

Metropolis Water Irrigation District

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

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

Dear Mr. Scott,

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

What has been accomplished?

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

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

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

RECREATION

Facility Emphasis and Design

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

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

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

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

Relocation of Recreational Facility

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

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

FINANCING

Project Costs

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

Table 1 Cost Summary

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

Table 2 Anticipated Source of Funding

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

* Local contribution

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

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

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

Operations and Maintenance of the Embankment Dam

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

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

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

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

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

Recreation Area Financial Stewardship

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

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

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

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

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

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

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

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

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

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

CONCLUSIONS

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

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

Sincerely,

METROPOLIS WATER IRRIGATION DISTRICT



D. Vernon Dalton
Project Manager