

**Board for Financing Water Projects
Drinking Water State Revolving Fund
March 2023**

Drinking Water Program Funding Updates as of March 6, 2023

Cash in fund		\$93,033,042
Less debt service reserves	(5,962,293)	
Add undrawn grant balance	3,724,798.11	
Available for projects		\$90,795,547
Committed funds not yet disbursed	17,390,450	
Add commitments for Board consideration	5,200,000	
Add commitments for project cost increases	97,000	
Total committed funds after Board Approval	22,687,450	
Add projects in discussion with OFA	7,320,000	
Total committed and potential project loans	30,007,450	
Lowest cash flow balance in three (3) years	\$78,845,398	

Drinking Water Cash Flow Projections¹

	Year 1	Year 2	Year 3
Cash balance forward	\$79,947,863	\$97,838,276	\$97,937,103
Receipts from grants awarded	20,543,870	25,449,280	26,753,880
Transfer to the CWSRF program ²	0	(30,000,000)	0
Receipts from bonds issued	6,002,975	5,000,000	5,000,000
Receipts from treasurer's interest ³	1,273,801	1,993,308	2,248,837
Receipts from loan principal	13,718,557	13,745,873	14,262,005
Receipts from loan interest	3,765,749	3,514,473	3,169,637
Payments for debt service on bonds	(3,209,150)	(3,045,025)	(2,960,238)
Payments for loan recipients ³	(24,031,664)	(17,767,420)	(9,229,950)
Change in debt service reserves	(173,725)	1,208,338	(1,562,913)
Cash balance forward	\$97,838,276	\$97,937,103	\$135,618,361

²Transfer to CWSRF is dependent upon budget approval and EPA consent

³Estimated at 2% A.P.R. on undisbursed cash in the fund. Subject to change.

¹ Estimate only for planning purposes. All numbers are subject to change.

Drinking Water Grant Conditions for Principal Forgiveness

Current funds to obligate for principal forgiveness loans	\$0
Pending 2022 DWSRF BIL Supplemental Grant	\$10,198,370
Less projects for board consideration	5,200,000
Remaining funds to obligate for principal forgiveness loans	4,998,370
Projects in discussion with NDEP	4,998,370
Total Principal Forgiveness Funds for future commitments (estimated)	\$0

Program Updates

Jennifer Carr appointed NDEP Administrator

The Nevada Department of Conservation and Natural Resources (NDCNR) is excited to announce that Jennifer Carr, P.E., has been appointed by NDCNR Director James Settelmeyer to serve as Administrator of the Nevada Division of Environmental Protection (NDEP), effective today. Carr was appointed following previous NDEP Administrator Greg Lovato's retirement on March 3, 2023. As Administrator, Carr will play a key role in advancing NDEP's mission to preserve and enhance Nevada's natural environment to protect public health, sustain healthy ecosystems, and contribute to a vibrant economy.

Drinking Water Project funding increases

Golconda GID	Resolution:	Original: \$507,000.00
Need: Additional easement and water right costs		Increase: \$97,000 or 19%
		Current: \$604,000.00

Drinking Water State Revolving Fund Priority List

Pre-applications can be accepted at any time. NDEP established a deadline of May 5, 2023, to receive pre-applications and renewals for the next priority list.

Drinking Water Regulations adopted

The Drinking Water Regulations we adopted by the Legislative Commission on December 28, 2022

Definition of Disadvantaged Community [NAC 445A.675245]
“Disadvantaged community” means an area, as compared to other communities in this State, residents disproportionately experience economic, environmental or health issues, including, without limitation, high rates of poverty or unemployment.
Streamlining emergency process [various]
- Expands definition to include governor or legislature declarations of emergency. - Allows for a project to be added to the priority list that is not currently on the list to get funding to address an emergency.

Eliminates the need for public workshops or 30-day bypass notices for systems facing an emergency.
Environmental Review process [various]
- Defines the Nevada Administrative Code as the State Environmental Review Process - Categorical exclusions only require a 15-day public notice (previously 30-day) - Environmental Impact Statements now require a 45-day public notice (previously 30-day)
Administrative Fee for loans [new section]
- Disadvantaged entities do not pay a service fee. - Short-term loans are charged \$1,000. - Long-term loans are charged: 0.50% on loan balance within 30-days of closing 0.50% service fee of loan balance divided over loan term and paid annually
Additional changes [various]
- Loan terms for non-disadvantaged borrowers are now 30 years, or the assets useful life. - Loan terms for disadvantaged borrowers are now 40 years, or the assets useful life. - Previously disallowed projects are now eligible if EPA or Congress approves waivers: Purchase of water rights and rehabilitation of dams or reservoirs. - Priority list ranking change: Median household income is no longer a factor against the final points. Systems that are disadvantaged will have 25 points added to their final score for ranking. - Terms and conditions were aligned with other federal and state regulations that removed redundancy.

Statutory updates

Assembly Bill 20 (BDR 40-227)

- Hearing planned for March 2023

**Board for Financing Water Projects
Capital Improvements Grant Program
March 2023**

Capital Improvements Grant Program Funding Update as of March 6, 2023

Current Cash¹:	\$ 9,002,568.71
Reserved for Administration:	\$ 23,263.80
Committed bond funds not yet disbursed:	\$ 8,850,488.63
Projects for Consideration:	\$ 0.00
Un-committed funds:	\$ 122,675.28²

Committed funds not yet disbursed:			
GP2103	Las Vegas Valley Water District (Big Bend)	Treatment plant improvements; storage rehabilitation; distribution; electrical controls	\$ 1,328,418.84
GP2104	Alamo Sewer and Water GID	Arsenic Treatment	\$ 623,039.72
GP2105	Las Vegas Valley Water District (Blue Diamond)	Pipe replacement, storage, and backup well.	\$ 4,200,280.00
GP2201	Las Vegas Valley Water District (Big Bend)	Phase II Construction	\$ 568,000.00
GP2202	Golconda	Spring Rehabilitation	\$ 791,012.43
GP2203	Topaz Ranch Estates	New Redundant Source	\$ 1,339,737.64
Total			\$ 8,850,488.63

Projects for consideration			
Total			\$0
Bond Proceeds for Administration			
Authorized	G09-0721 Resolution July 29, 2021	\$10,000	
	FY23 Budget Authority	(\$3,859)	
Remaining authority from 2021B			\$6,141

¹ From all sources including bond proceeds, administration fees, and treasurer's interest.

² Includes estimated bond interest earnings for the next 12 months at 0.50%.

Current Bond authority:

NRS 349.986(1): The State Board of Finance shall issue general obligation bonds of the State of Nevada to support the purposes of the program established by <u>NRS 349.981</u> . The aggregate principal amount of such bonds outstanding at any one time may not exceed \$125,000,000.	\$125,000,000
Outstanding general obligation bonds as of March 2, 2023	(\$26,256,000)
Available to request issuance	\$98,744,000

Pending	2023 Legislative Session Request		
	Agency Request to Governor’s Office	\$40,000,000	
	Governor’s Request to the Legislature	\$0.00	
	State Treasurer’s Office Affordability ³	\$0.00	
Project Examples to the Legislature to demonstrate need			
		Total Project Cost	Maximum 85% grant
	Humboldt County Grass Valley Septic-to-sewer conversion	\$28,000,000	\$23,800,000
	Clark County Big Bend additional storage	\$25,000,000	\$21,250,000
	Clark County Las Vegas Valley Water District	\$9,000,000	\$7,650,000
	Storey County Lead water transmission replacement	\$12,000,000	\$10,200,000
	Totals	\$74,000,000	\$62,900,000

Bond proceed status						
Series	Date Issued	Months outstanding	Percent drawn	Current Balance	Last Draw	
2019B	12/10/2019	39	100.0%	\$ -	2/21/2023	
2020B	11/10/2020	28	45.1%	\$ 879,111.86	3/1/2023	
2021B	12/7/2021	15	5.2%	\$8,104,052.05	2/9/2023	
Totals				\$8,983,163.91		

³The Treasurer's Office did not include any bonding in the affordability to the Legislature based upon the undrawn balances in the bonds and the concern over Arbitrage in the program.

RESOLUTION G09-0721

Funding Administration of the Capital Improvements Grant Program

Program Administration Commitment

- WHEREAS:** The Board for Financing Water Projects (Board) of the State of Nevada (State) is authorized by Chapter 349.980 to 349.987, *Nevada Revised Statutes* (NRS), to administer a program to provide grants of money to purveyors of water to pay for costs of capital improvements to publicly owned community water systems and publicly owned non-transient water systems;
- WHEREAS:** NRS 349.984 creates a fund (fund) for grants for water conservation and capital improvements to certain systems to which bond proceeds, bond interest and any other applicable revenue is deposited; and
- WHEREAS:** The State Board of Finance is authorized by NRS 349.986 to issue general obligation bonds in the face amount of not more than \$125,000,000.00 to support the purposes of the program, with the net proceeds from the sale of the bonds deposited in to the fund; and
- WHEREAS:** The 2021 Nevada Legislature authorized the State Board of Finance to issue up to \$8,000,000.00 in the state fiscal year 2022-2023 biennium through Assembly Bill 492.
- WHEREAS:** NRS 349.982 allows money in the fund to be used to defray, in whole or in part, the costs of administering the fund and the expenses of the board in administering the program.

IT IS RESOLVED by the Board for Financing Water Projects of the State of Nevada:

Section 1: This resolution shall be known as the "G09-0721 Funding Administration of the Capital Improvements Grant Program"

Section 2: In connection with its findings of fact set forth in Section 3 of this Resolution and subject to the provisions of Section 4 of this Resolution, the Board has determined, and does hereby declare, that it approves and shall use bond proceeds for administration in an amount not to exceed \$10,000.

Section 3: Based on its review of the information submitted to the Board concerning the Project, the Board hereby makes the following findings of fact in support of its determination to use bond proceeds for administration:

- (a) It is the Board's policy to maintain sufficient monies in the administration fund to support program and Board administration costs for five years; and
- (b) The projected expenses for program administration are expected to total \$19,564 over the next five years; and
- (c) Revenue from other sources are not sufficient to fully administer projects awarded with current legislatively approved bond proceeds; and
- (f) Internal Revenue Code (IRC) 141(b) limits the use of private activities on government issued bonds to no more than 5% or \$5 million to retain tax-exempt status.

Section 4: The commitment of bond proceeds for administration is conditioned upon approval from the Governor's Finance Office in a budget amendment.

Section 5: The Board hereby authorizes and directs the Nevada Division of Environmental Protection to take all necessary and appropriate actions to effectuate the provisions of this Resolution in accordance with NRS 349.982.

Section 6: This resolution shall be effective on its passage and approval.

PASSED, ADOPTED, AND SIGNED July 27, 2021

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Chair
Board for Financing Water Projects

Attest:  DocuSigned by:
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Advisor
Board for Financing Water Projects

Nevada Department of Conservation and Natural Resources
Division of Environmental Protection
Office of Financial Assistance
Capital Improvements Grant Program

Status update 2/17/2023			Bid	Construction Start	Initiation of Project	Day Count to initiation of project
Alamo Sewer and Water GID	GP2104	The arsenic water treatment plant (just the plant) is under contract from AdEdge and will be delivered this spring / summer. The plans and specs for the building and the rest of the piping, etc. is being delivered to NDEP, State Fire Marshal, and Lincoln County building this week. If reviews go well, we will advertise for bids on the building and piping construction in March, with anticipated award in April. Construction this summer, depending on the availability of parts, etc., otherwise 2024. Everything should be wrapped up by the end of 2024.	Mar-23	May-23	Dec-24	653
Las Vegas Valley Water District-Big Bend	GP2103	Multiple phases under construction at once. HVAC equipment delivery delays are occurring.	Jun-23	Jan-24	Jun-24	470
Las Vegas Valley Water District-Blue Diamond	GP2105	First project phase (main repalcements) began construction September 2022. Gas pipelines were not on as-builts, which may cause a change order. Construction is expected to continue for a few months. Second project phase (zone pumping station) is in design and anticipated to move to construction Feb 2024	Dec-23	Feb-24	Jan-25	684
Topaz Ranch Estates GID	GP2203	Project needed to be phased due to well drilling efforts. Bonding is underway to complete USDA funding.	Mar-23	Apr-23	Apr-24	409
Golconda GID	GP2202	Delays due to water rights and land easements.	May-23	Jul-23	Oct-23	226
Las Vegas Valley Water District-Big Bend	GP2201	Project is in design phase. Equipment delivery and permitting delays.	Feb-23	Apr-23	Dec-23	287

	0.50% Interest Earnings	GP2101 Loveloock Admin by DWSRF	GP2102 Churchill Admin by Bonds	GP2104 Alamo Admin by DWSRF	GP2103 Big Bend Admin by DWSRF	GP2105 Blue Diamond Admin by Bonds	GP2203 Topaz Ranch Admin by Bonds	GP2202 Golconda Admin by DWSRF	GP2201 Big Bend LUVVWD Admin by DWSRF	Balance
Jun-22		133,204.36								10,152,061.45
Jul-22			255,102.98	700.00						9,896,258.47
Aug-22	17,712.50	46,794.00	47,532.54							9,819,644.43
Sep-22		44,686.64	882.00	2,800.00						9,757,517.35
Oct-22		CLOSED	10,584.00	4,750.00						9,742,183.35
Nov-22										9,742,183.35
Dec-22	27,948.59			48,541.28						9,721,590.66
Jan-23			61,170.70	4,060.00				1,987.57		9,673,802.19
Feb-23	49,240.71		CLOSED	5,481.00	405,561.16					9,312,000.74
Mar-23				3,654.00	179,898.04	1,046,603.00	305,782.36	4,500.00		7,771,563.34
Apr-23	11,148.90									7,782,712.24
May-23										7,782,712.24
Jun-23				90,000.00	359,233.47	724,102.00	350,000.00	66,000.00		6,193,376.77
Jul-23	9,066.17									6,202,442.94
Aug-23										6,202,442.94
Sep-23				90,000.00	342,328.50	74,102.00	450,000.00	372,512.43	113,600.00	4,759,900.01
Oct-23	7,151.99									4,767,052.00
Nov-23										4,767,052.00
Dec-23				90,000.00	194,119.50	97,592.00	350,520.00	340,000.00	454,400.00	3,240,420.50
Jan-24	5,322.72									3,245,743.22
Feb-24										3,245,743.22
Mar-24				90,000.00	246,443.50	144,574.00	189,217.64	8,000.00		2,567,508.08
Apr-24	3,774.58									2,571,282.66
May-24										2,571,282.66
Jun-24				90,000.00	6,195.83	125,008.00				2,350,078.83
Jul-24	3,121.94									2,353,200.77
Aug-24										2,353,200.77
Sep-24				90,000.00		158,629.00				2,104,571.77
Oct-24	2,837.91									2,107,409.67
Nov-24										2,107,409.67
Dec-24				83,039.72		1,219,087.00				805,282.95
Jan-25	2,091.71									807,374.66
Feb-25										807,374.66
Mar-25						610,583.00				196,791.66
Apr-25	754.81									197,546.47
May-25										197,546.47
Jun-25										197,546.47
Jul-25										197,546.47
	140,172.52	224,685.00	375,272.22	693,026.00	1,733,780.00	4,200,280.00	1,645,520.00	793,000.00	568,000.00	

Current Spending of Bond Proceeds

As of: 3/6/2023

Bond Series	2019B		2020B		2021B		Totals
Legislative Authority	AB541 (80 th Session)		AB541 (80 th Session)		AB492 (81st Session)		
	\$3,000,000		\$3,000,000		\$8,000,000		
Date of Issuance	December 10, 2019		November 10, 2020		December 07, 2021		
Initial Proceeds	\$ 1,526,618.00		\$ 1,556,536.30		\$ 8,082,775.25		\$ 11,165,929.55
Treasurer's Interest[1]	\$ 30,903.16		\$ 25,698.77		\$ 102,305.61		\$ 158,907.54
Total Proceeds	\$ 1,557,521.16		\$ 1,582,235.07		\$ 8,185,080.86		\$ 11,324,837.09
6 months	\$ (20,132.60)	1.3%	\$ (55,695.10)	3.5%	\$ (81,028.81)	1.0%	
12 months	\$ (262,838.19)	16.9%	\$ (55,695.10)	3.5%	\$ (81,028.81)	1.0%	
18 months	\$ (311,949.59)	20.0%	\$ (55,695.10)	3.5%	\$ (81,028.81)	1.0%	
24 months	\$ (523,027.87)	33.6%	\$ (55,695.10)	3.5%		0.0%	
30 months	\$ (663,271.12)	42.6%	\$ (703,123.21)	44.4%		0.0%	
36 months	\$ (954,927.48)	61.3%	\$ -	0.0%		0.0%	
48 months	\$ (1,557,521.16)	100.0%	\$ -	0.0%		0.0%	
Unspent Proceeds	\$ -		\$ 879,111.86 55.6%		\$ 8,104,052.05 99.0%		\$ 8,983,165.46

[\[1\] Treasurer's Interest continues to accrue while bond proceeds remain outstanding. Current earnings level is 0.50% A.P.R. and rising.](#)

Loan Commitment from the Drinking Water State Revolving Fund

Board for Financing Water Projects

March 2023

Walker Lake General Improvement District

Amount and Term	Recommendation
<u>\$100,000</u> Principal Forgiveness from DWSRF	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects (Board) approve a loan commitment to the Walker Lake General Improvement District (WLGID) for the source water analysis PER.

Management and Structure

Loan Recipient and Structure Walker Lake General Improvement District (GID) is a public water system.

Project system The project is for Walker Lake GID (NV0000268).

System Project for Funding

Priority List Priority #18 on Nevada Drinking Water SRF Priority List Effective July 2022

Need The Walker Lake General Improvement Districts' need for compliant source water of acceptable quality is urgent. The declining lake level has resulted in decreasing source water quality that is expected to exceed the regulatory maximum contaminant levels.

Chosen Project The Walker Lake General Improvement District (WLGID) Source Water Preliminary Engineering Report (PER) and Environmental Assessment will focus on the WLGID drinking water source. The PER will include an alternatives analysis of source water improvements with the intent of developing a preferred alternative with cost and schedule to advance to construction.

Project Alternatives Alternatives to be considered for source water improvement will include but will not be limited to treatment of existing water source, an upgradient alluvial well from the existing well field, and a bedrock well which will intercept direct recharge from Mount Grant.

Maps Maps are attached to this report.

Timeline

PER/EA Initiation: June 2023
PER/ER Final Report: September 2023

Sources of Project Funding	DWSRF	Capital Improvement Grant	Local	Total
Planning	\$97,648		\$15,000	\$112,648
Administration	\$2,352		\$2,648	\$5,000
Totals	\$100,000		\$17,648	\$117,648

System Previous Commitments and Studies

Project DW 1102: Consolidation of two residents with Walker Lake GID. Loan contract signed March 2, 2011. Contract amount: \$20,000.00.

Project “S-Walker1”: Ground exploration, well construction and development. Loan contract signed November 16, 2009. Contract amount: \$530,671.00.

Environmental Review

Environmental review will be completed with the PER.

Community Engagement

The On February 6, 2023, The Walker Lake General Improvement District Board met to approve the submittal of loan applications to the Drinking Water SRF program for the stated project. This meeting was open to the public and held in a public location. Public Notice for the project will be posted for public comment for 30 days at the State Clearinghouse website.

System Information

System Location Mineral County

System Population 450

System Service Connections 210

System Infrastructure The Walker Lake GID public water system consists of two active wells, the Bighorn Well and the Mallet Well. Both wells are fitted with chlorinators. Drinking water is stored in a 225,000-gallon tank and distributed to residents in a pipe network with the assistance of one booster pump.

Compliance The most recent site survey was completed on October 15, 2021. Significant system deficiencies include the lack of an Atmospheric Vacuum Breaker at sampling Site ST01, which may allow cross contamination. The Mallet Well pump house was observed to have a hole in the corner where rodents could enter the pump house. Other minor deficiencies were observed, and corrections requested.

User Water Rates

- Residential base rate per user per month: \$25.00 (0-7999 gallons of water)
- Commodity Rate \$3.00/1,000 gallons for 8000-11999:
\$3.00/1,000 gallons for 8000-11999
\$3.50/1,000 gallons for 12000-15999
\$4.50/1,000 gallons for 16000-19999
\$6.00/1,000 gallons for 20000-up

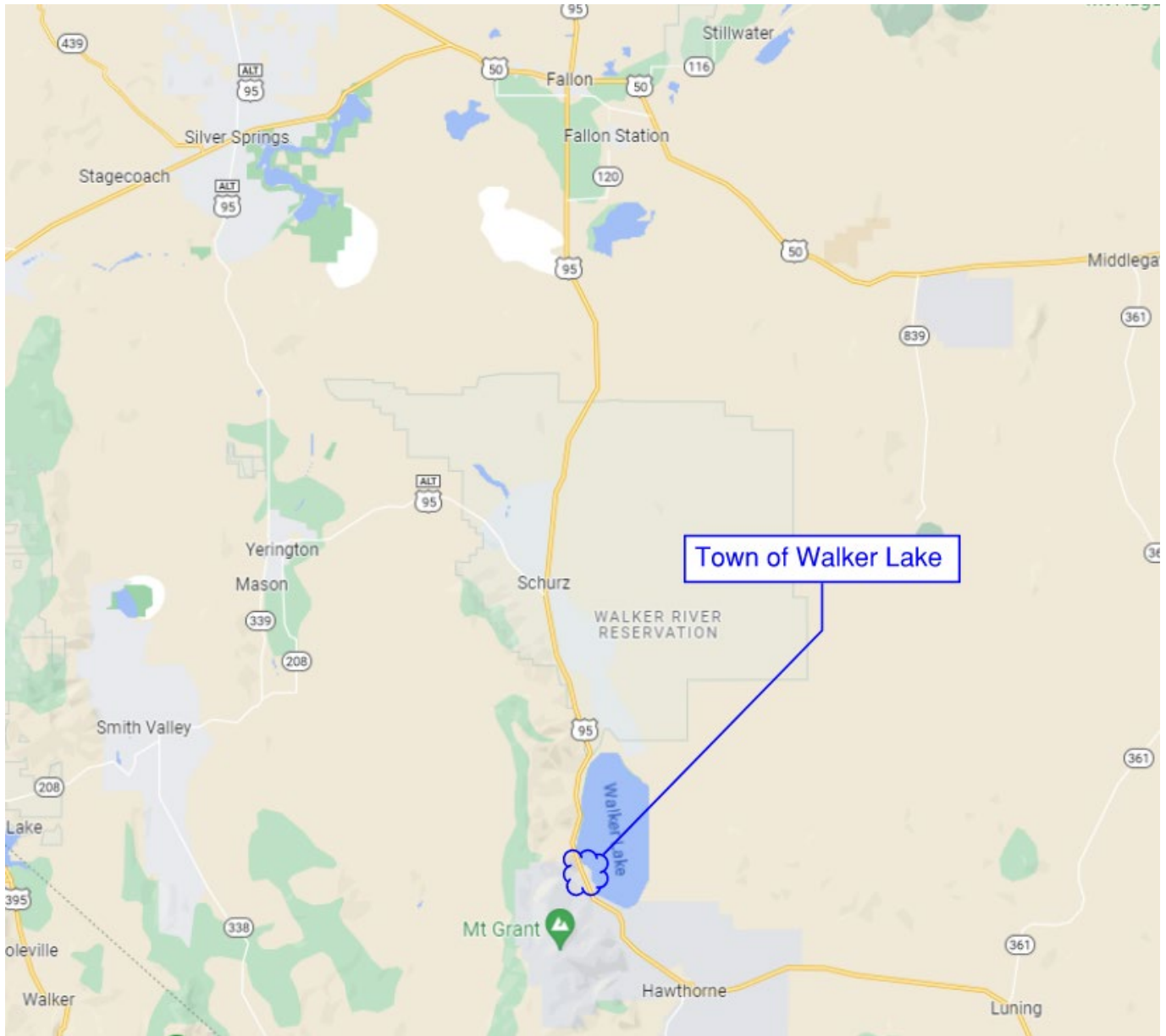
- Average Water Rate/Use for system: \$46.00 (4,500 gallons)

The water rates established sufficiently cover operation, maintenance, debt service and reserves of the system.

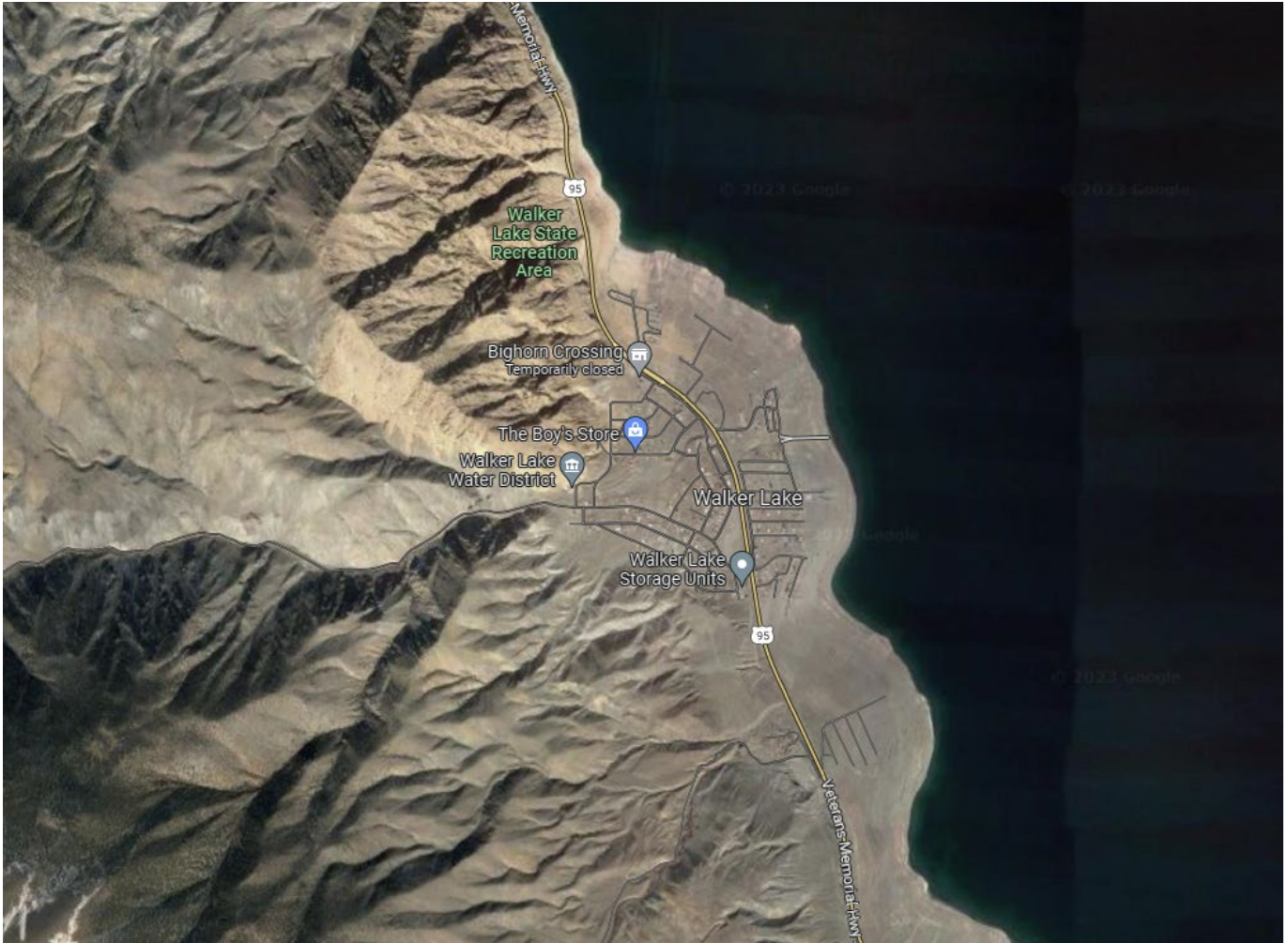
Water Conservation Plan	The Walker Lake GID has a Water Conservation Plan dated December 2007. This plan will be updated with this project.
Technical Capacity	The Walker Lake GID drinking water system requires operator certification level D2-T0. The operator for this water system (number OP01809) holds full D-3 and T-2 certification. Based on this data, the Walker Lake GID has the technical capacity for NDEP to recommend funding support.

Managerial Capacity	The Walker Lake GID drinking water system is governed by a five-member board and meetings are subject to open meeting laws. The last time this project was addressed at a public meeting was February 6, 2023. The Walker Lake GID has demonstrated managerial capacity for NDEP to recommend funding support. Walker Lake GID has demonstrated managerial capacity for NDEP to recommend funding support.
Financial Capacity	<u>Financial Information as of 06/30/2022*</u> Unrestricted Cash: 406,697 Days cash on hand: 652 Outstanding Debt: 206,892 Operating Income before Depreciation: 111,367 Current Ratio: 21.55 Debt Coverage: 12.99 *Financial information is independently audited by Sciarani & Co Walker Lake GID has demonstrated financial capacity for NDEP to recommend funding support.
Asset Management Plan	An Asset Management Plan will not be required as part of the condition for funding the PER and ER.
Capital Replacement Reserve Account	A Capital Replacement Reserve Account will not be required as part of the condition for funding the PER and ER.
DWSRF Principal Forgiveness Eligibility Criteria	The proposed project is a PER and ER, which qualifies for principal forgiveness funding.

Maps and Exhibits



Walker Lake geographical location



Walker Lake satellite image.

DWSRF Authority and Purpose

The 1996 amendments to the Safe Drinking Water Act (SDWA) authorized the 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 and to further the public health objectives of the SDWA. The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation that authorizes NDEP 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, inclusive, which describes the program requirements. Federal regulations for implementing the DWSRF are found in 40 CFR, part 35. Other program directives include the Operating Agreement between NDEP and EPA, the annual Intended Use Plan, EPA guidance and policies, and conditions of each grant award.

One of the requirements of the NRS pertaining to the DWSRF is that NDEP 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(3)).

DWSRF Loan Conditions

The approval of this loan commitment is contingent upon receiving the 2022 Drinking Water State Revolving Fund Bipartisan Infrastructure Law Supplemental Grant. The grant application was submitted to EPA December 5, 2022, and is pending approval.

The principal forgiveness loan will contain the following additional conditions:

- A 15% match for each disbursement request is required.
- The PER must meet the conditions of NDEP’s guidance documents and the Rural Utilities Services Bulletin 1780-2. The ER must address the chosen project(s) area of impact to move the project into the design phase for funding. Should the document not meet these conditions, the funding awarded to create the document must be repaid to the NDEP Office of Financial Assistance (OFA).
- OFA will request planning meetings with borrowers and their selected engineering professional to discuss the status of the document. OFA may reimburse eligible expenses in connection with these meetings throughout the creation of the documents.

Percentage of completion of document	Eligible reimbursement
30%	30%
60%	60%
90%	90%
100%	100%

Should no reimbursements be requested that meet the percentage of completion requirement, NDEP will request the following planning meetings:

Months	Eligible reimbursement
6 months	30%
9 months	60%
12 months	90%
15 months and every 3 months thereafter	90% until complete

RECOMMENDED MOTION FOR THE DWSRF LOAN

I move to approve the resolution titled "D7-0323 Walker Lake General Improvement District Project Loan Commitment," in an amount not to exceed \$100,000.

Loan Commitment from the Drinking Water State Revolving Fund

Board for Financing Water Projects

March 2023

Weed Heights Development

Amount and Term	Recommendation
<u>\$ 500,000</u> Additional Principal Forgiveness from DWSRF	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects (Board) approve additional loan commitment to the Weed Heights Development for the rehabilitation and upgrading to meet OSHA requirements of four system storage tanks.
<u>\$1,481,300</u> Total commitment	

Original commitments

Project	The project is for Weed Heights Development (NV0000242) tank project. The approved project included the interior and exterior recoating of four system water tanks: the Austin North tank (640,000 gallon capacity), Austin South tank (640,000 gallon capacity), Dome tank (230,000 gallon capacity), and the BLM tank (1,000,000 gallon capacity). Other improvements include the addition of OSHA required safety improvements and tank access for inspections.
Resolution and conditions	Resolution D15-1221 for the Weed Heights Development Project Loan Commitment was adopted on December 15, 2021. This board resolution approved a not-to-exceed amount of \$981,300.00 in principal forgiveness funds from the Drinking Water State Revolving Fund.
Need for additional funds	Bids have been solicited and received and the lowest responsible bidder proposed a base bid with scope utilizing the funding amounts granted by the SRF contract with the Weed Heights Development. However, the base scope and cost does not address all of the project elements approved by the Board for Financing Water Projects in December of 2021.

Timeline	Original	Updated
Design	01/2022-06/2022	5/2023-8/2023
Construction Bid	07/2022	11/2023
Construction Start	10/2022	2/2024
Initiation of Operations	10/2023	6/2024

Explanation of timeline changes The resolution referenced above was adopted on December 15, 2021. The following environmental process, contract drafting, review, and circulation was completed in a normal amount of time, yielding a signed contract on March 30, 2022. The Weed Heights Development then commenced the consultant design and contract administration procurement and design for the project began. The bid documents were posted in mid-December 2022, with the bid closing set on January 10, 2023. Two bidders responded to the posting and submitted bids.

Sources of Project Funding	Original Budget	Additional Funding	Total
Planning	\$75,200.00	\$0.00	\$75,200.00
Design, inspection, & Construction Management	\$0.00	\$0.00	\$0.00
Land Acquisition	\$0.00	\$0.00	\$0.00
Equipment & Materials	\$0.00	\$0.00	\$0.00
Construction / Improvements	\$814,600.00	\$450,000.00	\$1,264,600.00
Administration	\$40,700.00	\$0.00	\$40,700.00
Financing	\$0.00	\$0.00	\$0.00
Construction Contingency	\$129,500.00	\$50,000.00	\$179,500.00
Totals	\$1,060,000.00	\$500,000.00	\$1,560,000.00
SRF	\$981,300	\$500,000	\$1,481,300
Local sources	\$78,700	\$0	\$78,700

Explanation for changes in budget	The Weed Heights Development Tank Recoat Project Cost Estimate is dated August 13, 2021. The cost of materials has escalated substantially since the development of this estimate. Additionally, the increase in the number of construction projects in Nevada continues to tax the construction industry. The number of contractors with the availability and resources to bid on construction projects is very small.
Opportunity for other funding	Additional principal forgiveness funds in the DWSRF are available. The only funding source for this project is the DWSRF and local funding sources. To complete the entire project and utilize the existing contractor retained for the project, Weed Heights would not have sufficient time to apply for funding from another source. In addition, providing the additional funding as a traditional loan would not be affordable for the community.

DWSRF Loan Conditions

The approval of this loan commitment is contingent upon receiving the 2022 Drinking Water State Revolving Fund Bipartisan Infrastructure Law Supplemental Grant. The grant application was submitted to EPA December 5, 2022, and is pending approval.

RECOMMENDED MOTION FOR THE DWSRF LOAN

I move to adopt the resolution titled "D08-0323 Weed Heights Development Project," to increase the loan amount by \$500,000 to an amount not-to-exceed \$1,481,300.

Loan Commitment from the Drinking Water State Revolving Fund

Board for Financing Water Projects

March 2023

Silver Springs Mutual Water Company

Amount and Term	Recommendation
<u>\$1,100,000</u> Principal Forgiveness from DWSRF	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects (Board) approve a loan a commitment to the Silver Springs Mutual Water Company for the West Tank OSHA upgrade and rehabilitation project.

Management and Structure

Loan Recipient and Structure Silver Springs Mutual Water Company is a private water system.

Project system The project is for Silver Springs Mutual Water Company (NV0000223).

System Project for Funding

Priority List Priority #88 on Nevada Drinking Water SRF Priority List Effective July 2022

Need Silver Springs Mutual Water Company's (SSMWC) drinking water system was constructed in 1995. In April 2021, SSMWC contracted with Blue Locker Commercial Diving Services (BLCDS) to inspect SSMWC's water storage tanks. The BLCDS inspection report for the West Tank indicates that, in its current condition, the tank has the potential to cause water quality issues and a possible loss of capacity to SSMWC's system if left unaddressed. The BLCDS inspection report for the West Tank indicates that the interior and coatings are at the end of their expected life span and are beginning to fail. All interior lap seams have corrosion developing in the unpaintable areas above the water line. In addition, the access ladder, cage, and top landing currently do not meet OSHA Standards and need to be upgraded to do so.

Chosen Project The West Tank is proposed to be recoated and fitted with upgrades to meet current OSHA standards.

Project Alternatives The alternatives available for this project are summarized below:

No-Build: If the interior coating of the West Tank is not removed and replaced, the existing coating will continue to degrade and may allow contaminants into the water stored in the tank. Additionally, the deterioration of the tank from rust could accelerate as the coating fails. And finally, SSMWC staff could be injured if OSHA required upgrades are not completed.

Tank Replacement: The project need can be met by replacing the West Tank with a new tank with new coating and that would meet current OSHA standards. However, a tank replacement would be extremely costly and would not utilize the remaining service life of the West Tank.

Chosen Alternative: Recoat the West Tank and construct OSHA required upgrades: this alternative includes the removal of the failing coating on the interior of the tank and the application of a new coating, utilizing and extending the remaining service life of this tank. Additionally, safety upgrades will be constructed to enable this tank to meet OSHA requirements.

Maps Maps are attached to this report.

Timeline

Design: 02/24/2023

Construction Start: 06/01/2023

Initiation of Operations: 09/15/2023

Sources of Project Funding

	DWSRF	Capital Improvement Grant	Local	Total
Planning	\$0.00	\$0.00	\$0.00	\$0.00
Design, inspection, and Construction Management	\$76,100.00	\$0.00	\$0.00	\$76,100.00
Land Acquisition	\$0.00	\$0.00	\$0.00	\$0.00
Equipment & Materials	\$0.00	\$0.00	\$0.00	\$0.00
Construction / Improvements	\$698,000.00	\$0.00	\$0.00	\$698,000.00
Administration	\$0.00	\$0.00	\$0.00	\$0.00
Financing	\$0.00	\$0.00	\$0.00	\$0.00
Construction Contingency	\$325,900.00	\$0.00	\$0.00	\$325,900.00
Totals	\$1,100,000.00	\$0.00	\$0.00	\$1,100,000.00

System Previous Commitments and Studies

Project ID: DW 2311; Agreement not yet executed; Loan Amount \$1,400,000.00

Project will install a new well to replace a failed well at the Lake Street Well site.

Project ID: DW 2209; Executed February 2022; Loan Amount \$88,680.00

Preliminary Engineering Report to determine need and viability of the HWY 50 transmission line redundancy project.

Project ID: DW 2208; Executed February 2022; Loan Amount \$119,900.00

Preliminary Engineering Report to determine action for the failed Lake Street Well.

Project ID: DW 1911 Executed July 2019, Loan Amount \$279,270.00

North Tank #1 Rehabilitation and recoating.

Project ID: DW 1802; Executed July 2017; Loan Amount \$591,577.00

Drilling and construction of replacement Deodar Street Well.

Project ID: DW 1604; Executed August 2015; Loan Amount \$178,011.69

Water resource categorization including aquifer testing for new well to replace failing Deodar Street Well.

Project ID: S-SSMWC1 (ARRA); Executed August 2009; Loan Amount \$3,662,307.00

Septic to Sewer conversion project including Biolac mechanical plant to treat effluent for reuse on fields at Silver Springs airport.

Project ID: C32-9801; Executed July, 2000; Loan Amount: \$2,700,000.00

Septic to Sewer conversion project including Biolac mechanical plant to treat effluent for reuse on fields at Silver Springs.

Environmental Review

If funding for the West Tank OSHA upgrade and rehabilitation project is approved, NDEP will issue a Categorical Exclusion for the project for a 15-day public comment period. In accordance with NAC 445A.67583(2)(a) the project is eligible for a Categorical Exclusion as it is (a) The rehabilitation of an existing facility. The project includes interior recoating of the tank as well bringing the access ladder, cage and top landing into compliance with OSHA standards. Ground disturbance activities will occur in previously disturbed areas; impacts to any environmental resources is not anticipated.

Community Engagement

This project was presented in a publicly held board meeting on May 19, 2022, and was supported by the SSMWC Board of Directors Meeting with a resolution. Public notice for this project will be posted for public comment for 15 days at the State Clearinghouse website.

System Information

System Location Lyon County

System 3,070

Population

System 1,198

Service Connections

System Infrastructure The existing water supply system consists of two production wells that are in-use (Idaho Street and Deodar Street), one that was in use until failure in July 2021 (Lake Street), and two monitoring wells (Atkins and Fort Churchill Street). Water storage consists of three one-million-gallon tanks: the West Storage Tank, Old North Storage Tank, and New North Storage Tank. The drinking water is distributed by 194,470 feet of pipe, which is largely PVC ranging from 2" to 14" in diameter. Consumption is monitored with "touch-read" water meters; however, the system is currently being converted to Automated Meter Reading radio read meters. The arsenic treatment plant located at the Lake Street Well utilizes a Supervisory Control and Data Acquisition system installed in 2010 for remote operation and control of system wells, tanks, and the water treatment facility. Two generators are installed on the system: one at the water treatment plant with the capability of operating both the treatment plant and the Lake Street Well, and a second at the Spruce Street Booster Pump.

Compliance There are no records of water system violations in the last ten years.

User Water Rates	• Residential base rate per user per month: Varies – See table below (0-15,000 gallons of water) • Commodity Rate: \$5.00/1,000 gallons from 15,000 to 30,999 gallons \$6.00/1,000 gallons for usage over 30,100 gallons • Average Water Rate/Use for system: \$57.00 (up to 15,000 gallons) The water rates established sufficiently cover operation, maintenance, debt service and reserves of the system.
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Information

Water Conservation Plan The Silver Springs Mutual Water Company has a Water Conservation Plan which was updated, reviewed, and approved by the Nevada Division of Water Resources on March 17, 2020.

Technical Capacity The Silver Springs Mutual Water Company drinking water system requires operator certification level D2-T2. The operator for this water system (number OP02198) holds full D-3 and T-2 certification.

Based on this data, the Silver Springs Mutual Water Company has the technical capacity for NDEP to recommend funding support.

Managerial Capacity SSMWC is governed by a seven-member board and meetings are subject to open meeting laws. The last time this project was addressed at a public meeting was May 19, 2022. SSMWC has demonstrated managerial capacity for NDEP to recommend funding support.

Financial Capacity

Financial Information as of 12/31/2021*

Unrestricted Cash: 618,219

Days cash on hand: 290

Outstanding Debt: 678,643

Operating Income before Depreciation: 346,182

Current Ratio: 4.64

Debt Coverage: 11.4

*Financial information is independently audited by Eide Bailly

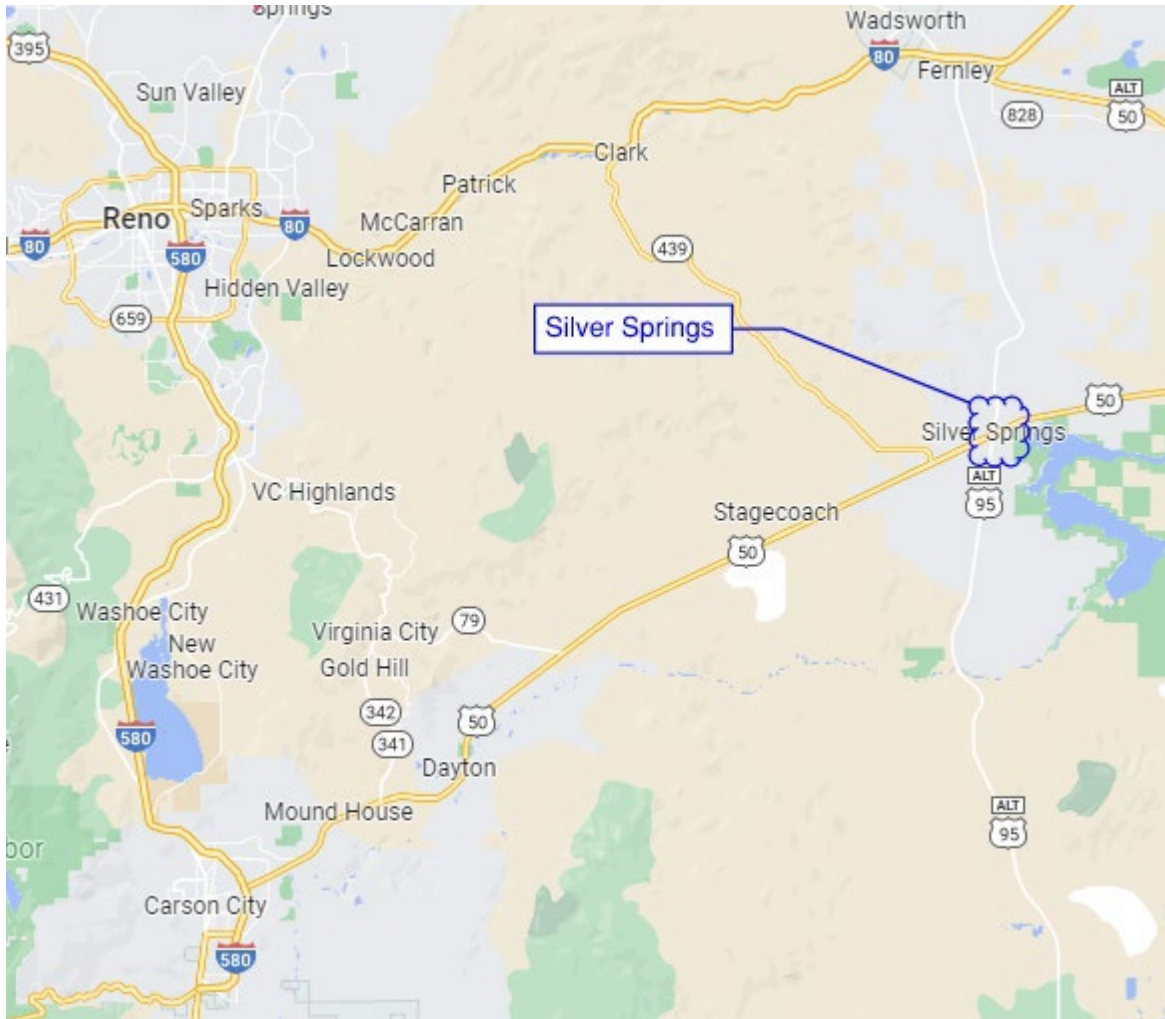
Silver Springs Mutual Water Company has demonstrated financial capacity for NDEP to recommend funding support.

Asset Management Plan An Asset Management Plan will be part of the loan conditions for principal forgiveness funding.

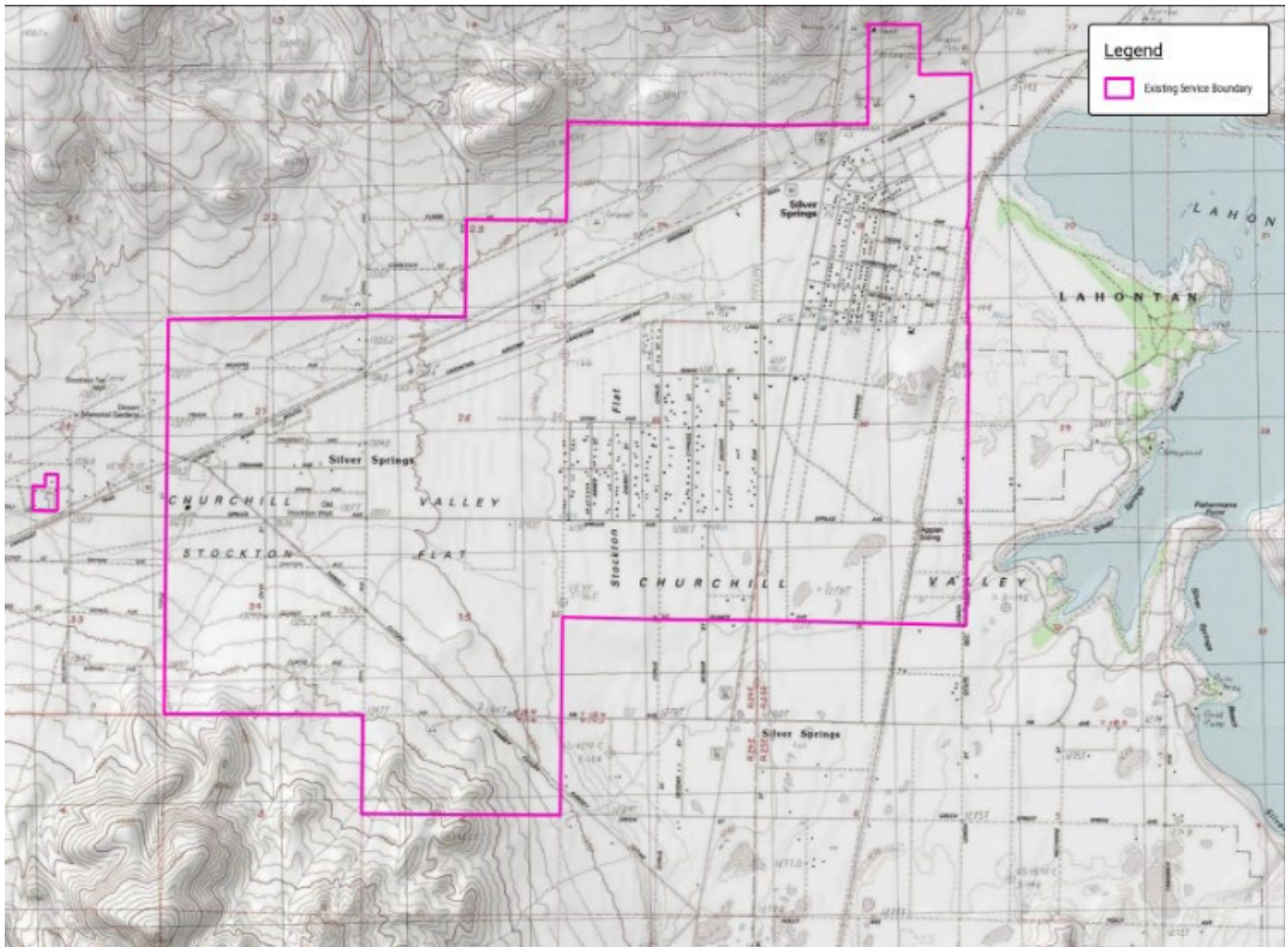
Capital Replacement Reserve Account SSMWC has a Capital Replacement Reserve account established. The balance in the reserve account as of December 31, 2021, was \$200,416.

DWSRF Principal Forgiveness Eligibility Criteria SSMWC is disadvantaged as defined by Median Household Income and therefore is eligible for principal forgiveness funding.

Maps and Exhibits



Silver Springs Location Map.



Silver Springs Water System Service Map

DWSRF Authority and Purpose

The 1996 amendments to the Safe Drinking Water Act (SDWA) authorized the 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 and to further the public health objectives of the SDWA. The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation that authorizes NDEP 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, inclusive, which describes the program requirements. Federal regulations for implementing the DWSRF are found in 40 CFR, part 35. Other program directives include the Operating Agreement between NDEP and EPA, the annual Intended Use Plan, EPA guidance and policies, and conditions of each grant award.

One of the requirements of the NRS pertaining to the DWSRF is that NDEP 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(3)).

DWSRF Loan Conditions

The approval of this loan commitment is contingent upon receiving the 2022 Drinking Water State Revolving Fund Bipartisan Infrastructure Law Supplemental Grant. The grant application was submitted to EPA December 5, 2022, and is pending approval.

The principal forgiveness loan will contain the following conditions:

- Review user rates at least every three (3) years for the life of the loan.
- Maintain a fiscal sustainability plan that is reviewed by the governing board at least every five (5) years.
- Maintain a capital replacement reserve account that is funded at least annually and re-evaluated every five (5) years.

RECOMMENDED MOTION FOR THE DWSRF LOAN

I move to approve the resolution titled “D09-0323 Silver Springs Mutual Water Company Project Loan Commitment,” which is intended to finance certain projects in an amount not to exceed \$1,100,000.

Loan Commitment from the Drinking Water State Revolving Fund

Board for Financing Water Projects

March 2023

Town of Tonopah

Amount and Term	Recommendation
<u>\$3,500,000</u> Principal Forgiveness from DWSRF	The Nevada Division of Environmental Protection (NDEP) recommends that the Board for Financing Water Projects (Board) approve a loan commitment to Tonopah Public Utilities to replace galvanized distribution lines.

Management and Structure

**Loan Recipient
and Structure** Tonopah Public Utilities is a public water system.

Project system The project is for the Tonopah Public Utilities (NV0000237).

System Project for Funding

Priority List This project consists of Priority #93, 94, and 95 on the Nevada Drinking Water SRF Priority List Effective July 2022

Need The existing distribution lines in the project areas vary from 2" to 6" and some date back to the early 1900's. These water distribution lines fail continually causing the neighborhood to lose pressure and volume. This replacement project will bring these lines into compliance by increasing the distribution line sizes to 8" (NAC 445A.67115) and will replace the galvanized line to meet NAC 445A.67125, while also increasing the pressure to comply with NAC 445A.6711.

In addition, there is not sufficient hydrants within the project areas to properly flush the distribution lines and there are two sections where the distribution lines terminate at a dead-end.

Chosen Project This project consists of three different project areas. The first project area replaces a 2-inch galvanized water line from Brougner Avenue to Knapp Avenue with an 8-inch PVC C-900 water line, with an 8-inch gate valve. The second project area replaces 900 Linear Feet of 2" and 1" galvanized water line on Magnolia Street with a 6" C-900 line. And the third project area replaces approximately 4,120 feet of 2"

galvanized and 3" asbestos concrete water lines at Rhines trailer park west of Cutting Street with 8" C900 water line.

The project areas will also include properly spaced fire hydrants to allow the system to be flushed properly, as well as the reinstallation and connection of 70 service lines to the new water line. Two distribution line dead ends will be modified to a loop configuration and an 8-inch gate valve will be installed to tie-in to the existing distribution system.

Project Alternatives The only feasible alternative available for this project is the “no-build” alternative. However, not building this project will likely result in an increase in the frequency of line breaks and leakages causing water loss and increasing maintenance costs to the Tonopah Public Utilities until these aged distribution lines can be replaced.

Maps Maps are attached to this report.

Timeline

Design: May – June 2023

Construction Bid: July 2023

Construction Start: September 2023

Initiation of Operations: January 2024

Sources of Project Funding

	DWSRF	Capital Improvement Grant	Local	Total
Planning	\$115,000.00	\$0.00	\$0.00	\$115,000.00
Design, inspection, and Construction Management	\$474,940.00	\$0.00	\$0.00	\$474,940.00
Land Acquisition	\$0.00	\$0.00	\$0.00	\$0.00
Equipment & Materials	\$0.00	\$0.00	\$0.00	\$0.00
Construction / Improvements	\$2,374,700.00	\$0.00	\$0.00	\$2,374,700.00
Administration	\$0.00	\$0.00	\$0.00	\$0.00
Financing	\$0.00	\$0.00	\$0.00	\$0.00
Construction Contingency	\$535,360.00	\$0.00	\$0.00	\$535,360.00
Totals	\$3,500,000.00	\$0.00	\$0.00	\$3,500,000.00

System Previous Commitments and Studies

Tonopah Public Utility Water Master Plan developed by Shaw Engineering in January 2015

This Water Master Plan reports results of an evaluation of the Tonopah Public Utility water system's condition, operation, and status of current infrastructure. This report also includes recommendations to improve the system.

Environmental Review

All construction work is located on previously disturbed land. Impacts to environmental resources are not anticipated. If funding for the Tonopah Utilities distribution line replacement project is approved, NDEP will issue a Categorical Exclusion for the project for a 15-day public comment period. In accordance with NAC 445A.67583(2)(b) the project is eligible for a Categorical Exclusion as it is (b) The replacement of equipment or structures.

Community Engagement

The Tonopah Town Board Meetings are held twice a month. On February 1, 2023, The Tonopah Town Board met to approve the submittal of loan applications to the Drinking Water SRF program for the stated project. Public Notice for the project will be posted for public comment for 15 days at the State Clearinghouse website.

System Information

System Location	Nye County
System Population	2,192
System Service Connections	80
System Infrastructure	The Tonopah Public Utilities drinking water system has six active wells. The water from these wells is stored in nine storage tanks varying from 100,000-gallon capacity to 1,080,000-gallon capacity. The drinking water is distributed through a pipe system of various sizes and materials with the assistance of three booster pump stations. Chlorine is added to the drinking water with the use of a chlorinator at the Rye Patch Pump Station.
Compliance	A sanitary survey of the Tonopah Public Utilities drinking water system was conducted on July 18, 2022. No significant deficiencies were observed. Other deficiencies were observed that need to be corrected to ensure adequate long-term protection, construction, monitoring, operation, and maintenance of the public water system. These deficiencies included a cracked well pad at Well 10

and Well 6, the implementation of a tank maintenance program, and the possible abandonment of the Airport Storage tank due to lack of demand.

User Water Rates	- Residential base rate per user per month: \$10.25 (0-1,000 gallons of water) - Commodity Rate: \$4.25/1,000 gallons over the base gallons - Average Water Rate/Use for system: \$23.00 (5,000 gallons) The water rates established sufficiently cover operation, maintenance, debt service and reserves of the system.
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Information

Water Conservation Plan The Tonopah Public Utilities has a Water Conservation Plan which was submitted to the Nevada Division of Water Resources on February 11, 2020.

Technical Capacity The Tonopah Public Utilities drinking water system requires operator certification level D3-T0. The operator for this water system (number OP02564) holds full D-3 certification.

Based on this data, the Tonopah Public Utilities has the technical capacity for NDEP to recommend funding support.

Managerial Capacity The Tonopah Public Utilities is governed by a five-member board and meetings are subject to open meeting laws. The last time this project was addressed at a public meeting was January 25, 2023. Tonopah Public Utilities has demonstrated managerial capacity for NDEP to recommend funding support.

Financial Capacity

Financial Information as of 06/30/2021*:

Unrestricted Cash: 998,122

Days cash on hand: 720

Outstanding Debt: 4,941,829

Operating Income before Depreciation: 294,491

Current Ratio: 7.94

Debt Coverage: 1.94

*Financial information is independently audited by Daniel C. McArthur

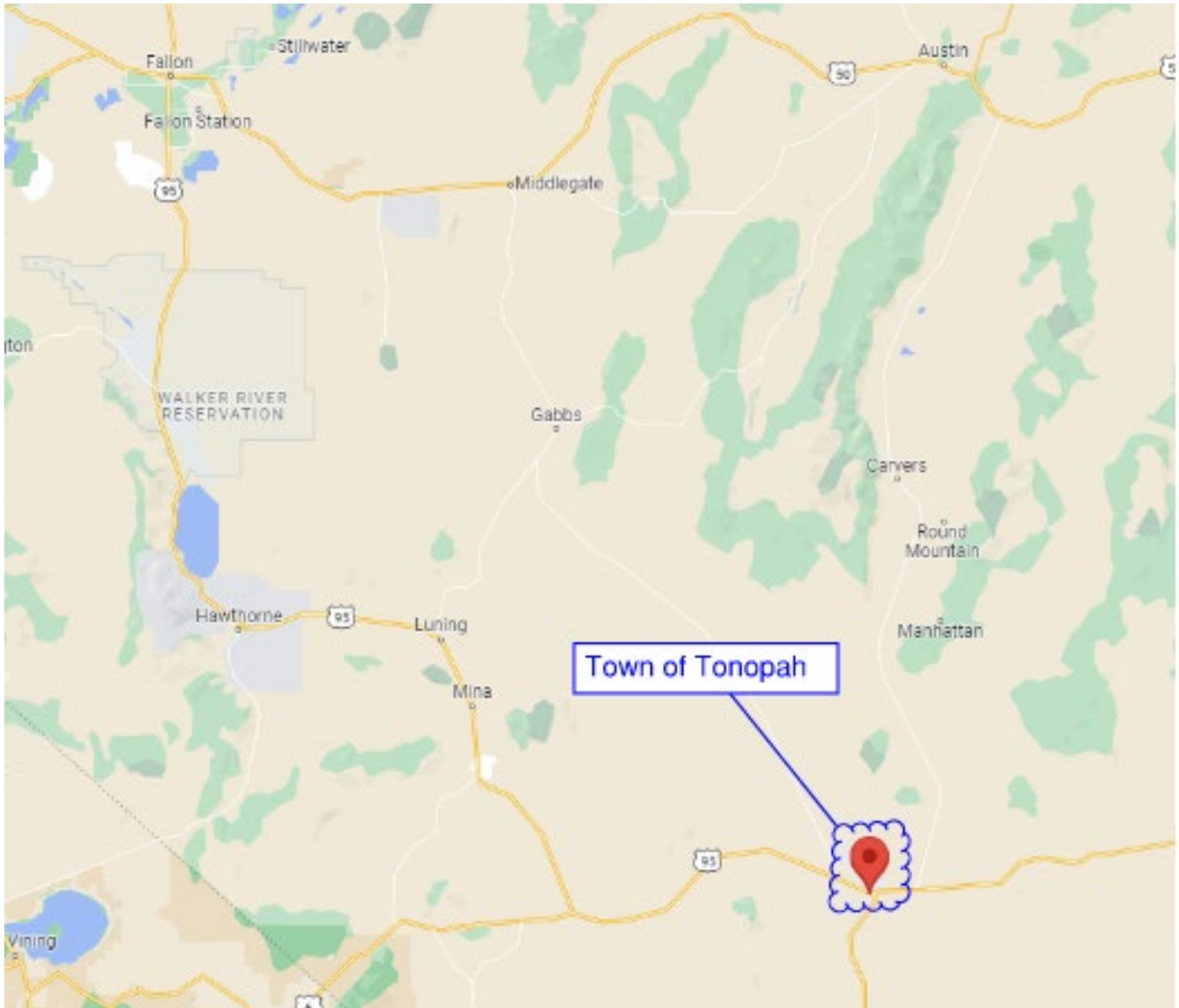
Tonopah public utility has demonstrated financial capacity for NDEP to recommend funding support.

Asset Management Plan An Asset Management Plan will be part of the loan conditions for principal forgiveness funding.

Capital Replacement Reserve Account Tonopah Public Utilities has a Capital Replacement Reserve account established. The balance in the reserve account as of June 30, 2021, was \$549,372.

DWSRF Principal Forgiveness Eligibility Criteria Tonopah Public Utilities is disadvantaged as defined by Median Household Income and is therefore eligible for principal forgiveness funding.

Maps and Exhibits



Geographic location of Town of Tonopah



Satellite view of the Town of Tonopah

DWSRF Authority and Purpose

The 1996 amendments to the Safe Drinking Water Act (SDWA) authorized the 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 and to further the public health objectives of the SDWA. The SDWA authorizes the U.S. Environmental Protection Agency (EPA) to award capitalization grants to states that have established DWSRF programs. The Nevada Legislature passed legislation that authorizes NDEP 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, inclusive, which describes the program requirements. Federal regulations for implementing the DWSRF are found in 40 CFR, part 35. Other program directives include the Operating Agreement between NDEP and EPA, the annual Intended Use Plan, EPA guidance and policies, and conditions of each grant award.

One of the requirements of the NRS pertaining to the DWSRF is that NDEP 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(3)).

DWSRF Loan Conditions

The approval of this loan commitment is contingent upon receiving the 2022 Drinking Water State Revolving Fund Bipartisan Infrastructure Law Supplemental Grant. The grant application was submitted to EPA December 5, 2022, and is pending approval

The principal forgiveness loan will contain the following conditions:

- Review user rates at least every three (3) years for the life of the loan.
- Maintain a fiscal sustainability plan that is reviewed by the governing board at least every five (5) years.
- Maintain a capital replacement reserve account that is funded at least annually and re-evaluated every five (5) years.

RECOMMENDED MOTION FOR THE DWSRF LOAN

I move to approve the resolution titled “D10-0323 Town of Tonopah Project Loan Commitment,” which is intended to finance certain projects in an amount not to exceed \$3,500,000.

Commitments from the Capital Improvements Grant Program

Board for Financing Water Projects

March 2023

Arbitrage Management

Need In the last six years, the Capital Improvements Grant Program has been successful in demonstrating need to the Nevada Legislature for water projects across Nevada. These funds have been a way to partner with other funding sources to ensure projects are able to be completed entirely for our most needed communities.

Due to the excessive amount of tax-exempt bond proceeds that have not been spent on these committed projects, the Governor's Office, the State Treasurer's Office, and the Nevada Legislature have expressed concern over authorizing further bond proceeds for the program in the SFY 23-25 biennium. The idle cash has not demonstrated a need to government officials raising concern over arbitrage payments.

Historically, the Capital Improvements Grant Program received funding on a regular, biennium basis, enabling staff to commit to projects on a longer-term basis. Since the great recession of 2008, the program has not been fully funded to historical levels, with great uncertainty about any future authorizations. NDEP staff has had to wait to present projects to the Board for Financing Water Projects until bond funds have been authorized for issuance for the exact amount of the projects. Further, grantees have had to face changing costs on their projects that are beyond the grantee's control (bid busts, supply chain issues, staff shortages, weather delays, etc.).

However, the rules surrounding tax-exempt bonds have not changed, requiring the funds to be spent within three years. In the most serious case, the Internal Revenue Service does have the ability to penalize the issuer (State of Nevada). This is why government officials at all levels are concerned that tax-exempt proceeds are managed appropriately.

For reference, bond proceeds for arbitrage calculation purposes include the amount of funds received on the date of bond sale plus accrued interest earnings on those proceeds until fully spent. Therefore, the amount of bond proceeds continues to increase each quarter the funds remain unspent.

Ask NDEP is recommending a board policy governing grant commitments from the program.

- A change of funding commitments from the program would demonstrate to the Legislature, the Governor, and the State Treasurer the Board's commitment to meeting arbitrage requirements.
- Grantees are eligible to receive a portion of the project in grant funds, but must share in the responsibility for arbitrage requirements, less it impacts all future grantees of the program.

Recent History of Bond issuances and expenditures

Bond Series	2019B		2020B		2021B		Total	
Legislative Authority	AB541 (80 th Session) \$3,000,000		AB541 (80th Session) \$3,000,000		AB 492 (81 st Session) \$8,000,000			
Date of Issuance	December 10, 2019		November 10, 2020		December 7, 2021			
Initial Proceeds	\$1,526,618.00		\$1,556,536.30		\$8,082,775.25		\$11,165,929.55	
Treasurer's Interest ¹	\$30,903.16		\$25,698.77		\$102,305.61		\$158,907.54	
Total Proceeds	\$1,557,521.16		\$1,582,235.07		\$8,185,080.86		\$11,324,837.09	
6 months	(\$20,132.60)	1.3%	(\$55,695.10)	3.5%	(\$81,028.81)	1.0%		
12 months	(\$262,838.19)	16.9%	(\$55,695.10)	3.5%	(\$81,028.81)	1.0%		
18 months	(\$311,949.59)	20.0%	(\$55,695.10)	3.5%	(\$81,028.81)	1.0%		
24 months	(\$523,027.87)	33.6%	(\$55,695.10)	3.5%				
30 months	(\$663,271.12)	42.6%	(\$703,123.21)	44.4%				
36 months	(\$954,927.48)	61.3%						
48 months	(\$1,557,521.16)	100%						
Unspent Proceeds	\$0		\$879,111.86	55.6%	\$8,104,052.05	99.0%	\$8,983,163.91	79.3%

¹ Treasurer's Interest continues to accrue while bond proceeds remain outstanding. Current earnings level is 0.50% A.P.R. and rising.

Capital Improvements Grant Bond Authority

NRS 349.986 General obligation bonds.

- 1. The State Board of Finance shall issue general obligation bonds of the State of Nevada to support the purposes of the program established by [NRS 349.981](#). The aggregate principal amount of such bonds outstanding at any one time may not exceed \$125,000,000.
- 2. The net proceeds from the sale of the bonds must be deposited in the Fund.
- 3. The bonds must be redeemed through the Consolidated Bond Interest and Redemption Fund.

NRS 349.987 Applicability of State Securities Law and certain provisions governing financing of water projects.

- 1. The provisions of [NRS 349.150](#) to [349.364](#), inclusive, which are not inconsistent with the provisions of [NRS 349.980](#) to [349.987](#), inclusive, apply to the bonds issued pursuant to [NRS 349.986](#).
- 2. The provisions of [NRS 349.935](#) to [349.956](#), inclusive, and [349.961](#) do not apply to the program or to any grants made or bonds issued pursuant to [NRS 349.986](#).

NRS 349.150 – 349.364: State Securities Law
NRS 349.980 – 349.987: Grants for Capital Improvements to Publicly Owned Water Systems
NRS 349.935—349.956: Financing of Water Projects

RECOMMENDED MOTION FOR THE POLICY

I move to approve the arbitrage management policy dated March 22, 2023, as presented in the staff report.

BOARD FOR FINANCING WATER PROJECTS	REVISION DATE	PAGE
POLICY	March 22, 2023	Page 1 of 2
SUBJECT: ARBITRAGE MANAGEMENT		

AUTHORITY:

The Board for Financing Water Projects (Board) is authorized by Nevada Revised Statutes (NRS) 349.982 to establish requirements for participation in the Capital Improvement Grants Program.

PURPOSE:

The purpose of this policy is to ensure the program is properly managing tax-exempt bond proceeds that support grants to eligible recipients. Tax-exempt bonds issued to fund the program must be committed and spent timely to avoid Internal Revenue Service review and possible rebate. Recipients of the program must be able to spend their awarded funds within the timeline required.

REFERENCE:

- Every tax-exempt bond issued in Nevada is subject to Arbitrage Rebate from day one of issuance.
- If bond proceeds, along with interest earnings, remain unspent after year three, then there is the possibility for Internal Revenue Service review of bond issuance practices and arbitrage rebate.
- General Rule: Spend proceeds and interest earnings within three years of bond issuance.

BOARD POLICY:

- 1) If tax-exempt bond proceeds are issued and available to commit to grantees in the Capital Improvements Grant Program, the following requirements will be added to all future funding agreements:
 - a) Funding agreements will be for a maximum of three years, unless extended by the Board.
 - b) Grantees must sign acknowledgment of the arbitrage requirements as part of their funding agreement.
 - c) Grantees must provide an updated draw schedule every six months during the life of the project.

BOARD FOR FINANCING WATER PROJECTS POLICY	REVISION DATE March 22, 2023	PAGE Page 2 of 2
SUBJECT: ARBITRAGE MANAGEMENT		

- d) Grantees must submit draw requests at least quarterly if invoices have been presented for payment. If no invoices have been presented to the grantee for payment, the grantee must notify the Division.
- e) Grantees are subject to de-obligation of available grant funds if funds are not drawn timely.

Timeline	Amount to be drawn	Amount subject to de-obligation
12 months	30% of the awarded grant	30% of the undisbursed grant award unless the grantee can spend 35% of the awarded grant by 18 months.
24 months	65% of the awarded grant	65% of the undisbursed grant award unless the grantee can spend 70% of the awarded grant by 30 months.
36 months	100% of the awarded grant	100% of the undisbursed grant award

- 2) It is the policy of the Board to give preference to grant applications for projects ready to proceed that will comply with arbitrage requirements. In addition, Board staff are directed to give similar preference when budgeting projected biennial bond fund needs in the event staff are asked by the Department of Administration or State Treasurer for project funding needs.
- 3) If taxable bond proceeds are issued and available to commit to grantees in the Capital Improvements Grant Program, these requirements will not apply.

Commitments from the Drinking Water State Revolving Fund

Board for Financing Water Projects

March 2023

Emergency Situations for Drinking Water Systems

Background Nevada regulations were recently adopted that change the way the SRF adds projects to the priority list for systems facing an emergency. These changes were meant to address the paperwork process of getting in line for funding that aligns with federal regulations on emergency projects.

What Changed Drinking water systems now have an expedited approval process to be listed on the Priority List when they are facing an emergency as defined by NAC 445A.67527:

“Emergency situation” occurs when:

- 1. Water at a public water system is contaminated or is likely to be contaminated to such an extent that it causes an imminent danger to public health and the contamination could not have been prevented by the operator of the system; or*
- 2. There is a reduction of a source of potable drinking water for an extended period; or*
- 3. There is an impact to the delivery of potable drinking water that is caused by an emergency or disaster and, in relation to that emergency or disaster, a state of emergency or declaration of disaster has been proclaimed by the Governor or by resolution of the Legislature pursuant to NRS 414.070.*

- A. Systems do not need to be currently listed on the priority list to obtain approval from the Board for Financing Water Projects for funding from the DWSRF.
 - a. A borrower can submit a full loan application to OFA for immediate review.
 - b. OFA can request an emergency meeting of the Board (if needed).
 - c. At the meeting of the Board:
 - i. The Board can approve a resolution to add the project to the current priority list due to an emergency.
 - ii. The Board can approve a resolution for funding the project.
 - d. A public workshop on the priority list is waived for a project meeting the definition of an emergency.
 - e. A bypass notice is required to be sent to all borrowers on the priority list, but OFA does not need to wait 30 days for response.

What has not changed Borrowers are still required to comply with all regular DWSRF funding requirements unless individual waivers and authorizations are granted for each item.

Principal forgiveness funding is only available if the entity qualifies as disadvantaged and federal subsidy funds are available. Borrowers facing an emergency may only qualify for a traditional loan at 54% of the market rate for a maximum of 30-years, subject to Treasurer's Office approval.

The Regular DWSRF funding requirements are:

- A. Public procurement for engineers, architects, and contractors
- B. Environmental Review
- C. Historic preservation consultation
- D. Bonding / loan security
- E. American Iron and Steel / Build-America-Buy-America procurement
- F. Davis-Bacon Wage Act
- G. Disadvantaged Business Enterprise

- Evaluation of an emergency**
- 1) Can the project move faster than the normal process?
 - a. Will declaring the emergency provide the system funding quicker?
 - 2) Is the system treating this as an emergency?
 - a. Is the system notifying its users, contacting NvWARN, or coordinating with resources?
 - b. Is the system demonstrating managerial capacity for public health concerns, legal responsibilities, and asset management?