



TO: Chairman and Board Members
FROM: Mark Foree, General Manager
Jeff Tissier, Chief Financial Officer/Treasurer
DATE: May 12, 2015
SUBJECT: **DISCUSSION AND ACTION ON REQUEST TO APPROVE RESOLUTION NO. 226 OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY, NEVADA, PROVIDING FOR THE ISSUANCE OF ITS WATER REVENUE BOND, SERIES 2015 B, IN THE PRINCIPAL AMOUNT OF \$15,000,000; PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF; AND PROVIDING OTHER MATTERS RELATING THERETO.**

Recommendation

The TMWA Board adopts a resolution authorizing the issuance by the Truckee Meadows Water Authority (TMWA) of its Water Revenue Bond, Series 2015B, in the maximum principal amount of \$15,000,000. This amount funds the construction tasks of the North Valleys Integration Project.

Purpose

TMWA's 2016-2020 Capital Improvement Plan (2016-2020 CIP) includes construction spending for the North Valleys Integration Project primarily in fiscal year 2016. The scope of this project includes about 29,000 feet of 24-inch water main on Lemmon Drive between Waterash and Old North Virginia, 2,600 feet of 18-inch main on Old Virginia between Golden Valley Road and Hiendel Road and a SCADA controlled valve vault near Old North Virginia and Hiendel Road. The facilities will allow 100 percent of the Fish Springs groundwater supply (currently 6,500 gallons per minute) to be available for use within the North Valleys areas. This groundwater supply will offset an equal amount of surface water supplies that are normally pumped from the Truckee Meadows to the North Valleys areas and will help TMWA to conserve additional upstream drought reserves should the drought continue.

Summary - A resolution authorizing the issuance by the Truckee Meadows Water Authority, Nevada of its Water Revenue Bond Series 2015B, in the maximum aggregate principal amount of \$15,000,000 and providing other matters relating thereto.

RESOLUTION NO. 226

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY, NEVADA, PROVIDING FOR THE ISSUANCE OF ITS WATER REVENUE BOND, SERIES 2015B, IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF \$15,000,000; PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF; AND PROVIDING OTHER MATTERS RELATING THERETO.

WHEREAS, the Truckee Meadows Water Authority in the State of Nevada (the "Authority" and the "State," respectively) is a political subdivision of the State duly organized and operating in accordance with the provisions of the "Truckee Meadows Water Authority Cooperative Agreement among City of Reno, City of Sparks, County of Washoe" dated December 4, 2000, as amended (respectively, the "Cooperative Agreement" and the "Members") entered into pursuant to the provisions of NRS 277.080 to 277.180, inclusive, as amended (the "Authority Act"); and

WHEREAS, the Authority now owns and operates a municipal water system (the "Water System"); and

WHEREAS, the Board of Directors of the Authority (the "Board") has determined and hereby declares that the public interest, health and welfare necessitates making certain improvements to the water system by acquiring, constructing, reconstructing, improving and equipping facilities pertaining to the Water System (the "Project"); and to issue and sell water revenue bonds of the Authority to defray, in whole or in part, the cost of the Project; and

WHEREAS, pursuant to the Cooperative Agreement, the Authority is authorized to borrow money and to issue special obligation revenue bonds of the Authority for the purpose of defraying wholly or in part the cost of the Project; and

WHEREAS, the Board is authorized without any further preliminaries:

- (a) To commence the Project;

(b) To issue and sell the Authority's water revenue bonds in the maximum aggregate principal amount of \$15,000,000 for the Project; and

(c) To exercise the incidental powers provided in NRS Chapter 318 in connection with the powers authorized therein; and

WHEREAS, none of the water revenue bonds contemplated by this resolution (the "Municipal Securities") have previously been sold; and

WHEREAS, the Authority requested the Administrator of the Division of Environmental Protection of the State Department of Conservation and Natural Resources, as Administrator of the State of Nevada Account for the Revolving Fund to finance the construction of projects as defined in NRS 445A.230 (the "Administrator" and "Revolving Fund", respectively), under 445A.200 to 445A.295, inclusive (the "Project Act"), to make a loan to the Authority by purchasing the Municipal Securities in the maximum principal amount of \$15,000,000; and

WHEREAS, the Board for Financing Water Projects approved a resolution authorizing the Administrator to make a loan commitment to the Authority to finance the Project pursuant to NRS 445A.265 in the amount of \$15,000,000; and

WHEREAS, NRS 350.105 to 350.195, inclusive and the Project Act permit Municipal Securities to be sold to the State; and

WHEREAS, after negotiation pursuant the Project Act, the Board has determined to sell its Municipal Securities designated as the "Truckee Meadows Water Authority, Nevada, Water Revenue Bond Series 2015B", in the maximum principal amount of \$15,000,000 (the "Bond" or the "Bonds") to the State for a price equal to the principal amount thereof, and otherwise upon the terms provided below; and

WHEREAS, the effective interest rate on the Bond does not exceed by more than 3% the "Index of Revenue Bonds" which was most recently published in The Bond Buyer before a negotiated offer was accepted for the Bond; and

WHEREAS, the Board hereby elects to have the provisions of Chapter 348 of NRS (the "Supplemental Bond Act") and the Local Government Securities Law, cited as NRS 350.500 through 350.720 and all laws amendatory thereof (the "Bond Act") apply to the Bond; and

WHEREAS, the Board has determined and hereby declares:

(a) It is necessary and for the best interests of the Authority to effect the Project and to issue the Bond; and

(b) Each of the limitations and other conditions to the issuance of the Bond in the Project Act, the Bond Act, the Supplemental Bond Act, and in any other relevant act of the State or the Federal Government, has been met; and pursuant to NRS 350.708, this determination of the Board that the limitations in the Bond Act have been met shall be conclusive in the absence of fraud or arbitrary or gross abuse of discretion; and

(c) This Resolution pertains to the sale, issuance and payment of the Bond; this declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of NRS 350.579(2).

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY, NEVADA, DO RESOLVE:

Section 1. **Short Title.** This Resolution shall be known and may be cited as the "2015B Water Bond Resolution."

Section 2. **Definitions.** The terms in this section and in the preambles hereof defined for all purposes of this Resolution and of any instrument amendatory hereof or supplemental hereto, and of any other instrument or any other document relating hereto, except where the context by clear implication otherwise requires, shall have the meanings in this Section and in said preambles specified:

"Administrator" means the Administrator of the Division.

"Bond" or the "Bonds" means the "Truckee Meadows Water Authority, Water Revenue Bond, Series 2015B" issued hereunder in the maximum principal amount of \$15,000,000.

"2005 Bond" means the "Truckee Meadows Water Authority, Water Revenue Bond, Series 2005".

"2005A Bonds" means the "Truckee Meadows Water Authority, Water Revenue Bonds, Series 2005A".

"2006 Bonds" means the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2006".

"2007 Bonds" means the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2007".

"2009 Bond" means the "Truckee Meadows Water Authority, Water Revenue Bond, Series 2009A".

"2010A Bond" means the "Truckee Meadows Water Authority, Water Revenue Bond, Series 2010A".

"2010 Bonds" means the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2010".

"2012A Bond" means the "Truckee Meadows Water Authority, Water Revenue Bond, Series 2012A".

"2014 Bond" means the "Truckee Meadows Water Authority, Water Revenue Bond, Series 2014".

"2015A Bonds" means the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A".

"Bond Fund" means the two separate accounts designated as the "Truckee Meadows Water Authority, Nevada, Water Revenue Bond Series 2015B, Interest Account" (the "Interest Account") and the "Truckee Meadows Water Authority, Nevada, Water Revenue Bond Series 2015B, Principal Account" (the "Principal Account") created herein.

"Bond Requirements" means the payment of the principal and interest due in connection with the Bond.

"Bond Year" means the 12 month period commencing on July 2 of a calendar year and ending on July 1 of the following calendar year.

"Commercial Bank" means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation.

"Cost of the Project" means all or any part designated by the Board for the cost of the Project, or interest therein, which cost, at the option of the Board, except as limited by

law, may include all or any part of the incidental costs relating to the Project, including, without limitation and subject to the restrictions set forth in the Safe Drinking Water Act:

(a) Preliminary expenses advanced by the Authority from money available for use therefor, or advanced by the Federal Government, or from any other source, with the approval of the Board;

(b) The costs in the making of surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(c) The costs of premiums on builders' risk insurance and performance bonds, or a reasonably allocable share thereof;

(d) The costs of appraising, printing, estimates, advice, services of engineers, architects, accountants, financial consultants, attorneys at law, clerical help or other agents or employees;

(e) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Project, the filing or recordation of instruments, the taking of options, the issuance of the Bond and any other securities relating to the Project, and bank fees and expenses;

(f) The costs of contingencies;

(g) The costs of the capitalization with the proceeds of the Bond or other securities relating to the Project of any operation and maintenance expenses appertaining to the Project and of any interest on the Bond or other securities relating to the Project for any period not exceeding the period estimated by the Board to effect the Project plus one year, of any discount on the Bond or such other securities, and of any reserves for the payment of the principal of and interest on the Bond or such other securities, of any replacement expenses, and of any other cost of the issuance of the Bond or such other securities;

(h) The costs of amending any resolution or other instrument authorizing the issuance of or otherwise appertaining to outstanding bonds or other securities of the Authority;

(i) The costs of funding any medium-term obligations, construction loans and other temporary loans of not exceeding ten years appertaining to the Project and of the incidental expenses incurred in connection with such loans;

(j) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;

(k) The costs of demolishing, removing or relocating any buildings, structures or other facilities on land acquired for the Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;

(l) The administrative expenses and costs of the State Treasurer through the Environmental Protection Division of the Department of Conservation and Natural Resources relevant to its making a loan for the Project; and

(m) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the Board.

"Division" means the State of Nevada Division of Environmental Protection of the Department of Conservation and Natural Resources.

"Federal Government" means the United States, or any agency, instrumentality or corporation thereof.

"Federal Securities" means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States.

"Fiscal Year" means the 12 months commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year; but if the Nevada Legislature changes the statutory fiscal year relating to the Authority, the Fiscal Year shall conform to such modified statutory fiscal year from the time of each such notification, if any.

"Gross Revenues" means all income and revenues received or accrued under generally accepted accounting principles derived directly or indirectly by the Issuer from the water and other goods and services provided by, or from the operation and use of and otherwise pertaining to, the Water System, including, without limitation, all rates, fees, and other charges for the use of the Water System, or for any service rendered by the Issuer in the operation thereof, or any part

thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Water System, or otherwise, and includes all revenues received by the Authority from the Water System, including, without limitation, all fees, rates, and other charges for the use of the Water System, or for any service rendered by the Authority in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Water System, except to the extent any such moneys shall be received as payments for the use of the Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" shall also include:

(a) all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues.

(b) all amounts withdrawn from the Rate Stabilization Account and deposited in the Revenue Fund as described in Section 515 of the resolutions authorizing the Superior Securities.

"Loan Contract" means the loan agreement between the Division and the Authority concerning the Bond.

"Net Revenues" means the Gross Revenues remaining after the deduction of Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the Authority, paid or accrued, of operating, maintaining and repairing the Water System, including, without limitation:

(a) engineering, auditing, reporting, legal and other overhead expenses relating to the administration, operation and maintenance of the Water System;

(b) fidelity bond and property and liability insurance premiums pertaining to the Water System or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the Water System;

(c) payments to pension, retirement, health and hospitalization funds, and other insurance and to any self-insurance fund as insurance premiums not in excess of such premiums which would otherwise be required for such insurance;

(d) any general taxes, assessments, excise taxes or other charges which may be lawfully imposed upon the Authority, the Water System, revenues therefrom or the Authority's income from or operations of any properties under its control and pertaining to the Water System, or any privilege in connection with the Water System or its operations;

(e) the reasonable charges of any Paying Agent or Registrar and any depository bank pertaining to the Bond or any other securities payable from Gross Revenues or otherwise pertaining to the Water System;

(f) contractual services, professional services, salaries, other administrative expenses and costs of materials, supplies, repairs and labor pertaining to the Water System or to the issuance of the Bond, or any other securities relating to the Water System, including, without limitation, the expenses and compensation of any receiver or other fiduciary under the Bond Act;

(g) the costs incurred by the Board in the collection and any refunds of all or any part of Gross Revenues;

(h) any costs of utility services furnished to the Water System;

(i) any lawful refunds of any Gross Revenues; and

(j) all other administrative, general and commercial expenses pertaining to the Water System, including payment of any amounts due the United States under Section 148(f) of the Tax Code in connection with any securities payable from revenues of the Water System in such amounts as are required to meet the Authority's obligations under Section 148(f) of the Tax Code;

but excluding:

(i) any allowance for depreciation;

(ii) any costs of extensions, enlargements, betterments and other improvements, or any combination thereof;

(iii) any reserves for major capital replacements, other than normal repairs;

(iv) any reserves for operation, maintenance or repair of the Water System;

(v) any allowance for the redemption of any Bond or other security or the payment of any interest thereon or any prior redemption premium due in connection therewith;

(vi) any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing facilities, or any combination thereof, pertaining to the Water System, or otherwise; and

(vii) any liabilities imposed on the Authority for any ground of legal liability not based on contract, including, without limitation, negligence in the operation of the Water System.

"Outstanding" when used with reference to the Bond or any other designated securities payable from Net Revenues and as of any particular date means all of the bonds in any manner theretofore and thereupon being executed and delivered:

(a) Except any Bond or other security canceled by the Authority, the Paying Agent or otherwise on the Authority's behalf, at or before such date;

(b) Except any Bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of maturity or to any Redemption Date shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose, as provided in Section 51 hereof; and

(c) Except any Bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered.

"Parity Securities" means the Bond, the 2014 Bond, the 2012A Bond, the 2010A Bond, the 2009 Bond, the 2005 Bond, and any other securities of the Authority pertaining to the Water System and payable from and secured by Net Revenues on a parity with the Bond, to the extent issued in accordance with the terms, conditions and limitations hereof.

"Paying Agent" means the Treasurer of the Authority or any successor thereto as paying agent for the Bond appointed by the Board.

"Person" means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State or any other body corporate and politic other than the Authority), partnership, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

"Purchaser" means the State of Nevada, acting by and through the Administrator of the Division of the Department of Conservation and Natural Resources as Administrator of the Account for the Revolving Fund to finance the construction of projects defined in NRS 445A.230 of the State of Nevada.

"Redemption Date" means a date fixed for the redemption prior to the respective maturities of any Bond or other designated securities payable from any Net Revenues in any notice of prior redemption or otherwise fixed and designated by the Authority.

"Redemption Price" means, when used with respect to a Bond or other designated security payable from any Net Revenues, the principal amount thereof plus accrued interest thereon to the Redemption Date plus the applicable premium, if any, payable upon the redemption thereof prior to the stated maturity date of such Bond or other security on a Redemption Date in the manner contemplated in accordance with the security's terms.

"Registrar" means the Treasurer of the Authority or any successor thereto as registrar for the Bond appointed by the Board.

"Reserve Account" means the "Truckee Meadows Water Authority, Nevada, Water Revenue Bond, Series 2015B Reserve Account" created in Section 35 hereof.

"Revenue Fund" means the "Truckee Meadows Water Authority, TMWA Water System Gross Revenues Fund," previously established and continued in this Resolution.

"Revolving Fund" means the Account for the Revolving Fund as defined in NRS 445A.203 to finance the construction of projects as defined in NRS 445A.230 of the State of Nevada created by NRS 445A.255.

"Safe Drinking Water Act" means the "Safe Drinking Water Act", 42 U.S.C. Sections 300f et seq., as amended.

"Subordinate Securities" means securities of the Authority pertaining to the Water System and payable from and secured by Net Revenues subordinate and junior to the pledge thereof to the Bond.

"Superior Securities" means securities of the Authority pertaining to the Water System and payable from and secured solely by Net Revenues superior and senior to the pledge thereof to the Bond, including but not limited to the 2005A Bonds, 2006 Bonds, 2007 Bonds, 2010 Bonds, 2015A Bonds and any other securities issued with a lien on the Net Revenues superior to the lien of the Bond.

"Tax Code" means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bond.

"TMWA Manager" means the de jure or de facto general manager of the Authority and any deputy manager designated by the TMWA Manager, if any, whenever the TMWA Manager, is absent or unable to act in such capacity, or the TMWA Manager's successor in functions, if any. The TMWA Manager is the "Chief Administrative Officer" of the Authority for the purposes of Chapter 350 of NRS.

"Trust Bank" means a "commercial bank", as defined herein, which bank is authorized to exercise and is exercising trust powers, and also means any branch of Federal Reserve Bank.

"Water System" means the water system of the Authority, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the Authority through purchase, construction or otherwise, and used in connection with such system of the Authority, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the Authority, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such systems are from time to time extended, bettered or otherwise improved, or any combination thereof.

Other capitalized terms used herein shall have the meanings given to such terms in the text hereof, except where the context by clear implication otherwise requires.

Section 3. **Sale of Bond and Approval of Loan Contract**. The sale of the Bond to the State on the terms provided herein and in accordance with the loan agreement between the

Division and the Authority (the "Loan Contract"), to be executed, on behalf of the Authority, by the TMWA Manager, or in his absence the Chief Financial Officer of the Authority, is hereby approved and accepted in substantially the form as is now on file in the office of the Authority, with such changes as are approved by the TMWA Manager, or in his absence the Chief Financial Officer of the Authority, whose execution thereof shall constitute conclusive evidence of the approval of such changes.

Section 4. **Ratification.** All action heretofore taken by the Board and the officers of the Authority directed toward the Project and toward the issuance, sale and delivery of the Bond is hereby ratified, approved and confirmed.

Section 5. **Estimated Life of Facilities.** The Board, on behalf of the Authority, has determined and does hereby declare:

- (a) The estimated life or estimated period of usefulness of the Project to be acquired with the Bond is not less than 21 years; and
- (b) The Bond shall mature at such time or times not exceeding such estimated life or estimated period of usefulness.

Section 6. **Necessity and Authorization of Project and Bond.** It is necessary and in the best interests of the Board, its officers, and the inhabitants of the Authority, that the Authority effect the Project and defray wholly or in part the cost thereof by the issuance of the Bond therefor; and it is hereby so determined and declared. The Board hereby authorizes the Project.

Section 7. **Reimbursement.** This is a declaration of official intent under Section 1.150-2 of the regulations promulgated under the Tax Code. In order to permit the Authority to reimburse itself for expenditures relating to the Project incurred prior to the issuance of the Bond with the proceeds of that Bond, the Board hereby determines and declares that:

- (a) The Board reasonably expects the Authority will incur expenditures with respect to the Project prior to the issuance of the Bond and to reimburse those expenditures from the issuance of the Bond;
- (b) The maximum principal amount of the Bond expected to be issued for the of cost of the Project is \$15,000,000; and
- (c) The payment of costs related to the Project and the reimbursement of

such costs from the proceeds of the Bond is consistent with the Authority's budgetary and financial circumstances as of the date of this Resolution. The Authority currently does not have moneys which are, or are expected in the future to be, allocated on a long-term basis, reserved or otherwise available pursuant to the Authority's budget to pay the expenditures which the Authority intends to reimburse.

Section 8. **Resolution to Constitute Contract.** In consideration of the purchase and the acceptance of the Bond by those who shall own the same from time to time, the provisions hereof shall be deemed to be and shall constitute a contract between the Authority and the registered owners from time to time of the Bond.

Section 9. **Bond Equally Secured.** The covenants and agreements herein set forth to be performed shall be for the equal benefit, protection and security of the owner of the outstanding Bond, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction except as otherwise expressly provided in or pursuant to this Resolution.

Section 10. **Special Obligation.** The Bond shall be payable and collectible (except as herein otherwise provided) solely out of the Net Revenues, which revenues are so pledged; the holder or registered owner may not look to any general or other fund for the payment of the principal of, or interest on the Bond, except the herein-designated special funds pledged therefor. The Bond shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation and the Bond shall not be considered or held to be a general obligation of the Authority but shall constitute its special obligation. The Authority does not pledge the full faith and credit of its Members for the payment of the Bond. None of the covenants, agreements, representations and warranties contained herein or in the Bond, in the absence of any breach thereof, shall ever impose or shall be construed as imposing any liability, obligation or charge against the Authority (except the special funds pledged therefor) or its general credit, payable out of its general fund or out of any funds derived from taxation.

Section 11. **Limitations upon Security.** The payment of the Bond is not secured by an encumbrance, mortgage or other pledge of property of the Authority, except for the Net

Revenues and any other moneys pledged for the payment of the Bond. No property of the Authority, subject to such exception, shall be liable to be forfeited or taken in payment of the Bond.

Section 12. **No Recourse Against Officers and Agents.** No recourse shall be had for the payment of the Bond Requirements of the Bond or for any claim based thereon or otherwise upon this Resolution or any other instrument relating thereto, against any individual member of the Board or any officer or other agent of the Board or Authority, past, present or future, either directly or indirectly through the Board or the Authority, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Bond and as a part of the consideration of its issuance specially waived and released.

Section 13. **Authorization of Bond.** For the purpose of providing funds to pay all or a portion of the cost of the Project, the Authority shall issue its "Truckee Meadows Water Authority, Nevada, Water Revenue Bond, Series 2015B", in the maximum principal amount of \$15,000,000 (the "Bond"). The State has requested, and the Authority has agreed, that the obligation of the Authority hereunder shall be represented in the form of a single, registered, water revenue bond.

Section 14. **Bond Details.** The Bond shall be issued in fully registered form, i.e., registered as to both principal and interest, in compliance with Section 149 of the Tax Code, and the regulations of the Secretary of the Treasury thereunder. The Bond shall be dated initially as of the date of delivery thereof to the State, and shall be issued as a single bond in the maximum principal amount of \$15,000,000. The Authority's indebtedness as represented by the Bond shall be \$15,000,000 or such lesser amount as shall represent the aggregate principal amount advanced under the Loan Contract as shown on the principal advance panel attached to the Bond. The Bond shall bear interest calculated on the basis of a 360 day year of twelve 30-day months at the rate per annum set forth in the Loan Contract on the unpaid principal amount advanced from the date or dates of each advance until the principal thereof is paid in full. Principal payments shall be made semiannually on January 1 and July 1, commencing on the first January 1 or July 1 immediately following the date the Authority draws the maximum principal amount authorized (i.e. \$15,000,000) under the Loan Contract, the date the Authority completes the Project, or three years from the date of

the initial principal advance under the Loan Contract, whichever occurs first. The amount of principal and interest payments shall be substantially in the amounts set forth in the Loan Contract, provided that such payments shall be structured so as to produce payments substantially consistent in amount from payment date to payment date and which shall amortize the outstanding principal amount of the Bond by the date which is no more than 20 years from the date of the initial advance under the Loan Contract.

If the Bond is reissued upon replacement, it shall bear interest from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from the date of the initial advance to the Authority under the Loan Contract. The installments of principal and interest on the Bond shall be paid, as long as the State is the registered owner of the Bond, by electronic funds transfer to the State, and otherwise by check, wire or warrant made to the order of the registered owner of the Bond and mailed to the address of the registered owner shown on the registration records kept by the Authority Treasurer, acting in the capacity as registrar for the Bond (the "Registrar") as of the close of business on the day immediately prior to such payment date, or if such date is not a business day, on or before the next succeeding business day. So long as the State is the registered owner, such payment shall be made by depositing with the State Treasurer, not later than the principal or interest payment date, the amount coming due on the Bond on such date, or if such payment date is not a business day, on or before the next succeeding business day, immediately available funds in an amount sufficient to make the payment then due. The final installment of principal on the Bond whether at maturity or prior redemption (if the State consents to such prior redemption), shall be made only on presentation and surrender of the Bond, as provided in Section 22 hereof, at the office of the Authority Treasurer, acting in the capacity of paying agent for the Bond (the "Paying Agent"). If any installment of principal shall not be paid when due, interest shall continue to accrue at the rate set forth in the Loan Contract until the principal thereof is paid in full, plus a penalty in the amount of one-tenth of one percent (0.1%) will be due for each day of nonpayment commencing 10 days after the maturity date of that principal installment. The Paying Agent may make payments on the Bond by such alternative means as may be mutually agreed to between the owner of such Bond and the Paying Agent. All such payments shall be made in lawful

money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

Section 15. **Prior Redemption or Prepayment Option.** The Bond, or portions thereof, are subject to redemption prior to the respective maturities of the installments of principal, in whole or in part, at the option of the Authority, on any January 1, or July 1, at a price equal to the principal amount of the Bond or portion thereof, so prepaid and the accrued interest thereon to the Redemption Date; provided that (i) the State consents in writing to such prepayment, or (ii) a change in use of the facilities financed by the Bond occurs which change in use necessitates remedial action under Treas. Reg. 1.141-12 in order to comply with the covenant in Section 50 hereof. If all or a portion of the principal of the Bond is so called for prior redemption, no payment of the principal or interest on the Bond due on or after the date fixed for redemption shall be made unless the Bond is presented to the Paying Agent and notation of the installments of principal redeemed is made on such Bond.

Section 16. **Compliance with Federal and State Laws.** The Authority agrees that it will, at all times that the Bond is outstanding, comply with and require its contractors and subcontractors to comply with all applicable federal and state laws, rules, guidelines, regulations and requirements. The Authority covenants that it will comply with the requirements of the Safe Drinking Water Act and 40 CFR Part 31 and comply with, implement and fulfill all environmental mitigation measures committed to by the Authority as a part of its request to the Administrator for financing from the Revolving Fund.

Section 17. **Registration of Bond.**

(a) Records for the registration of the Bond shall be kept by the Registrar.

The person in whose name any Bond shall be registered, on the registration records kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes; and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the owner thereof or his or her legal representative. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

(b) If the Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the Authority may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond. If such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

(c) Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for replacement as provided herein, such Bond shall be promptly canceled by the Paying Agent or Registrar, and counterparts of a certificate of such cancellation shall be furnished by the Paying Agent or Registrar to the Authority.

(d) The Registrar shall maintain at her office a registration record for the Bond showing the name and address of the registered owner and the amounts and dates of any principal prepayments on the Bond.

Section 18. **Execution and Authentication.**

(a) The Bond shall be approved, signed and executed in the name of and on behalf of the Authority with the manual signature of the Chairman, shall be countersigned and executed with the manual signature of the Authority Treasurer, and shall bear a manual impression of the official seal of the Authority attested with the manual signature of the Secretary.

(b) No Bond shall be valid or obligatory for any purpose unless the certificate of authentication thereon, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. By authenticating any of the Bond initially delivered pursuant to this Resolution, the Registrar shall be deemed to have assented to all of the provisions of this Resolution.

(c) The Chairman, the Authority Treasurer and the Secretary are hereby authorized and directed to prepare and to execute the Bond as herein provided.

Section 19. **Use of Predecessor's Signature.** The Bond bearing the signatures of the officers in office at the time of the execution of the Bond shall be a valid and binding obligation of the Authority, notwithstanding that before its delivery any or all of the persons who executed it shall have ceased to fill their respective offices. The Chairman, the Authority Treasurer, and the Secretary at the time of the execution of a signature certificate relating to the Bond, may each adopt as and for his own facsimile signature the facsimile signature of his predecessor in office if such facsimile signature appears upon any of the Bond.

Section 20. **Incontestable Recital.** Pursuant to NRS 350.628, the Bond shall contain a recital that they are issued pursuant to the Bond Act, which recital shall be conclusive evidence of the validity of the Bond and the regularity of its issuance.

Section 21. **State Tax Exemption.** Pursuant to NRS 350.710, the Bond, its transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to chapter 375B of NRS.

Section 22. **Use of Bond Proceeds.** The Bond shall be evidenced by a single bond in the maximum principal amount of \$15,000,000, numbered R-1, which Bond shall be manually signed and executed in the name of and on behalf of the Authority by the Chairman, countersigned and manually subscribed by the Authority Treasurer, with the seal of the Authority affixed thereto and attested and manually signed by the Secretary. So long as the State is the registered owner, payment of principal and interest shall be made by electronic transfer to the State Treasurer, on or before such payment date, or if such payment date is not a business day, on or before the next succeeding business day, immediately available funds in an amount sufficient to make the payment then due. The final installment of principal on the Bond shall be made only upon surrender of the Bond at the office of the Paying Agent. If all or a portion of principal of the Bond is called for prior redemption, no payment of the principal or redemption price of or interest on the Bond, due on or after the date fixed for redemption shall be made unless the Bond is presented to the Paying Agent and notation of the installments of principal so called for prior redemption is made on such Bond. The Bond must be registered in the name of its owner and may be assigned by the registered owner

in the manner and with the effect set forth in the provisions for registration contained in the form thereof hereinafter set forth.

The Authority Treasurer shall act as Registrar and Paying Agent and shall maintain at his office registration records for the Bond showing the name and address of the registered owner and the amounts and dates of any principal prepayments on the Bond.

Section 23. **Form of the Bond.** The Bond shall be in substantially the following form, said form to be completed with necessary or appropriate variations, insertions, omissions, or endorsements consistent with the provisions of this Resolution:

(Form of Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

**TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE BOND, SERIES 2015B**

No. R-1 **MAXIMUM PRINCIPAL AMOUNT: \$15,000,000.00**
LOAN CONTRACT NO. _____

Truckee Meadows Water Authority (the "Authority"), in the State of Nevada (the "State") for value received hereby acknowledges itself to be indebted and promises to pay to the State of Nevada, c/o the State Treasurer, for deposit to the Account for the Revolving Fund to finance the construction of projects defined in NRS 445A.230 (the "Revolving Fund") the maximum principal amount of

FIFTEEN MILLION AND NO/100 DOLLARS (\$15,000,000.00)

or such lesser amount as shall represent the aggregate principal amount advanced under the State Drinking Water State Revolving Fund Loan Contract (the "Loan Contract") between the Authority and the State Division of Environmental Protection of the Department of Conservation and Natural Resources, as is hereby required to be shown by the Authority Treasurer, acting as registrar (the "Registrar"), on the principal advance panel appended hereto, in installments of principal in the amounts and dates to be determined in accordance with the Loan Contract and pursuant to the resolution duly adopted by the Board of Directors (the "Board") of the Authority on May 21, 2015 and designated in Section 1 by the short title "2015B Water Bond Resolution" (the "Resolution") (unless prepayment occurs in accordance with the Resolution and such prepayment is noted on the Prepayment Panel appended hereto) in lawful money of the United States of America, together with interest on the unpaid advances of principal until payment of such advances of principal shall have been discharged as provided in the Resolution, said interest at the rate of ____percent (___%) per annum, and said installments of principal being payable on January 1 and July 1 of the years and in the amounts and at the times designated in the Loan Contract, not to exceed 20 years from the date of the initial advance under the Loan Contract.

The principal and interest due in connection with this Bond (the "Bond Requirements") are payable, as long as the State is the registered owner of the Bond, by electronic funds transfer, and otherwise by check, draft, wire or warrant made to the order of the registered owner hereof and mailed by the Treasurer of the Authority or any successor thereto as paying agent for this Bond (the "Paying Agent") to the address shown on the registration records of the Treasurer of the Authority or any successor thereto as registrar for the Bond (the "Registrar"). So long as the State is the registered owner, payment of the Bond Requirements shall be made by depositing with the State Treasurer, on or before any principal or interest payment date or prior redemption date, the amount coming due on such payment date by electronic transfer in immediately available funds. If

any payment date is not a business day, payment may be made on or before the next succeeding business day. If payment of any installment of principal of this Bond is not made when due, interest on such installment shall continue at the interest rate specified for such installment in the Resolution until such principal installment is paid in full, plus a penalty in the amount of one-tenth of one percent (0.1%) will be due for each day of nonpayment commencing 10 days after the maturity date of that principal installment. The final installment of principal on this Bond is payable only on presentation and surrender of this Bond at the office of the Paying Agent.

This Bond is a duly authorized bond of the Authority issued in the maximum principal amount of Fifteen Million Dollars (\$15,000,000.00) (the "Bond") to defray, in part, the cost of acquiring, constructing, reconstructing, improving and equipping water improvements for the Authority and all appurtenances thereto (the "Project") under the authority of and in full compliance with the constitution and laws of the State.

This Bond is issued pursuant to Nevada Revised Statutes ("NRS") 350.500 through 350.720, and all laws amendatory thereof designated in NRS 350.500 as the Local Government Securities Law (the "Bond Act"); and all laws amendatory thereof; and pursuant to NRS chapter 348. Pursuant to NRS 350.628, this recital is conclusive evidence of the validity of the Bond and the regularity of its issuance; and pursuant to NRS 350.710, the Bond, its transfer, and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

If a prepayment is made on this Bond, as specified in the Resolution, interest shall cease to accrue on the amount prepaid from and after the date fixed for prepayment. If a portion of the principal of this Bond is called for prepayment, no payment of the principal of, interest on or any prior redemption premium due in connection with this Bond due on and after the prepayment date shall be made unless this Bond is presented to the Paying Agent and notation of the installments of principal so called for prepayment is made on Prepayment Panel appended hereto.

It is hereby certified and recited that all of the requirements of law have been fully complied with by the proper officers of the Authority in the issuance of this Bond; that the total indebtedness of the Authority, including that of this Bond, does not exceed any limit of indebtedness prescribed by the Constitution or by the laws of the State.

Payment of the principal of and interest on this Bond is secured solely by a pledge of the net revenues (herein called the "Net Revenues") derived by the Authority from the operation and use of, and otherwise pertaining to, the water system of the Authority of which the Project is a part, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the Authority, through purchase, construction or otherwise, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the Authority, including, without limitation, machinery, apparatus, structures and buildings, and related or appurtenant furniture, fixtures and other equipment, or any combination thereof (herein called the

"Water System"), whether resulting from extension, enlargements, repairs, betterments or other improvements to the Water System, or otherwise, but excluding (1) moneys raised for capital improvements, and (2) grants, appropriations or gifts for limited uses, and after provision is made for the payment of all necessary and reasonable operation and maintenance expenses of the Water System, which Net Revenues are so pledged as more specifically provided in the Resolution.

This Bond is equally and ratably secured by such pledge of the Net Revenues, and such pledge constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues, on a parity with the outstanding Parity Securities and any Parity Securities hereafter issued, and subject to the lien of any outstanding Superior Securities and any Superior Securities hereafter issued. Additional securities may be issued and made payable from the Net Revenues of the Water System and having a lien thereon superior to, subordinate to or on a parity with such pledge, in each case subject to the conditions of and in accordance with the Resolution.

Reference is made to the Resolution and to the Bond Act for an additional description of the nature and extent of the security for this Bond, the accounts, funds, or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the registered owner of this Bond with respect thereto, the terms and conditions upon which this Bond is issued, and a statement of rights, duties, immunities, and obligations of the Authority, and other rights and remedies of the owner of this Bond.

To the extent and in the respects permitted by the Resolution, the provisions of the Resolution may be amended or otherwise modified by action of the Authority taken in the manner and subject to the conditions and exceptions prescribed in the Resolution. The pledge of Net Revenues under the Resolution may be discharged at or prior to the respective maturities of the installments of principal or prior redemption of the Bond upon the making of provision for the payment thereof on the terms and conditions set forth in the Resolution.

This Bond shall not be entitled to any benefits under the Resolution, or be valid or obligatory for any purpose until the registration panel hereon shall have been manually signed on behalf of the Registrar.

No recourse shall be had for the payment of the Bond Requirements of this Bond or for any claim based thereon or otherwise in respect to the Resolution or any other instrument pertaining thereto, against any individual member of the Board, or any officer or other agent of the Authority, past, present or future, either directly or indirectly through the Board or the Authority, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of this Bond and as a part of the consideration of its issuance specially waived and released.

(Form of Registration Panel)

MANDATORY REGISTRATION FOR PAYMENT
AS TO PRINCIPAL AND INTEREST

The within Bond is registered in the office of the Treasurer of Truckee Meadows Water Authority, Nevada, as Registrar in the name of the last owner listed below, and the principal amount of the bond and interest thereon shall be payable only to such owner, all in accordance with the within-mentioned Resolution.

<u>Date of Registration</u>	<u>Name of Owner</u>	<u>Address of Owner</u>	<u>Signature of Registrar</u>
	State of Nevada, Treasurer, as Custodian of the Account for the Revolving Fund of the State of Nevada	State Treasurer 101 N. Carson St. Suite 4 Carson City, Nevada 89701	

(End of Form of Registration Panel)

(Form of Principal Prepayment Panel on Bond)

PREPAYMENT PANEL

The following installments of principal (or portions thereof) of this Bond have been prepaid by the Truckee Meadows Water Authority, Nevada, in accordance with the terms of the within-mentioned Resolution.

<u>Date of Prepayment</u>	<u>Due Date of Installments (or portions thereof) Prepaid</u>	<u>Principal Amount Prepaid</u>	<u>Signature of Paying Agent</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(End of Form of Principal Prepayment Panel)

Section 24. **Delivery of the Bond; Deposit of Proceeds.** When the Bond has been duly executed, the Authority Treasurer shall cause it to be delivered to the State upon receipt of the initial advance under the Bond and shall authenticate and register it in the name of the State on the Bond registration records of the Registrar and make notation of such registration on the back of the Bond. The Authority Treasurer shall cause monies legally available therefor to be deposited into the Reserve Account in an amount equal to the Minimum Reserve (as defined herein) to be held in the State's Local Government Investment Pool and administered as provided in Section 35 herein. The Bond proceeds shall be deposited in a special account hereby created and designated as the "Truckee Meadows Water Authority, Nevada, Water Revenue Bond Series 2015B, Acquisition Account" (the "Acquisition Account") to be held by the Authority. Moneys in the Acquisition Account shall be used solely to defray wholly or in part the Cost of the Project including, without limitation, as provided in NRS 350.516, all costs of issuing the Bond including any interim financing, all issuance costs and other costs and fees associated with the State's administration of the loan related to the Bond which the Board hereby determines are necessary and desirable and appertain to the Project. After the Project is complete and after all expenses have been paid or adequate provision therefor is made, pursuant to NRS 350.650, any unexpended balance of Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the Acquisition Account shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bond.

Section 25. **Completion of Project.** The Authority, with the proceeds derived from the sale of the Bond, shall proceed to complete the Project with due diligence.

Section 26. **Use of Investment Gain.** Pursuant to NRS 350.658, and except as may otherwise be required herein, any gain from any investment and any reinvestment of any proceeds of the Bond shall be deposited promptly upon the receipt of such gain at any time or from time to time into the Acquisition Account to defray, in part, the Cost of the Project or, if adequate provision has been made for the Project, into the Bond Fund hereinafter created, for the respective payment of the principal of or interest on the Bond or any combination thereof.

Section 27. **Prevention of Bond Default.** Subject to the provisions of this Resolution, the Authority Treasurer shall use any Bond proceeds credited to the Acquisition Account, without further order or warrant, to pay the Bond Requirements of the Bond as the same

become due whenever and to the extent moneys otherwise available therefor are insufficient for that purpose, unless such Bond proceeds shall be needed to defray obligations accrued and to accrue under any contracts then existing and relating to the Project. The Authority Treasurer shall promptly notify the Board of any such use.

Section 28. **Purchaser Not Responsible.** The validity of the Bond shall not be dependent on nor be affected by the validity or regularity of any proceedings relating to the Project, or any part thereof, or to the completion of the Project. The State shall not in any manner be responsible for the application or disposal by the Authority or by any of its officers, agents and employees of the moneys derived from the sale of the Bond or of any other moneys referred to in this Resolution.

Section 29. **Pledge of Net Revenues.** Subject only to the provisions of this Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of principal of and interest on the Bond in accordance with its terms and the provisions of this Resolution, all of the Net Revenues of the Water System. This pledge shall be valid and binding from and after the date of the delivery to the State of the Bond; and the Net Revenues, as received by the Authority shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing or further act; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority (except as herein otherwise provided) irrespective of whether such parties have notice thereof. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any and all other obligations and liabilities of the Authority payable from the Net Revenues, subject to the liens of Superior Securities and Parity Securities and except as herein otherwise provided.

Section 30. **Revenue Fund.** So long as the Bond shall be Outstanding, the entire Gross Revenues, upon their receipt from time to time by the Authority, shall be set aside and credited immediately to a separate account hereby continued in the treasury of the Authority and designated as the "Truckee Meadows Water Authority, TMWA Water System Gross Revenues Fund" (the "Revenue Fund"), and the Revenue Fund shall be administered and the moneys on deposit therein

shall be applied in the order of priority specified in the resolutions authorizing the Superior Securities and Sections 31 through 38 hereof.

Section 31. **Operation and Maintenance Account**. First, from time to time there shall be transferred and credited to a separate account created in the treasury of the Authority and designated as the "Truckee Meadows Water Authority, TMWA Water System Operation and Maintenance Account" (the "Operation and Maintenance Account"), moneys sufficient to pay Operation and Maintenance Expenses, as budgeted and approved in accordance with law, as such expenses become due and payable, and thereupon they shall be promptly paid. Any surplus remaining in the Operation and Maintenance Account at the end of the fiscal year of the Authority and not needed for Operation and Maintenance Expenses shall be transferred to the Revenue Fund.

Section 32. **Superior Securities Bond Fund**. Second, from any moneys thereafter remaining in the Revenue Fund, there shall be transferred and credited to any bond funds created to pay the bond requirements of the Superior Securities and any Superior Securities hereafter issued in accordance with this Resolution.

Section 33. **Superior Securities Reserve Account and Rebate Account**. Third, after the aforementioned deposits, and from the Net Revenues there shall be transferred and credited to any debt service reserve accounts established for the Superior Securities and any Superior Securities hereafter issued, such amounts as are required to be deposited to such reserve accounts to maintain the minimum reserve requirements that may be reasonably required in a resolution authorizing the issuance of Superior Securities, and then to any rebate accounts to meet the Authority's obligations of making the payments to the United States required by the covenants set forth in the resolutions authorizing the issuance of such Superior Securities.

Section 34. **Bond Fund**. Fourth, from any monies thereafter remaining in the Revenue Fund there shall be transferred and credited to two separate accounts hereby created and designated as the "Truckee Meadows Water Authority, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2015B, Interest Account" (the "Interest Account") and the "Truckee Meadows Water Authority, Nevada, General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2015B, Principal Account" (the "Principal Account") (collectively, the "Bond Fund") and concurrently with transfers

to the bond funds created to pay the bond requirements of any Parity Securities hereafter issued, monthly, commencing the first day of the month immediately succeeding the delivery date of the Bond, an amount in substantially equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installments of principal and interest on the Bond and the Parity Securities. The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bond and the Parity Securities as such Bond Requirements become due.

Section 35. **Reserve Account.** Fifth, after the aforementioned deposits, and concurrently with any transfers for the debt service reserve accounts established for the Parity Securities, such amounts as are required to be deposited to such reserve accounts to maintain the minimum reserve requirements that may be reasonably required in a resolution authorizing the issuance of Parity Securities, there shall be transferred and credited to a separate account hereby created and designated as the "Truckee Meadows Water Authority, Nevada, Water Revenue Bond, Series 2015B Reserve Account" (herein "Reserve Account"), the amount necessary to maintain balance of the Reserve Account equal to at least ten percent of the maximum principal amount of the Bond, the average annual debt service on the Bond or the maximum annual debt service on the Bond, whichever is less (the "Minimum Reserve").

The Reserve Account shall be held for the account of the Authority by the State Treasurer in the Local Government Investment Pool. Amounts on deposit in the Reserve Account shall be valued annually on the anniversary of the date of delivery of the Bond. In the event that, on any principal or interest payment date for the Bond, the amount on deposit in the Bond Fund shall be less than the amount coming due on the Bond on such payment date, an amount equal to such deficiency shall be transferred by the Authority from the Reserve Account to the Bond Fund and applied solely for the purpose of paying the principal and interest then coming due on the Bonds and any Outstanding Parity Securities. Investment income or gain on moneys in the Reserve Account shall be retained in the Reserve Account to the extent necessary to restore the total amount on deposit in the Reserve Account to the Minimum Reserve; otherwise, such investment income or gain on moneys in the Reserve Account shall be deposited into the Bond Fund, to the extent funded with Bond proceeds or if funded from legally available money of the Authority, distributed at the direction

of the Authority. Amounts shall be deposited annually from the Revenue Fund or other legally available monies of the Authority into the Reserve Account sufficient to maintain the Reserve Account in an amount not less than the Minimum Reserve.

Section 36. **Rebate Account.** Sixth, from any monies thereafter remaining in the Revenue Fund there shall be transferred and credited to any rebate accounts established for the payment of rebates to the United States in accordance with Section 148(f) of the Tax Code for Parity Securities, such amounts as are required to be deposited therein to meet the Authority's obligations under the covenant contained in Section 50 hereof, in accordance with Section 148(f) of the Tax Code. Such deposits shall be made at such times as are required by Section 148(f) of the Tax Code. Any amounts in such rebate accounts in excess of those required to be on deposit therein may be withdrawn therefrom and deposited into the Revenue Fund.

Section 37. **Payment of Subordinate Securities.** Seventh, any moneys thereafter remaining in the Revenue Fund may be used by the Authority for the payment of the principal of and interest on Subordinate Securities, and may be used to create reasonable reserves for any subordinate securities.

Section 38. **Surplus Revenues.** Eighth, at the end of the Fiscal Year of the Authority, or whenever there shall have been credited all amounts required to be deposited in the respective foregoing separate accounts for all of that Fiscal Year, the remaining Net Revenues may be used for any lawful purposes of the Authority, in accordance with the resolutions authorizing the issuance of the Superior Securities and as the Board may from time to time otherwise determine, including, without limitation, for operation and maintenance reserves and capital reserves, the payment of capital costs and major maintenance costs of the Water System, to pay any other obligations pertaining to the Water System or otherwise.

Section 39. **Termination of Deposits.** No payment need be made into the Bond Fund if the amounts in that fund total a sum at least equal to the entire amount of the Outstanding Bond as to all Bond Requirements to their respective maturities both accrued and not accrued, in which case moneys in such fund in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at

least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due.

Section 40. **Equal Security.** The Bond and the Parity Securities from time to time Outstanding shall be equally and ratably secured by the pledge of Net Revenues hereunder and shall not be entitled to any priority one over the other in the application of the Net Revenues regardless of the time or times of the issuance of the Bond and the Parity Securities.

Section 41. **Defraying Delinquencies.** If at any time the Authority shall for any reason fail to pay into the Bond Fund the full amount above stipulated from the Net Revenues, then an amount shall be paid into the Bond Fund at such time equal to the difference between that paid from the Net Revenues and the full amount so stipulated. If Parity Securities are Outstanding, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve account or rebate account therefor, then the moneys replaced in such funds shall be replaced on a pro rata basis related to the principal amount of the then Outstanding Bond and the then Outstanding Parity Securities, as moneys become available therefor, first into all of such bond funds and reserve accounts and second into all such rebate accounts.

Section 42. **Conditions to Additional Parity Securities.**

(a) Nothing herein, except as expressly hereinafter provided, shall prevent the issuance by the Authority of additional securities payable from Net Revenues and constituting a lien thereon on a parity with the lien thereon of the Bond, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

(i) At the time of adoption of the instrument authorizing the issuance of the additional Parity Securities, the Authority shall not be in default in the payment of principal of or interest on the Bond, any Outstanding Parity Securities and any Outstanding Superior Securities.

(ii) (A) If the Authority has less than 10,000 customers of the Water System, the Net Revenues (subject to adjustments as hereinafter provided) projected by the Authority TMWA Manager or an independent accountant or a consulting engineer to be derived in the later of (i) the Fiscal

Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (ii) the first Fiscal Year for which no interest has been capitalized for the payment of any Parity Securities, including the Parity Securities proposed to be issued, will be sufficient to pay at least an amount equal to 1.25 times the principal and interest requirements (to be paid during that Fiscal Year) of the Outstanding Bond, any Outstanding Superior Securities, any other Outstanding Parity Securities of the Authority and the Parity Securities proposed to be issued (excluding any reserves therefor); or

(B) If the Authority has more than 10,000 customers of the Water System, the Net Revenues (subject to adjustments as hereinafter provided) projected by the Authority TMWA Manager or an independent accountant or a consulting engineer to be derived in the later of (i) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (ii) the first Fiscal Year for which no interest has been capitalized for the payment of any Parity Securities, including the Parity Securities proposed to be issued, will be sufficient to pay at least an amount equal to 1.2 times the principal and interest requirements (to be paid during that Fiscal Year) of the Outstanding Bond, any Outstanding Superior Securities, any other Outstanding Parity Securities of the Authority and the Parity Securities proposed to be issued (excluding any reserves therefor).

(b) In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in Operation and Maintenance expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional Parity Securities; and the effect of rate increases that have been adopted and have taken effect or are schedule to take effect

in the Fiscal Year immediately following the issuance of the additional Parity Securities.

(c) In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities.

(d) A written certificate or written opinion by the TMWA Manager or an independent accountant or a consulting engineer that the foregoing earnings test is met shall be conclusively presumed to be accurate in determining the right of the Authority to authorize, issue, sell and deliver additional Parity Securities.

(e) In connection with the authorization of any such additional securities the Board may on behalf of the Authority adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the Authority herein and no such covenant or agreement may be materially adverse to the interests of the holders of the Bond. Any finding of the Board to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of this Resolution.

(f) Nothing herein prohibits the issuance of Superior Securities if the requirements of this Section are met.

Section 43. **Subordinate Securities for the Water System.** Nothing herein, except as expressly herein provided, shall prevent the Authority from issuing additional securities payable from Net Revenues and constituting a lien thereon subordinate to the lien thereon of the Bond and any Outstanding Parity Securities.

Section 44. **Issuance of Refunding Bonds.**

(a) At any time after the Bond, or any part thereof, is issued and remains Outstanding, if the Authority shall find it desirable to refund any Outstanding Bond

or other Outstanding Parity Securities, such Bond or other securities, or any part thereof, may be refunded only if the Bond or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the Authority's option upon proper call, unless the owner or owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Gross Revenues is changed.

(b) The refunding bonds or other refunding securities so issued shall enjoy complete equality of lien with the portion of any securities of the same issue which is not refunded, if there is any; and the owner or owners of the refunding securities shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the unrefunded securities of the same issue partially refunded by the refunding securities.

(c) Any refunding bonds or other refunding securities payable from any Gross Revenues shall be issued with such details as the Board may by resolution provide, subject to the provisions of this Section but without any impairment of any contractual obligation imposed upon the Authority by any proceedings authorizing the issuance of any unrefunded portion of the Outstanding securities of any one or more issues (including, without limitation, the Bond).

(d) If only a part of the Outstanding Bond and other Outstanding securities of any issue or issues payable from the Gross Revenues is refunded, then such securities may not be refunded without the consent of the owner or owners of the unrefunded portion of such securities:

(i) Unless the refunding bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by the refunding securities and by the Outstanding securities not refunded on and before the last maturity date or last Redemption Date, if any, whichever is later, of the unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the Net

Revenues is not raised to a higher priority than the lien thereon of the Bond or other securities thereby refunded; or

(ii) Unless the lien on any Gross Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or

(iii) Unless the refunding bonds or other refunding securities are issued in compliance with Section 42 hereof.

Section 45. **Operation of the System.** The Authority shall at all times operate the Water System properly and in a sound and economical manner and shall maintain, preserve and keep the Water System properly, or cause the same so to be maintained, preserved and kept, in good repair, working order and condition. The Authority also shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the Water System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating water systems of like size and character. Except for the use of the Water System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the water system shall be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of until the Bond Requirements of the Bond have been paid in full, or unless provision has been made therefor.

Section 46. **Payment of Taxes, Etc.** The Authority shall pay or cause to be paid all taxes, assessments and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Water System or any part thereof, or upon any portion of the Gross Revenues, when the same shall become due. The Authority shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Water System or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The Authority shall not create or suffer to be created any lien or charge on the Water System or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this Resolution for the payment of the Bond and any Superior Securities, Parity Securities, or Subordinate Securities issued in accordance herewith, and except as herein otherwise permitted. The Authority shall pay or cause to be discharged or shall make adequate provision to

satisfy and to discharge within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Water System or any part thereof, or upon the Gross Revenues. Nothing herein contained requires the Authority to pay or cause to be discharged or to make provision for any such tax, assessment, lien, charge or demand before the time when payment thereon shall be due, or so long as the validity thereof shall be contested in good faith by appropriate legal proceedings.

Section 47. **No Competing Facilities.** The Authority shall neither construct nor permit to be constructed other facilities or structures to be operated by the Authority separate from the Water System and competing for Gross Revenues otherwise available for the payment of the Bond or any other securities payable from Net Revenues; provided, however, that nothing herein contained shall impair the police powers of the Authority or otherwise cause the Authority to violate any applicable law.

Section 48. **Rate Covenant.** The Authority shall charge against users or against purchasers of services or commodities pertaining to the Water System such fees, rates and other charges as shall be sufficient to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the Authority at least equal to the sum of:

- (a) an amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year;
- (b) an amount equal to: (i) 125% of the debt service due in such Fiscal Year on the then Outstanding Superior Securities and the then Outstanding Bond and any Outstanding Parity Securities if the Authority has less than 10,000 customers; or (ii) 120% of the debt service due in such Fiscal Year on the then Outstanding Superior Securities and the then Outstanding Bond and any Outstanding Parity Securities if the Authority has more than 10,000 customers; and
- (c) any other amounts payable from the Net Revenues and pertaining to the Water System, including, without limitation, debt service on any Superior Securities, Subordinate Securities and any other securities pertaining to the Water System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

The foregoing rate covenant is subject to compliance by the Authority with any legislation of the United States of America, the State or other governmental body, or any regulation or other action taken by the United States, the State or any agency or political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of fees, rates and other charges collectible by the Authority for the use of or otherwise pertaining to, and all services rendered by, the Water System.

Subject to the foregoing, the Authority shall cause all fees, rates and other charges pertaining to the Water System to be collected as soon as reasonable and shall provide methods of collection and penalties to the end that the Gross Revenues shall be adequate to meet the requirements hereof.

Section 49. **Books of Record and Account.** So long as any of the Bond remain outstanding, proper books of record and account shall be kept by the Authority, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Water System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues.

Section 50. **Tax Covenant.** The Authority covenants for the benefit of the owners of the Bond that it will not take any action or omit to take any action with respect to the Bond, the proceeds thereof, any other funds of the Authority or any facilities financed with the proceeds of the Bond if such action or omission (i) would cause the interest on the Bond to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the Bond to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bond until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Section 51. **Defeasance.** When all Bond Requirements of the Bond have been duly paid, the pledge, the lien, and all obligations hereunder shall thereby be discharged and the Bond shall no longer be deemed to be outstanding within the meaning of this Resolution. There shall be deemed to be such due payment when the Authority has placed in escrow or in trust with a Trust Bank located within or without the State, an amount sufficient (including the known minimum yield available for such purpose from the Federal Securities in which such amount may be initially invested wholly or in part) to meet all Bond Requirements of the Bond, as the same become due to the final maturities of the Bond, or upon any redemption date as of which the State Treasurer shall have consented to and the Authority shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of Bond for payment then. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the Authority and the Trust Bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the schedule. For the purpose of this Section "Federal Securities" shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the issuer thereof. When such defeasance is accomplished the Paying Agent shall mail written notice of the defeasance to the State Treasurer or any other registered owners of the Bond at the addresses last shown on the registration records for the Bond maintained by the Registrar.

Section 52. **Amendments.** This Resolution may be amended or supplemented by instruments adopted by the Authority, without receipt by the Authority of any additional consideration, but with the written consent of the State Treasurer at the time of the adoption of the amendatory or supplemental instrument, excluding bonds which may then be held or owned for the account of the Authority, but including such refunding securities as may be issued for the purpose of refunding any of the Bond if the refunding securities are not owned by the Authority. No such instrument shall permit:

- (a) A change in the maturity or in the terms of redemption of the principal or any installment thereof of any outstanding Bond or any installment of interest thereon without the consent of the State Treasurer; or

(b) A reduction in the principal amount of any Bond, the rate of interest thereon, without the consent of the State Treasurer; or

(c) A reduction of the principal amount or percentages or otherwise affecting the description of Bond or the consent of the State Treasurer of which is required for any modification or amendment; or

(d) The establishment of priorities as between Bond issued and outstanding under the provisions of this Resolution; or

(e) The modification of, or other action which materially and prejudicially affects the rights or privileges of the State.

Whenever the Authority proposes to amend or modify this Resolution under the provisions hereof, it shall cause notice of the proposed amendment to be mailed within 30 days to the State Treasurer. The notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the Authority Secretary for public inspection.

Whenever at any time within one year from the date of such notice there shall be filed in the office of the Authority Secretary an instrument or instruments executed by the State Treasurer which instrument or instruments shall refer to the proposed amendatory instrument described in the notice and shall specifically consent to and approve the adoption of the instrument; thereupon, but not otherwise, the Board may adopt the amendatory instrument and the instrument shall become effective. Any consent given by the State Treasurer pursuant to the provisions hereof shall be irrevocable.

Any Bond authenticated and delivered after the effective date of any action taken as provided in this Section may bear a notation by endorsement or otherwise in a form approved by the Authority as to the action; and if any Bond so authenticated and delivered shall bear such notation, then upon demand of the State Treasurer at such effective date and upon presentation of his Bond, suitable notation shall be made on the Bond as to any such action. If the Authority so determines, a new Bond so modified as in the opinion of the Authority to conform to such action shall be prepared, registered and delivered; and upon demand of the owner of any Bond then outstanding, shall be exchanged without cost to the owner for the Bond then Outstanding upon surrender of such Bond.

Section 53. **Replacement of Registrar or Paying Agent.** If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the TMWA Manager shall reasonably determine to appoint a successor Registrar or Paying Agent, or both, the TMWA Manager may do so upon notice mailed to the State Treasurer or any other owner of any Bond at his address last shown on the registration records. No resignation or dismissal of the Registrar or Paying Agent may take effect until a successor is appointed. It shall not be required that the same person or institution serve as both Registrar and Paying Agent hereunder, but the Authority shall have the right to have the same person or institution serve as both Registrar and Paying Agent.

Section 54. **Delegated Powers.** The officers of the Authority are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution, including, without limitation:

- (a) The printing of the Bond;
- (b) The execution of such certificates as may be reasonably required by the State, relating, inter alia,
 - (i) to the signing of the Bond,
 - (ii) to the tenure and identity the officials of the Authority,
 - (iii) to the assessed valuation of the taxable property in and the indebtedness of the Authority,
 - (iv) to the rate of taxes levied against the taxable property within the Authority,
 - (v) the exclusion of interest on the Bond from gross income for federal income tax purposes,
 - (vi) the delivery of the Bond and the receipt of the Bond purchase price,
 - (vii) the completeness and accuracy of any information provided the State in connection with the Bond as of the date of delivery of the Bond, and
 - (viii) if it is in accordance with the fact, the absence of litigation, pending or threatened, affecting the validity of the Bond;

(c) The assembly and dissemination of financial and other information concerning the Authority and the Bond; and

(d) The execution of the Loan Contract with the State of Nevada, Division of Environmental Protection of the Department of Conservation and Natural Resources.

Section 55. **Implied Repealer.** All resolutions, bylaws and orders, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any resolution, bylaw, order, or part thereof, heretofore repealed.

Section 56. **Severability.** If any section, paragraph, clause or 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 provision shall not affect any of the remaining provisions of this Resolution.

PASSED, ADOPTED AND APPROVED this May 21, 2015.

Chairman

(SEAL)

Secretary

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

I am the duly qualified and acting Secretary of the Truckee Meadows Water Authority and of its Board of Directors (herein "Authority" and "Board"), Nevada, do hereby certify:

1. The foregoing pages are a full and correct copy of the resolution of the Board of said Authority adopted at a meeting thereof held on May 21, 2015.

2. All members of the Board were given due and proper notice of such meeting and voted on such resolution as follows:

Those Voting Aye:	David Bobzien Naomi Duerr Vaughn Hartung Jeanne Herman Neoma Jardon Geno Martini Ron Smith
-------------------	--

Those Voting Nay: _____

Those Absent: _____

3. Public notice of such meeting was given and such meeting was held and conducted in full compliance with the provisions of NRS 241.020. A copy of the notice of meeting and excerpt from the agenda for the meeting relating to the resolution, as posted at least 3 working days in advance of the meeting on the Authority's website, the State's website, and at:

- (i) Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada
- (ii) Reno City Hall
One E. First Street
Reno, Nevada
- (iii) Sparks City Hall
431 Prater Way
Sparks, Nevada

- (iv) Sparks Justice Court
630 Greenbrae
Sparks, Nevada
- (v) Washoe County Administration Complex
1001 E. Ninth Street
Reno, Nevada 89509
- (vi) Washoe County Courthouse
75 Court St.
Reno, Nevada 89501
- (vii) Washoe County Central Library
301 South Center St.
Reno, Nevada 89501

attached as Exhibit "A".

4. At least 3 working days before such meeting, such notice was given to each member of the Board and to each person, if any, who has requested notice of meetings of the Board in accordance with the provision of Chapter 241 of NRS.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Truckee Meadows Water Authority, Nevada, this May 21, 2015.

Secretary

(SEAL)

EXHIBIT A

(Attach Copy of Notice of Meeting)

1 Sparks metropolitan area in Northern Nevada. The Recipient administers the finances
2 of the public water system through a self-funding enterprise fund;

- 3 4. The Recipient has made application for a loan related to construction of the Project,
4 hereafter described, and said Project has been determined by the Division to be
5 eligible for a loan pursuant to applicable Federal and State laws, rules, regulations, and
6 guidance;
- 7 5. The Board for Financing Water Projects has approved, pursuant to NRS 445A.265(3),
8 the commitment of funds from the account for the revolving fund to fund the Project
9 described in SECTION 1, below. (See Exhibit A.); and,
- 10 6. Any Federal Funds used for funding of this loan will be provided through the
11 Capitalization Grants for Drinking Water State Revolving Funds CFDA# 66.468 through
12 the United States Environmental Protection Agency

13
14 **NOW, THEREFORE**, it is agreed as follows:

15
16 **SECTION 1. PROJECT DESCRIPTION**

17 The project is to provide optimization of TMWA's surface and groundwater supplies in the
18 North Valleys particularly in the Stead area, Lemmon Valley area, and North Virginia Street corridor
19 as well as various improvements to the water system. The Project is more specifically described in
20 the documents included in, or referenced by the Project Loan Application on file with the Division.
21

22 **SECTION 2. INCORPORATION OF DOCUMENTS AND GENERAL RECIPIENT COMMITMENTS**

23 This contract incorporates the following documents:

- 24 (A) Exhibit A, Resolution of Board for Financing Water Projects for Commitment of Funds
25 from the Account for the Revolving Fund;
- 26 (B) Exhibit B, Listing of Cross Cutting Federal Authorities for Assistance Sub Grants;

- 1 (C) Exhibit C, Certification Regarding Lobbying;
- 2 (D) Exhibit D, Wage Rate Requirements Under The Consolidated and Further Continuing
- 3 Appropriations Act, 2013 (P.L. 113-6)
- 4 (E) Exhibit E, American Iron and Steel Requirements Under the Consolidated
- 5 Appropriations Act, 2014
- 6 (F) Exhibit F, Environmental Protection Agency (EPA) Grant Requirements
- 7 (G) Exhibit G, Draft Amortization Schedule

8 The Recipient accepts and agrees to comply with all terms, provisions, conditions and
9 commitments of this contract, including all incorporated documents and to fulfill all assurances,
10 declarations, representations and commitments made by the Recipient in its application and
11 accompanying documents filed in support of its request for a loan.

12

13 **SECTION 3. ESTIMATED COST OF PROJECT**

14 The estimated total cost of the Project is ***seventeen million, eight hundred thousand***
15 ***dollars (\$17,800,000)***.

16

17 **SECTION 4. MAXIMUM LOAN AMOUNT**

18 Subject to all of the terms, provisions and conditions of this contract and the Resolution, and
19 subject to the availability of State and Federal funds for this Project, the Division will loan a sum not to
20 exceed ***fifteen million dollars (\$15,000,000)*** to the Recipient from the account for the revolving fund.

21

22 **SECTION 5. INTEREST RATE**

23 The interest rate for the Recipient's loan is computed to equal 62.5% of the last published
24 Revenue Bond Index. The Revenue Bond Index is a nationally recognized weekly index that is
25 published every Thursday in *The Bond Buyer*, a weekly publication.

1 The Revenue Bond Index as of [REDACTED] (the last index rate published on the Thursday
 2 preceding the execution of this loan contract) was [REDACTED]%. 62.5% of this rate is [REDACTED]% ([REDACTED]% X
 3 0.625% = [REDACTED]%).

4 The annual percentage interest rate for this loan is therefore [REDACTED]%. Interest on any loan
 5 funds disbursed to the Recipient shall accrue from the date each disbursement of such funds is made
 6 by the Division to the Recipient.

8 SECTION 6. TERM

9 This contract shall take effect upon the date of delivery of the Bond to the State Treasurer and
 10 the date of execution of the contract by the Division and the Recipient, and the contract shall remain
 11 in effect until the final loan repayment is made unless sooner terminated pursuant to the provisions
 12 hereof and the provisions of the Resolution. The Division and the Recipient agree that, for the
 13 purpose of this section, the term of this contract is for no more than 20 years from the date of this loan
 14 contract.

16 SECTION 7. LOAN DISBURSEMENT; AVAILABILITY OF FUNDS

17 Except as may be otherwise provided in this contract, loan amounts will be disbursed as
 18 follows:

19 (7.1) Upon execution and return of this loan contract, the Recipient may request
 20 disbursement of any planning and design included in the loan amount. The planning and
 21 design amount due will be disbursed upon submittal by the Recipient of sufficient
 22 documentation of costs and the Payment Request Form.

23 (7.2) Additional loan funds will be promptly disbursed to the Recipient for Project costs
 24 incurred by the Recipient upon receipt by the Division of proper and acceptable Payment
 25 Request Forms from the Recipient. The Recipient agrees that it will not request payment
 26 for any Project cost until such cost has been incurred and is due and payable to Project

1 contractors, although it is agreed that actual payment of such cost by the Recipient is not
2 required as a condition of payment request. The Recipient agrees to provide
3 documentation with each payment request that costs shown in the payment request have
4 been incurred and are due and payable at the time of the request.

5 (7.3) The Division's obligation to pay any sum to the Recipient under any provision of this
6 contract is contingent upon the availability of sufficient funds to permit the payments
7 provided for herein. In the event that sufficient funds as determined by the Division do not
8 become available for any reason, the Division shall not be obligated to make any
9 payments to the Recipient under this contract. This provision shall be construed as a
10 condition precedent to the obligation of the Division to make any payments under this
11 contract. Nothing in this contract shall be construed to provide the Recipient with a right
12 of priority for payment over any other entity. If any payments, which are otherwise due to
13 the Recipient under this contract, are deferred because of unavailability of sufficient
14 funds, such payments will promptly be made to the Recipient when sufficient funds do
15 become available.

16 17 **SECTION 8. WITHHOLDING OF LOAN DISBURSEMENT**

18 The Division may withhold all or any portion of the loan funds provided for by this contract in
19 the event that:

20 (8.1) The Recipient has materially violated, or threatens to materially violate, any term,
21 provision, condition or commitment of this contract, or

22 (8.2) The Recipient fails to maintain reasonable progress toward completion of the Project.
23

24 **SECTION 9. REPAYMENT OF LOAN**

25 Loan funds shall be repaid in accordance with the provisions of the bond resolution adopted by
26 the Board of Directors of the Truckee Meadows Water Authority on May 21, 2015 (the "Resolution")

1 authorizing the issuance of the TMWA's Revenue (Limited Tax) Water Revenue Bond, Series 2015B
2 (the "Bond"). Interest payments shall be payable semiannually on January 1 and July 1 of each year
3 commencing on the January 1 or July 1 immediately following the date of the first principal advance
4 made to the Recipient under this loan contract. Principal payments shall be made semiannually on
5 January 1 and July 1, commencing on the first January 1 or July 1 immediately following the date the
6 Recipient draws the maximum principal amount authorized under this loan contract, the date the
7 Recipient completes the Project, or three years from the date of this loan contract, whichever occurs
8 first. The principal and interest payments shall be structured so as to produce substantially level
9 payments and amortize the outstanding principal amount of the loan over 20 years from the date of
10 delivery of the Bond.

11 12 **SECTION 10. CONSTRUCTION SCHEDULE**

13 The Recipient shall submit a schedule for construction to the Division. The Recipient shall
14 update the schedule in the event the completion date changes for a period of 90 days or more beyond
15 the estimated date of Project completion previously provided to the Division.

16 17 **SECTION 11. RESIDENT ENGINEER AND INSPECTOR**

18 The Recipient is required to hire a qualified, full-time resident engineer and inspector(s),
19 unless the Division in writing waives this requirement.

20 21 **SECTION 12. CONSTRUCTION ACTIVITIES AND NOTIFICATIONS**

22 (12.1) The Recipient shall maintain and provide the Division with a current list of individuals in
23 responsible charge for notification and communication.

24 (12.2) The Recipient agrees to promptly notify the Division in writing of:

- 25 a. Any substantial change in scope of the Project;

- b. Cessation of all major construction work on the Project where such cessation of work is expected to or does extend for a period of 30 days or more;
- c. Any circumstance, combination of circumstances, or condition, which is expected to or does delay completion of construction for a period of 90 days or more beyond the estimated date of Project completion previously provided to the Division, or
- d. Project final completion.

SECTION 13. PROJECT ACCESS

The Recipient agrees to ensure that the Division, or any authorized representative thereof, will have suitable access to the Project site at reasonable times during Project construction.

SECTION 14. COMPLETION OF PROJECT

(14.1) The Recipient agrees to proceed with, and complete construction of, the Project in substantial accordance with Project plans, specifications, and schedules submitted to the Division in accordance with NAC 445A.67625 to NAC 445A.67627, inclusive.

(14.2) Upon completion of construction of the Project, the Recipient agrees to expeditiously initiate the Project. The Recipient will establish a reasonable estimated Project completion date, and the Recipient agrees to make all reasonable efforts to meet the date so established. Such date shall be binding upon the Recipient unless modified in writing by the Division upon a showing of good cause by the Recipient. Extension of the Project completion date by the Division shall not be unreasonably withheld.

SECTION 15. RECORD DRAWINGS

After completion of the Project, the Recipient shall provide the Division with as-built record drawings for the Project.

1 **SECTION 16. PROJECT CERTIFICATION**

2 Within 30 days after completion of the Project, the Recipient shall provide to the Division the
3 certification required pursuant to NAC 445A.66715.

4
5 **SECTION 17. OPERATION AND MAINTENANCE**

6 The Recipient agrees to properly staff, operate and maintain all portions of the Project during
7 its useful life in accordance with all applicable state laws, rules and regulations. Upon reasonable
8 notice, the Recipient shall make available to the Division the operation and maintenance manuals for
9 the Project.

10
11 **SECTION 18. SYSTEM OF USER CHARGES**

12 The Recipient shall adopt and maintain in effect during the term of this contract a user charge
13 system or other source of revenue, which at all times complies with the requirements of applicable
14 state rules, regulations and guidelines.

15 The Recipient agrees to administer a system of user charges acceptable to the Division
16 pursuant to NAC 445A.67632 and 445A.67633. The Recipient further agrees to periodically review
17 and modify the system of user charges as necessary to assure its reasonable adequacy to repay the
18 loan, and to cover operating costs and meet other financial obligations of the Recipient. The system
19 of user charges and all modifications thereto shall be consistent with NAC 445A.67632 and
20 445A.67633 and shall be maintained to the reasonable satisfaction of the Division.

21
22 **SECTION 19. CONTINUOUS USE OF PROJECT**

23 The Recipient agrees that it will not abandon, substantially discontinue use of, or dispose of
24 the Project during the useful life of the Project without prior written approval of the Division.

25
26 **SECTION 20. USEFUL LIFE OF PROJECT**

1 For purposes of this contract, the parties agree that the useful life of the Project is at least 20
2 years from the date of this loan contract.

3

4 **SECTION 21. RECORDS**

5 Without limitation of the requirement to maintain Project accounts in accordance with NAC
6 445A.67628, the Recipient agrees to:

7 (21.1) Establish an official file for the Project which shall adequately document all significant
8 actions relative to the Project;

9 (21.2) Establish accounts which will adequately and accurately depict all amounts received
10 and expended on the Project, including all loan funds received under this contract;

11 (21.3) Establish accounts which will adequately depict all income received which is
12 attributable to the Project, specifically including any income attributable to loan funds
13 disbursed under this contract;

14 (21.4) Establish an accounting system which will accurately depict final total costs of the
15 Project, including both direct and indirect costs;

16 (21.5) Establish such accounts and maintain such records as may be necessary for the
17 Division to fulfill federal reporting requirements, including any and all reporting requirements
18 under federal tax statutes or regulations;

19 (21.6) If a force account is used by the Recipient for any phase of the Project, other than for
20 planning, design and construction management and administration provided for by allowance,
21 accounts will be established which reasonably document all employee hours charged to the
22 Project and the associated tasks performed by each employee;

23 (21.7) The Recipient agrees to retain its Project records for a minimum of three years after
24 final loan repayment has been made and for such longer period as may be required for the
25 Division to fulfill federal reporting requirements under federal statutes and regulations. All

1 Recipient records relative to the Project shall be subject at all reasonable times to inspection,
2 copying and audit by the Division or any authorized representative.

4 **SECTION 22. REPORTS**

5 The Recipient agrees to expeditiously provide, during construction of the Project and
6 thereafter during the useful life of the Project, such reports, data, and information as may be
7 reasonably required by the Division, including, but not limited to, material necessary or appropriate for
8 evaluation of the loan from the account for the revolving fund or to fulfill any reporting requirements of
9 the federal government. At a minimum, such reports reasonably required by the Division shall
10 include the submission of annual financial statements, prepared on a basis utilizing "Generally
11 Accepted Accounting Principles (GAAP).
12

13 **SECTION 23. ACCOUNTING STANDARDS**

14 (23.1) The Recipient will maintain separate Project accounts in accordance with generally
15 accepted government accounting standards including, but not limited to, standards relating to
16 the reporting of infrastructure assets and those contained in the Standards for Audit of
17 Governmental Organizations, Programs, Activities and Functions: promulgated by the U.S.
18 General Accounting Office. (23.2)

19 The recipient agrees to comply with requirements described in OMB Circular A-133,
20 *Audits of States, Local Governments, and Non-Profit Organizations* (Single Audit), which apply
21 to expenditures by a public or non-profit entity of federal monies from all sources in an amount
22 greater than or equal to \$750,000 in a year.
23

24 **SECTION 24. FINAL PROJECT AUDIT**

25 The Division, at its option, may call for an audit of financial information relative to the Project,
26 where the Division determines that an audit is desirable to assure program integrity or where such an

1 audit becomes necessary because of federal requirements. Where such an audit is called for, the
2 audit shall be performed by a Certified Public Accountant independent of the Recipient and at the cost
3 of the Recipient. The audit shall be in the form required by the Division.
4

5 **SECTION 25. TERMINATION; IMMEDIATE REPAYMENT**

6 (25.1) This contract may be terminated by written notice during construction of the
7 Project, or thereafter at any time prior to complete repayment of the loan by
8 Recipient, at the option of the Division, upon violation by the Recipient of any
9 material provision of this loan contract after such violation has been called to the
10 attention of the Recipient and after failure of the Recipient to bring itself into
11 compliance with the provisions of this contract within a reasonable time as
12 established by the Division.

13 (25.2) In the event of such termination, the Recipient shall be responsible for any damages
14 suffered by the State, including those specified in SECTION 26 and the Recipient
15 agrees to repay the account for the revolving fund all remaining principal advanced
16 hereunder due in accordance with the terms of the Resolution and this contract.
17

18 **SECTION 26. DAMAGES FOR BREACH**

19 In the event that any breach of any of the provisions of this contract by the Recipient shall
20 result in the loss of tax exempt status for any State bonds, or if such breach shall result in an
21 obligation on the part of the State to reimburse the federal government by reason of any arbitrage
22 profits, the Recipient shall immediately reimburse the Division in an amount equal to any damages
23 and penalties paid by or loss incurred by the Division due to such breach.
24

25 **SECTION 27. DISPUTES**

1 Any dispute arising under this contract, which is not otherwise disposed of, shall be decided by
2 the Administrator of the Division. The decision shall be reduced to writing and a copy thereof
3 furnished to the Recipient. The decision of the Administrator shall be final and conclusive unless,
4 within thirty (30) calendar days after the date of mailing the Administrator's decision to the Recipient,
5 the Recipient mails or otherwise furnishes a written appeal of the decision to the Director of the
6 Department of Conservation and Natural Resources. In connection with any appeal to the Director,
7 the appeal shall be treated as a contested case, pursuant to NRS 233B, including the right to judicial
8 review. Pending final decision of a dispute hereunder, the Recipient shall continue to fulfill and
9 comply with all the terms, provisions, commitments and requirements of this loan contract.
10

11 **SECTION 28. WAIVER**

12 The parties hereto may, from time to time, waive any rights under this contract unless such
13 waiver is contrary to law, provided that any such waiver must be in writing and must be signed by the
14 party making such waiver.
15

16 **SECTION 29. AMENDMENT**

17 This contract may be amended at any time by mutual written agreement of the Division and
18 the Recipient. An amendment increasing the amount of loan funds committed to the Project is subject
19 to approval of the Board for Financing Water Projects after the Division consults with the State
20 Treasurer.
21

22 **SECTION 30. COMPLIANCE WITH OTHER FEDERAL STATUTES AND AUTHORITIES**

23 (30.1) A number of other federal laws and authorities will be applied to loans supported with
24 the equivalent portion of Federal funds from the capitalization grant made available through
25 the loan. Exhibit B contains a current list of these other laws and authorities. The Recipient

1 agrees that it will, at all times, comply with and require its contractors and subcontractors to
 2 comply with all applicable federal, state and local laws, regulations and requirements.

3 (30.2) The Recipient recognizes as goals the applicable Minority Business Enterprise
 4 (MBE)/Women Business Enterprise (WBE) "fair share" goals negotiated with EPA by the
 5 Division for construction, supplies, equipment and services as follows:

6	Construction	MBE 3%	WBE 1%
7	Equipment	MBE 2%	WBE 1%
8	Services	MBE 1%	WBE 1%
9	Supplies	MBE 1%	WBE 1%

11 **SECTION 31. FORCE MAJEURE**

12 Neither party shall be deemed to be in violation of this Contract if it is prevented from
 13 performing any of its obligations hereunder due to unforeseen or unforeseeable events including:
 14 strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires,
 15 explosions, earthquakes, floods, or unusual atmospheric events. In such an event the intervening
 16 cause must not be through the fault of the party asserting such an excuse, and the excused party is
 17 obligated to promptly perform in accordance with the terms of the Contract after the intervening cause
 18 ceases.

20 **SECTION 32. STATE REVIEWS AND INDEMNIFICATION**

21 The Division and Recipient agree that review or approval of Project plans and specifications by
 22 the Division is for administrative purposes only and does not constitute confirmation or endorsement
 23 of the efficacy of the Project and does not relieve the Recipient of its responsibility to properly plan,
 24 design, construct, operate and maintain the Project. The Recipient agrees that it has sole
 25 responsibility for proper planning, design, construction, operation and maintenance of the Project and

1 that the Division is not responsible for increased costs resulting from defects in the Project design or
2 construction.

3 The parties will not waive and intend to assert available NRS 41 liability limitations in all cases.
4 Contract liability of both parties shall not be subject to punitive damages. Actual damages for any
5 State breach shall never exceed the amount of funds which has been appropriated for payment under
6 this contract, but not yet paid, for the fiscal year budget in existence at the time of the breach.

7 To the fullest extent of limited liability as set forth above, each party shall indemnify, hold
8 harmless and defend, not excluding the other's right to participate, the other from and against all liability,
9 claims, actions, damages, losses, and expenses, including but not limited to reasonable attorneys' fees
10 and costs arising out of any alleged negligent or willful acts or omissions of the party, its officers,
11 employees and agents. Such obligation shall not be construed to negate, abridge, or otherwise reduce
12 any other right or obligation of indemnity, which would otherwise exist as to any party or person,
13 described in this paragraph.

14 The indemnification obligation under this paragraph is conditioned upon receipt of written
15 notice by the indemnifying party within 30 days of the indemnified party's actual notice of any actual or
16 pending claim or cause of action. The indemnifying party shall not be liable to hold harmless any
17 attorneys' fees and costs for the indemnified party's chosen right to participate with legal counsel.

18

19 **SECTION 33. DAVIS-BACON ACT PREVAILING WAGES**

20 Davis-Bacon Act wages rules apply to the Project funded by this loan contract as specified in
21 Exhibit D, Wage Requirements Under The Consolidated and Further Continuing Appropriations Act,
22 2014 (P.L. 113-76).

23

24 **SECTION 34. AMERICAN IRON AND STEEL REQUIREMENTS**

1 Under the H.R. 3547 "Consolidated Appropriations Act, 2014", recipient must comply with the
2 American Iron and Steel requirements for the entirety of the construction activities financed by the
3 assistance agreement through completion of construction. See Exhibit E for requirements.
4

5 **IN WITNESS WHEREOF**, the parties have executed this contract on the dates set forth below.
6

7 **RECIPIENT: Truckee Meadows Water Authority**

8 _____ Date: _____
9 Mark Foree, General Manager

10
11 **DIVISION OF ENVIRONMENTAL PROTECTION**

12 _____ Date: _____
13 Colleen Cripps, Administrator

14 Approved as to form only:

15 Adam P. Laxalt, Attorney General

16 _____ Date: _____
17 Katie Armstrong, Deputy Attorney General

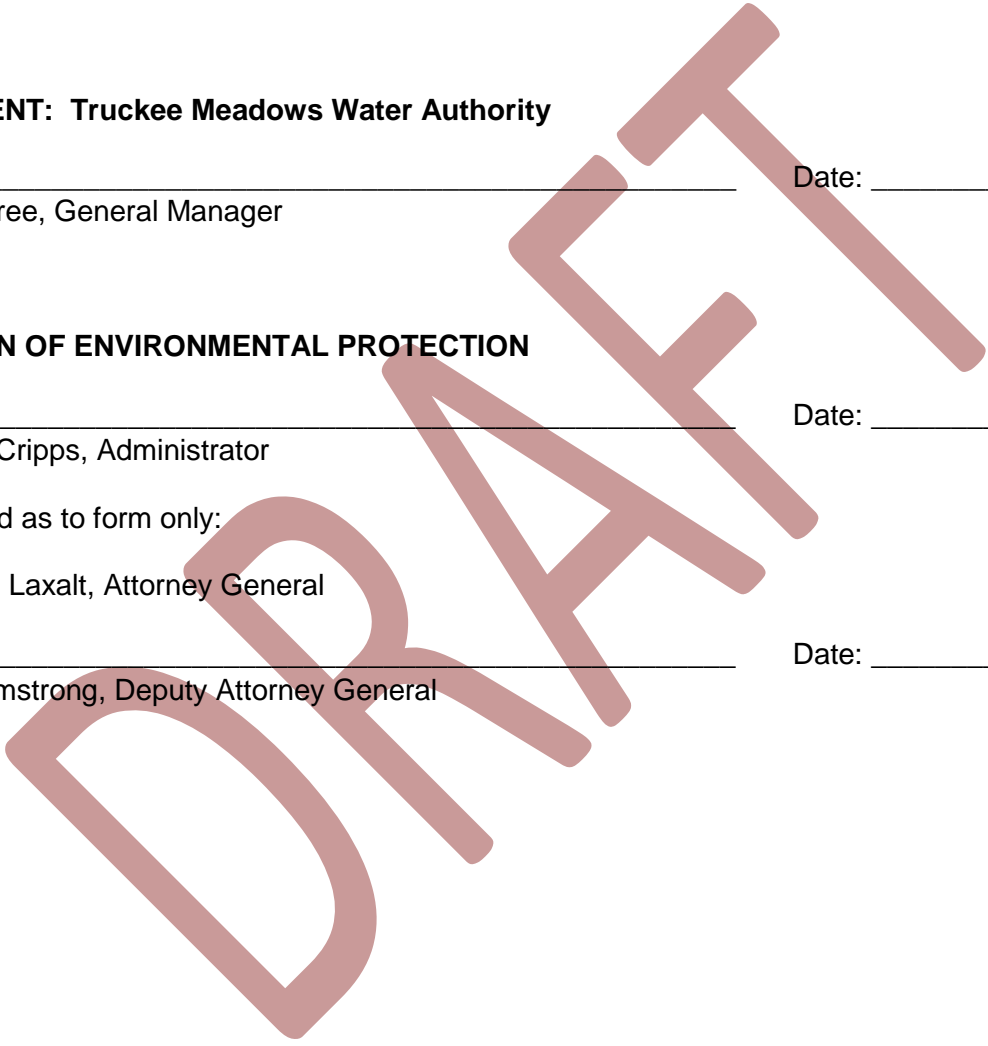


Exhibit G

Draft Amortization Schedule

Borrower Name	Truckee Meadows Water Authority
First Payment Date	January 1, 2016
Principal Amount	\$15,000,000.00
Interest Rate	2.700%
Length of Amortization	20 years
Total Number of Payments	40
Fixed Payment Amount	\$486,737.22
Closing Date	July 30, 2015

Payment	Due Date	Principal	Interest	Total Payment	Remaining Balance
1	1/1/2016	\$316,862.37	\$169,875.00	\$486,737.37	\$14,683,137.63
2	7/1/2016	\$288,514.86	198,222.36	\$486,737.22	\$14,394,622.77
3	1/1/2017	\$292,409.81	194,327.41	\$486,737.22	\$14,102,212.96
4	7/1/2017	\$296,357.35	190,379.87	\$486,737.22	\$13,805,855.61
5	1/1/2018	\$300,358.17	186,379.05	\$486,737.22	\$13,505,497.44
6	7/1/2018	\$304,413.00	182,324.22	\$486,737.22	\$13,201,084.44
7	1/1/2019	\$308,522.58	178,214.64	\$486,737.22	\$12,892,561.86
8	7/1/2019	\$312,687.63	174,049.59	\$486,737.22	\$12,579,874.23
9	1/1/2020	\$316,908.92	169,828.30	\$486,737.22	\$12,262,965.31
10	7/1/2020	\$321,187.19	165,550.03	\$486,737.22	\$11,941,778.12
11	1/1/2021	\$325,523.22	161,214.00	\$486,737.22	\$11,616,254.90
12	7/1/2021	\$329,917.78	156,819.44	\$486,737.22	\$11,286,337.12
13	1/1/2022	\$334,371.67	152,365.55	\$486,737.22	\$10,951,965.45
14	7/1/2022	\$338,885.69	147,851.53	\$486,737.22	\$10,613,079.76
15	1/1/2023	\$343,460.64	143,276.58	\$486,737.22	\$10,269,619.12
16	7/1/2023	\$348,097.36	138,639.86	\$486,737.22	\$9,921,521.76
17	1/1/2024	\$352,796.68	133,940.54	\$486,737.22	\$9,568,725.08
18	7/1/2024	\$357,559.43	129,177.79	\$486,737.22	\$9,211,165.65
19	1/1/2025	\$362,386.48	124,350.74	\$486,737.22	\$8,848,779.17
20	7/1/2025	\$367,278.70	119,458.52	\$486,737.22	\$8,481,500.47
21	1/1/2026	\$372,236.96	114,500.26	\$486,737.22	\$8,109,263.51
22	7/1/2026	\$377,262.16	109,475.06	\$486,737.22	\$7,732,001.35
23	1/1/2027	\$382,355.20	104,382.02	\$486,737.22	\$7,349,646.15
24	7/1/2027	\$387,517.00	99,220.22	\$486,737.22	\$6,962,129.15
25	1/1/2028	\$392,748.48	93,988.74	\$486,737.22	\$6,569,380.67
26	7/1/2028	\$398,050.58	88,686.64	\$486,737.22	\$6,171,330.09
27	1/1/2029	\$403,424.26	83,312.96	\$486,737.22	\$5,767,905.83
28	7/1/2029	\$408,870.49	77,866.73	\$486,737.22	\$5,359,035.34
29	1/1/2030	\$414,390.24	72,346.98	\$486,737.22	\$4,944,645.10
30	7/1/2030	\$419,984.51	66,752.71	\$486,737.22	\$4,524,660.59
31	1/1/2031	\$425,654.30	61,082.92	\$486,737.22	\$4,099,006.29
32	7/1/2031	\$431,400.64	55,336.58	\$486,737.22	\$3,667,605.65
33	1/1/2032	\$437,224.54	49,512.68	\$486,737.22	\$3,230,381.11
34	7/1/2032	\$443,127.08	43,610.14	\$486,737.22	\$2,787,254.03
35	1/1/2033	\$449,109.29	37,627.93	\$486,737.22	\$2,338,144.74
36	7/1/2033	\$455,172.27	31,564.95	\$486,737.22	\$1,882,972.47
37	1/1/2034	\$461,317.09	25,420.13	\$486,737.22	\$1,421,655.38
38	7/1/2034	\$467,544.87	19,192.35	\$486,737.22	\$954,110.51
39	1/1/2035	\$473,856.73	12,880.49	\$486,737.22	\$480,253.78
40	7/1/2035	\$480,253.78	6,483.43	\$486,737.21	\$0.00
		\$15,000,000.00	\$4,469,488.94	\$19,469,488.94	\$0.00

Exhibit G

05-21-15 BOARD Agenda Item 6

Draft Amortization Schedule

Borrower Name	Truckee Meadows Water Authority
First Payment Date	January 1, 2016
Principal Amount	\$15,000,000.00
Interest Rate	2.700%
Length of Amortization	20 years
Total Number of Payments	40
Fixed Payment Amount	\$486,737.22

First Interest Payment Calculation

Date	Amount	Day count	Interest Amount
1/1/2016	\$15,000,000.00	151	\$169,875.00

\$169,875.00