

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

Summary Minutes

Tuesday, January 27, 2015

9:30 AM

**901 S. Stewart St., 2nd Floor Tahoe Room
Carson City, NV 89701**

Members Present:

Bruce Scott, Chairman
Andrew Belanger, Vice-Chairman
Lori Williams
Mike Workman
Jennifer Carr, Ex-officio Member

Staff Attending:

Katie Armstrong, DAG
Daralyn Dobson
Michelle Stamates
Dave Gaskin
Adele Basham
Jason Cooper
Kathy Rebert
Marcy McDermott

A. INTRODUCTION AND ROLL CALL (Non Action)

Chairman Scott opened the meeting and invited Board members and others present to introduce themselves.

B. APPROVAL OF MINUTES - September 9, 2014 MEETING (For Possible Action)

Motion: Mr. Workman moved to accept the minutes as written and the motion was seconded by Mr. Belanger. The minutes were approved by majority, with Lori Williams abstaining since she was not in attendance at the last Board meeting.

C. DRINKING WATER STATE REVOLVING FUND PROGRAM

1. Financial Status Update for the Drinking Water State Revolving Fund

Ms. Dobson provided the Board with information relating to the financial status of the program. The first item she spoke about was the Capital Improvements Grant Program (aka AB198). The bond sales and CIP will be presented to the Legislature for approval. Included in that is \$1,000,000 in AB198 funds which may be approved. If approved, the earliest the funding would be available is in the fall of 2015.

Ms. Dobson went on to state that the SRF fund has \$58,000,000 available through June 2016. There is approximately \$33,000,000 in potential obligations by summer (2015).

2. Discussion and Possible Approval of Loan Commitments

Ms. Stamates presented project descriptions and staff recommendations for each of the loan applications on the agenda. Office of Financial Assistance staff reports for all of the applications are attached to these minutes (ATTACHMENTS 1-5).

a. Carson City - Change of Scope (For Possible Action)

Carson City is requesting the reallocation of \$2,000,000 of their \$6,000,000 loan for additional phases related to the North Douglas County Regional Water Project. Specifically, these funds will be used for the Phase 2A-2 East/West transmission line.

Mr. David Bruketta, Public Works Utility Manager, and Mr. Danny Rotter, Public Works Engineering Manager, for Carson City were in attendance to answer any questions or provide additional information to the Board. Mr. Belanger asked why funds are being reallocated instead of providing additional funding. Mr. Bruketta answered that Carson City will be looking for additional funding in the future; however, they looked at everything on a priority basis and decided that, due to the drought, priority was to get the water to the west side of the City for future blending at the Quill Treatment Plant.

Motion: Ms. Williams moved the Board approve Resolution designated the “1-2015 Carson City Public Works Water System Project Loan Commitment Resolution” for the reallocation of \$2,000,000 to the Phase 2A-2 portion of the project. The motion was seconded by Mr. Workman and passed by majority, with Chairman Scott abstaining.

b. West Wendover revised Loan Commitment (For Possible Action)

The original loan of \$746,435, combined with matching funding from USDA-RD, was to provide funding for three sub-projects within the City. Two of the sub-projects - 1) converting the existing Montego Bay storage tank to the primary source of water for its pressure zone by providing a dedicated line from a higher pressure zone to fill the tank and 2) replacing the oldest line in the distribution system - an 8-inch steel pipeline - with PVC pipe were successfully bid, awarded, and are now either under construction or substantially complete.

The third sub-project - the Wendover Boulevard AC Pipeline Replacement Project (ACPRP) - bid was rejected because the lowest bid was much higher than the engineer’s estimate. After an evaluation, it was determined several factors likely contributed to the higher than expected bids:

- season and scheduling (good weather needed for re-paving activities),
- price escalation due to the time it took to design and permit the sub-projects,
- valve costs - a different 12-inch (and larger) valve type was shown on the design drawings vs the original engineer’s estimate, and
- the length of the new line was substantially more than that in the estimate

Based on an updated engineering estimate, it is expected the project can be successfully re-bid and completed with \$380,000 in additional funding. This would bring the total DWSRF loan commitment to \$1,126,435, all being principal forgiveness. All USDA loan funds will be expended before the additional DWSRF funds are used.

Mr. Bryce Kimber, Public Works Director, City of West Wendover, and Mr. Craig Neeley, AQUA Engineering, were in attendance to address the Board and answer any questions. Responding to the questions from Mr. Workman, Mr. Neeley answered that the additional pipeline was verified and explained that originally the idea was to go through a parking lot; however, it was later decided to go around the congested area, increasing the additional pipeline footage.

There was a discussion about the type valves to be used, and Ms. Jennifer Carr, Chief, Bureau of Safe Drinking Water, offered the assistance of her engineering staff to review and approve the plans prior to construction.

Motion: Mr. Belanger moved to approve a Resolution designated the “01-2015 City of West Wendover Project Loan Commitment Resolution to add an additional \$380,000 of principal forgiveness loan to the existing commitment to cover the additional costs of the project. The motion was seconded by Ms. Williams and was approved unanimously.

c. Verdi Business Park revised Loan Commitment **(For Possible Action)**

A project, previously funded by the Board, to annex and connect 16 parcels to the Truckee Meadows Water Authority (TMWA) water system became more difficult than originally planned. Construction, legal expenses, and administrative costs increased by \$146,500. Contributing factors in increased construction costs included obstruction by (previously unknown) 12-inch thick concrete pavement sections and additional fill of a roundabout that had not been documented. The project involved three separate construction sites and numerous change orders to deal with the different sites and site conditions. Issues such as PUC consent for the transfer to TMWA and filing briefs as well as agreements and modifications of those agreements between TMWA and the Verdi Business Park regarding the transfer of assets and an interim operating agreement created additional legal and administrative costs.

Mr. John Collins, contract General Manager for Verdi Business Park, spoke briefly and informed the Board the project is completed and is now operated by TMWA under an interim operating agreement pending final project payments to close the DWSRF loan.

Motion: Ms. Williams moved to approve a Resolution designated the “01-2015 the Verdi Business Park Water Cooperative Project Loan Commitment Resolution” to add an additional \$146,500 of principal forgiveness loan to the existing commitments to cover the additional costs of the project. The motion was seconded by Mr. Workman and was approved unanimously.

d. Silver Knolls Mutual Water Company revised Loan Commitment **(For Possible Action)**

Chairman Scott announced he would not be participating in this agenda item because his firm had been involved in this project. He moved to the audience, and the meeting was turned over to Mr. Belanger.

This is a request to provide additional funds in the amount of \$163,500 for completion of the original project for which a \$336,500 principal forgiveness loan was granted. The project is presently on hold due to a funding shortfall.

There were numerous factors creating the shortfall situation. At the time the Preliminary Engineering Report was prepared, a much simpler and straight-forward design and construction project was anticipated. The age and condition of the existing facilities and the challenge of a major remodel resulted in a significant cost increase over what was originally budgeted. In addition to design and construction cost increases, the annual operations and maintenance estimated costs more than doubled.

Ms. Tina Pope, Chairman of the Silver Knolls Homeowners Association, and Mr. Jeff Sharp with Resource Concepts, Inc. were in attendance to answer any questions the Board may have had. Mr. Sharp, in response to a question from Mr. Workman, stated that the new water rates will cover the operation, maintenance, and depreciation costs.

Motion: Mr. Workman moved to approve a Resolution designated “01-2015 Silver Knolls Water System Project Loan Commitment Resolution” to increase by \$163,500 the original loan amount of \$336,500 (this would be a total principal forgiveness loan amount of \$500,000) with the provision

that the amount of the project over \$500,000 be paid by Silver Knolls. The motion was seconded by Ms. Williams and was approved by majority, with Mr. Scott abstaining.

Chairman Scott returned to the Board for the next agenda item.

e. Goldfield Loan Commitment (For Possible Action)

As a result of recommendations in a June 2014 PER Preliminary Engineering Report and due to the overall costs of necessary improvements, Goldfield plans a two-phased approach to implementing their source and transmission system replacement/rehabilitation project. This request is for partial funding of Phase I of the proposed project which includes replacement of Booster Pump Station 1, rehabilitation of and improvements to Klondike Well #1, and improvements to Klondike Well #2.

The Town of Goldfield is seeking joint funding from the DWSRF and CDBG.

Mr. Mike Anderson, Esmeralda Public Works/Goldfield Utilities, Ms. Susan Dudley, Project Coordinator, and Mr. Steve Brigman from Shaw Engineering were in attendance to answer questions for the Board. Mr. Anderson and Ms. Dudley spoke briefly about the project.

Motion: Mr. Belanger moved to adopt a resolution designated the "01-2015 Esmeralda County Goldfield Project Loan Commitment Resolution" to approve a loan commitment in the amount of \$500,000 for financing certain projects and that the loan be principal forgiveness. The motion was seconded by Ms. Williams and passed unanimously.

D. BOARD COMMENTS - (Non Action)

Ms. Carr spoke to the Board about Unliquidated Obligations (ULOs) and the importance of moving funding and not having it sitting unspent. The national consensus is that if Congress sees money just sitting, the assumption may be made that no more is needed. She made the statement that as a Board, approving funding to projects that are going to draw the funds in a timely manner is important.

Ms. Dobson commented that the SRF will remind loan recipients to get their draw requests in as soon as possible so the money is not committed for a project and then just sits, unspent.

Chairman Scott asked Ms. Stamates to share what may need to have the Board's attention in the next six months. Both Ms. Stamates and Ms. Dobson shared potential projects which may be coming before the Board in the near future.

E. PUBLIC COMMENTS - (Non Action)

None.

F. ADJOURNMENT

There being no other business, the Board meeting adjourned at 11:08 AM.

ATTACHMENTS

- ATTACHMENT 1: Carson City - Change of Scope
- ATTACHMENT 2: West Wendover revised Loan Commitment
- ATTACHMENT 3: Verdi Business Park revised Loan Commitment
- ATTACHMENT 4: Silver Knolls Mutual Water District revised Loan Commitment
- ATTACHMENT 5: Esmeralda County/Goldfield Loan Commitment

ATTACHMENT 1

CARSON CITY - CHANGE OF SCOPE

**Carson City Public Works Water System
Project Change of Scope**

**Board for Financing Water Projects Summary
Drinking Water State Revolving Fund
January 2015**

Applicant: Carson City
Project: Water System Improvements – Project Change of Scope
Total Loan: \$6,000,000

GENERAL

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 requirements and to further the public health objectives of the SDWA. The SDWA authorizes the US Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) 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, which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, the Operating Agreement with the EPA, and an assortment of policy directives and guidance from the EPA govern the DWSRF program.

One of the requirements of the NRS pertaining to the DWSRF is that the Division 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, subsection 3).

BACKGROUND

Carson City entered into interlocal agreements with Douglas County, Indian Hills General Improvement District, and the Town of Minden to implement the North Douglas County Regional Water Project. The regional water system interconnects the Minden, North Douglas County, Indian Hills General Improvement District, Carson City, and Lyon County (Dayton) water systems. As a part of the arsenic and uranium mitigation plan, water from the Town of Minden is piped through Douglas County to an intertie point at the south end of Carson City and then north and subsequently west through the City to ultimately blend with high uranium water from wells on the west side of town. DWSRF funds continue to be utilized to construct these future blending lines, booster pump stations, and storage within Carson City. The \$6,000,000 loan, approved by the Board for Financing Water Projects (Board) in February 2014, includes additional phases of the Regional Water Project – specifically sections of the East/West transmission line.

Carson City is requesting the reallocation of \$2,000,000 of this loan to fund an additional phase of the Regional Water Project – the Phase 2A-2 East/West transmission line. Phase 2A-2 will add a new section of transmission line from the terminus of phase 2A-1 (East Washington Street and North Roop Street) to the intersection of West Washington Street and North Phillips Street. Carson City proposes

taking \$2,000,000 from the Waterline Replacement/Rehabilitation Program. This priority has been elevated due to the continuation of the drought conditions in Nevada. The projects on the Waterline Replacement/Rehabilitation Program will be scaled back in order to fund the higher priority need of getting the water closer to the Quill Treatment Plant.

Changes in Funding from Original Loan Request

Regional Water Project	Approved	Proposed	Difference
Douglas Costco Intertie	\$ 640,000	\$ 640,000	
East/West Phase 2A-1 & Small Booster Station	\$ 1,750,000	\$1,750,000	
East/West Phase 2A-2		\$2,000,000	\$2,000,000
Maintenance Capital			
Waterline Replacement/Rehabilitation	\$ 3,610,000	\$1,610,000	\$2,000,000

E-W Transmission Main Ph. 2A-2
Preliminary Cost Estimate
10/27/2014

Item Number	Description	Quantity	Unit	Unit Price	Total Price
1	MOBILIZATION, DEMOBILIZATION AND CLEANUP	1	LS	\$ 61,154.50	\$ 61,154.50
2	TRAFFIC CONTROL	1	LS	\$ 61,154.50	\$ 61,154.50
3	STORMWATER PROTECTION	1	LS	\$ 36,692.70	\$ 36,692.70
4	24" MAIN AND APURTANCES	1	LS	\$ 979,150.00	\$ 979,150.00
5	ASPHALT RESTORATION	1	LS	\$ 223,880.00	\$ 223,880.00
6	CONCRETE RESTORATION	1	LS	\$ 20,060.00	\$ 20,060.00
7	DESIGN/SURVEY/GEOTECH	1	LS	\$ 183,463.50	\$ 183,463.50
8	CM/PM	1	LS	\$ 122,309.00	\$ 122,309.00
9	TESTING	1	LS	\$ 48,923.60	\$ 48,923.60
10	PERMITTING	1	LS	\$ 18,346.35	\$ 18,346.35
11	20% CONTINGENCY	1	LS	\$ 244,618.00	\$ 244,618.00
	TOTAL				\$ 1,999,752.15

A number of alternatives were considered, and this alternative was chosen because it is along the most direct route between the western terminus of the Phase 2A-1 and the Quill treatment plant. The Carson City Public Works Engineering Division will be specifying all the standard components and materials that have been utilized on similar projects so that the production staff is familiar with the components and able to maintain the required inventory of replacement parts and materials for any necessary repairs. All work to be completed as part of this project will be performed on existing City owned property and existing City owned rights-of-way already dedicated for the purposes described within the application.

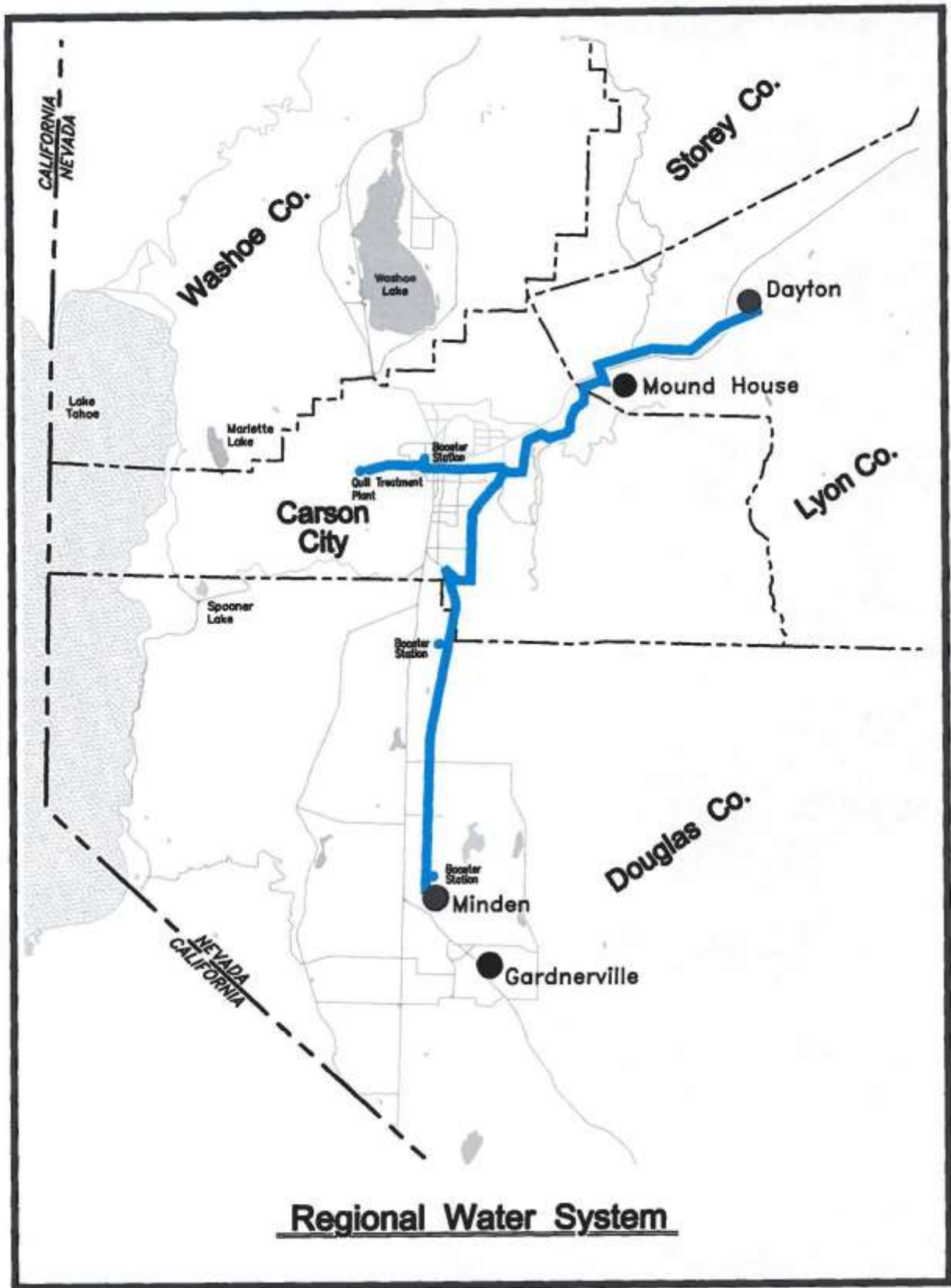
The regional waterline that lies within Carson City went through the environmental review process in 2010 and was determined to be eligible for a categorical exclusion because it was unlikely to have a negative effect on the quality of the environment. The project will have a beneficial effect by ensuring the customers receive water that is safe to drink. A cultural assessment has been completed for this phase of the project, and no direct or visual effects are expected as a result of this project. On January 8, 2015, the Carson City Historic Resource Commission approved the project.

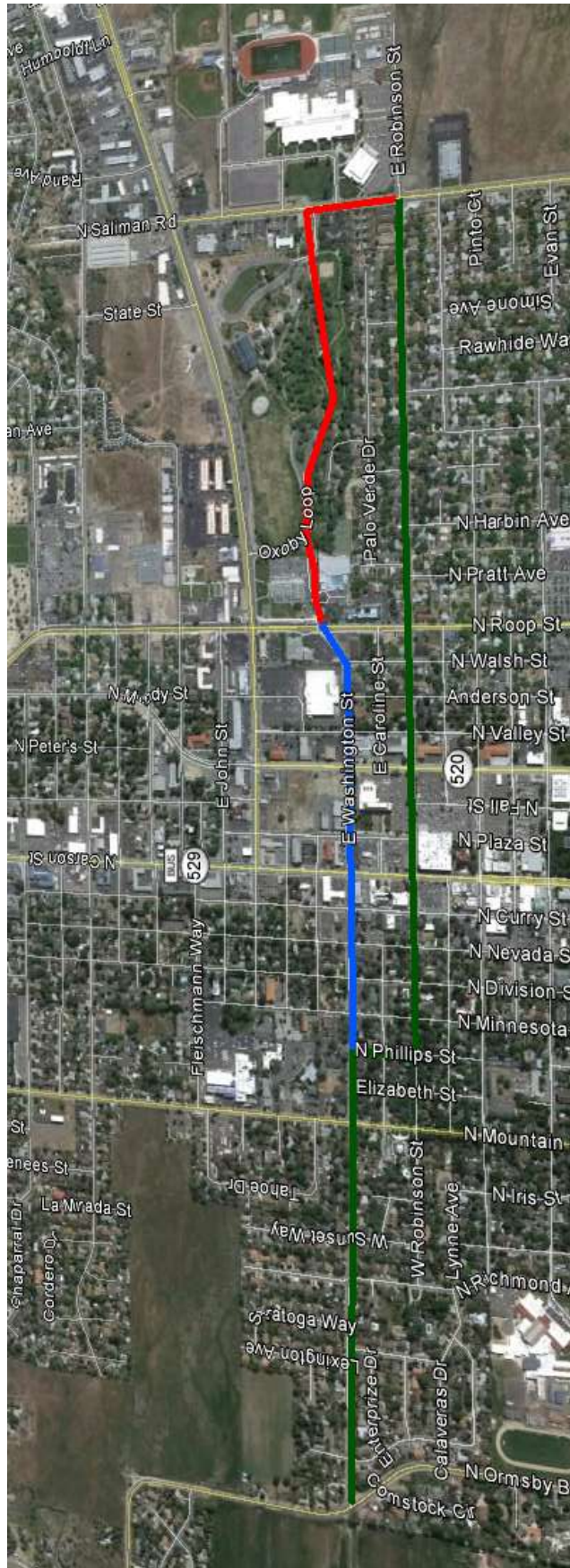
E-W Transmission Main Phase 2A-2
 Estimated Project Schedule
 10/27/2014

Project Phase	Estimated Start Date	Estimated End Date
Cultural Assessment	11/3/2014	11/14/2014
Review/Revise Cultural Assessment	11/17/2014	11/28/2014
HRC Meeting Prep	12/1/2014	1/7/2015
HRC Approval	1/8/2015	1/8/2015
Design/ Prepare Documents	1/12/2015	4/13/2015
Bid / Award	4/20/2015	6/18/2015
Construction*	7/6/2015	9/25/2015
Closeout	9/28/2015	10/29/2015

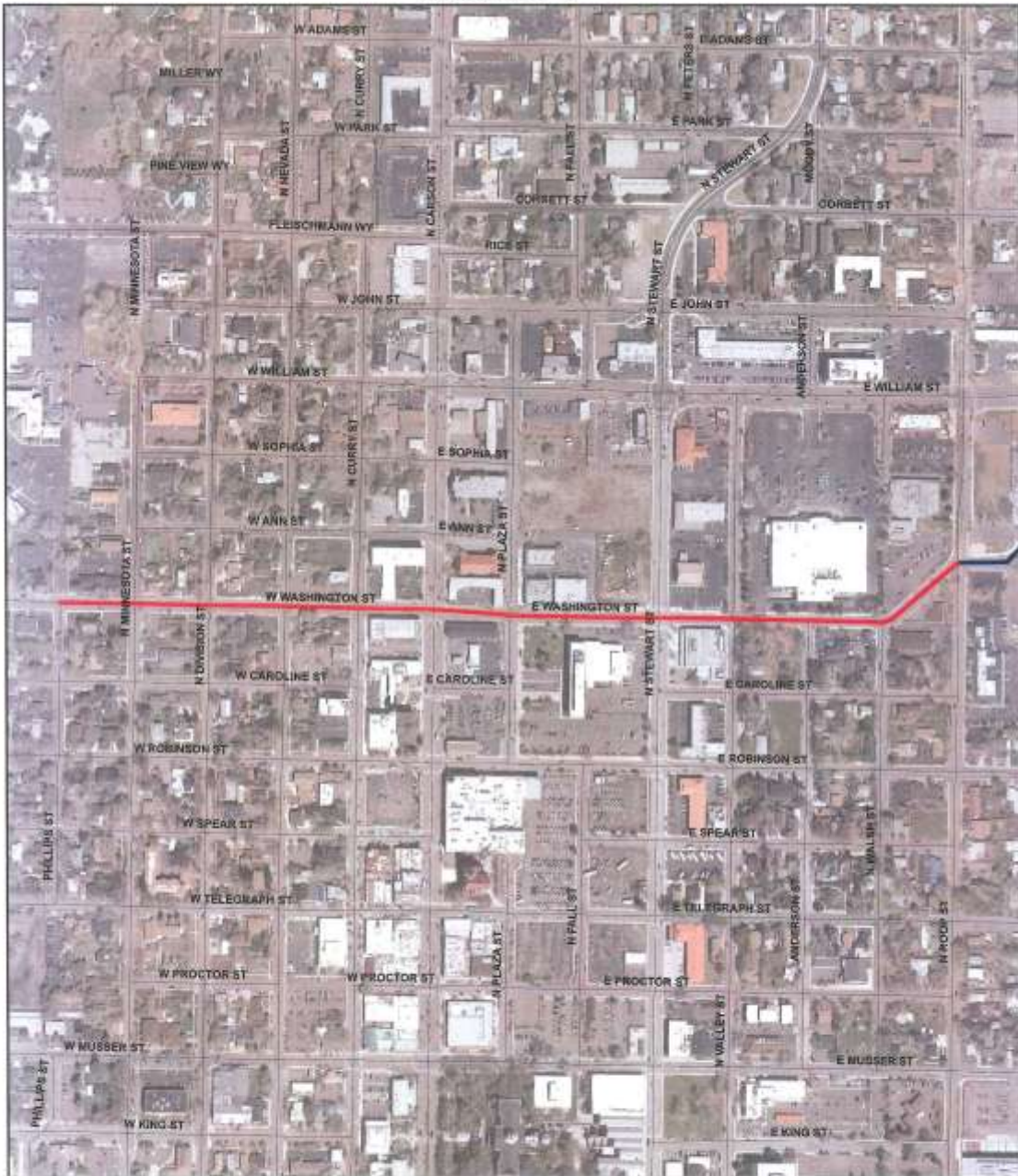
RECOMMENDATION

The Douglas-Costco Intertie project is now complete and the East/West 2A-1 project is currently in progress. NDEP recommends that Board for Financing Water Projects approve the requested change of scope.







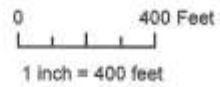
Attachment 1



E-W Water Transmission Main Project Phase 2A-2

Legend

-  E-W Ph. 2A-2
-  E-W Ph. 2A-1 (in progress)



RESOLUTION

A RESOLUTION DESIGNATED THE "1-2015 CARSON CITY PUBLIC WORKS WATER SYSTEM PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve the Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Division has the responsibility of administering the Drinking Water State Revolving Fund program; and

WHEREAS, on July 9, 2013 the Board, pursuant to NRS 445A.265, approved the 2014 Priority List of water projects eligible for loans from the account for the revolving fund under the Drinking Water State Revolving Fund; and

WHEREAS, Carson City Public Works owns and operates the public water system; and

WHEREAS, the Carson City Public Works submitted a pre-application to the Division for funding a project to make improvements to the water system, which is hereinafter referred to as the "Project"; and

WHEREAS, the Division ranked the Project as #7 on the Year 2014 Priority List of water projects, which was approved by the Board July 9, 2013; and

WHEREAS, the Carson City Public Works submitted to the Division a Letter of Intent to proceed with the Project; and

WHEREAS, the Carson City Public Works project is ready to proceed; and

WHEREAS, in connection with seeking a loan, the Applicant has submitted a written application (“Application”) pursuant to NAC 445A.67613 to the Division; and

WHEREAS, the Division has reviewed the Letter of Intent and the Application including supporting material thereof, and has determined that the Carson City Public Works Water System has the technical, managerial and financial capability to manage and repay a loan for the Project; and

WHEREAS, the Division has taken all necessary and proper actions with respect to the Application as required pursuant to the regulations adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive) pertaining to loan applications;

WHEREAS, In Resolution “2-2014 Carson City Public Works Water System Project Loan Commitment”, the Board approved a commitment of funds in an amount not to exceed \$6,000,000 from the account for the revolving fund in accordance with NRS 445A.265 for the “Project”; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “1-2015 Carson City Public Works Water System Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Applicant shall be negotiated between the Carson City Public Works and the Division.

Section 3. Based on the recommendation submitted by the Division to the Board concerning the Project, and subject to the provisions of Section 2 and 4 of this Resolution, the Board hereby approves a change of scope for this project allowing \$2,000,000 of the original \$6,000,000 loan funds to be applied to the amended Project.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

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

PASSED, ADOPTED AND SIGNED JANUARY 27, 2015

Chairman
Board for Financing Water Projects

Attest:

Advisor
Board for Financing Water Projects

ATTACHMENT 2

WEST WENDOVER REVISED LOAN COMMITMENT

**City of West Wendover
Revised Loan Commitment**

**Board for Financing Water Projects Summary
Drinking Water State Revolving Fund
January 2015**

Project: Water System Improvements/Rehabilitation
Previous SRF Loan Amount: \$746,435
Additional SRF Loan Amount: \$380,000

GENERAL

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 requirements and to further the public health objectives of the SDWA. The SDWA authorizes the US Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) 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, which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, the Operating Agreement with the EPA, and an assortment of policy directives and guidance from the EPA govern the DWSRF program.

One of the requirements of the NRS pertaining to the DWSRF is that the Division 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, subsection 3).

BACKGROUND

In April 2012, the Board for Financing Water Projects (Board) approved a principal forgiveness loan in the amount of \$746,435 to fund proposed water system improvements for the City of West Wendover. The DWSRF funding was matched with \$746,435 in USDA-RD loan to cover the total, estimated costs of the proposed improvements. The original combined DWSRF/USDA funding included three sub-projects:

- Convert the existing Montego Bay storage tank to the primary source of water for its pressure zone by providing a dedicated transmission line, installed along the north side of I-80, connecting an existing 12-inch main at Exit 410 to the Montego Bay tank. This sub-project eliminates the stagnant water issues the Montego Bay tank currently experiences along with the significant operation and maintenance efforts that have been necessary to refresh the tank for water quality purposes. The project also provides the benefit of eliminating the dead-end termination on the 12-inch main at Exit 410.

- Replace the oldest line in the distribution system – approximately 5,100 linear feet (LF) of remaining 8-inch steel pipeline – with PVC pipeline. Over 70 years old and now severely deteriorated and beyond its useful life, this line is the last active remnant of the waterline constructed by the military for the Wendover Auxiliary Air Field.
- Wendover Boulevard asbestos-cement (AC) pipeline replacement – approximately 1,000 LF of existing 16-inch AC pipeline will be replaced with 16-inch PVC pipeline and the existing PRV will be replaced to meet current City standards. Currently, each time a portion of the line is repaired, custom made parts and fittings are required. The existing PRV station in this section of town is 30-years old and was not originally constructed to standards.

All three sub-projects went out bid in July 2014. Two of these projects, the 8-inch Steel Pipeline Replacement (now substantially complete) and the Montego Bay Tank Supply Pipeline (currently under construction) were successfully awarded. Bids for the third project, the Wendover Boulevard AC Pipeline Replacement Project (ACPRP), had to be rejected because the lowest bid was much higher than the engineer's estimate upon which the DWSRF/USDA funding was originally based. After evaluating the bids and comparing them to the original engineer's estimate of probable costs, it was determined that the following factors likely contributed to the higher than expected bids for the ACPRP project:

- **Season and Schedule:** Potential bidders for the West Wendover projects that included pavement or pavement restoration were concerned about having enough good weather to finish the project. They were also concerned about being able to obtain hot-mix AC pavement late in the year. Given the location of the work in Wendover Boulevard, which is the busiest travel corridor in the city, this uncertainty had an impact on the pricing.
- **Price Escalation:** The PER, with initial cost estimates used to secure the joint DWSRF/USDA funding, was completed in early 2012. The economy improved during the time it took to design and permit the sub-projects and construction pricing increased accordingly. This was especially evident with the ACPRP, but even the budgets for the two sub-projects that were awarded were pushed to their contingency limits.
- **Valve Costs:** The engineer's opinion of probable costs anticipated the use of butterfly valves for mainline valves 12-inch and larger. The project plans and specifications mistakenly required gate valves for all valves 12-inch and larger. The difference in overall project cost between gate and butterfly valves in the 12-inch and larger category is approximately \$60,000.
- **Project Requirements:** The length of new line anticipated in the PER was 1,000 LF. Subsequent field work by the City showed that an additional 404 LF of 16-inch main and 371 LF of 12-inch main were required. This added at least \$130,000 to the cost of the project. It was decided to solicit bids for the project in the hopes that one contractor would be the low bidder on all three projects resulting in a lower combined cost.

Only two bids were received for the ACPRP as shown on the following tabulation:

Bidder	Totals	
	Base Bid	
Acha Construction		
Tabulated Bid	\$	532,568.01
Written Bid	\$	547,115.00
Error (Tabbed - Written)	\$	(14,546.99)
Remington Construction		
Tabulated Bid	\$	668,000.00
Written Bid	\$	668,000.00
Error (Tabbed - Written)	\$	-
Engineer's Estimate of Probable Cost		
Tabulated Bid	\$	255,300.00
Written Bid		N/A
Error (Tabbed - Written)		N/A

If the project is rebid in the first quarter of 2015 with an increase in the allotted contract time to ninety days, the project engineers believe it is reasonable to expect bids to come in below \$600,000. Adding \$35,000 for construction management, including full-time inspection required by USDA and DWSRF, the total estimated cost for the ACPRP sub-project would be \$635,000. The City is seeking additional funding in the form of principal forgiveness in the amount of \$380,000 to augment the original \$255,000 allocated for this project.

RECOMMENDATION

NDEP recommends that the Board for Financing Water Projects approve a resolution committing additional funds in the amount of \$380,000 and modifying the loan commitment of the DWSRF to \$1,126,435 to the City of West Wendover. Since the City is eligible for additional subsidy as specified in Nevada’s Intended Use Plan, 100% of the principal will be forgiven. The Division and the City of West Wendover will negotiate the terms and conditions of a loan agreement. A resolution modifying the loan commitment is attached.

Note that during the course of these projects, the original DWSRF funding was used first for both engineering and construction in order to minimize the interim loan amount and subsequent interest the City would incur for the project. In addition, the USDA was unable to contribute any funding to the 8-inch Steel Replacement Project. The USDA intends to finish expending their loan funds on the Montego Bay project (currently under construction) and the ACPRP project (after it is rebid and given notice to proceed). The City can then draw further funding from this additional DWSRF funding to cover the costs necessary to complete the ACPRP project. Any money not drawn from this additional DWSRF principal forgiveness loan will be returned to the fund for use by other projects that are ready to proceed.

RESOLUTION

A RESOLUTION DESIGNATED THE "01-2015 THE CITY OF WEST WENDOVER PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve for the Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Division has the responsibility of administering the Drinking Water State Revolving Fund program; and

WHEREAS, on September 9, 2014 the Board, pursuant to NRS 445A.265, approved the Year 2015 Priority List of water projects eligible for loans from the account for the revolving fund under the Drinking Water State Revolving Fund; and

WHEREAS, the City of West Wendover owns and operates a public water system located in West Wendover, Nevada; and

WHEREAS, the Division ranked the Project as #25 on the Year 2015 Priority List of water projects, which was approved by the Board on September 9, 2014; and

WHEREAS, the City of West Wendover's Project is one of those projects which indicated a readiness to proceed and to which a loan can and should be offered; and

WHEREAS, the Division has determined that the City of West Wendover has the technical, managerial and financial capability to manage and repay a loan for funding a portion of the Project; and

WHEREAS, the Division has taken all necessary and proper actions with respect to the Application as required pursuant to the regulations adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive) pertaining to loan applications; and

WHEREAS, on April 17, 2012, in the “04-2012 City of West Wendover Project Loan Commitment Resolution,” the Board approved a commitment of funds in the amount not to exceed \$746,435 from the account for the revolving fund in accordance with NRS 445A.265; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “01-2015 City of West Wendover Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Applicant shall be negotiated by the City of West Wendover with the Division. These terms will include 100% Principal Forgiveness for the additional funds approved for this project.

Section 3. Based on the review of the Application by the Division and based on the recommendation submitted by the Division to the Board concerning the Project, and subject to the provisions of Section 2 of this Resolution, the Board hereby approves a commitment of additional funds in the amount not to exceed \$380,000 from the account for the revolving fund in accordance with NRS 445A.265, bringing the total loan commitment to \$1,126,435.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

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

PASSED, ADOPTED AND SIGNED JANUARY 27, 2015

Chairman
Board for Financing Water Projects

Attest:

Advisor
Board for Financing Water Projects

ATTACHMENT 3

VERDI BUSINESS PARK REVISED LOAN COMMITMENT

**Verdi Business Park
Revised Loan Commitment**

**Board for Financing Water Projects Summary
Drinking Water State Revolving Fund
January 2015**

Applicant: Verdi Business Park
Project: Arsenic Mitigation through Consolidation

Original SRF Loan Amount:	\$635,200 – Regular DWSRF Loan
Additional SRF Loan Amount #1:	<u>\$264,800</u> – Principal Forgiveness DWSRF Loan
Sub-Total:	\$900,000
Additional SRF Loan Amount #2:	<u>\$146,500</u> – Principal Forgiveness DWSRF Loan
Total:	\$1,046,500

GENERAL

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 requirements and to further the public health objectives of the SDWA. The SDWA authorizes the US Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) 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, which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, the Operating Agreement with the EPA, and an assortment of policy directives and guidance from the EPA govern the DWSRF program.

One of the requirements of the NRS pertaining to the DWSRF is that the Division 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, subsection 3).

BACKGROUND

The Verdi Business Park (VBP) is located approximately 8 miles west of Reno. The non-transient, non-community water system that served the VBP was a privately-owned cooperative made up of the property owners of the parcels within the VBP. Water quality exceeded the maximum contaminant level for arsenic. After reviewing alternatives, it was decided that VBP would best be served if the system was consolidated with the Truckee Meadows Water Authority (TMWA).

In April 2012, the Board for Financing Water Projects (Board) approved a loan in the amount of \$635,200 to fund construction improvements that would consolidate the VBP with TMWA. Unexpected expenses were incurred due to the following: legal and administrative costs associated

with the Public Utility Commission (PUC); design changes were necessary due to easement issues with one of the property owners; and the pipeline realignment increased construction and construction management costs. The VBP requested an increase to their project loan in February 2014 to assure that they had enough funding to complete the project. The Board approved \$264,800 in additional loan funds and modified the loan commitment of the DWSRF to \$900,000. Since the project – a consolidation of the VBP system with TMWA’s system – was eligible for additional subsidy as specified in Nevada’s 2014 Intended Use Plan, 100% of the additional \$264,800 in principal would be forgiven.

The project was bid in November 2013 and awarded in December 2013. Work commenced on January 6, 2014, and the system was officially served and operated by TMWA on December 15, 2014. During the course of the project some minor and some significant increased expenses were incurred. VBP is requesting a \$146,500 increase in their DWSRF principal forgiveness loan amount from \$264,800 to \$411,300 to cover the final project costs. The requested increase is a result of several items: 1) the cost to construct the project increased by \$130,795.41; 2) legal expenses increased \$7,590; and 3) administrative costs increased \$8,114.59. In general, what appeared to be a very simple project to annex and connect 16 parcels to the TMWA water system has turned into a very difficult project. The costs to-date and additional cost increases are summarized below.

Planning & Design		\$79,259.84
Administration		\$110,166.11
	Operations	\$ 53,474.85
	Legal	\$ 56,691.26
Construction		\$628,513.40
Construction Administration & Inspection		\$62,326.65
Equipment Purchases		<u>\$19,734.00</u>
TOTAL EXPENSE-TO-DATE		\$ 900,000.00

Summary of Request for Additional Funds		
Construction - Aspen Developers		
	Sub Total	\$130,795.41
Administration - John Collins, General Manager		
	Sub Total	\$8,114.59
Legal - Allison Mackenzie		
	Sub Total	<u>\$7,590.00</u>
Total Additional Funding Request		\$146,500.00

The increase in construction costs resulted from differing site conditions. In one location the plans called for tapping into the existing TMWA water facilities, crossing Old Highway 40, and tying into the VBP existing water facilities. The Old Highway 40 crossing encountered 12-inch thick concrete pavement sections in two locations that were unknown and not shown on the project plans. In addition, the area had additional fill added during the construction of the roundabout that had not been documented. The fill at the roundabout increased the depth of excavation from approximately six feet to nine feet. The filled-over concrete pavement section and additional excavation increased the volume and cost of highway pavement removal and replacement.

The project involved three separate construction sites and numerous change orders were required to deal with the different sites and site conditions. The large number of change orders resulted in legal action between the contractor and VBP. That legal action has been resolved and none of the additional legal action costs are included in this request. The legal and administrative cost increase resulted from increased legal fees associated with 1) obtaining the PUC consent for the transfer to TMWA and filing briefs with the PUC regarding progress and status of the project; and 2) agreements and modifications of those agreements between TMWA and VBP regarding the transfer of assets and the development of an interim operating agreement necessary due to legal action between the project general contractor and VBP.

RECOMMENDATION

In Nevada's 2014 Intended Use Plan (IUP), projects for consolidation of systems are eligible for additional subsidy. This type of project was not eligible for additional subsidy in the Nevada 2012 IUP unless the community was considered disadvantaged. Funds committed to this project as of the 2014 IUP may be considered for additional subsidy.

NDEP recommends that Board for Financing Water Projects approve a resolution committing additional funds in the amount of \$146,500 and modifying the loan commitment of the DWSRF to \$1,046,500 to the Verdi Business Park for consolidation with TMWA. Since the project – a consolidation of the Verdi Business Park system with the Truckee Meadows Water Authority system – is eligible for additional subsidy as specified in Nevada's 2014 Intended Use Plan, 100% of the additional \$146,500 in principal will be forgiven. The Division and the Verdi Business Park will negotiate the terms and conditions of the loan agreement. The resolution modifying the loan commitment is attached.

RESOLUTION

A RESOLUTION DESIGNATED THE "01-2015 THE VERDI BUSINESS PARK WATER COOPERATIVE PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve for the Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Division has the responsibility of administering the Drinking Water State Revolving Fund program; and

WHEREAS, on September 9, 2014, the Board, pursuant to NRS 445A.265, approved the Year 2015 Priority List of water projects eligible for loans from the account for the revolving fund under the Drinking Water State Revolving Fund; and

WHEREAS, the Verdi Business Park Water Cooperative ("Verdi Business Park") owns and operates a public water system located in Verdi, Nevada; and

WHEREAS, the Division ranked the Project as #16 on the Year 2015 Priority List of water projects, which was approved by the Board on September 9, 2014; and

WHEREAS, Verdi Business Park's Project is one of those projects which indicated a readiness to proceed and to which a loan can and should be offered; and

WHEREAS, the Division has determined that Verdi Business Park has the technical, managerial and financial capability to manage and repay a loan for funding a portion of the Project; and

WHEREAS, the Division has taken all necessary and proper actions with respect to the Application as required pursuant to the regulations adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive) pertaining to loan applications; and

WHEREAS, on April 17, 2012, in the 04-2012 the Verdi Business Park Cooperative Project Loan Commitment Resolution, the Board approved a commitment of funds in the amount not to exceed \$635,200 from the account for the revolving fund in accordance with NRS 445A.265; and

WHEREAS, on February 19, 2014, in the 02-2014 the “Verdi Business Park Cooperative Project Loan Commitment Resolution,” the Board approved an additional commitment of funds in the amount not to exceed \$264,800 from the account for the revolving fund in accordance with NRS 445A.265; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “01-2015 Verdi Business Park Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Applicant shall be negotiated by the Verdi Business Park Water Cooperative with the Division. These terms will include 100% Principal Forgiveness for the additional funds approved for this project.

Section 3. Based on the review of the Application by the Division and based on the recommendation submitted by the Division to the Board concerning the Project, and subject to the

provisions of Section 2 of this Resolution, the Board hereby approves a commitment of additional funds in the amount not to exceed \$146,500 from the account for the revolving fund in accordance with NRS 445A.265, bringing the total loan commitment to \$1,046,500, a total of \$411,300 of which is a separate principal forgiveness loan.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

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

PASSED, ADOPTED AND SIGNED JANUARY 27, 2015

Chairman
Board for Financing Water Projects

Attest:

Advisor
Board for Financing Water Projects

ATTACHMENT 4

SILVER KNOLLS MUTUAL WATER COMPANY REVISED LOAN COMMITMENT

**Silver Knolls Mutual Water Company
Revised Loan Commitment**

**Board for Financing Water Projects Summary
Drinking Water State Revolving Fund
January 2015**

Project: Arsenic Treatment
Previous SRF Loan Amount: \$336,500
Additional SRF Loan Amount: \$163,500

GENERAL

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 requirements and to further the public health objectives of the SDWA. The SDWA authorizes the US Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) 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, which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, the Operating Agreement with the EPA, and an assortment of policy directives and guidance from the EPA govern the DWSRF program.

One of the requirements of the NRS pertaining to the DWSRF is that the Division 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, subsection 3).

BACKGROUND

In February 2014, the Board for Financing Water Projects (Board) approved a principal forgiveness loan in the amount of \$336,500 to fund the installation of an ISOLUX™ adsorptive media arsenic treatment system and re-equipping of the Lower Well.

The Silver Knolls Mutual Water Company (SKMWC) system upgrades for arsenic treatment are currently designed and permitted, and bids were opened on October 7, 2014. There were two bids, both exceeded the engineer’s estimated cost:

- Coons Construction: \$226,408
- Farr Construction: \$268,560
- Engineer’s Estimated Construction Costs: \$125,000

The project is presently on hold due to a funding shortfall. The current DWSRF Loan amount is \$336,500 which was intended to cover all project costs identified in the Preliminary Engineering Report (PER) prepared by Resource Concepts, Inc. (RCI) in November 2013. A comparison of the original estimated project costs versus actual/projected costs is shown in the following table.

Estimated Construction Costs		Actual Construction Bids and Projected Completion Costs	
Expansion of Building	\$60,000		
Electrical Improvements	\$25,000		
Misc. Site Plumbing	\$40,000		
Subtotal:	\$125,000	\$226,408	Low Contractor Bid
Controls Improvements (SCADA)	\$20,000	\$15,500	Not Including Installation
Adsorption Media System (Isolux)	\$65,000	\$64,450	Not Including Installation
Subtotal:	\$210,000	\$306,358	
Contingency	\$11,500	\$22,641	(Recommended 10% of Low Bid)
New Pump for Lower Well	\$20,000	\$20,000	(To be done separately)
Subtotal:	\$241,500	\$348,999	
Additional Costs:		\$10,066	NV Energy Power Upgrade
		\$2,400	Calcium Chloride Chemicals
Subtotal Construction Costs:	\$241,500	\$361,465	
Estimated Non-Construction Costs		Actual and Projected Non-Construction Costs	
PER	\$25,000	\$25,039	
Design and Permitting	\$20,000	\$61,937	
Other (Subconsultants)	\$25,000	\$27,671	
Subtotal:	\$70,000	\$119,379	\$4,732 (UEPA)
Testing, Inspections, CM	\$25,000	\$25,000	(Not yet Performed)
		\$10,000	(Estimated Legal Fees)
Subtotal Non-Construction Costs:	\$95,000	\$154,379	
Estimated Total Project Costs		Actual and Projected Project Costs	
Total Project Costs:	\$336,500	\$515,844	

The construction cost exceedance can be attributed to:

- The treatment/booster pump building was expanded late in the design phase to create a separate room for chemical storage for the sodium hypochlorite and calcium chloride. This change was made based on NAC 445A.6685 (2) and similar facilities that have experienced corrosion to equipment and electronics from chlorine outgassing which occurs with sodium hypochlorite due to common decomposition of the chemical. OSHA requirements (e.g., safety shower/eye wash station) were also incorporated at this time.
- Overall bidding climate given the improved economy, limited bidding competition, site location, federal prevailing wage requirements, and fairly complicated set of improvements to be installed on a relatively confined site and building space.

The non-construction cost exceedance can be attributed to:

- The treatment/booster pump building was expanded late in the design phase to create a separate room for chemical storage for the sodium hypochlorite and calcium chloride. Design of larger building footprint to create a separate chemical storage room required an effort by all disciplines including: architectural, civil, structural, mechanical, and electrical.
- More involved and detailed design work associated with the chemical feed systems for compatibility with the arsenic treatment equipment, flow metering devices, and electronic SCADA controls.
- Significant coordination effort with SCADA controls vendors to design a modern system to be compatible with new equipment as well as existing tank levels, pumps, and remote well site. The result of this effort is that the SCADA system will have web-based remote monitoring and control capability to allow the water system operator to work in an efficient and cost-effective manner.
- Coordination with NV Energy related to unanticipated existing electrical supply shortcomings, ultimately resulted in increased construction costs as well. This included the discovery that NV Energy did not have an easement for the existing power lines and poles to the Lower Well building.
- Supplemental permitting time and expenses resulting from the building revisions and expansion after the project was initially reviewed and permitted.
- UEPA process required by the PUC, which was not originally anticipated.
- Asbestos survey required for building remodeling, which added construction cost for asbestos abatement.
- Equipment procurement bidding process separate from the main construction contract.
- Legal advertising costs associated with equipment procurement and construction bid advertisements.

At the time of the PER a much simpler and straight forward design and construction project was anticipated. The age and condition of the existing facilities and the challenge of a major remodel requiring multiple design professionals in a relatively small but complex project have resulted in a significant cost increase over what was originally budgeted. In addition to design and construction cost increases, the annual O&M estimated cost more than doubled from approximately \$10,800 to \$25,750.

The current estimated project cost identified in the table above is \$515,844. This exceeds the existing DWSRF loan amount by \$179,344. The SKMWC is requesting additional funding in the form of principal

forgiveness in the amount of \$163,500 to supplement the original \$336,500 allocated for this project. The remaining project shortfall estimated at \$15,844 will be paid by SKMWC.

RECOMMENDATION

Nevada's 2014 Intended Use Plan specifies that the maximum amount of principal forgiveness loan available to a water system for a project is \$500,000. NDEP recommends that Board for Financing Water Projects approve a resolution committing additional funds in the amount of \$163,500 and modifying the loan commitment of the DWSRF to \$500,000 to the Silver Knolls Mutual Water Company. Since the project is eligible for additional subsidy as specified in Nevada's Intended Use Plan and as determined by the Division, 100% of the principal will be forgiven. The Division and the Silver Knolls Mutual Water Company will negotiate the terms and conditions of a loan agreement. The resolution modifying the loan commitment is attached.

Federal and State regulations [NAC 445A.67563 (7)] do not allow funding of a water project for a public water system that lacks adequate technical, managerial, and financial capacity, unless the financial assistance will ensure that the system acquires adequate capacity and remains sustainable. During the Board for Financing Water Projects meeting of February 19, 2014, staff recommended several conditions to the Board that needed to be met if they approved a principal forgiveness loan to the SKMWC. Those recommendations included:

- a required minimum water rate of 2% of the MHI for 15,000 gallons used by an individual user per month and the establishment of appropriate water rates that cover all of the costs of the water system
- hire and/or train a certified treatment level 2 operator prior to the start of construction
- managerial training of the Silver Knolls Board members including, but not limited to: open meeting law, asset management and funding for capital replacement, budgeting, record keeping, and public relations and customer service

With assistance provided by Nevada Rural Water Association through funding by the DWSRF, the SKMWC established a 3-year plan to reach a minimum water rate of 2% of the MHI for 15,000 gallons used by an individual in a month. This plan started in 2015. The SKMWC has also hired a treatment certified operator and basic board training has now been conducted for the new board members.

The approval to award principal forgiveness for the full amount of the loan was partially based on SKMWC's need for funding of various asset upgrades, such as meters, fire hydrants, etc. Information to develop a basic asset management plan was included in the original PER. The SKMWC has included short-lived equipment and capital improvements reserve funds in their annual budget and has shown a revenue basis that should support both funds while also covering O&M and debt service.

RESOLUTION

A RESOLUTION DESIGNATED THE "1-2015 SILVER KNOLLS WATER SYSTEM PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve the Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Division has the responsibility of administering the Drinking Water State Revolving Fund program; and

WHEREAS, on September 9, 2014, the Board, pursuant to NRS 445A.265, approved the Year 2015 Priority List of water projects eligible for loans from the account for the revolving fund under the Drinking Water State Revolving Fund; and

WHEREAS, the Silver Knolls Mutual Water Company owns and operates the public water system; and

WHEREAS, the Silver Knolls Mutual Water Company submitted a pre-application to the Division for funding a project to make improvements to the water system, which is hereinafter referred to as the "Project"; and

WHEREAS, the Division ranked the Project as #9 on the Year 2015 Priority List of water projects, which was approved by the Board on September 9, 2014; and

WHEREAS, the Silver Knolls Mutual Water Company submitted to the Division a Letter of Intent to proceed with the Project; and

WHEREAS, the Silver Knolls Mutual Water Company project is ready to proceed; and

WHEREAS, in connection with seeking a loan, the Applicant has submitted a written application (“Application”) pursuant to NAC 445A.67613 to the Division; and

WHEREAS, the Division has reviewed the Letter of Intent and the Application including supporting material thereof, and has determined that the Silver Knolls Mutual Water Company continues to work towards the technical, managerial and financial capability to manage a loan for the Project; and

WHEREAS, the Silver Knolls Mutual Water Company is eligible to receive additional subsidy as spelled out in Nevada’s Intended Use Plan; and

WHEREAS, the Division has taken all necessary and proper actions with respect to the Application as required pursuant to the regulations adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive) pertaining to loan applications; and

WHEREAS, on February 19, 2014, in the “2-2014 Silver Knolls Water System Project Loan Commitment Resolution,” the Board approved a commitment of funds in the amount not to exceed \$336,500 from the account for the revolving fund in accordance with NRS 445A.265; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “1-2015 Silver Knolls Water System Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Applicant shall be negotiated by the Silver Knolls Mutual Water Company with the Division. These terms will include 100% Principal Forgiveness for the additional funds approved for this project.

Section 3. Based on the review of the Application by the Division and based on the recommendation submitted by the Division to the Board concerning the Project, and subject to the provisions of Section 2 of this Resolution, the Board hereby approves a commitment of additional funds in the amount not to exceed \$163,500 from the account for the revolving fund in accordance with NRS 445A.265, bringing the total loan commitment to \$500,000.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

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

PASSED, ADOPTED AND SIGNED JANUARY 27, 2015

Chairman
Board for Financing Water Projects

Attest:

Advisor
Board for Financing Water Projects

ATTACHMENT 5

GOLDFIELD LOAN COMMITMENT

Goldfield Utilities Loan Commitment

Board for Financing Water Projects Summary Drinking Water State Revolving Fund January 2015

Applicant: Esmeralda County
Project: Goldfield Water System Improvement Project – Phase 1
Total Cost: \$500,000

GENERAL

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 requirements and to further the public health objectives of the SDWA. The SDWA authorizes the US Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation which authorizes the Nevada Division of Environmental Protection (Division) 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, which describes the program requirements. Federal regulations for implementation of the DWSRF are found in 40 CFR Part 35. In addition to state and federal regulations, the conditions of the grant award, the Operating Agreement with the EPA, and an assortment of policy directives and guidance from the EPA govern the DWSRF program.

One of the requirements of the NRS pertaining to the DWSRF is that the Division 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, subsection 3).

BACKGROUND

The Town of Goldfield is located approximately 30 miles south of Tonopah and 180 miles north of Las Vegas on Highway 95. Goldfield is the Esmeralda County seat. The Goldfield water system customer base includes: 248 residential connections, 33 commercial connections, and 1 industrial connection. Two production wells, located approximately 12 miles north of town, provide the source water via a 6-inch, asbestos-cement (AC) transmission line. Two sequential booster stations along the transmission line pump the water from these wells to town where it is treated for arsenic removal prior to storage. There is a combined storage capacity of 566,000 gallons. The system is fully metered and a metered water rate is charged.

The majority of the existing water supply, pumping, and transmission system equipment has been in operation for 33 years without any significant improvements; the exception being Klondike Well #2, which was drilled in 1992, put online in 1997, and rehabilitated in 2013. Although the system has been adequately maintained, it is exhibiting wear and deterioration.

System age and deterioration is more notable at the booster pump stations – Booster Pump Station #1 (BPS 1) and Booster Pump Station #2 (BPS 2). Metal parts and equipment show age and corrosion. The building walls along the floor are corroding and show mineral leaching and degradation. Pump seals

leak excessively and require frequent maintenance; floor drainage is inadequate; and humid room interiors promote corrosion. The pump houses do not have the HVAC equipment required to protect piping and electrical equipment from moisture corrosion. Each booster pump station has only one pump, providing no redundancy in the system. The electrical system at the booster pump stations is antiquated, and it is common for an electrical malfunction to shut the pumping system down until repairs can be made. If a booster pump goes down for any reason the community water supply is off-line until a repair can be made, and until such time, the community water is supplied from the emergency storage in the water tanks.

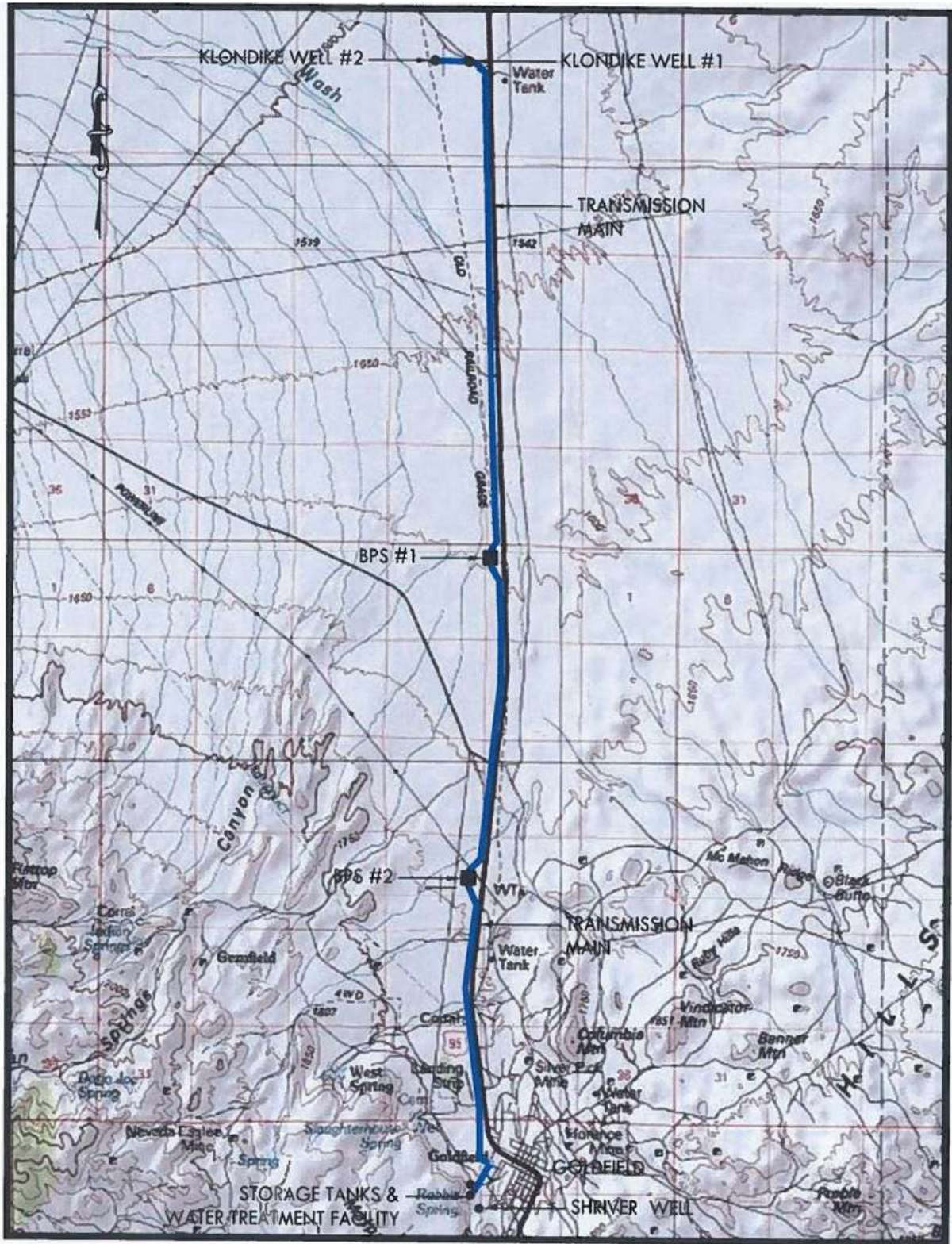
In June 2014, a Preliminary Engineering Report (PER) was completed to assist the Town with asset management and capital improvement planning. The sources and transmission system were the primary focus of the PER.

The PER recommendations include:

- Installation of new transmission pipeline from the well field to the treatment plant including: new valve assemblies, new air release valves, and flush valves; access and service road improvements; and related work
- Replacement of BPS 1 and BPS 2 including: new masonry block buildings; installation of 20,000-gallon storage control tanks; site grading and drainage; new fencing; new mechanical piping, pumps, control valves and fittings; updated and upgraded electrical systems; and telemetry, controls, and SCADA improvements
- Electrical, telemetry, control, and SCADA improvements at Klondike Well #2
- Rehabilitation work at Klondike Well #1 including: video before and after cleaning and flushing of the well casing; installation of a new pump, motor, mechanical piping, valves and fittings; electrical system, telemetry, controls, and SCADA improvements (due to the age of Klondike Well #1, the possibility of drilling a new well nearby will be considered)
- Drill/connect a well at the existing Shriver Well site in Town for use during low demand seasons to conserve energy
- Repair/recoat the existing 366,000-gallon storage tank

Due to the overall costs of the necessary improvements – currently estimated at \$6,090,910, a two-phased approach to project implementation is planned. The scope of work and implementation schedule is based upon available funding and the utility's ability to leverage revenue and costs savings (e.g., energy savings). Also, the planning and development of a new private mining operation near the north side of Goldfield has the potential to impact parts the proposed project recommended in this PER. The mine project proponent, Metallic Goldfield Inc., is currently planning for an open pit mining operation (the Gemfield Project) that will require the relocation of approximately 2.3 miles of US Highway 95 along with 2.3 miles of the water transmission main and BPS 2.

The Phase 1 project includes: replacement of BPS 1, rehabilitation of and improvements to Klondike Well #1, and improvements to Klondike Well #2. The Phase 2 project would include: the replacement of the existing 12-mile, 6-inch, AC transmission line, BPS 2, and re-coating of the 366,000-gallon tank. Goldfield Utility has already done some of the repair and recoating necessary for the 366,000-gallon tank. Only the very high points of the tank – rafters and roof still need recoating. The County is working closely with the mine and awaiting the environmental impact statement for the Gemfield project to determine what effects the project will have on the transmission system and other water system appurtenances in order to determine possible project cost sharing for the Phase 2 project.



EXISTING FACILITIES
Esmeralda County Goldfield Utility

PROPOSED PROJECT – PHASE 1

BPS 1 will be replaced with a new facility and will include the following design and construction elements:

- Construction of a new pump house (including HVAC) on the existing easement
- Installation of two 300 GPM booster pumps including mechanical piping and valves
- Installation of a precast concrete flow meter vault, flow meter, and site piping and valves
- Construction of a 20,000 gallon bolted steel tank (pump suction forebay)
- Site grading, drainage, and access/fencing improvements
- Electrical, telemetry, controls, and SCADA
- Demolition and removal of the existing facilities

Rehabilitation work at Klondike Well #1 includes video, before and after cleaning and flushing, of the well casing; installation of a new pump, motor, mechanical piping, valves, and fittings; and electrical system, telemetry, controls, and SCADA improvements.

Klondike Well #2 improvements are limited to electrical, telemetry, controls, and SCADA improvements that will add VFD control to the well pumping operation.

With the well improvements completed, the utility will finally be able to provide power to both wells at the same time and alternate the wells automatically. In addition, water waste due to tank overflow at BPS 1 will cease.

Alternatives to Proposed Project

Two significant alternatives to the overall project were considered:

- Replace the existing booster pump stations with one new triplex booster pump station which would include a new pump house building, new pumps, and modern, efficient, electrical and control equipment and install a new transmission pipeline from the well field to the treatment plant including new valve assemblies, new air release valves, and flush valves. Klondike Well #1 would be replaced with a new well and appurtenances and the pump, motor, and equipment in Klondike Well #2 would be replaced to accommodate the higher pumping head requirements necessary to lift water to the new booster pump station. While the overall cost of this alternative is comparable with the alternative selected, it does not allow for a phased approach and the utility does not have the ability to take on the debt for this project all at once.
- Eliminate the water supply from Goldfield's Klondike well field and replace that supply by connecting to the Tonopah water system. The connection point would be near the Tonopah airport and would require approximately 25 miles of new 10-inch transmission main that would connect to the Goldfield water system at BPS 1. There appears to be sufficient elevation between the Tonopah airport and BPS 1 for gravity flow. Both of Goldfield's booster stations would remain in operation, but would be replaced and modernized and a new transmission pipeline from BPS 2 to the nearest point in the Goldfield distribution system would be installed including new valve assemblies, new air release valves, and flush valves. Water supplied from the Tonopah water system meets all primary and secondary drinking water standards; therefore, Goldfield would be able to decommission its arsenic treatment facility if this alternative was implemented. Tonopah's capacity to serve water to Goldfield is unknown, but it is expected that supply and storage improvements to the Tonopah water system would also be required. Additional study beyond the scope of this PER would be required to confirm availability and system improvement needs. At more than \$15M, the potential cost of this alternative is prohibitive for this small community.

Environmental Review

Environmental review of water projects is conducted by NDEP pursuant to NAC 445A.6758 to 445A.67612, inclusive. Projects that rehabilitate existing facilities and will not have a significant effect on the quality of the environment are eligible for a categorical exclusion and may be exempted from further substantive environmental review.

Because the project lies on public lands that have been granted easements by the U.S. Department of the Interior, Bureau of Land Management (BLM), the BLM acts as the lead agency in the environmental review process. The BLM recently determined that the proposed project will not have a significant effect on the human environment and is eligible for a categorical exclusion. The NACs allow NDEP to utilize an environmental review conducted by another agency as long as the review complies with NDEP's environmental requirements. No further environmental review is recommended and the project is eligible for a categorical exclusion under the Drinking Water State Revolving Fund.

Permits/Easements/Reviews

The Town has secured an amended right-of-way for its existing easements from the BLM. This amendment will allow the utility to do the Phase 1 improvements.

Review and approval of the project design and specifications will be required by the NDEP, Bureau of Safe Drinking Water.

Construction permits include:

- NDEP Bureau of Water Pollution Control Construction Stormwater Permit (Notice of Intent; SWPPP)
- NDEP Bureau of Air Pollution Control Surface Air Disturbance Permit (Dust Control Permit)
- NDEP Bureau of Water Pollution Control Temporary Discharge Permit (for well pump development, pipe flushing and testing)
- Nevada Department of Transportation Temporary Occupancy Permit (for construction access)

Cost Estimate – Phase 1

Budget Item	DWSRF Funding	CDBG Grant	Totals by Use
Planning	\$10,000		\$10,000
Design & Engineering	\$72,080		\$72,080
Permitting/Easements	\$5,000		\$5,000
Resident Inspection	\$40,000		\$40,000
Survey, Hydrogeologist, Geotech, Material Testing	\$35,000		\$35,000
Construction/Improvements	\$337,920	\$224,712	\$562,632
Totals by Source	\$500,000	\$224,712	\$724,712

FINANCIAL EVALUATION:

In order to receive a DWSRF grant award from the EPA, the State of Nevada must agree to use at least 20% - 30% of its grant to provide additional subsidy to eligible recipients in the form of forgiveness of principal or negative interest loans or a combination of these. Nevada specified in the Intended Use

Plan that additional subsidy will be offered to communities that meet the definition of disadvantaged community. The NAC defines a disadvantaged community as an area served by a public water system in which the median household income (MHI) is less than 80 percent of the MHI of the state. Based on the 2008-2012 Community Survey conducted by the US Census Bureau, 80 percent of Nevada's MHI is \$43,226 and Goldfield's MHI is \$41,389. Therefore, Goldfield meets the requirements for additional subsidy, making a principal forgiveness loan appropriate for the Town.

Goldfield's current water rates exceed the rate generally considered 'reasonable' based on their MHI. A 'reasonable' or 'affordable' rate for water is considered to be 1.5 percent of the MHI for communities below the state MHI for a monthly usage of 15,000 gallons. Goldfield's calculated 'reasonable' rate is \$51.74. Based on the current water rates, a Goldfield customer using 15,000 gallons of water in a single month pays \$58.50 (\$26 base rate with 2,000 gallons of water + \$2.50 per 1,000 gallons used thereafter). In addition, there is an annual system obligation fee paid by all lots in the Town that are adjacent to a water main. This fee is currently \$100.

The utility has established a restricted capital reserve account for system rehabilitation and replacement and makes annual contributions to this account. The community is very positive about the value of having a reserve account. Reserves have been used to match other funding to rehabilitate pumps and air release valves, rehabilitate Klondike Well #2, repair and recoat the 200,000-gallon storage tank, and prepare the most recent PER on the supply and transmission system.

Technical, Managerial, and Financial Capacity

The water quality currently meets the all drinking water standards and is in compliance with requirements of the Safe Drinking Water Act. Monitoring requirements have been met. Esmeralda County employs certified operators who have the knowledge and ability to operate and manage the system. The County has the ability to conduct its administrative affairs in a manner that ensures compliance with all applicable standards and utilizes generally accepted accounting principles.

DIVISION RECOMMENDATION

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF funds in the amount of \$500,000 to Esmeralda County for the Town of Goldfield. Since the project is eligible for additional subsidy as specified in Nevada's Intended Use Plan, 100% of the principal will be forgiven. The Division and Esmeralda County will negotiate the terms and conditions of a loan agreement.

BREAKDOWN OF PROJECT COSTS FOR THE GOLDFIELD TRANSMISSION WATER SUPPLY PROJECT											
	Construction	Contingency	Engineering	Resident Inspection	EA/Cultural/Biological	Permitting/Easements	Legal	Interim Financing	Bond Counsel	Hydro geologist Surveying Geotech Material Testing	Total
Storage Tank	\$ 82,000.00	\$ 8,200.00									\$ -
Klondike Well #1 Rehabilitation	\$ 134,760.00	\$ 15,714.00									\$ -
Klondike Well #2 Improvements	\$ 31,320.00	\$ 3,132.00									\$ -
Connect Shriver Well	\$ 466,527.00	\$ 69,978.00									\$ -
BPS #1 Replacement	\$ 325,188.00	\$ 32,518.00									\$ -
BPS #2 Replacement	\$ 325,188.00	\$ 32,518.00									\$ -
NV Energy	\$ 55,000.00										
Transmission Main Replacement	\$ 3,048,966.00	\$ 304,896.60									\$ -
Non Construction Costs			\$ 597,000.00	\$ 156,000.00	\$ 85,000.00	\$ 25,000.00	\$ 10,000.00	\$ 10,000.00	\$ 32,000.00	\$ 241,000.00	
Total Project Costs	\$ 4,468,044.00	\$ 466,866.00	\$ 597,000.00	\$ 156,000.00	\$ 85,000.00	\$ 25,000.00	\$ 10,000.00	\$ 10,000.00	\$ 32,000.00	\$ 241,000.00	\$ 6,090,910.00

Goldfield Water System Phase One											
	Construction	Contingency	Engineering	Resident Inspection	EA/Cultural/Biological	Permitting/Easements	Legal	Interim Financing	Bond Counsel	Hydro geologist Surveying Geotech Material Testing	Total
Klondike Well #1 Rehabilitation	\$ 154,760.00	\$ 15,714.00									\$ -
Klondike Well #2 Improvements	\$ 31,320.00	\$ 3,132.00									\$ -
BPS #1 Replacement	\$ 325,188.00	\$ 32,518.00									\$ -
Non Construction Costs			\$ 72,080.00	\$ 40,000.00	\$ 10,000.00	\$ 5,000.00				\$ 35,000.00	
Total Project Costs	\$ 511,268.00	\$ 51,364.00	\$ 72,080.00	\$ 40,000.00	\$ 10,000.00	\$ 5,000.00	\$ -	\$ -	\$ -	\$ 35,000.00	\$ 724,712.00

RESOLUTION

A RESOLUTION DESIGNATED THE "1-2015 ESMERALDA COUNTY GOLDFIELD PROJECT LOAN COMMITMENT RESOLUTION" TO APPROVE A LOAN COMMITMENT FOR THE PURPOSE OF FINANCING CERTAIN PROJECTS.

WHEREAS, the Board for Financing Water Projects (the "Board") of the State of Nevada (the "State") is authorized by Nevada Revised Statutes ("NRS") Chapter 445A.265 to approve the Division of Environmental Protection ("Division") prioritized lists of water projects and to approve the commitment of funds from the account for the revolving fund for loans to community water systems and non-transient water systems for costs of capital improvements required and made necessary pursuant to NRS 445A.800 to 445A.955, inclusive, by the Safe Drinking Water Act (42 U.S.C. §§ 300f *et seq.*) and by the regulations adopted pursuant thereto; and

WHEREAS, the Division has the responsibility of administering the Drinking Water State Revolving Fund program; and

WHEREAS, on September 9, 2014 the Board, pursuant to NRS 445A.265, approved the 2015 Priority List of water projects eligible for loans from the account for the revolving fund under the Drinking Water State Revolving Fund; and

WHEREAS, the Esmeralda County owns and operates the public water system in Goldfield, Nevada; and

WHEREAS, Esmeralda County submitted a pre-application to the Division for funding a project to make improvements to the water system, which is hereinafter referred to as the "Project"; and

WHEREAS, the Division ranked the Project as #28 on the 2015 Priority List of water projects, which was approved by the Board on September 9, 2014; and

WHEREAS, Esmeralda County submitted to the Division a Letter of Intent to proceed with the Project; and

WHEREAS, the Esmeralda County project is ready to proceed; and

WHEREAS, in connection with seeking a loan, Esmeralda County has submitted a written application (“Application”) pursuant to NAC 445A.67613 to the Division; and

WHEREAS, the Division has reviewed the Letter of Intent and the Application including supporting material thereof, and has determined that Esmeralda County has the technical, managerial and financial capability to manage and repay a loan for the Project; and

WHEREAS, Goldfield, Esmeralda County meets the definition of a disadvantaged community and is eligible to receive additional subsidy as spelled out in Nevada's Intended Use Plan; and

WHEREAS, the Division has taken all necessary and proper actions with respect to the Application as required pursuant to the regulations adopted by the State Environmental Commission (NAC 445A.6751 to 445A.67644, inclusive) pertaining to loan applications; and

WHEREAS, the Board must give prior approval before the Division may commit any money in the account for the revolving fund for expenditure for the purposes set forth in NRS 445A.275;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD FOR FINANCING WATER PROJECTS OF THE STATE OF NEVADA:

Section 1. This Resolution shall be known as the “2015 Esmeralda County Goldfield Project Loan Commitment Resolution.”

Section 2. The terms and conditions for providing a loan to the Esmeralda County shall be negotiated between Esmeralda County and the Division. These terms will include 100% Principal Forgiveness.

Section 3. Based on the review of the Application by the Division and based on the recommendation submitted by the Division to the Board concerning the Project, and subject to the provisions of Section 2 and 4 of this Resolution, the Board hereby approves a commitment of funds in the amount not to exceed \$500,000 from the account for the revolving fund in accordance with NRS 445A.265.

Section 4. The Board further recommends that the Division take all other necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 445A.200 to 445A.295, inclusive, and the Regulations adopted pursuant thereto.

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

PASSED, ADOPTED AND SIGNED JANUARY 27, 2015

Chairman
Board for Financing Water Projects

Attest:

Advisor
Board for Financing Water Projects