prepare water resource plans. It is still unclear whether the state drinking water grant program could legally be used to help fund water resource plans.

Member Williams left the workshop at 4:34 p.m.

Chair Scott said that any question about the legality of funding would be for bond counsel. He suggested that the board is mandated to consider implementing programs to help fund items called for by legislation.

Vice-Chair Belanger agreed that the board is mandated to support the legislation and said that he supports creating a system to help fund communities' efforts to prepare water resource plans.

Mr. Cooper said that through discussions with the deputy treasurer and bond counsel, he understands that documents that do not lead to a capital project and that are for planning purposes only are not eligible, tax-exempt, bond funded projects. A plan can be funded if it has enough elements that will lead to a project and is fundable under tax-exempt bonding. Plans that do not lead to a project would be issued taxable bonds. He noted that no one has applied for funding at that time.

Mr. Fontaine explained that there is no penalty outlined in the bill or state law for not complying with the bill. He said that the reason no communities have come forward for funding is in part because the requirement has a ten-year timeline. Some communities have recently completed plans or are in the midst of updating plans.

The board then asked NDEP to consult the state treasurer to determine what elements would need to be included in a plan to make it an eligible capital improvement project. Mr. Cooper replied that the response would come from bond counsel, stating that NDEP would go back to what the Internal Revenue Service says is eligible for financing with a tax-exempt bond. He said that another option is to use the technical assistance program for communities that need help.

#### **Public comment**

Ms. Carr commented that NDEP needs to discuss both how bond funds fit into priorities and the legal ramifications of those decisions. She asked the board to consider providing NDEP staff their thoughts and guidance assistance on funding priorities.

Mr. Fontaine added that he feels there is a need to integrate drinking water at a local and state level.

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### **6) Adjourn the board for financing water projects workshop**

The board workshop adjourned at 4:49 p.m.