

Meeting Minutes
STATE BOARD FOR FINANCING WATER PROJECTS
Wednesday, June 20, 2018
1:30 PM

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

NDEP Present:

Jason Cooper
Michelle Stamates
Rachel McFarland
Kyle Casci
Valerie King
Erik Ringle
Max Sosa

Public Present:

Tom Pyeatte, NV Water Resources
Bob Foerester, NV Rural Water Authority
Darren Schultz, Carson City
Pam Granger, Carson City
Sheri Russell, Carson City
Randy Devaul, North Las Vegas
Chad Knight, Farr West Engineering
Brent Farr, Farr West Engineering
Will Riggs, North Las Vegas
Kathy Flannagan, Southern Nevada
Water Authority
Scott Estes, Truckee Meadows Water
Authority
John Peterson, JNA Consulting
Andy Artusa, Zions Public Finance

Legal Counsel Present:

Belinda Suwe, Deputy Attorney
General

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.

2) Establish quorum (Discussion)

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

3) Public comment (Discussion)

There were no public comments.

4) Approval of minutes – March 7, 2018 meeting (Action item)

Chair Scott asked to replace the word “prevention” with “protection” (in section 5) and “ration” with “ratio” (in section 8). Member Carl Ruschmeyer asked to change “state board” with “Tahoe Water Association” (in section 6).

Motion: Vice Chair Andrew Belanger moved to approve the minutes with the inclusion of the language changes. Member Lori Williams seconded the motion, and it passed unanimously.

5) Approval of minutes – April 11, 2018 workshop (Action item)

Chair Scott asked to replace the word “certifies” with “ensures” (in section 2).

Motion: Member Williams moved to approve the minutes with the word change requested by Chair Scott. Member Mike Workman abstained from voting since he did not attend the workshop. Vice Chair Belanger seconded the motion, and it passed unanimously.

6) Election of board chair & vice chair per NRS 349.959 (Action item)

Member Williams nominated Chair Scott to retain the title of board chair and Vice Chair Belanger to remain as vice chair. Member Workman seconded the nomination, and the voting passed unanimously.

Drinking Water State Revolving Fund program (DWSRF)

7) Program funding availability (Discussion)

Mr. Jason Cooper, representing the Nevada Division of Environmental Protection (NDEP), explained that \$47.6 million was available from the State Revolving Loan Fund program, with another \$22 million from grant and re-loan payments. \$30,761,448 of committed funds were waiting to be disbursed, and roughly \$4.6 million was available for future projects if all loans were approved at the meeting.

Member Belanger asked if only \$4.6 million would be available to fund projects from October 2018 to September 2019. Mr. Cooper responded that more would be available as state fiscal year 2019 wasn't included in the calculations.

8) DWSRF 2018 Intended Use Plan principal forgiveness requirements (Discussion)

Mr. Cooper asked for comments on the principal forgiveness requirements for the Intended Use Plan.

Member Ruschmeyer asked if median household income (MHI) posed challenges when determining if a community is disadvantaged. Mr. Cooper responded that it is not an issue. Staff is moving away from using MHI to determine a reasonable water rate, even though it is used to define disadvantaged communities in statutes.

Chair Scott advised changing the language “*will* be provided” to “*may* be provided” to indicate that loans are not guaranteed principal forgiveness. Mr. Cooper noted the change.

Member Belanger asked if the \$500,000 cap for consolidation projects should be flexible, similar to projects that address health risks. Mr. Cooper responded that he didn’t think it necessary but would revisit the language for clarity.

9) DWSRF 2019 project priority list (Action item)

Ms. Michelle Stamates, representing NDEP, presented the 2019 priority list, focusing on how it was constructed and projects were ranked.

Member Ruschmeyer asked if systems on the list that have elevated arsenic levels are systems in violation or merely secondary supplies that need additional work. Ms. Stamates affirmed that they are out of compliance. Ms. My-Linh Nguyen added that compliance orders are in effect.

Chair Scott stated that the Board and staff have been reluctant to force treatment in small communities with limitations if alternatives are available.

Motion: Member Williams moved to adopt the resolution designated the Year 2019 Drinking Water State Revolving Fund priority list. Member Ruschmeyer seconded the motion, and it passed unanimously.

10) DWSRF loan commitments

North Las Vegas – DWSRF loan (Action item)

Representing NDEP, Ms. Stamates recommended that the Board approve a \$23,700,000 loan for the city of North Las Vegas. Ms. Stamates explained that the loan would fund a project to replace old water meters with a “smart” system that allows the meter, the customer, and the utility to communicate, providing real time data on water usage.

Member Ruschmeyer asked about the typical lifespan of the new smart meters. Mr. Randy Devaul, with North Las Vegas, explained that the meters last up to 20 years and batteries last from 10-13 years.

Chair Scott asked for information on how the two-way communication functions. Mr. Devaul stated that the meter vendor gives the homeowner and city access to an online portal that records usage data in real time.

Chair Scott asked for reassurance that the project was a priority for North Las Vegas and that funds from the water enterprise funds are staying in the fund to benefit the utility. Mr. Devaul responded that the project is a priority and that the city annually increases the water rate by 3%.

Chair Scott asked if NDEP staff feels confident in the safeguards and monitoring in place for the loan to North Las Vegas. Mr. Cooper answered that he would continue to monitor the financial statements of North Las Vegas as he has for over a year.

Chair Scott inquired if the 3% increase in water would continue moving forward. Mr. Devaul responded that the increase would continue until the city changed the ordinance but noted that the city had no intentions to do this.

Member Williams voiced concern that the project was costly and only number 74 on the priority list. She noted that there are many projects on the list with higher priority. Mr. Cooper replied that there is funding available for the project *and* other big dollar projects with high priority. He explained that staff reached out to high priority projects first but none came forward ready to proceed. The funds are drawn in increments over a one- to two-year period and not all at once.

Motion: Member Belanger moved to adopt the resolution titled “06-2018 City of North Las Vegas Project Loan Commitment Resolution.” Member Workman seconded the motion, and it passed unanimously.

Carson City – DWSRF loan (Action item)

Prior to the presentation, Chair Scott disclosed that he works on water rights for Carson City but would participate in the discussion and vote since it’s not a conflict of interest.

Representing NDEP, Ms. Rachel McFarland recommended that the Board approve a \$10,700,000 loan for Carson City. Ms. McFarland explained that the loan would refinance a taxable Build America Bond issued by Carson City to purchase water rights for a 2010 project. The U.S. Environmental Protection Agency approved a deviation request that allows for loan refinancing. By refinancing this debt, Carson City would save approximately \$2.1 million, allowing it to address other drinking water projects.

Motion: Member Workman moved to adopt the “06-2018 Carson City Refinancing Loan Commitment” for \$10,700,000. Member Ruschmeyer seconded the motion, and it passed unanimously.

Truckee Meadows Water Authority – DWSRF loan (Action item)

Representing NDEP, Ms. Stamates recommended that the Board approve a \$100,000 loan to Truckee Meadows Water Authority (TMWA). She explained that the project would consolidate the Old Forty West water system with TMWA. The Old Forty West water system has elevated levels of arsenic in its groundwater supply. In 2016, the system’s status changed from a transient water system to a community water system, bringing it out of compliance since the fourth quarter of 2016. They received a notice of formal enforcement in February 2018 from NDEP, Bureau of Safe Drinking Water. This consolidation would bring the system into compliance by tapping into TMWA’s water main and outfitting it with a water meter, backflow-prevention assembly, and valves. The project would cost an estimated \$110,000. \$100,000 of the cost would come from DWSRF. It qualifies for additional subsidy in the form of principal forgiveness since it involves the consolidation of a small non-compliant system with a large compliant system.

Member Ruschmeyer expressed strong support for projects that consolidate small water systems with larger systems.

Chair Scott asked why the system suddenly exceeded the arsenic levels beginning in October 2016. Ms. Stamates replied that the change in classification from a transient to a community water system created the compliance issue.

Chair Scott asked about the disposition of water rights for the Old Forty West system. Ms. Stamates explained that there had been issues with groundwater rights but clarified that they had since been resolved. Chad Knight of Farr West Engineering joined the conversation, explaining

that the state engineer dedicated 3.96 acre feet of water rights to the project that had not transferred forward with a change of ownership. He noted that his department had since secured the rights. There are additional water rights needed for the project that will be purchased by the property owner through TMWA.

Motion: Member Williams moved to adopt the resolution titled “06-2018 Truckee Meadows Water Authority Project Loan Commitment Resolution.” Member Belanger seconded the motion, and it passed unanimously.

Capital Improvement Grant program policies

11) Policies recommended for edits and changes (Action item)

Mr. Cooper, representing NDEP, reminded the Board that the policies recommended for edits had already been discussed at the board meeting on March 7, 2018. He asked for comments, suggestions, and approval on the following policies:

- a. Administrative Funding, June 1999
- b. Funding Level for Irrigation Projects, March 2008
- c. Request for Changes to Grant Funding or Project Scope, May 2006
- d. Alternative Funding, March 2008
- e. Nonprofit Public Water Systems, July 2009
- f. Septic to Community Sewage System Connections, May 2006

Chair Scott remarked that the proposed edits and changes were useful, that they overhauled outdated policies to better reflect the current moment.

Member Belanger said he appreciated the work staff had done to clean up and reword old policies. He admired how each policy began with a statement of authority and relevant statutes.

Motion: Member Williams moved to adopt the administrative edits and changes in all six policies. Member Ruschmeyer seconded the motion, and it passed unanimously.

12) Policies recommended for repeal (Action item)

Mr. Cooper informed the Board that the policies recommended for repeal had already been discussed at the board meeting on March 7, 2018. He asked for comments, suggestions, and approval on the following policies:

- a. Arsenic Projects, January 2006
- b. Authorization to Request a Change in Grant, November 2005
- c. Deadline for Projects, July 2004
- d. Nevada Water & Wastewater Pre-Application, June 2007
- e. Phased Grant Projects, August 2001

Motion: Member Belanger moved to repeal all five policies. Member Williams seconded the motion, and it passed unanimously.

13) New policies

Mr. Cooper informed the Board that the new policies recommended for adoption had already been discussed at the board workshop on April 11, 2018. He added that the edits and language changes mentioned at the workshop had since been addressed. The Board chose to vote on each policy individually.

Fiscal sustainability plan (Action item)

Chair Scott asked how often staff examines a system's fiscal sustainability plan (FSP).

Mr. Cooper responded that staff reviews system finances on an annual basis and asks each water system to identify any changes to the FSP since the last update.

Motion: Member Williams moved to adopt the fiscal sustainability plan policy. Member Workman seconded the motion, and it passed unanimously.

Capital replacement reserve funds (Action item)

Chair Scott asked if the policy would prevent systems from inventorying items as backup.

Mr. Copper replied that the policy was designed to prevent utilities from spending funds on small tools and other items that are already part of routine operation and maintenance. However, items bought and stored as inventory would be considered capital assets.

Chair Scott requested that paragraph two on the second page include the phrase "from these reserves" to clarify that systems could not use funds to expand their systems.

Member Belanger agreed that the policy should specify that utilities cannot use capital reserve funds to expand their systems.

Mr. Cooper acknowledged their recommendations.

Motion: Member Belanger moved to adopt the policy on capital replacement reserve funds with the inclusion of Chair Scott's wording addition. Member Williams seconded the motion, and it passed unanimously.

Sufficient water rates (Action item)

Chair Scott requested the addition of a statement prohibiting the reduction of water rates without staff review and Board approval. He recommended the sentence, "This policy may not be used to reduce water rates already in place or approved to take effect in the future unless approved by the Board."

Mr. Cooper confirmed that he would add the statement to the policy.

Member Belanger commented that he appreciates the flexibility written into the policy.

Motion: Member Williams moved to adopt the policy on sufficient water rates with the inclusion of Chair Scott's addition. Member Ruschmeyer seconded the motion, and it passed unanimously.

Construction, engineering, and contingency (Action item)

Chair Scott commented that the policy clearly standardizes the requirements for partner funding and that he appreciates the partnership.

Motion: Member Ruschmeyer moved to adopt the policy on construction, engineering, and contingency. Member Workman seconded the motion, and it passed unanimously.

14) Board comments (Discussion)

There were no board comments.

15) Public comments (Discussion)

Mr. Cooper proposed September 12, 2018, as the date for the next board meeting. All members agreed on the date.

16) Adjournment

The board meeting adjourned at 3:10 PM.

DRAFT