



STAFF REPORT

TO: TMWA Board of Directors
FROM: Jeff Tissier, Chief Financial Officer,
DATE: July 7, 2014
SUBJECT: **Discussion and Request for Board Approval to pay off the Verdi Business Park's Drinking Water State Revolving Loan Balance in an amount not to exceed \$635,200 in connection with acquisition of Verdi Business Park water system.**

Recommendation

Staff recommends that the TMWA Board direct staff to pay off the Verdi Business Park (VBP) Drinking Water State Revolving Fund (DWSRF) loan.

Background

The VBP executed an agreement with TMWA on November 2, 2012 to take over all water operations of the business park and transfer all appropriate assets for that purpose. The TMWA Board approved the acquisition of the VBP assets in March 2012. Section 5.1 of that agreement stated that in consideration for transfer of VBP assets, TMWA would assume all liabilities. The financial liability was the assumption of the VBP loan with the DWSRF. Subsequent to that agreement an amendment to that agreement was executed on December 11, 2013 to modify the loan amount from \$635,200 to \$900,000 which was approved by the TMWA Board at the December 12, 2012 meeting. Both loans were used to fund necessary improvements for VBP to connect to the TMWA water system and make other necessary improvements to TMWA facility standards.

In confirming with the Nevada Department of Environmental Protection (NDEP), the state agency that administers the DWSRF program, there are two loan contracts: one in the amount of \$635,200 entered into July 9, 2012 and one in the amount of \$264,800 entered into March 24, 2014. The 2014 loan contract provides that 100% of the principal payment is forgiven leaving the initial loan outstanding.

This leaves the loan contract entered into between VBP and NDEP for \$635,200. Due to the loan balance being so small, TMWA staff proposes paying off the loan and standing in the position of the State of Nevada rather than go through the expense and public hearings to transfer the loan contract to TMWA. The VBP users association will then pay TMWA the monthly surcharge that would have been used for paying down the original loan with the state. The interest rate on the loan contract is 3.17%.