



**NOTICE OF PUBLIC WORKSHOP**

**A public workshop is scheduled to be held at the following location and time:**

**STATE BOARD FOR FINANCING WATER PROJECTS**

**April 11, 2018**

**1:30 PM to 4:00 PM**

**To be held at:**

<p><b>The Bryan Building          901 S. Stewart Street          Carson City, Nevada 89701          2<sup>nd</sup> Floor Tahoe Hearing Room</b></p>	<p><b>Video conference at:          2030 E. Flamingo Rd., Suite 230          Las Vegas, Nevada 89119          Red Rock Conference Room</b></p>
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NOTICE IS HEREBY GIVEN that the Nevada Division of Environmental Protection (NDEP) will hold a public workshop to provide an opportunity for comment on proposed changes to the following Board for Financing Water Projects (Board) Policies related to the Capital Improvements Grant Program:

- Fiscal Sustainability Plan  
 It is the Board’s perspective that every utility should be aware of its infrastructure and have a plan to replace aging capital assets. A fiscal sustainability plan (FSP) will help systems prepare for emergencies by encouraging them to identify those assets that are critical for a fully functional system. A FSP should help the grantee maintain an acceptable level of service at the lowest life cycle cost. Assistance can be provided through NDEP to prepare a FSP at no charge to the grantee.
- Capital Replacement Reserves  
 It is the Board’s perspective that every utility should set-aside funds each year to renew and replace its water infrastructure. This process is necessary because a utility that is severely damaged may require a large reinvestment in the system to remain operational or to make up for postponed improvements. The proposed changes to this policy align the Capital Improvement Grants Program with other infrastructure funding authorities without compromising the Board’s perspective.
- Reasonable Water Rates  
 It is the Board’s perspective that every utility should charge a rate that ensures their financial strength, solvency, and sustainability. NDEP and the Board evaluate water rates and charges in communities receiving Capital Improvement Grants Program funds. The Board and NDEP recognize that each system and community have their own unique needs depending on a multitude of circumstances. The proposed

changes to this policy evaluates each system independently without compromising the Board's perspective.

- Construction, Engineering & Contingency

It is the Board's intent to provide guidance to grant applicants on estimating engineering design, construction, construction engineering and construction contingency in a grant application and to establish a policy for moving funds between categories after the project has started. The proposed changes move to adopt the Rural Utilities Services Bulletin 1780-2, a format that the United States Department of Agriculture, Environmental Protection Agency, Housing and Urban Development, and Indian Health Services adopted in April 2013.

The notice and the proposed 2018 Board Policy changes may be viewed on the following websites:

- Nevada Public Notice Website - <https://notice.nv.gov/>
- The Nevada Division of Environmental Protection's public notice website - <https://ndep.nv.gov/posts>
- Materials for the workshop may be obtained at: <https://ndep.nv.gov/water/financing-infrastructure/board-for-financing-water-projects/regulations-board-policies> or by Contacting: Michelle Stamates – [mstamate@ndep.nv.gov](mailto:mstamate@ndep.nv.gov) or (775) 687-9331.

Members of the public may make oral comments at this workshop, if attending in person. Anyone wishing to submit written comments or documents should submit the material by 5:00 pm on April 10, 2018. Send correspondence to the following address:

Jason Cooper  
Nevada Division of Environmental Protection  
Office of Financial Assistance  
901 S. Stewart St., STE 4001  
Carson City, NV 89701-5405

Comments may be submitted by FAX to (775) 687-9510. Questions or comments regarding this notice or the workshop items may also be directed to:

- Jason Cooper – [j.cooper@ndep.nv.gov](mailto:j.cooper@ndep.nv.gov) / (775) 687-9531 or
- Michelle Stamates – [mstamate@ndep.nv.gov](mailto:mstamate@ndep.nv.gov) / (775) 687-9331

Reasonable accommodation will be made for members of the public who are disabled and wish to attend the workshop. If special arrangements are necessary, please notify the Office of Financial Assistance at (775) 687-9436, at least 24 hours prior to the date of the workshop.

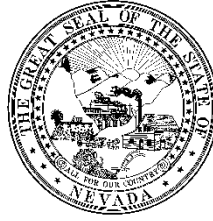
A copy of this notice and the proposed 2018 Board Policy changes are available for review and/or may be copied during normal business hours at the Division of Environmental Protection Offices, 901 S. Stewart St., STE 4001, Carson City, Nevada. These draft policies may also be viewed as attachments to the public notice available on NDEP's News and Public Notices website at <https://ndep.nv.gov/posts> .

Copies of this notice have also been posted at the following locations:

- Department of Conservation and Natural Resources, 901 S. Stewart St., Carson City
- State Legislative Building, 401 S. Carson Street, Carson City
- Nevada State Library and Archives, 100 Stewart Street, Carson City
- Division of Water Resources Office, 1250 Lamoille Highway, Suite 1047, Elko
- Division of Environmental Protection Las Vegas Office, 2030 E. Flamingo Rd, STE 230

Brian Sandoval  
Governor

STATE OF NEVADA



Jason B. Cooper, EA, CGFM  
Program Manager DWSRF

Katie Armstrong  
Senior Deputy Attorney General

Board Members:  
Bruce Scott, *Chairman*  
Andrew Belanger, *Vice Chairman*  
Lori Williams  
Mike Workman  
Carl Ruschmeyer

Non-Voting Member:  
My-Linh Nguyen

**WORKSHOP OF THE  
STATE BOARD FOR FINANCING WATER PROJECTS**

**April 11, 2018  
1:30 PM to 4:00 PM**

**To be held at:  
The Bryan Building  
901 S. Stewart Street – 2<sup>nd</sup> Floor Tahoe Hearing Room  
Carson City, Nevada 89701**

**And video conference at:  
2030 E. Flamingo Rd., Suite 230  
Las Vegas, Nevada 89119  
Red Rock Conference Room**

For information, call Jason Cooper – Manager, Drinking Water SRF Program: (775) 687-9531 or  
Michelle Stamates, P.E.: (775) 687-9331

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**AGENDA**

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**The purpose of the public workshops is to receive comments from all interested parties regarding the information listed on this agenda. No action will be taken by the Board for Financing Water Projects at the public workshops on proposed changes to the policies. The workshops are informational only and in preparation for action that will be taken by the Board for Financing Water Projects at the next meeting. The following items may be taken out of order and/or items may be combined for discussion.**

- A. CALL TO ORDER AND INTRODUCTIONS (**For Discussion**)
  - 1. PUBLIC COMMENT
- B. PRESENTATION AND DISCUSSION OF POLICY REVIEW AND FISCAL SUSTAINABILITY PLAN (**For Discussion**)
  - 1. Question and answer period on fiscal sustainability plan
  - 2. Public comment for fiscal sustainability plan
- C. PRESENTATION AND DISCUSSION OF CAPITAL REPLACEMENT RESERVES (**For Discussion**)
  - 1. Question and answer period on capital replacement reserves

2. Public comment for capital replacement reserves
- D. **PRESENTATION AND DISCUSSION OF REASONABLE WATER RATES (For Discussion)**
  1. Question and answer period on reasonable water rates
  2. Public comment for reasonable water rates
- E. **PRESENTATION AND DISCUSSION OF CONSTRUCTION, ENGINEERING AND CONTINGENCY (For Discussion)**
  1. Question and answer period on construction, engineering and contingency
  2. Public comment for construction, engineering, and contingency
- F. **BOARD COMMENTS (For Discussion)**
- G. **PUBLIC COMMENTS (For Discussion)**
- H. **ADJOURN BOARD FOR FINANCING WATER PROJECTS PUBLIC WORKSHOP**

This workshop will **not** be broadcast over the Internet.

Note: The Board for Financing Water Projects was created by NRS 349.957. Under NRS 445A.265, the Board is charged with approving the priority of projects applying for grant assistance and the review and approval of loans to water systems applying for assistance from the Drinking Water State Revolving Fund. Under NRS 349.982, the Board is charged with the administration of the programs that provide grants for capital improvements to publicly owned water systems, grants for improvements to conserve water and grants for Technical Support for Water Rights.

Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify, in writing, the Nevada Board for Financing Water Projects, in care of Jason Cooper, 901 South Stewart Street, Suite 4001, Carson City, Nevada 89701-5249, or by calling (775) 687-9531, no later than 5:00 p.m. on March 1, 2018.

**Address Questions to:**

Jason Cooper, Manager - Drinking Water SRF Program  
Division of Environmental Protection  
Office of Financial Assistance  
901 South Stewart Street, Suite 4001  
Carson City, Nevada 89701-5249  
Phone: (775) 687-9531  
Fax: (775) 687-9510  
Email: j.cooper@ndep.nv.gov

Michelle Stamates, P.E.  
Division of Environmental Protection  
Office of Financial Assistance  
901 South Stewart Street, Suite 4001  
Carson City, Nevada 89701-5249  
Phone: (775) 697-9331  
Fax: (775) 687-9510  
Email: mstamate@ndep.nv.gov

Notice of this meeting was posted at the Nevada Public Notice Website - <https://notice.nv.gov/>; The Nevada Division of Environmental Protection's public notice website - <https://ndep.nv.gov/posts>; Department of Conservation and Natural Resources, 901 South Stewart Street, Carson City; State Legislative Building, 401 S. Carson Street, Carson City; Nevada State Library and Archives, 100 Stewart Street, Carson City; Nevada Division of Environmental Protection, 2030 E. Flamingo Rd. Ste 230, Las Vegas.

Supporting materials for all agenda items can be viewed at: Department of Conservation and Natural Resources, 901 South Stewart Street, Suite 4001, Carson City Contact: Michelle Stamates – [mstamate@ndep.nv.gov](mailto:mstamate@ndep.nv.gov) or (775) 687-9331.

BOARD FOR FINANCING WATER PROJECTS  POLICY	EFFECTIVE DATE  DRAFT	PAGE  Page 1 of 2
SUBJECT: FISCAL SUSTAINABILITY PLAN REQUIRED FOR GRANTEES		

### Statement of Policy:

To comply with NRS 349, it is the policy of the Board for Financing Water Projects to establish fiscal sustainability guidelines for water systems that receive funding from this program.

### Purpose:

It is the Board's perspective that every utility should be aware of its infrastructure and have a plan to replace aging capital assets. A fiscal sustainability plan (FSP) will help systems prepare for emergencies by encouraging them to identify those assets that are critical for a fully functional system. A FSP should help the grantee maintain an acceptable level of service at the lowest life cycle cost. Assistance can be provided through the Division of Environmental Protection (Division) to prepare a FSP at no charge to the grantee.

The State does not consider a system "viable" or a project "financially feasible" if it is financially unable or unwilling to support the system's future. As a result, grants awarded to a community include the condition that the utility will prepare and maintain a FSP.

### Policy:

- If a grantee has a FSP, then the grantee must certify, in writing, that a FSP has been developed and will be in effect before the grant closes. Staff may request to review the grantee's FSP—normally as part of the application. The FSP must be current to be accepted.
- If a grantee does *not* have a FSP when requesting a grant, staff will add a condition to the funding agreement that: a FSP must be developed and implemented prior to the final grant disbursement.
- FSPs must include:
  - an inventory of large system assets and short-lived assets;
  - a determination of which assets are critical to system operation (e.g., assets that lack backups such as a system with a single supply source or assets that would have a high cost impact if they were to fail);
  - an evaluation of the condition and performance of inventoried assets or asset groupings;

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SUBJECT: FISCAL SUSTAINABILITY PLAN REQUIRED FOR GRANTEES		

- documentation on the projected lifespan of the assets;
- a procedure for maintaining, repairing, and, as necessary, replacing the system and a strategy for funding such activities;
- a certification that the grantee has evaluated and will implement water and energy conservation efforts as part of the plan and projects, and that it has selected, to the maximum extent practicable, water and energy efficient approaches to repair or replace assets.
- FSPs should be treated as “living documents” that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. The Board will consider a FSP current if it has been reviewed within the previous five years.
- The system should be broken down into logical sections using best professional judgment. For a rehabilitation or replacement project, for example, it may be appropriate to segment a large system into areas or zones and create a FSP for a single affected area only. On the other hand, a small system may create a plan that covers the entire system. The Division will review requests to break down systems into logical sections on a case-by-case basis.

BOARD FOR FINANCING WATER PROJECTS  POLICY	REVISION DATE  <b>DRAFT</b>	PAGE  Page 1 of 2
SUBJECT: CAPITAL REPLACEMENT RESERVE FUNDS		

**Statement of Policy:**

To comply with NRS 349, it is the policy of the Board for Financing Water Projects (Board) to establish guidelines for capital replacement funds.

**Purpose:**

It is the Board’s perspective that every utility should set-aside funds each year to renew and replace its water infrastructure. This process is necessary because a utility that is severely damaged may require a large reinvestment in the system to remain operational or to make up for postponed improvements.

The State does not consider a system “viable” or a project “financially feasible” if it is financially unable or unwilling to support the system’s future. Therefore, the Board requires all grant-recipients to budget for system renewal.

**Board Policy:**

- The Board expects all grant-recipients to contribute annually to a reserve account that holds funds for capital replacement. The Division of Environmental Protection (Division) calculates this yearly investment based upon the system’s short-lived assets (15 years or less) amortized on a straight-line basis. Short-lived assets may include pumps, meters, and data collection equipment like telemetry, alarms, and SCADA units.
- Each utility must list its short-lived assets in a fiscal sustainability plan (FSP) that is updated and reviewed at least every five years.
- Utilities may only use funds in the account for capital improvements. Importantly, these improvements are not restricted to the system’s short lived assets. There are several expenses that qualify as capital expenditures: 1) bringing a new facility into service, 2) planning or designing a new facility that will enhance the existing system, and 3) extending the life or enhancing the value of an asset with better quality materials or system upgrades.



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SUBJECT: CAPITAL REPLACEMENT RESERVE FUNDS		

- Utilities cannot use these funds for “inventory” items or for “maintenance” or “operation” expenses. For example, utilities cannot use the funds for minor incidentals like repair clamps, small tools, service contracts, inventory parts and fittings, spare lengths of pipe for repairs, or maintenance supplies like paint, grease, and other similar day-to-day supplies.
- Utilities cannot use the funds to expand their system; They may not finance the installation of new services or the extension of main lines to serve new areas or customers.
- Utilities must clearly identify their annual contribution to this fund—along with the fund balance—on their financial statements.
- The required capital reserve schedule—established at the completion of a project—will become a binding condition of the grant. Utilities must notify the Division, in writing, when they make a withdrawal from the reserve fund for a capital improvement and must include the amount and nature of the expenditure.
- This policy on capital replacement reserves will affect grant recipients beginning on the date it is approved by the Board and will not be imposed retroactively; however, a grant-recipient may request a change from the previously issued Board policies on depreciation to this policy. The Board will consider requests to comply with a specific policy on a case-by-case basis.

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<p>SUBJECT: REASONABLE WATER RATES</p>		

**STATEMENT OF POLICY:**

It is the policy of the Board for Financing Water Projects (Board) to define reasonable water rates and charges and to require grantees to establish reasonable rates as a condition of receiving a grant.

**PURPOSE:**

It is the Board’s perspective that every utility should charge a rate that ensures their financial strength, solvency, and sustainability. The Capital Improvements Grant Program is funded by the sale of state bonds which are financed by property taxes throughout the State. The Board has an obligation to see that grant recipients are contributing a reasonable amount toward water rates before the State awards any grant funds.

The Division of Environmental Protection (Division) and the Board evaluate water rates and charges in communities receiving Capital Improvement Grants Program funds. The Board and the Division recognize that each system and community have their own unique needs depending on a multitude of circumstances. As a result, it is impractical to apply a single, inflexible rate to all utilities. Ultimately the Board’s goal is to make sure 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.

Grants awarded to a community include a condition that the utility will charge and maintain a reasonable water rate. The State does not consider a system viable or a project financially feasible if it is financially unable or unwilling to support its own future.

The Division uses a simplified procedure to evaluate rates (described below). This procedure should not be confused with accounting relationships or audit procedures and terms which are governed by generally accepted accounting practices, etc. A good system of accounts in a utility will help its managers and directors visualize how various activities contribute to the total cost of running the system.

After evaluating a utility’s water rates and charges as a condition for receiving a State grant, the Board may require a utility to make financial changes which will enhance the viability of the utility.

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SUBJECT: REASONABLE WATER RATES		

BOARD POLICY:

- The Division must determine if a grant applicant is charging a reasonable rate before the Board can award a grant. The Board may not approve grant funding if the water rates and charges do not meet this policy.
- A rate will not be considered reasonable if the applicant’s governing board has not conducted a rate assessment within the last three (3) years.
- Financial statements prepared for the Division must clearly separate the revenue and expenditure of *the utility* from other activities of *the applicant*.
- Unless there are exceptional circumstances, a “reasonable rate” is defined as the amount a water connection is charged to finance a system’s:
  - Operations and Maintenance
    - Salaries and benefits
      - Examples include (but not limited to): testing, shop inventory, security, office staff duties, and labor for required system maintenance.
    - Materials
      - Examples include (but not limited to): chemicals, small tools, equipment, and repair supplies.
    - Utilities
      - Examples include (but not limited to): power, gas, and oil.
    - Administration
      - Examples include (but not limited to): accounting, billing, payroll, board meetings, travel, training, and service contracts.
    - Regulatory
      - Examples include (but not limited to): fees, assessments and permits.
    - System Specific
      - Any other expenses that the individual utility needs to maintain their specific system for the health and safety of the public and the environment (e.g., emergency reserve fund).
    - New expenses of project
      - The anticipated annual costs of operating and maintaining the infrastructure placed in service by the proposed project.

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SUBJECT: REASONABLE WATER RATES		

- Debt Service
  - An amount needed to cover annual principal and interest payments on any *currently* outstanding loans or bonds of the system.
  - An amount needed to cover annual principal and interest payments on the *future* debt requirements of the proposed project.
  - Any reserve requirements for debt service as mandated by any lender.
- Capital Replacement Reserve
  - An amount as determined by the Board's capital replacement reserve fund.
  - Any reserve requirements for asset replacement as mandated by any lender, referendum, or other governing requirements.

The Board may determine that higher or lower rates are reasonable. The Board may also consider other factors (e.g., property tax rates) impacting the financial strength of the community when determining a reasonable rate.

BOARD FOR FINANCING WATER PROJECTS  POLICY	EFFECTIVE DATE  <b>DRAFT</b>	PAGE  Page 1 of 2
SUBJECT: CONSTRUCTION, ENGINEERING AND CONTINGENCY		

**STATEMENT OF POLICY:**

It is the policy of the Board for Financing Water Projects (Board) to establish guidelines when funding engineering design, construction, construction engineering and construction contingency to make sure grant requests take all routine and incidental costs into consideration.

**PURPOSE:**

To provide guidance to grant applicants on estimating engineering design, construction, construction engineering and construction contingency in a grant application and to establish a policy for moving funds between categories after the project has started.

**BOARD POLICY:**

1. All grant requests must describe the estimated cost of a project in detail. In the case of construction grants, the preliminary engineering report (PER) should review all project elements listed below and estimate the cost of every element that is relevant to the specific project. The PER should be formatted according to Rural Utilities Services Bulletin 1780-2, a format that the United States Department of Agriculture, Environmental Protection Agency, Housing and Urban Development, and Indian Health Services adopted in April 2013.

The grant applicant must clearly describe the cost of engineering design, construction, and construction engineering. Importantly, engineering design needs to include all project elements necessary to begin construction. If design discrepancies are found or changes in scope are needed after the PER is complete, the applicant must give the Division of Environmental Protection (Division) the updated cost information and a justification for the change before any construction begins.

Estimates for engineering design, construction, construction engineering and construction contingency should follow these guidelines:

- Engineering design may include activities like the preparation of the grant application, a pre-construction engineering design, geotechnical investigations, surveying, mapping, laboratory analyses, permits, classified advertisements, and bid openings.
  - Other pre-construction costs may include easements, rights-of-way, attorney fees, land acquisition, and administrative fees.

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<p>SUBJECT: CONSTRUCTION, ENGINEERING AND CONTINGENCY</p>		

- Construction costs may include building materials and labor associated with the project. Other typical construction costs include construction staking, construction permitting fees, traffic control, roadway patching/paving, utility locating, and site restoration/revegetation.
  - Construction engineering may include construction inspections, engineering project oversight, testing, survey control, etc. A grantee may request to include a percentage for unforeseen construction engineering expenses, but the request must be justified. Construction engineering may also include costs associated with state or federal requirements (e.g., certified payrolls and material certifications).
  - Contingency generally applies to construction. Contingency should be estimated based on a percentage of the total construction cost. This will vary with the complexity of the construction project. Contingency should only be used for unforeseen changes to design requirements or unexpected increases in material costs.
2. Grantees must evaluate the proposed project using a life-cycle cost analysis to prove it was the most economically feasible option for the utility. A life-cycle cost analysis considers the net cost of constructing the project and operating the new equipment, including maintenance and repair. It also considers non-monetary factors like operator training time, permit issues, community objections, and environmental impacts.
  3. The Division has the authority to move funds between categories based on professional judgment and a complete justification provided by the grantee. Should the Division feel that an engineering change is not in line with the originally approved project, they may refer the requested action to the Board.