

Meeting Minutes
THE BOARD FOR FINANCING WATER PROJECTS
January 14, 2020
1:30 p.m.

Legislative Council Building
Senate Hearing Room 1214
401 South Carson Street, 1st Floor
Carson City, NV 89701

Audio Conference
(877) 336-1831

Members Present:

Bruce Scott, Chair
Andrew Belanger, Vice Chair
Lori Williams
Carl Ruschmeyer
Mike Workman
My-Linh Nguyen, ex-officio member

Legal Counsel Present:

Katie Armstrong, Senior Deputy Attorney General

NDEP Present:

Jason Cooper
Michelle Stamates
Kyle Casci
Valerie King
Marcy McDermott

Public Present:

Jim Harker, Riverbelle Properties LLC
Cathy Harker, Riverbelle Properties
Paul Winkelman, Shaw Engineering
Cody Black, Shaw Engineering
Marie Henson, Churchill County
Rusty Kiel, Lovelock Meadows Water District
Bill Reid, Roark Estates
Bill Sampson, Roark Estates
Terry Johnson, Roark Estates
Joe Phillips, Sunrise Engineering

Board for financing water projects regular meeting

1) Call to order

Chair Bruce Scott opened the meeting and invited introductions from board members and those present in person and on the phone.

2) Introduction/establish quorum

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

3) Public comment

There were no public comments.

4) Approval of Minutes from the June 25, 2019 Regular Meeting

Motion by Board Member Williams, seconded by Board Member Workman. Motion carried unanimously.

5) Approval of Minutes from the November 14, 2019 Workshop

Kyle Casci of the Nevada Division of Environmental Protection (NDEP) pointed out that on the last page, under Public Comments, Ms. Carr suggested that the last sentence be changed to, "She asked the Board to consider providing NDEP staff their thoughts and guidance assistance on funding priorities." Motion by Member Ruschmeyer, seconded by Member Williams, to approve with the suggested change.

6) Funding update for the Drinking Water State Revolving Fund (DWSRF)

Mr. Cooper of the NDEP gave an update on the Drinking Water State Revolving Fund (DWSRF). As of December 31, 2019, there is \$52,382,270 in the bank, with \$33,086,216.19 committed. There is a request before the Board for \$907,175 to further spend that money, which would leave \$39,445,718 in the bank (lowest balance over the next three years for cash flow needs).

Projections for the next three years are displayed. DWSRF currently has \$4,023,027.21 available in principal forgiveness funding, with \$813,000 being presented to the Board today, leaving \$3.2 million on the table to commit (still working on those projects).

7) Funding Update for the Capital Improvements Grant Program

Mr. Cooper stated the funding for the Capital Improvements Grant Program is funded entirely by state issued tax exempt bonds. As of December 31, 2019, there is \$1,690,294.33 in the bank, with \$14,325.80 reserved for administration, and \$130,932.77 committed to one project which will be disbursed shortly. The projects staff is presenting today total \$435,000, which will leave \$1,110,035.76 left to commit from current funds. In the last legislative session AB541 authorized the State Treasurer's Office to issue up to \$3 million in bonds. The Treasurer's Office issued \$1.5 million in bonds on December 10, 2019, and will be asking for the additional \$1.5 million this fall.

8) Approval of the 2020 Drinking Water Priority List

Ms. Stamates of NDEP stated that projects are ranked into four classes: Class I, significant or acute health risks; Class II, violation of primary and/or secondary drinking water standards; Class III, infrastructure rehabilitation and replacement projects; and Class IV, refinancing of existing debt. They can fund community public water systems, both private and political subdivisions, and non-transient, non-community water systems (non-profits, such as schools, office buildings). She noted the last group as the transient, non-community and non-profit water systems, such as gas stations and campgrounds. There is a different point system within each class. If applications are received for multiple projects or systems and two systems are tied, then the system with the largest population will be ranked higher. Points are multiplied by the ratio of the state median household income to the applicant system's median household income, derived from the Census Bureau.

Ms. Stamates added that the NAC allows other factors to be considered, but if new categories came about, those categories can be added to the intended use plan for the year in which the priority list is created, although right now, there is nothing that allows points to be added (they are in the regulation). Eligible projects on the priority list can be bypassed if the applicant is not ready to proceed, if there are no objections within the required 30-day notice period. The Drinking Water 2020 Priority List has been revised two times this fiscal year, because of the additional funds received from the Capital Improvements Grant Program, so for those systems that are not eligible for funds from the Drinking Water Fund may well be eligible for funds from the Capital Improvements Grant fund. She noted that thirteen (13) projects were provided on the list (and incorporated into the longer list in the packet), with five projects removed, either because they are completed, or they requested to be removed.

Ms. Stamates stated a column on the end was recently added, in order to clarify the projects that are currently receiving funding. All projects stay on the list until completed, in case they need to come back for more money. Federal and state regulations require a public review process (met by the November 14, 2019 meeting), and any comments from that meeting were updated or addressed. Staff recommends the Board Financing Water Projects approve the State Fiscal Year 2020 Revision One Drinking Water State Revolving Fund Priority List.

Chair Scott asked about the added task under the Class III rehabilitation for Humboldt County Gold Country Estates, although they were already on the list for a Class II with an acute issue for nitrates. Ms. Stamates stated it was to be determined if the acute issue would deal with the nitrate issue, and a PER would most likely be required, and checking of sources and volumes (Humboldt County would probably do a PER if they pursue through the County; if Gold Country moves ahead on its own, then they would stay on the list as a stand-alone. The Bureau of State Drinking Water would continue to monitor for acuteness.

Member Ruschmeyer commented that the acute list is getting smaller, which is positive, since those dollars represented less than 1% of the total need.

Motion by Member Ruschmeyer, seconded by Member Williams, to approve the State Fiscal Year 2020 Drinking Water Priority List as presented. Motion carried unanimously.

9) Project List for Consideration

Ms. Stamates introduced the following projects (9a – 9d):

a. Riverbelle MHP – See staff report, Exhibit 9A

Riverbelle MHP is consolidated with Truckee Meadows Water Authority. Truckee Meadows Water Authority came in for funding at the same time as Riverbelle did, with an extension of their pipeline from the new subdivision Big Meadow. In August of 2017, Riverbelle's spring water tested positive for E. coli, which caused that water source to be closed indefinitely. Riverbelle negotiated a temporary emergency inter-tie with the Truckee Meadows Utility

Company in the River Oak subdivision. In the meantime, Riverbelle brought on its own old existing well (uncertain about capacity), which included approximately 4,000 feet of new water main, and was part of an overall plan to improve water movement to the entire area. On-site improvements included a vault with a meter and backflow prevention and another vault that had a backflow preventer from the fire flow area. Due to higher than expected bids, Riverbelle would like to increase their original request by \$94,175. NDEP recommends approval, with the caveat that the loan will contain a condition that the amended Annexation Agreement between Riverbelle and Truckee Meadows Water Authority also be approved.

It was moved by Member Williams and seconded by Member Ruschmeyer, to approve the project with the inclusion of staff recommendations and for the amount of \$94,175. Motion carried.

b. Churchill County – See staff report, Exhibit 9b

Water system was constructed in the early 2000s with partial funding from the Capital Improvements Grant Program and the USDA Rural Development. System is to the west of the Fallon system and includes a single, 1,000 gpm well, a 750 gpm arsenic treatment plant, a 1 million gallon ground level storage tank, and a booster pump station that pressurizes the single pressure zone in the system. Transmission and distribution pipe ranges from 6 to 16 inches. Churchill County currently provides service to 310 residential connections, all metered. In January 2019 the County funded the master plan to provide source water redundancy for the system. The County is seeking funding assistance for the preliminary engineering report and environmental review to thoroughly evaluate each alternative for long-term system sustainability, including evaluation of drilling a six inch wide, 400 foot deep monitoring well to evaluate the chosen site for potable water. Manganese and iron are issues in this area, and the monitoring well will help monitor that. Churchill County is seeking funding from DWSRF for \$100,000, and they will match with local funding of \$50,000. The current estimated breakout for the monitoring well is approximately \$75,000, PER estimated at \$50,000 and ER at \$25,000. If this ends up as an environmentally sensitive area, costs could be higher. NDEP recommends the Board approve a principal forgiveness loan commitment from the DWSRF for \$100,000 to Churchill County to complete a preliminary engineering report and an environmental report for the purpose of providing a backup source of water. Churchill County expects to complete the exploratory drilling and the PER and ER by this summer

Chair Scott stated that staff was moving in a positive direction in improving those areas that need it. He added that other non-water system requirements did not allow for the water system connection to the City of Fallon.

It was moved by Member Workman and seconded by Member Williams, to approve Resolution titled 1-2020 Churchill County Sand Creek Water System Project Loan Commitment, intended to finance certain projects in an amount not to exceed \$100,000. Motion carried.

c. Lovelock Meadows Water District – See staff report, Exhibit 9C

With over 115 square miles, the service area is very large by Nevada's standards. Groundwater in the Lovelock area is generally not suitable for domestic use, irrigation or stock watering, due to sulfate, chloride, nitrates, fluoride, and arsenic. The drinking water is supplied from three drinking wells approximately 15 miles northeast of Lovelock. Chlorination occurs at each well and storage consists of two tanks, a 1.5 million gallon tank, and a 2.5 million gallon tank beside it. The city is some distance away from the tanks. This

system is fully metered and currently serves 1,247 residential connections and 316 non-residential connections. The floor of the 1.5 million gallon welded steel storage construction tank constructed in 1991 has experienced significant corrosion due to native soils. Correcting the water loss due to leakage will help the system remain within its water conservation parameters. This project includes replacing the tank floor and base advocate, recoating the interior and exterior of the tank, and adding the cathodic protection. Funding is sought from two sources, the DWSRF and the Capital Improvements Grant Program, with Lovelock providing local money to the project. NDEP recommends that the board approve a Drinking Water State Revolving Fund Principal Forgiveness Loan in an amount not to exceed \$500,000 and a grant from the Capital Improvements Grant Program in an amount not to exceed \$435,000 to Lovelock Meadows Water District for the rehabilitation of the 1.5 million gallon tank. Design for the tank is complete. The project is expected to be bid by late January and be completed by July.

Member Workman asked for details on replacement of the tank floor. Mr. Rusty Kiel, Lovelock Meadows Water District Manager, answered that the column would be picked up and cut six inches around, and all aggregate beneath will be taken out, inside and out. He believed that this would be cheaper than a new tank, as the original bid came in at \$1.1 million for replacement.

Chair Scott inquired if Lovelock Meadows Water District was providing funding for the lawsuit regarding the Humboldt River. Mr. Kiel stated no funds from the water system are going to the lawsuit.

It was moved by Member Williams and seconded by Member Workman that the Board approve Resolution titled D-01-2020 the Lovelock Meadows Water District Project Loan Commitment for the rehabilitation of the tank in the amount not to exceed \$500,000. Motion carried.

It was moved by Member Williams and seconded by Vice-Chair Belanger to approve Resolution G-01-2020 Lovelock Meadows Water District Project Loan Commitment, which is intended to finance certain water projects using the Capital Improvement Grant funds in the amount not to exceed \$435,000. Motion carried.

- d. **Roark Estates Homeowners' Association** – See staff report, Exhibit 9D
In 2017 they replaced one of two 20,000 gallons storage tanks due to severe deterioration, and the second tank now needs replacing. Roark Estates previously received \$207,000 in principal forgiveness funds in order to develop a new water supply source and an additional \$178,700 in principal forgiveness was later received, which mitigated an arsenic issue and funded replacement of the first tank. Staff recommends funding for Roark Estates in an amount not to exceed \$213,000, with the project estimated to bid in the spring and final completion of second tank replacement is expected in September.

It was moved by Vice-Chair Belanger and seconded by Member Workman to approve the project titled 1-2020 Roark HOA Water System Project Loan Commitment, intended to finance certain projects in the amount of \$213,000. Motion carried.

10) Capital Improvements Grant Funding of Water Plans

Mr. Cooper provided information on the possible funding available from any tax exempt bond. NDEP staff is exploring the possibility of using technical assistance in order to complete water plans. He added that the challenge is not knowing what the plans include and how involved they might be. Technical assistance work usually includes water conservation but not engineering and planning. The best funding approach for any project

can only be determined once they receive an application. He stated that if further information came forth, staff would share with the Board.

Chair Scott stated that it was his understanding that Nevada Rural Water may have resources to provide these needs. Mr. Cooper stated that even the environmental finance center has resources to help with technical water assistance. He noted that not being sure of the plan's requirement, and whether it might have an engineering component that could be in competition. He said that PERs can be funded through some set-asides, as other states do, but that has not yet been done in Nevada because of the competition for engineering work. Other things to consider would be if there might be a component that could be helped out with technical assistance, partnered with an engineering firm.

Chair Scott encouraged continuation of the dialogue in case a statutory change might result in a more difficult situation.

11) Board Policies

a. Policy on Funding Level for Irrigation Projects

Ms. Katie Armstrong stated that at the last board meeting the question was brought up asking if the Board could create a policy regarding funding levels for irrigation projects. SB237, from Legislative Session 1999, was enacted in order to allow smaller irrigation districts to benefit from the grants, and was then codified in NRS Chapter 349, which created the irrigation districts as eligible entities under that chapter, and to allow the Board to award those grants for irrigation projects (only applies to grant monies with the exception of the Clean Water Program). Mr. Cooper stated this was on the agenda to allow Ms. Armstrong to update the board on their question from last meeting, and because of recent requests for funding which are still being considered for eligibility.

b. Policy on Scale to Determine Grant Amount

Mr. Cooper stated that this was discussed at the November workshop and he wanted to make sure that staff understood the Board's wishes before staff began reviewing how this policy would impact potential borrowers. Suggestions were:

- Remove the property tax rate point system; it would be best to put the focus back on water rates.
- Consider the monthly residential water rate on date of application section. This indicates whether the residential rate is sufficient and what percentage of MHI in the area is being charged for water. This is the only metric they have to determine if residents are disadvantaged and having to pay more than approximately 1.5 percent of MHI. Staff would not bring before the Board any system that is not charging a sufficient rate

Chair Scott stated he would like to discuss and potentially take action by eliminating the property tax rate, and Mr. Cooper said that since this was only a discussion point on the agenda, no vote could be made on the matter. He stated that making changes could be placed on the next agenda.

Vice Chair Belanger stated it makes sense to remove the property tax issue, and he wanted to make sure that the rate is principally based on the average household income of the customers or recipients, and that there are references to economic hardships and the existence of a threat to public health. His preference was to make it clear that those are the three principal considerations, as well as any other points the Board feels relevant.

Mr. Cooper stated that staff would bring more information to the next meeting and the Board could further refine or correct. He listed the three most important items as economic hardships, providing adjustments for economic hardships, and the existence of a threat to public health. Vice-Chair Belanger stated that the public health concern should not be overshadowed by any other items and Chair Scott agreed.

Member Williams agreed that getting rid of property tax rate and keeping the public health issue at the forefront was important. She added additional points should be given in instances where water rates are already high in communities compared to median income. Member Workman concurred.

Mr. Cooper stated it was the Board's direction to favor water systems that serve fewer than 6,000 people. He added that staff has no recommendations for this area. Chair Scott stated he had no recommendations for change, but stressed the importance of funding small communities. Mr. Cooper said that this grant does not eliminate larger communities, but favors those that serve fewer than 6,000 people.

Mr. Cooper stated this policy encourages water systems to meet water system compliance, and provide them with points if they have improved and updated their operations and maintenance manuals, cross connection control plan, emergency response plan, and if they have an approved and up-to-date water conservation plan and are following it. He noted that the current policy encourages the reduction of water leakage, and should also focus on whether or not they are metered, and charging a sufficient rate. Mr. Cooper stated that recommendations are:

- To remove some of the project management points, since they are already required
- Fiscal sustainability is already a requirement and applicants can get points if they come to the board with an updated plan ready
- Remove the portion that states "at or above MHI," which has been added to other areas of policy.

Member Workman inquired if the provision to reduce water leakage by at least 25% to cut costs is realistic. He opined that 15% would be reasonable. Mr. Cooper agreed, noting that was another reason staff wanted the Board to consider this policy.

All Board Members agreed with the staff's recommended changes to the above policy.

c. Policy on Nonprofit Public Systems

Mr. Cooper stated that staff's only recommendation was to change the name of this policy to Consolidation of Nonprofit Public Water Systems based on the Board's feedback from the November workshop.

d. Policy on Septic to Community Sewage System Connections

Mr. Cooper stated that staff brought this forward due to communities like Churchill County coming forward recognizing they have a wellhead issue, and are not out of compliance but being proactive. Staff proposes language as follows, “policy for the Board for Financing Water Projects to discontinue funding for the abandonment of individual septic tanks and connecting homes to community systems unless public groundwater is being impacted by failing septic systems or the septic system was installed prior to the date of inception of this policy and could impact public groundwater should it fail.” He wanted that wording in the policy because some communities are installing septic systems today and there is a concern that they might come to the Board in ten years asking for funding.

Member Ruschmeyer said that the policy is important, and he agreed with the suggested change in order to prevent more septic systems without long-term viability.

Chair Scott expressed concern that if the needs expand in the future, the policy may be superseded by the legislature.

Mr. Cooper stated that when considering current needs, septic to sewer conversions are important so he did not wish to limit that.

Valerie King of NDEP suggested adding the statement “unless the Board deems otherwise.” Chair Scott agreed, noting that staff should revise that and bring back to the Board.

Board Comments

There were no Board comments.

Public comment

There were no Public comments.

12) Adjourn the board for financing water projects meeting

The board meeting adjourned at 3:15 p.m.