

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra Winquest
District General Manager

FROM: Paul Navazio
Director of Finance

Brad Underwood
Director of Public Works

SUBJECT: Resolution No. 1897 Concerning the Financing of Sewer Projects for the Incline Village Improvement District; Declaring the Intent to Issue Utility Revenue Bond(s) in the Maximum Amount of \$52,740,000; and authorizing the transmittal of the Resolution to the State Department of Conservation and Natural Resources, Division of Environmental Protection in conjunction with the District's Loan Application from the State Revolving Fund / Clean Water program.

DATE: December 14, 2022

I. RECOMMENDATIONS

It is recommended that the Board of Trustees adopt Resolution No. 1897 concerning the financing of the Effluent Pipeline Replacement Project:

- a) Declaring the intention to issue Utility Revenue Bonds in the maximum principal amount of \$52,740,000;
- b) Authorizing reimbursement of costs incurred with respect to the project prior to the issuance of the Bonds for financing the project;
- c) Authoring the General Manager and Director of Finance to request the State to purchase the Bonds in connection with the loan being sought through the State Department of Conservation and Natural Resources, Division of Environmental Protection, subject to the approval of the loan contract by the Board of Trustees via separate resolution.

II. BACKGROUND

This item seeks Board approval of a Resolution of Intent related to the issuance of Utility Revenue Bonds as required by the State of Nevada in connection with the District's plan to finance the Effluent Pipeline Replacement Project via a low-interest State Revolving Fund loan to be issued through the Department of Conservation and Natural Resources, Division of Environmental Protection – Clean Water loan program.

Following a pre-application process, the District's Effluent Pipeline Replacement project was approved and included in the State's SRF-Clean Water Program eligibility list. Staff has since been working with the Division of Environmental Protection on finalizing the SRF application to secure a low-interest loan, to be secured by the District's Utility Fund revenues and amortized over a 30-year period.

As discussed with the Board at prior meetings, financing the project through a State Revolving Fund loan administered by the Division of Environmental Protection requires the concurrent issuance of a private-placement bond to be purchased by the Nevada State Treasury. The District has selected to issue a Utility Revenue Bond to secure the loan, which has the following requirements:

- Maintaining a Debt Coverage Ratio of 1.25 through the term of the loan;
- Establishment of a Debt Reserve equal to one-year's debt service (principal and interest).
- Bonds must be issued on parity with existing Utility Fund debt.

The attached Resolution of Intent is required to be filed with NDEP in conjunction with completing the District's SRF Clean Water Program loan application.

III. FISCAL ANALYSIS

There is no direct fiscal impact as a result of the recommendation for the Board of Trustees to adopt the Resolution of Intent. This resolution does not authorize either the issuance of bonds, nor authorize the execution of loan documents, both of which are subject to future Board action.

However, based on the updated financing plan for completion of the Effluent Pipeline Replacement Project (CIP# 2254SS1010), informed by most-recent engineering project cost estimates, the District is seeking a loan in an amount not-to-exceed \$52,740,000. The project financing plan contemplates use of SRF loan proceeds, combined with Utility rate revenues already collected and set-aside for this project to finance the design, construction and project management over a four-year construction period.

Based on the terms available to the District through the SRF loan program, the loan will carry an interest rate equal to 54% of the published Bond-Buyers' Index for tax-exempt general obligation bonds (adjusted for a 30-year term). This interest rate is currently estimated at 2.88%. Interest will accrue on the amount of loan principal drawn over the three-year term to access loan proceeds, with principal and interest payments (based on the total amount of actual loan proceeds utilized) due beginning after three years, or completion of the project, whichever comes first.

The Pro Forma financial analysis prepared in conjunction with the SRF loan application estimated fully-amortized annual debt service payments of \$2.8 million through the 30-

year repayment term. This amount will vary depending upon the actual amount of loan proceeds accessed by the District, and b) the interest rate to be calculated at the time of “closing” on the loan (execution of loan documents). As noted, the financial analysis demonstrates the District’s ability, under specified assumptions, to maintain the required debt coverage ratio and debt service reserve account, as required by State.

The Utility Revenue bonds to be issued in conjunction with the SRF loan, will be equal to the principal amount of the loan and purchased, via private-placement sale, by the State Treasury, at coupon rate equal to the interest rate set via executed loan documents.

IV. DISCUSSION

The proposed Resolution of Intent has been prepared consistent with the requirements set forth by the Department of Environmental Protection for eligibility of funding through the SRF Clean Water Program.

Specifically, the Resolution states that a) the subject project is a critical, priority infrastructure project of the District, necessitated by the public interest, health and welfare, b) the project financing is to be secured through the issuance of tax-exempt Utility Revenue Bonds, in the maximum amount of \$52,740,000; and c) that the District’s General Manager and Director of Finance are authorized to file the necessary application to the State of Nevada for loan program funds and to negotiate and execute the loan contract with the State of Nevada Department of Conservation and Natural Resources through the Nevada Division of Environmental Protection, subject to approval of the loan contract by the Board of Trustees by separate resolution..

Furthermore, the resolution specifically authorizes the District to receive reimbursements, through bond proceeds, for eligible project costs incurred prior to the issuance of bonds for financing the project, within the meaning of Treasury Regulation Section 1.150-2.

As noted, the Resolution of Intent does not authorize issuance of Utility Revenue Bonds nor execution of loan documents at this time. As such the Resolution of Intent does not commit the District to the financing plan being developed for this project. Once the loan application is approved by the Nevada Division of Environmental Protection, separate Board action will be required to authorize executing the formal loan documents and concurrent authorization to issue utility revenue bonds.

Provide via Attachment 4 to this agenda item is a notice provided by NDEP notifying the District that our loan application is pending approval, and that the District is in a position to bypass other projects that are as yet not ready to proceed. Approval of the Resolution and completion of our loan application will preserve the District’s standing on the program eligibility list.

V. CONCLUSION

It is recommended that the Board of Trustees adopt Resolution No. 1897 concerning the financing of the Effluent Pipeline Replacement Project:

- a) Declaring the intention to issue Utility Revenue Bonds in the maximum principal amount of \$52,740,000;
- b) Authorizing reimbursement of costs incurred with respect to the project prior to the issuance of the Bonds for financing the project;
- c) Authoring the General Manager and Director of Finance to request the State to purchase the Bonds in connection with the loan being sought through the State Department of Conservation and Natural Resources, Division of Environmental Protection, subject to the approval of the loan contract by the Board of Trustees via separate resolution.

VI. ATTACHMENTS

1. Resolution No. 1897- Resolution of Intent
2. Timeline for Actions Related to Loan Documents and Issuance of Bonds
3. Draft Project Costs and Financing Plan
4. NDEP Bypass Notice – 12/2/22

RESOLUTION NO. 1897

A RESOLUTION CONCERNING THE FINANCING OF WASTEWATER PROJECTS FOR THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT; DECLARING THE INTENT TO ISSUE UTILITY REVENUE BONDS IN THE MAXIMUM PRINCIPAL AMOUNT OF \$52,740,000 FOR PURPOSES OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; PROVIDING CERTAIN DETAILS IN CONNECTION THEREWITH; AND PROVIDING THE EFFECTIVE DATE HEREOF.

WHEREAS, the Incline Village General Improvement District in the State of Nevada (the "District" and the "State," respectively) is a political subdivision of the State duly incorporated as a general improvement district under the provisions of Chapter 318 (the "Project Act") of the Nevada Revised Statutes (the "NRS"); and

WHEREAS, the District now owns and operates a trash collection system, water system and wastewater system (the "Utility System"); and

WHEREAS, the Board of Trustees of the District (the "Board") has determined and hereby declares that the public interest, health and welfare necessitates making certain improvements to the Utility System by constructing, reconstructing, improving, and extending facilities pertaining to the wastewater system (the "Project"); and to issue and sell utility revenue bonds of the District (the "Bonds") in the maximum principal amount of \$52,740,000 in one series or more to defray, in whole or in part, the cost of the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT, NEVADA:

Section 1) All action, proceedings, matters and things heretofore taken, had and done by the Board, and the officers thereof (not inconsistent with the provisions of this resolution) directed toward the Bonds and the Project, and the financings thereof be, and the same hereby are, ratified, approved and confirmed.

Section 2) In order to permit the District to reimburse itself for prior expenditures relating to the Project with the proceeds of the Bonds, in one or more series, the Board hereby determines and declares as follows:

RESOLUTION NO. 1897

(a) The District reasonably expects to incur expenditures with respect to the Project prior to the issuance of the Bonds for financing the Project and to reimburse those expenditures from the issuance of the Bonds; and

(b) The maximum principal amount of the Bonds expected to be issued to reimburse such expenditures is \$5,000,000.

This resolution is intended to be a declaration of "official intent" to reimburse expenditures within the meaning of Treasury Regulation Section 1.150-2.

Section 3) The officers of the District are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this resolution, including without limitation, requesting the State to purchase the Bonds, in one series or more, pursuant to one or more of its programs. The Project is a critical, priority infrastructure project of the District. The General Manager and/or the Director of Finance are authorized to file an application with the State of Nevada Department of Conservation and Natural Resources acting by and through the Nevada Division of Environmental Protection in connection with a loan through the State of Nevada Account to Finance the Construction of Treatment Works and the Implementation of Pollution Control Projects, provide additional information as requested in connection with the loan and the Bonds and negotiate the terms of and execute the loan contract with the State of Nevada Department of Conservation and Natural Resources acting by and through the Nevada Division of Environmental Protection in connection with the loan and the Bonds, subject to the approval of the loan contract by the Board by resolution.

Section 4) All resolutions, or parts thereof, in conflict with the provisions of this resolution, are hereby repealed to the extent only of such inconsistency. This repealer shall not be constructed to revive any resolution, or part thereof, heretofore repealed.

Section 5) If any section, paragraph, clause or other provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or other provision shall not affect any of the remaining provisions of this resolution.

RESOLUTION NO. 1897

Section 6) This resolution shall become effective and be in force immediately upon its adoption.

Passed and adopted December 14, 2022.

INCLINE VILLAGE GENERAL
IMPROVEMENT DISTRICT

Chairman of the Board of Trustees

ATTEST:

District Clerk

RESOLUTION NO. 1897

CERTIFICATE OF THE DISTRICT CLERK

I am the District Clerk of Incline Village General Improvement District (herein the "District") and in the performance of my duties as Secretary do hereby certify:

1. The foregoing pages constitute a true, correct and compared copy of a resolution passed and adopted by the Board of Trustees (the "Board") of the District at a meeting held on December 14, 2022. The original of such resolution has been approved and authenticated by the signature of the Chairman of the Board of Trustees and myself as District Clerk, and has been recorded in the minutes of the Board kept for that purpose in my office, which record has been duly signed by such officers and properly sealed.

2. The members of the Board were present at the meeting on December 14, 2022 and voted on the passage of the resolution as follows:

Those Voting Aye:

Those Voting Nay:

Those Abstaining:

Those Absent:

3. All members of the Board were given due and proper notice of the meeting held on December 14, 2022.

4. Public notice of such meeting (attached hereto as Exhibit A) was given and such meeting was held and conducted in full compliance with the provisions of NRS 241.020.

IN WITNESS WHEREOF, I have hereunto set my hand on December 14, 2022.

District Clerk

RESOLUTION NO. 1897

EXHIBIT A

(Attach Copy of Notice of Meeting)

**Incline Village General Improvement District, Nevada
Wastewater Revenue Bonds
(Clean Water State Revolving Fund) (Tax Exempt)**

2022		September					2022	
S	M	T	W	T	F	S		
				1	2	3		
4	5	6	7	8	9	10		
11	12	13	14	15	16	17		
18	19	20	21	22	23	24		
25	26	27	28	29	30			

2022		October					2022	
S	M	T	W	T	F	S		
						1		
2	3	4	5	6	7	8		
9	10	11	12	13	14	15		
16	17	18	19	20	21	22		
23	24	25	26	27	28	29		
30	31							

2022		November					2022	
S	M	T	W	T	F	S		
		1	2	3	4	5		
6	7	8	9	10	11	12		
13	14	15	16	17	18	19		
20	21	22	23	24	25	26		
27	28	29	30					

2022		December					2022	
S	M	T	W	T	F	S		
				1	2	3		
4	5	6	7	8	9	10		
11	12	13	14	15	16	17		
18	19	20	21	22	23	24		
25	26	27	28	29	30	31		

2023		January					2023	
S	M	T	W	T	F	S		
1	2	3	4	5	6	7		
8	9	10	11	12	13	14		
15	16	17	18	19	20	21		
22	23	24	25	26	27	28		
29	30	31						

2023		February					2023	
S	M	T	W	T	F	S		
		1	2	3	4			
5	6	7	8	9	10	11		
12	13	14	15	16	17	18		
19	20	21	22	23	24	25		
26	27	28						

FINANCING SCHEDULE

DATE	EVENT
12/___/22	- State Revolving Fund (“SRF”) distributes draft Loan Contract
12/14/22	- Adoption of resolution of intent to request SRF funding
2/13/23	- Agenda deadline for the February 22, 2023 Board meeting
2/22/23	- Adoption of Bond Resolution (Effective from and after adoption)*
2/27/23	- Agenda deadline for March 8, 2023 Board meeting
3/01/23	- SRF sets interest rate*
3/08/23	- Authorize Execution of SRF Loan Documents
3/08/23	- Authorize Award of CMAR guaranteed max price contract
3/08/23	- Execute construction contract
3/15/23	- District to send 1 st draw request to SRF and notify Sherman & Howard of any reimbursements from bond proceeds
3/22/23	- SRF Loan Closing*
5/01/23	- Construction Begins

* The adoption of the Bond Resolution, the setting of the interest rate and closing may be moved to occur sooner than the dates listed above (provided there are no pending items with the SRF and there is no threat of litigation).

	FY 22/23				FY23/24				FY24/25				
	Q1 JAS	Q2 OND	Q3 JFM	Q4 AMJ	Q1 JAS	Q2 OND	Q3 JFM	Q4 AMJ	Q1 JAS	Q2 OND	Q3 JFM	Q4 AMJ	
Budget / Appropriations													
CIP Budget	\$ 10,000,000				\$ 10,000,000				\$ 10,000,000				
Carry-Forward (21/22)	2,069,507												
	12,069,507				10,000,000				10,000,000				
Contract Authorizations													
Proj. Mgmt. / Inspection	1,000,000		250,000				250,000				250,000		
Design - HDR (Not Reimbursed)	402,558												
ESDC (HDR)	140,000												
ICE	90,000	90,000											
Construction (includes contingency below)	56,020,366		14,200,000			16,000,000				16,000,000			
Construction Contingency	6,328,987												
Other - Permitting/Survey	415,614												
Materials - pipe (year 1)	1,700,000												
		1,700,000											
Totals by Fiscal Year	\$ 66,097,525	\$ 1,790,000	\$ 14,450,000	\$ -	\$ -	\$ 16,000,000	\$ 250,000	\$ -	\$ -	\$ 16,000,000	\$ 250,000	\$ -	
				\$ 16,240,000				\$ 16,250,000				\$ 16,250,000	
Cash Flow													
IVGID Staff	463,000	38,000	30,000	15,000	30,000	40,000	15,000	10,000	30,000	40,000	15,000	10,000	30,000
Proj. Mgmt. / Inspection	1,000,000				80,000	120,000	50,000		80,000	120,000	50,000		80,000
Design - HDR (Not Reimbursed) & ESDC	542,558	125,000	267,558	10,000	20,000	10,000	5,000		20,000	10,000	5,000		20,000
ICE	90,000		50,000	40,000									
Construction with Contingency .35 / .55 / .1	62,349,353			4,970,000		7,810,000	1,420,000		5,600,000	8,800,000	1,600,000		5,600,000
Other - Permitting/Survey	300,000			300,000									
Materials (Included in year 1 Construction of \$16M)	1,700,000			1,700,000									
Financing Costs	110,000			110,000									
Period	66,554,911	163,000	347,558	2,175,000	5,100,000	7,980,000	1,490,000	10,000	5,730,000	8,970,000	1,670,000	10,000	5,730,000
Cumulative													
Funding Source:													
Utility Fund	15,463,000	163,000	347,558	2,065,000	50,000	50,000	20,000	10,000	50,000	50,000	20,000	10,000	50,000
SRF Draw	52,750,000			110,000	5,050,000	7,930,000	1,470,000	-	5,680,000	8,920,000	1,650,000	-	5,680,000
Other													
	68,213,000	163,000	347,558	2,175,000	5,100,000	7,980,000	1,490,000	10,000	5,730,000	8,970,000	1,670,000	10,000	5,730,000
Cumulative													
Local Funds	163,000	510,558	2,575,558	2,625,558	2,675,558	2,675,558	2,695,558	2,705,558	2,755,558	2,805,558	2,825,558	2,835,558	2,885,558
SRF Loan	-	-	110,000	5,160,000	13,090,000	13,090,000	14,560,000	14,560,000	20,240,000	29,160,000	30,810,000	30,810,000	36,490,000
Totals	163,000	510,558	2,685,558	7,785,558	15,765,558	15,765,558	17,255,558	17,265,558	22,995,558	31,965,558	33,635,558	33,645,558	39,375,558

	FY25/26				FY26/27				TOTALS
	Q1 JAS	Q2 OND	Q3 JFM	Q4 AMJ	Q1 JAS	Q2 OND	Q3 JFM	Q4 AMJ	
Budget / Appropriations									
CIP Budget	\$ 10,000,000								\$ 40,000,000
Carry-Forward (21/22)	10,000,000				-				2,069,507
									42,069,507
Contract Authorizations									
Proj. Mgmt. / Inspection	1,000,000		250,000						\$ 1,000,000
Design - HDR (Not Reimbursed)	402,558								-
ESDC (HDR)	140,000								
ICE	90,000								
Construction (includes contingency below)	56,020,366	16,149,353							62,349,353
Construction Contingency	6,328,987								
Other - Permitting/Survey	415,614								-
Materials - pipe (year 1)	1,700,000								1,700,000
Totals by Fiscal Year	\$ 66,097,525	\$ 16,149,353	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,139,353
				\$ 16,399,353				\$ -	
Cash Flow									
IVGID Staff	463,000	40,000	15,000	10,000	30,000	40,000	25,000		\$ 463,000
Proj. Mgmt. / Inspection	1,000,000	120,000	50,000	80,000	120,000	120,000	50,000		1,000,000
Design - HDR (Not Reimbursed) & ESDC	542,558	10,000	5,000	20,000	10,000	10,000	5,000		542,558
ICE	90,000								90,000
Construction with Contingency .35 / .55 / .1	62,349,353	8,800,000	1,600,000	5,600,000	8,800,000	1,749,353			62,349,353
Other - Permitting/Survey	300,000								300,000
Materials (Included in year 1 Construction of \$16M)	1,700,000								1,700,000
Financing Costs	110,000								110,000
Period	66,554,911	8,970,000	1,670,000	10,000	5,730,000	8,970,000	1,829,353	-	\$ 66,554,911
Cumulative									
Funding Source:									
Utility Fund	15,463,000	50,000	20,000	10,000	50,000	8,970,000	1,829,353		\$ 13,814,911
SRF Draw	52,750,000	8,920,000	1,650,000	-	5,680,000				52,740,000
Other	68,213,000	8,970,000	1,670,000	10,000	5,730,000	8,970,000	1,829,353	-	\$ 66,554,911
Cumulative									
Local Funds	2,935,558	2,955,558	2,965,558	3,015,558	11,985,558	13,814,911	13,814,911	13,814,911	
SRF Loan	45,410,000	47,060,000	47,060,000	52,740,000	52,740,000	52,740,000	52,740,000	52,740,000	
Totals	48,345,558	50,015,558	50,025,558	55,755,558	64,725,558	66,554,911	66,554,911	66,554,911	



December 2, 2022

**NOTICE TO BYPASS PROJECTS ON THE PRIORITY LIST
CLEAN WATER STATE REVOLVING FUND**

The Clean Water State Revolving Fund (CWSRF) provides low interest loans to water systems needing to make capital improvements. The CWSRF Priority List is a ranked list of projects that have submitted “pre-applications” expressing an interest in obtaining a loan. The list is ranked to achieve water quality and public health goals consistent with the requirements of the Clean Water Act.

The Nevada Division of Environmental Protection (NDEP), CWSRF program, is planning to approve the following CWSRF loans:

Projects are listed in ranking order based upon the Nevada CWSRF Priority List—effective July 2022

- | | |
|----|---|
| 2 | Esmeralda County-Goldfield |
| 3 | Minden-Gardnerville Sanitation District |
| 5 | McGill-Ruth GID |
| 8 | Incline Village GID |
| 13 | Hawthorne Utilities |
| 18 | Nye County -Gabbs |

The Division has determined that projects ranked above these projects are not ready to proceed and can be bypassed (NAC 445A.7675). A project can also be bypassed, if a letter of intent has not been filed (NAC 445A.7655). The CWSRF regulations require that the Division provide a notice to applicants that are bypassed

After receiving this notice, the applicants on the Priority List have 30 days to file an objection. Comments for consideration on this proposed decision must be submitted by January 2, 2023, to:

Elizabeth Kingsland
Office of Financial Assistance
901 South Stewart St., Suite 4001
Carson City, NV 89701-5249

Questions regarding this notice may be directed to Elizabeth Kingsland at (775) 687-9357. Comments may also be submitted by FAX to (775) 687-5856 or by e-mail to ekingsland@ndep.nv.gov.