

MINUTES OF THE SEPTEMBER 5, 2018  
MEETING OF THE  
INTERIM FINANCE COMMITTEE  
Las Vegas, Nevada

Chair Joyce Woodhouse called a special meeting of the Interim Finance Committee (IFC) to order at 10:05 a.m. on September 5, 2018, in Room 4401 of the Grant Sawyer Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 3137 of the Nevada Legislative Building, 401 South Carson Street, Carson City, Nevada.

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator Joyce Woodhouse, Chair  
Senator Kelvin Atkinson for Senator Ford  
Senator Moises Denis  
Senator David Parks  
Assemblyman Nelson Araujo  
Assemblyman Chris Brooks for Assemblywoman Diaz  
Assemblyman Chris Edwards  
Assemblyman Jason Frierson  
Assemblyman John Hambrick  
Assemblywoman Daniele Monroe-Moreno for Assemblywoman Bustamante Adams  
Assemblywoman Ellen Spiegel  
Assemblywoman Heidi Swank

**COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

Assemblywoman Maggie Carlton, Vice Chair  
Senator Pete Goicoechea  
Senator Ben Kieckhefer  
Senator James Settlemeyer  
Assemblywoman Teresa Benitez-Thompson  
Assemblyman Al Kramer for Assemblyman Oscarson  
Assemblyman Michael Sprinkle  
Assemblywoman Robin Titus  
Assemblyman Jim Wheeler

**COMMITTEE MEMBERS EXCUSED:**

Senator Aaron Ford  
Assemblywoman Irene Bustamante Adams  
Assemblywoman Olivia Diaz  
Assemblyman James Oscarson

**LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN LAS VEGAS:**

Mark Krmpotic, Fiscal Analyst, Senate  
Brenda Erdoes, Legislative Counsel

**LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY:**

Rick Combs, Director, Legislative Counsel Bureau  
Cindy Jones, Fiscal Analyst, Assembly  
Sarah Coffman, Principal Deputy Fiscal Analyst  
Alex Haartz, Principal Deputy Fiscal Analyst  
Russell Guindon, Principal Deputy Fiscal Analyst  
Eileen O’Grady, Chief Deputy Legislative Counsel  
Bryan Fernley, Senior Deputy Legislative Counsel  
Cheryl Harvey, Fiscal Analysis Division Secretary  
Carla Ulrych, Fiscal Analysis Division Secretary

**EXHIBITS:**

Exhibit A: Meeting Packet

Exhibit B: Tahoe-Reno Industrial Center Effluent Pipeline Presentation – JNA Consulting Group, LLC

Exhibit C: Economic Development Financing Proposal (Tahoe-Reno Industrial Center Effluent Water Pipeline) – Applied Analysis

**A. ROLL CALL.**

Rick Combs, Director, Legislative Counsel Bureau and Secretary, Interim Finance Committee, called the roll; all members were present except Senator Ford, Assemblywoman Bustamante Adams, Assemblywoman Diaz and Assemblyman Oscarson, who were excused.

**B. PUBLIC COMMENT.**

There was no public comment.

**C. CONSIDERATION OF AN ECONOMIC DEVELOPMENT FINANCING PROPOSAL (EDFP) FOR THE TAHOE-RENO INDUSTRIAL CENTER (TRIC) EFFLUENT WATER PIPELINE.**

1. Request for the adoption of an IFC resolution authorizing the ordering of an undertaking and the creation of a tax increment area (TIA) and the tax increment account pertaining thereto for a natural resources project pursuant to NRS 278C.157 – Request to approve the ordering of an undertaking and the creation of a TIA and the tax increment account pertaining thereto by Storey County for a Tahoe-Reno Industrial Center (TRIC) effluent water pipeline.
2. Request for the adoption of an IFC resolution approving an EDFP pursuant to NRS 360.990 – Governor’s Office of Economic Development – Request for approval of an EDFP for a TRIC effluent water pipeline.

Chair Woodhouse asked the presenters to discuss the EDFP prior to the TIA to provide a better understanding of the TIA.

Paul Anderson, Executive Director, Governor's Office of Economic Development (GOED), thanked Chair Woodhouse, Vice Chair Carlton and the Committee for allowing the agencies to present the proposals concerning the TRIC effluent water pipeline. He also thanked Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB); Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, LCB; and Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB, for their efforts in gathering the necessary information to allow Committee members to make an informed decision.

Mr. Anderson provided background information regarding the pipeline proposal as well as overall economic development in Nevada. He stated that GOED was established by the 2011 Legislature in the midst of the recession. He noted that during the recession, Nevada had the highest unemployment, foreclosure and bankruptcy rates in the United States. The state suffered significant tragedy during that time, but began the process of recovery to make Nevada a better state in terms of economic development policies.

Mr. Anderson said, prior to the establishment of GOED, the Office of Economic Development was a fairly passive office with limited toolsets available for offering incentives to companies and showcasing the benefits of operating in Nevada. Through the creation of GOED and legislative processes during the 2011, 2013, 2015 and 2017 Legislative Sessions, toolsets were developed to help Nevada recover from the recession. Mr. Anderson reported that the State of Nevada regained more than 260,000 of the 175,000 jobs that were lost during the recession years. The current weekly and state average wages were the highest in Nevada's history. In addition, Nevada had the largest number of employees and incorporated businesses in the state's history. Although the problems that Nevada currently faced were challenging, they were the result of successful recovery efforts.

Mr. Anderson said the bonding authority held by GOED was one of the toolsets that resulted from the 29<sup>th</sup> Special Session (2015), also known as the "Faraday" special session, as well as Senate Bill (S.B.) 442 (2017 Legislature). He explained that a qualified project was required to trigger the bonding authority, followed by several approval processes culminating at the IFC. The project must benefit economic development in the state and encourage continued economic development with infrastructure projects. He said those were key considerations that would be discussed during the presentations.

Mr. Anderson said the proposal before the Committee was approved by the Storey County Board of Commissioners at its meeting on August 7, 2018. The proposal was subsequently considered and approved by the GOED Board on August 14, 2018.

Mr. Anderson said the proposal was beneficial for the environment, Washoe and Storey Counties, local municipalities, private industry, and especially for Nevadans

employed by companies located at TRIC who would experience the benefits of expanding economic development.

Mr. Anderson introduced Storey County Manager, Pat Whitten, as well as Storey County's financial advisor Marty Johnson, JNA Consulting Group, and bond counsel, Kendra Follett, Sherman and Howard, who would provide a general overview of the financial and legal underpinnings of the proposal. He also introduced Jeremy Aguero and Brian Gordon of Applied Analysis, who would provide a general outline of the deal structure, and the benefits to each of the stakeholders, the state and the public. He said Mr. Aguero and Mr. Gordon had invested a significant amount of time and resources for the benefit of the state. Mr. Anderson said he appreciated their efforts to keep all the parties at the table and ensure that the process went smoothly. He said Mr. Aguero and Mr. Gordon worked with all the parties involved to draft the EDFP.

Mr. Anderson noted that stakeholder representatives and technical experts were also in attendance in Carson City and Las Vegas.

Mr. Anderson stated that the following action was taken at a special meeting of the GOED Board several weeks ago:

- Approval of the TRIC pipeline EDFP, which was submitted to GOED through Storey County;
- Approval of the submission of the proposal to the IFC;
- Approval to enter into one or more agreements with Storey County or other local governments to administer any districts and carry out the projects identified in the proposal as deemed necessary by the Executive Director; and
- Approval of the Provision of Notice of the approval of the proposal to the Storey County Board of Commissioners and the State Board of Finance, and a motion to take all necessary and appropriate action due to effectuate the approval of the proposal and the provisions related to NRS 360.981 and 360.992.

Mr. Anderson said GOED had the opportunity to meet with other states regarding Nevada's economic development policies and current trajectory. He stated that Nevada had done much more than recover; it was now leading the nation in many key factors. Nevada was one of the fastest growing states, especially in private sector job growth. The state unemployment rate recovered quickly, and would have recovered even faster except for the fact that 3,000 to 5,000 people were moving to Nevada each month in search of greater opportunities. Mr. Anderson indicated that Nevada was the envy of other states, but also the envy of many countries as well. He said Nevada had accomplished great things, and in many ways, it was due to the Legislature. The Legislature was innovative, and the groundbreaking proposal before the Committee was a reflection of that. He was hopeful the Committee would see that the proposal was an endeavor to build good water management and economic development policies to benefit the public. Ultimately, the proposal would be a win for Nevadans who worked at TRIC. He said the state could do without the

effluent water pipeline and instead, develop an industrial center with logistic centers for big box retailers, which would be a beneficial use of the land, but would not provide jobs with good wages and benefits. However, with the additional water that the pipeline would provide, an industrial park could be developed with advanced manufacturing companies that would create high-end jobs with great pay and benefits, which was needed in Nevada. He said higher paying jobs would be helpful as the cost of housing and transportation in Northern Nevada continued to increase.

In conclusion, Mr. Anderson thanked the Legislature for providing the tools to develop the proposal before the Committee today.

Pat Whitten, County Manager, Storey County, said, for more than two years, the county had been working collaboratively on an EDFP structured to bring 4,000 acre feet of partially treated effluent water from the Truckee Meadows Water Reclamation Facility (TMWRF) to TRIC as a means to further stimulate economic growth and build out. He said the effluent pipeline was a win-win situation for the State of Nevada, the Cities of Reno and Sparks, Storey and Washoe Counties and the corporate landowners at TRIC. The focus of the collective group was to utilize provisions included by the Legislature in S.B. 1 of the 29<sup>th</sup> Special Session. Mr. Whitten said it was a privilege to work with the entities involved in the project, and it was a testament to the good that could result when a diverse statewide group found a common bond in sharing what was in the best interest of Nevada.

Mr. Whitten introduced stakeholder representatives involved in the project, including Chris Reilly and Brian Scelfo, Tesla; Adam Kramer and Alise Porto, Switch; Matt Digesti, Blockchains, LLC; Joel Grace, Reno Lands; Randy Aleman, Emerald City Empire; and Robert Sader, Legal Counsel, Tahoe Reno Industrial Center (TRIC), LLC and Tahoe Regional Industrial (TRI) General Improvement District (GID). He also recognized Michael Martin with Google who was unable to attend the meeting today.

Continuing, Mr. Whitten also introduced local government staff and elected officials including Neil Krutz, Assistant City Manager, City of Sparks; John Flansberg, Director of Public Works, City of Reno; John Enloe, Director of Natural Resources, Planning and Management, Truckee Meadows Water Authority (TMWA); and Vaughn Hartung, Washoe County Commissioner and TMWA Chairman.

Mr. Whitten also recognized Paul Anderson, Executive Director, GOED and his staff, who had been extremely helpful and supportive. He stated that Bill Anderson, Executive Director, Department of Taxation, and Rudy Malfabon, Director, Nevada Department of Transportation (NDOT), were also involved in discussions concerning the logistics of the project. He introduced Lori Chatwood, Deputy Treasurer, Office of State Treasurer, representing the bond side of the project.

Mr. Whitten introduced project consultants Pat Mulroy representing Switch; Paul Taggart, Attorney, Taggart & Taggart, Ltd; Brent Farr, project and county

engineer of record, Farr West Engineering; and Jeremy Aguero and Brian Gordan, Principal Analysts, Applied Analysis. He also recognized Mark Stafford, appraiser, who was unable to attend the meeting today.

Lastly, Mr. Whitten recognized the following Storey County staff: Marshall McBride Chairman, Storey County Board of Commissioners; Hugh Gallagher, Comptroller; Keith Loomis, Chief Deputy District Attorney; and Austin Osborne, Administrative Officer.

Mr. Whitten said the plan to finance the offsite portion of the project, which entailed building approximately 13 miles of pipeline from Sparks to TRIC, would be presented to the Committee. Including the TRI GID, there were seven participants in the pipeline project. The project would provide an opportunity for economic prosperity and growth in Nevada. The participants were willing to pay upfront by entering into the special assessment district (SAD). The availability of low-cost water to the companies, coupled with Governor Sandoval's recent actions to include all of TRIC as eligible for the federal government Opportunity Zone program, should provide the catalyst the companies needed to fully develop their properties in an expedited manner. The companies were requesting partial reimbursement of the assessment through the establishment of a TIA, to which Storey County was amenable.

Mr. Whitten reported that the Storey County Board of Commissioners voted unanimously to submit the EDFP to GOED and the IFC. Collectively, the project participants were requesting the Committee's consideration and approval of the proposal. Mr. Whitten introduced Marty Johnson with JNA Consulting Group to discuss the details of the proposal.

Marty Johnson said JNA Consulting Group was the financial advisor to Storey County on the pipeline project. He said the presentation provided to the Committee discussed the details of the SAD and financing for the effluent pipeline ([Exhibit B](#)). The proposal was for the financing of a 13-mile pipeline through the use of a SAD, as permitted in NRS 271. The assessment on each parcel was a lien co-equal to property taxes so that in the event of a foreclosure for nonpayment, the assessment would be a higher priority than a mortgage. Mr. Johnson said a management company would be responsible for the billing and collection of the assessments, which would be done semiannually and separately from property taxes. He said the interest rate on the assessments was 1 percent higher than the highest rate on the bonds. The 1 percent spread would help generate the funds needed to pay the annual administration costs of the SAD.

Continuing, Mr. Johnson said the assessments could be levied for a maximum term of 30 years. The county guidelines mandated 20 years, but the developer requested a 25-year term; therefore, the figures provided in the presentation were based on a 25-year term. Also, as part of the process in the county guidelines, the value of the property at the completion of the project must be at least 3.5 times the amount assessed on each parcel, which was the purpose of the appraisal performed by

Mark Stafford. For example, if the assessment was \$100,000, the property must be worth at least \$350,000.

Mr. Johnson said the costs to be paid by the assessment were based on the engineer's report (page 2, [Exhibit B](#)). The bond issuance and related costs of approximately \$3.1 million included a cash-funded reserve. He explained that when the bond issue closed, an amount equal to one year of debt service would be set aside from the bond proceeds. He said the reserve would help ensure that the bonds were paid in a timely manner. Mr. Johnson noted that \$35 million in bond authority was the most that could be issued.

Mr. Johnson said the foreclosure process was very important for securing the financing to ensure the assessments were paid. He introduced Kendra Follett, Storey County's bond counsel, to discuss the foreclosure process.

Kendra Follett, Legal Counsel, Sherman and Howard, said the foreclosure process and information pertaining to SADs was outlined in NRS 271. For purposes of the presentation, payment dates were listed as June 1 and December 1 (page 3, [Exhibit B](#)). For a typical June 1 assessment payment date, the bill would be mailed approximately 60 days prior to the due date. If the payment was not made on June 1, a delinquent notice would be sent by the 5<sup>th</sup> day of the month. The county would adopt a foreclosure resolution within 60 days of June 1, and the second and third delinquent notices would be sent July 1 and August 1, respectively. She said Lot books, which was the presentation of all liens against the property, would be prepared on approximately August 1, and the Notice of Sale would commence the first week of September, with a foreclosure sale occurring by the end of September. Ms. Follett said foreclosure under NRS 271 was an expedited process. She stated that the liens were co-equal to the liens for property taxes.

Mr. Johnson said the proposed plan of finance for the assessment district bond was outlined on page 4 of the presentation ([Exhibit B](#)). The bonds would be issued by Storey County and purchased by the State of Nevada. He said the state would issue general obligation bonds in the public market, and the interest rate would be passed through to Storey County's bonds; therefore, even though the county's rating was not in the double-A category like the state's rating, the county would still benefit from a lower interest rate.

Mr. Johnson said the bonds would be paid first and foremost by the assessment payments. He reiterated that the assessment payments would be set at a rate 1 percent higher than the highest rate on the bonds. The bond payment would be issued approximately two to three months after assessment payments were received, which would allow time for the foreclosure process. To the extent that the assessment payments were insufficient to cover the bond payment, there were other resources, such as the funds generated by the additional 1 percent spread on the interest rate, interest earnings on the reserve funds, etc. In the event that those funds were insufficient, the cash-funded reserve was available. He reiterated that

one year of debt service would be set aside in the reserve fund, which could be used to make the bond payments. To the extent that the three previous resources and the sale of the property did not result in a sufficient amount of money to make the bond payment, the uncommitted portion of the county's general fund would be used to make the bond payment. He noted that Storey County's general fund was estimated to be \$2.8 million at the end of June 30, 2019. Mr. Johnson said all of those resources would be used before it would be necessary to use the State General Fund to make the bond payment; however, in the event that the aforementioned resources were insufficient, the state would be required to make the payment, because the bonds would be state-issued general obligation bonds.

Referring to page 5 of the presentation, Mr. Johnson noted that the second column indicated the amount of the assessment payments ([Exhibit B](#)). He said approximately \$1.2 million in assessments would be billed and collected every six months. The accumulated interest earnings would be transferred annually into the reserve fund. He noted there would also be interest earnings on the revenue fund. Mr. Johnson reiterated there would be a two to three month lag on the assessment payments; however, the assessment payments would be level semiannual payments. The bond payments would include interest in one payment period, and principal and interest in the next payment period, which explained the cash flow variance of the bond payments.

Mr. Johnson stated that an administration fund would be established to cover annual administration costs such as billing and collections, a trustee to retain the funds, an assessment engineer for parcel splits or combinations, foreclosure proceedings, etc. He said the revenue fund balance was expected to build significantly over time, and in 2026, the cash flow would result in a balance equal to or slightly greater than the annual debt service on the bonds. At that point, the county intended to use the excess funds to begin redeeming bonds early to reduce the term under 25 years. Mr. Johnson said the balance column represented the other resources that were available in the SAD to help make the bond payments. He stated that two years of debt service would eventually be accumulated that could be applied to the bonds.

Assemblywoman Carlton asked for clarification regarding the federal Opportunity Zone program and how that was applicable to the effluent pipeline project.

Mr. Whitten said he had limited knowledge concerning Opportunity Zones. He indicated that Opportunity Zones were the result of federal legislation and provided capital gains incentives from federal income taxes. If an entity earned a certain amount of capital expenditures and maintained it for a particular number of years, the potential capital gains were reduced. He said Storey County lobbied collaboratively with other counties, specifically Lyon County, to influence the major investments; consequently, Storey County and TRIC made the list as eligible Opportunity Zones. Mr. Whitten stated that the Internal Revenue Service and Department of Treasury were still establishing the rules for the program.



Assemblywoman Carlton said it appeared that Opportunity Zones were based on census tracts in low-income areas designated by the Governor; therefore, she was uncertain how that related to an industrial complex.

Mr. Anderson noted that Opportunity Zones were not related to the discussion concerning the effluent pipeline. He said Opportunity Zones were the result of legislation passed by Congress in December 2017. The Governor's Office of Economic Development received guidance on how to identify prospective Opportunity Zones in February 2018. He explained that there were 220 census tracts that qualified as Opportunity Zones. A weighted formula that took into account a combination of qualifying factors was used to determine eligibility. To qualify, a tract had to be located in an area under a certain income level. The tract also had to be located in an underserved area where there were known projects that may be helpful for that area. Mr. Anderson said GOED had approximately 90 days to send its recommendations to the Governor. Ultimately, 61 tracts were proposed to the Governor, who then submitted them to the Department of Treasury for certification. Mr. Anderson indicated that the Department of Treasury was in the process of establishing the rules for the program.

Mr. Anderson explained that entities located in Opportunity Zones could create opportunity funds with their capital gains and reinvest those funds into the census tracts. In the case of TRIC, that may or may not apply to the actual entities located there. Outside investors could also participate in the opportunity fund. He said GOED identified many census tracts in need of affordable and attainable housing, such as certain areas within the City of Reno. Mr. Anderson noted that Derek Armstrong, Deputy Director of GOED, was available to answer additional questions concerning federal Opportunity Zones.

Jeremy Aguero, Applied Analysis, echoed the gratitude expressed by Mr. Whitten and Mr. Anderson to all the parties involved in the project. He said the development of the proposal took a long time and involved a number of parties, all of whom were instrumental in the final result.

Mr. Aguero provided an overview of the effluent water pipeline project. He said effluent water would travel through the pipeline from TMWRF to TRIC to be used for the purposes of economic development. He stated that a number of avenues were explored to obtain water and use it in an appropriate manner. Mr. Aguero said the Truckee Meadows watershed was fragile and the subject of past litigation. He said, rather than depositing effluent into the Truckee River, it could be used for the purposes of economic development. Additionally, the environmental intersection was significant and worthy of discussion. He said the Cities of Reno and Sparks, as well as TMWRF and TMWA, worked together so that 4,000 acre feet of effluent could be used, which was a significant amount of water. It was estimated that all of the companies in TRIC would require a total of about 10,000 acre feet of water, 6,000 of which had already been secured. Mr. Aguero agreed with Mr. Anderson's comment that development without sufficient water resulted in a very different outcome.

Mr. Aguero said a substantial amount of infrastructure would be required to build out the 13-mile offsite portion of the pipeline, which would run between TMWRF and TRIC, but not within TRIC itself. Additional infrastructure, such as transmission facilities and advanced water treatment facilities, would be required onsite. Effluent water was not suitable for all uses; therefore, the water would have to be treated so that it would be appropriate for each company's specific use. He said the onsite improvements were not included in the EDFP; the participants would be responsible for those costs separately. Mr. Aguero noted that the effluent water would not be deposited into the Truckee River.

Mr. Aguero said the infrastructure for the project required a significant investment. The total principal, excluding financing costs, was anticipated to be between \$100 million and \$157 million, which included \$35 million for the construction of the effluent pipeline. The EDFP, which was approved by Storey County and GOED, was for \$35 million for the offsite construction of the pipeline, including principal and interest. Basic onsite improvements to acquire, store and transfer the water would cost between \$30 million and \$37 million, and the advanced water treatment facility was anticipated to cost between \$35 million and \$85 million. Mr. Aguero said the total bond capacity was only for the \$35 million for the effluent pipeline, which would unlock the additional infrastructure and some of the other benefits.

Mr. Aguero referred to a map of the anticipated alignment of the pipeline on page 4 of the presentation ([Exhibit C](#)). He noted that the solid red line represented the offsite portion of the pipeline, and the dashed red line represented the onsite portion. He said the effluent pipeline, SAD, TIA and technical requirements were all necessary to move 4,000 acre feet of effluent water from TMWRF to TRIC to be used for the purposes of economic development.

Referring to page 5 of the presentation, Mr. Aguero said developing the project had been complex, because there were many moving parts and a number of private and public entities involved ([Exhibit C](#)). He said the project would not have been possible without the efforts of Storey County and the project consultants, LCB Fiscal and Legal staff, and GOED. Additionally, the Legislature made the project possible through the creation of legislation.

Mr. Aguero said each participant had a specific interest in the project. He reiterated that the Truckee Meadows watershed, which included the Truckee River, was arguably among the most fragile and litigated water regions in the United States. Maintaining a safe, sufficient and stable source of water was difficult for a number of reasons, and regional growth only added to the challenge. He said the water flow in the Truckee River was variable; therefore, it was difficult to manage the capacity and quality of the water. He said wastewater, which was typically high in nitrates, flowed into TMWRF to be treated. Due to the nitrates in wastewater, limits were imposed on how much could be deposited into the river. The proposed pipeline would reroute 4,000 acre feet of water from TMWRF, and ultimately from the

watershed, to Storey County and TRIC to be used to strengthen and expand the state's economy. Mr. Aguero stated that the effluent pipeline was innovative environmental and economic development policy. He deferred to Pat Mulroy, representing Switch, and local government stakeholders for questions relative to the benefits for Northern Nevada.

Mr. Aguero said there were fiscal benefits associated with the pipeline. If the 4,000 acre feet of water had to be redistributed into the Truckee River, additional water treatment facilities would be required in Northern Nevada. The estimate for those additional facilities was between \$30 million and \$40 million. The effluent pipeline project would delay that cost for as long as 20 years, depending on water conservation, growth, etc. It would also postpone water treatment facility operating costs of approximately \$1.5 million per year. Mr. Aguero noted that the 4,000 acre feet would not take water resources from any city, county or Native American group. The Truckee River would also maintain the same flow.

Continuing, Mr. Aguero said several water use agreements would allow for the beneficial use of treated effluent. He said Washoe County would provide 4,000 acre feet of Truckee River water, which included 1,500 acre feet from TRIC, LLC and up to 2,500 acre feet of perfected water rights from NDOT. Mr. Aguero said the water use agreements included an effluent use agreement, return flow management agreement and water rights management agreement. He said the effluent use agreement was entered into between the City of Reno, City of Sparks and TRI GID. The agreement was approved by their governing bodies at public meetings held in September 2017. The return flow management agreement was entered into between TMWA, the City of Reno, City of Sparks and TRI GID. The agreement was approved by their governing bodies at public meetings in June and July 2018. Mr. Aguero said the water use agreements were necessary for the project to be effectuated and resulted after significant deliberation by all parties.

Mr. Aguero said the effluent pipeline was beneficial for TRIC, LLC and the property owners. He said there were approximately 12,700 developable acres within TRIC. The industrial center was home to some of the most technologically advanced companies in the United States and the world, including Tesla, Switch, Google, Blockchains, Reno Land and Emerald City Empire. He said a significant amount of money was being invested into TRIC. Those investments were coveted from an economic development standpoint and represented billions of dollars of investment in Nevada. The amount of water available for TRIC would increase from 6,000 acre feet to 10,000 acre feet, and the presence of that additional water would change the landscape of development. Mr. Aguero recalled a comment by Mr. Anderson indicating that without additional water, lower intensity uses would be developed, or water would be acquired at a higher cost and ultimately change the type of development that would take place in TRIC.

Mr. Aguero said there would be additional private development in terms of the water infrastructure itself, which was extremely important. The construction of onsite storage, centralized distribution and water treatment facilities was expected to cost between \$65 million and \$100 million.

Mr. Aguero said, from a structural standpoint, the project benefits would be established through a 100 percent consent special assessment district, which meant all of the parties participating in the SAD elected to participate, because they were confident in the project's benefits. He said every property owner participating in the SAD elected to pay their portion of the pipeline project knowing that if the payments were not paid a lien would be placed on their property and the property would be sold to pay of the assessment. In addition, a one-year reserve would be established, which would guarantee that the bond payments were made. Mr. Aguero said Storey County imposed a requirement that each parcel must be worth at least 3.5 times the value of the lien. Consequently, the property would have to decrease by a substantial amount before the sale of the property would not generate the amount necessary to offset the assessment. Based on a recent appraisal, the overall value of all the properties was worth nearly 7 times the lien.

Mr. Aguero said not only were the private sector stakeholders committed to building the infrastructure necessary to effectuate their plans, but there was also a benefit for them in the form of a reimbursement through the TIA. During the 2017 Legislative Session, NRS was amended through S.B. 442 to create this new pathway. He noted that reimbursement was not available without development. Additionally, the reimbursement was incremental and did not begin until after development was complete; therefore, developers took a significant risk. Mr. Aguero noted that the SAD participants committed to \$35 million plus interest, whether or not the tax increment was generated.

Mr. Aguero referred to the map on page 9 of the presentation showing the location of the SAD property ([Exhibit C](#)). He noted that two parcels would not be included in the TIA, because they were already developed. Mr. Aguero said a number of discussions concerning the tax base had taken place with the Department of Taxation to obtain the necessary information for the TIA. He noted that taxes would continue to be paid to the appropriate governmental agency. Determining the tax base for property taxes was simple, because every parcel was appraised annually; however, it was difficult to determine the tax base for sales tax and the Modified Business Tax (MBT) due to the way they were structured.

Moving on to page 10 of the presentation, Mr. Aguero said one of the project benefits for Storey County was increased property values ([Exhibit C](#)). He said the additional water would lead to increased value, because it would allow for development that could not occur otherwise. The amount of taxes that would be generated as a result of the increased development meant that Storey County and other government entities would receive more tax revenue than if the project was not constructed.

Mr. Aguero stated that one of the benefits of utilizing effluent water was that it was among the most reliable sources of water in Northern Nevada. The pipeline would provide reliability from an economic development standpoint, as well as from a water resources standpoint for Storey County and Northern Nevada.

Continuing, Mr. Aguero said Storey County would also benefit from infrastructure investment. He reiterated that the total value of the infrastructure was estimated between \$65 million and \$150 million, which would ultimately be dedicated to and owned by TRI GID.

Referring to page 11 of the presentation, Mr. Aguero said the State of Nevada would also benefit from the project ([Exhibit C](#)). He said incremental exclusions were part of the TIA, such as the exclusion of school rates. There were increased fiscal benefits while the SAD and TIA were active and upon termination of the programs. With regard to the SAD, the economic development benefits were relatively significant for the state in terms of developing additional capacity.

Mr. Johnson said the TIA would be formed under NRS 278C. He said the TIA would redirect revenues in excess of the tax base. The revenue that was currently being collected within the boundaries of the TIA would continue to go to the appropriate governmental agencies. Incremental growth revenues over that amount would be redirected to the TIA. Mr. Johnson provided the following breakdown of the three revenue components associated with the TIA:

#### Property Tax

- County operating rate of \$1.85
- School operating rate of \$0.75 (protected)
- School debt/capital operating rate of \$0.14 (protected)
  - Both of the school rates were specifically carved out under NRS 278C; therefore, that revenue would not go into the TIA.
- County fire district operating rate of \$0.55
- State debt rate of \$0.17 (\$0.02 protected)
  - The protected amount of \$0.02 was the result of the 1996 election; therefore, that revenue would not go into the TIA. Revenue attributable to the remaining \$0.15 would go into the TIA.

#### Modified Business Tax

- 50 percent was protected for the State General Fund, the remaining 50 percent would go into the TIA.

#### Sales Tax (50 percent protected)

- Consolidated Tax (Basic City-County Relief Tax and Supplemental City-County Relief Tax)
- Local School Support Tax
- County Option (V&T, infrastructure, tourism)
- State General Fund

Mr. Johnson noted that revenue not used for the reimbursement from the TIA would be distributed to the state and local governments that maintained those taxes.

Mr. Johnson referred the Committee to the list of Storey County action items on page 7 of the presentation ([Exhibit B](#)). The action items were as follows:

- September 4, 2018, the County Commission heard the first reading of the Creation Ordinance for the SAD.
- September 6, 2018, the County Commission would consider the resolution making a provisional order, if the TIA was approved by the IFC.
- September 18, 2018, the County Commission would consider the financing agreement and hear the second reading of the Creation Ordinance for the SAD.
- October 2, 2018, the County Commission would hear the first reading of the Creation Ordinance for the TIA, the first reading of the Bond Ordinance, and the resolution approving the reimbursement agreement, which would govern how the property owners were reimbursed by the TIA.
- October 16, 2018, the County Commission would hear the second reading of the Creation Ordinance for the TIA and the Bond Ordinance.

Mr. Johnson noted that the SAD, TIA and bonds would become effective between the end of September 2018 and mid-November 2018.

Mr. Aguero said the SAD and TIA were extremely important elements of the proposal. He said two separate findings were required for consideration by the IFC. First, NRS 278C.157(2)(a), stated that the IFC must determine that the request would not impede the ability of the Legislature to carry out its duty to provide for annual tax sufficient to defray the estimated expenses of the state for each fiscal year. Mr. Aguero thought the best way to explain that was to assess how much gross revenue was anticipated to be generated; how much would be redirected to TIA taxes; and of those TIA taxes how much would be used for the reimbursement. Referring to the three columns shown on page 13 of the presentation, Mr. Aguero said the first column indicated the gross amount of taxes, the second column indicated the TIA amount, and the third column indicated the reimbursement ([Exhibit C](#)). He explained that the blue section represented property tax, which was the tax increment, and included appreciation of value within the TIA as well as new development; the orange section represented the MBT; and the green section represented all the elements of sales tax that made up the combined rate in the state, including the Basic City-County Relief Tax and the Supplemental City-County Relief Tax. The reimbursement column was made up of the annual payments that were necessary under the SAD to make the bond payments. Mr. Aguero stated that the TIA would not contribute to the bond payments and would not provide security for the bonds; the TIA was there to the extent that there was additional revenue to reimburse the developer for the cost of the \$35 million bond.

Mr. Aguero said, if the proposed development was built out over the next 25 years, approximately \$1.35 billion in property taxes, payroll taxes and sales taxes was expected to be generated from the properties in the TIA during the 25-year life of the bonds. He said \$1.35 billion was anticipated, because very little tax revenue was currently being generated in the area aside from property tax on the vacant land in the TIA.

Moving on to page 14 of the presentation, Mr. Aguero explained that the TIA would be different from other TIAs in Nevada ([Exhibit C](#)). The proposed TIA had specific carve outs that would be removed before any funds were available for reimbursement. Those carve outs included the items mentioned previously by Mr. Johnson, such as the school operating rate, \$0.02 of the state's debt rate and 50 percent of sales tax. He explained that for every \$1 in sales tax that was available to reimburse the developers for their contribution to the offsite pipeline construction, \$1 must go to the taxing entity as it would have otherwise. The same was true for the MBT; 50 percent would go directly to the State General Fund. Mr. Aguero said there were portions of certain taxes that would not reach the TIA, and funds that would not be used specifically for the repayment of the bonds or administrative costs that would flow back out to the taxing jurisdictions just as they would otherwise. The total funds available to the TIA was estimated to be \$774 million.

Mr. Aguero said the total amount of the reimbursement was approximately \$61.4 million of the bond payments over 25 years, or 5 percent of the total amount of taxes expected to be generated from all development in the TIA. He reiterated that although there was a substantial amount of gross taxes, some of which were carved out, whatever was not used for the repayment of those costs would ultimately be returned to each individual taxing entity.

Referring to the comparative analysis on page 16 of the presentation, Mr. Aguero said without the effluent pipeline, development in the area would move forward using the 6,000 acre feet of water, which was anticipated to generate about \$56 million in state tax receipts during years 1 through 10 ([Exhibit C](#)). In years 1 through 25, the tax increment was expected to be approximately \$392 million overall. However, with the effluent pipeline, the total amount of taxes was estimated to be about \$108 million in years 1 through 10, or about \$705 million in years 1 through 25. The net difference between the two scenarios was \$52 million in years 1 through 10, and \$314 million in years 1 through 25.

Mr. Aguero said, in relation to NRS 278C.157(2)(a), the net benefit was relatively significant for the state. Further, if all the development happened as planned, the state would have positive revenue.

Mr. Aguero said the second element for consideration by the Committee was outlined in NRS 278C.157(2)(b), which requires that the IFC may approve a request only if it was determined that approval of the request would not threaten the protection and preservation of the property and natural resources of the State of

Nevada. He noted that the bullet points on the right side of page 19 of the presentation provided information relative to that and included the following ([Exhibit C](#)):

- Innovative water policy with significant environmental benefits for Northern Nevada and the Truckee River as a whole.
- Pipeline alignment primarily located on previously disturbed areas where there were existing facilities including Union Pacific Railroad, major gas lines, power lines, fiber optic lines, water lines, sewer lines, roads and physical structures.
- Pipeline development would adhere to all environmental protection requirements.

Mr. Anderson said the benefits and risks of the project for everyone involved had been laid out for the Committee. The risk to the state or TMWA to develop water resources for TRIC would be transferred to the private entities. The bonds were created around the same time as a number of toolsets for GOED. He noted that one of those tools was the Workforce Innovations for a New Nevada (WINN) fund, which was an educational toolset. He reiterated that the bonding authority was triggered by a qualified project, such as the Faraday project in North Las Vegas. He explained that the bonds were established to help facilitate the construction of the infrastructure for that project; however, the project became ineligible for the bonding authority. Mr. Anderson said Tesla's participation allowed the bonding authority to be used for the effluent pipeline, because Tesla was a qualified project. He stated that the pipeline project would only utilize \$35 million of the \$195 million in bonding authority. The pipeline from TMWRF to TRIC would benefit the public in terms of the environmental aspect of transferring effluent water from Washoe County to Storey County.

Assemblyman Sprinkle thanked the presenters for providing extensive details of the project, which was helpful for the Committee. He asked what safeguards were in place to reduce the risks to Storey County and the state.

Mr. Johnson replied that in terms of the SAD, there were layers of repayment, with the first being the assessments on the properties, which would be subject to foreclosure for nonpayment. He said there were also several other resources available. Within five to seven years, an amount equal to one year of debt service on the bonds would be available. In addition, a one-year reserve fund would be established at closing with cash from the bond proceeds. Mr. Johnson said all three of those resources would be used before tapping into the uncommitted portion of Storey County's general fund. Once those resources were depleted, the financial responsibility would fall upon the state. He said that was a lot of security for an assessment district-type transaction.



Mr. Johnson recalled that Mr. Aguero discussed the value-to-lien ratio on an aggregate basis. Currently, the minimum value-to-lien ratio for each of the parcels within the SAD was 5:1. The value would increase as improvements were made to the properties.

In response to a question from Assemblyman Sprinkle, Brian Gordon, Applied Analysis, replied that the aggregate amounts of the reimbursements under the SAD were expected to be about \$61.4 million over the 25-year period, which included principal and interest. The allocations of those reimbursements were expected to be about \$35.7 million sourced to sales tax; approximately \$700,000 sourced to the MBT; and the balance of the reimbursement was expected to be sourced from property taxes in the amount of approximately \$26 million.

Assemblyman Sprinkle asked if the proposal would still be viable without using MBT and sales tax. Mr. Aguero said it was difficult to answer whether the project would be viable based on alternative scenarios.

Mr. Anderson agreed with Mr. Aguero's response. He said it was difficult to determine what each party's decision would be concerning alternate proposals. He added that S.B. 442 (2017) allowed MBT and sales tax at the state level to benefit economic development in the state.

Assemblyman Sprinkle thought the state was already considerably involved with TRIC as a whole as well as the economic development in that area.

Assemblyman Sprinkle said, as he understood it, if MBT and sales tax were not included in the TIA, it was uncertain whether the proposal would be viable. Mr. Anderson agreed. He added that all the participants would have to reconsider the options. Alternative options were considered; however, after a couple years of deliberations, the current proposal was determined to be the best option. Mr. Anderson said he was amazed that everyone was still at the table after such a long period of time. After several versions were vetted by the local municipalities and the GOED Board, the best proposal was brought forward and everyone was in agreement.

Assemblyman Sprinkle said, as he understood it, and from staff's perspective, there were other potentially viable options that did not include MBT and sales tax that may need to be examined further.

Senator Kieckhefer asked how the allocation of assessment was determined for the SAD.

Brent Farr, Farr West Engineering, said the allocation of assessment was based on the initial assessed value of each parcel prior to the project. The assessment was prorated based on the amount of the project benefit allocated to each of the entities involved. For example, if one entity received 1,000 acre feet of the 4,000 acre feet

of water, then they were allocated 25 percent of the total project costs. Those costs were then allocated among the various parcels owned by that entity based on the initial appraised value of each parcel.

Senator Kieckhefer said, as he understood it, the allocation of assessment was determined by looking at the benefit of the project in terms of the increased value of the property and then distributed among each individual property owner based on their various parcels. Mr. Farr confirmed that was correct.

Senator Kieckhefer asked if the final determination of the allocation of assessment was presented at the Storey County Commission meeting on September 4, 2018. Mr. Farr confirmed that was correct.

Senator Kieckhefer noted that all of the same parcels would be included in the TIA except for two. He asked if that could change before the project was finalized. Mr. Johnson replied that the list of parcels included in the SAD was approved at the Storey County Commission meeting on September 4, 2018, and would not change. He added that the list of parcels that would be included in the TIA would be introduced at the Storey County Commission meeting on October 2, 2018; however, the list was not expected to change. He said only two of the parcels included in the SAD would not be included in the TIA, because those parcels were already developed.

In answer to a question from Senator Kieckhefer, Mr. Johnson replied that the current expectation was that TRI GID would own the effluent pipeline, which was the offsite portion of the infrastructure.

Senator Kieckhefer asked if operating and maintenance costs for the project after construction would be based on assessments or revenue within the GID.

Mr. Farr replied that ongoing maintenance and operation would be paid for through user rates just like regular water and sewer rates. The fees would be collected on a monthly basis. He noted that TRI GID currently had more than 100 customers.

In response to a question from Senator Kieckhefer, Mr. Farr replied that TRI GID earned approximately \$1 million to \$1.5 million in revenue for water and sewer service.

Senator Kieckhefer asked if the vast majority of the property tax that would be put through the TIA would be Storey County property tax, which meant that only about 15 cents of the state levy would be brought in aside from the revenue that would otherwise go to the county for general operating, fire, etc.

Mr. Johnson confirmed that the property taxes that would go through the TIA account would include the county general fund rate of approximately \$1.85, the county fire district rate of approximately \$0.55, and \$0.15 of the state's debt rate.

Senator Kieckhefer asked if approximately \$25 million of the \$61.4 million in total reimbursement for principal and interest would be money that would otherwise go to the county. Mr. Johnson replied that the money would go to the three aforementioned entities. He said the majority of the property tax money would go to the county given how high the county's tax rate was compared to others.

Assemblyman Kramer asked why the SAD did not include all of the parcels, or at least, why the parcels were not contiguous.

Mr. Aguero said the parcels represented in the SAD were those that would generally benefit from the water coming through the pipeline. Additionally, the SAD was made up of properties that met all the requirements of the 3.5 times value ratio and that the individual participants were willing to risk in terms of the project.

Mr. Aguero said, with regard to the TIA, the reason that two properties were not included was because the calculation was based on how much tax was already being collected for those specific parcels. He said it was extremely difficult for the Department of Taxation to determine the tax base for sales tax and MBT for a parcel. As a work around, the two improved parcels were eliminated from the TIA to make the proposal feasible.

Senator Goicoechea recalled that 2,500 acre feet of water would be contributed by NDOT. He asked for the status of the water rights. He said if the water rights were permitted, they would be considered state property.

Rudy Malfabon, Director, NDOT, replied that NDOT owned a significant amount of land associated with the streets and highways in the Truckee Meadows area. He clarified that 2,200 acre feet of water rights belonging to NDOT would be managed by TMWA. Mr. Malfabon said NDOT still needed to complete the process of perfecting the water rights through the Division of Water Resources. As far as value, the water rights were still owned and retained by NDOT, but would be used for flows to the Truckee River to offset the use of the effluent, which was an economic development benefit as well as an environmental benefit for the Truckee River.

Senator Goicoechea asked if the 10,000 acre feet of water would be used consumptively on the site. Mr. Farr responded in the affirmative. He said the intent was for all the water to be consumed by property owners in TRIC.

In answer to a question from Assemblywoman Benitez-Thompson, Mr. Malfabon said, when NDOT obtained the parcels for some of the streets and highways in the Truckee Meadows area, water rights were considered an appurtenance. However, a lot of work was now involved in identifying the value of water rights with the purchase of property. He reiterated that NDOT still had to apply for the water rights and perfect them through the Division of Water Resources. He indicated that an assessment was done to determine the amount of water rights owned by NDOT

within the Truckee Meadows area. Mr. Malfabon said TRI GID would be responsible for the cost associated with perfecting the water rights. He noted that NDOT would retain a portion of those water rights for future use.

Assemblywoman Benitez-Thompson asked if the lease agreement was a public document. Mr. Malfabon clarified that the lease was actually a water management agreement that would allow TMWA to manage NDOT's water rights after they were perfected. He believed the water management agreement was available to the public on the TMWA website.

Assemblywoman Benitez-Thompson asked what the value was for an acre foot of water. Mr. Malfabon thought the value was approximately \$8,000 per acre foot, which would be approximately \$16 million to \$17 million for NDOT's 2,200 acre feet.

Assemblywoman Benitez-Thompson thought it sounded as though the state would not be compensated for use of the water rights. Mr. Malfabon replied that the water from NDOT's parcels was already going into the Truckee River. He said the department did not have an anticipated use for the water rights; however, NDOT would reserve 224 acre feet for future use.

Assemblywoman Benitez-Thompson said, as a sitting legislator in a state where water was extremely valuable, she had never heard of water being given away. She said there was always a value associated with water. She asked if the state would be compensated for the water usage.

Mr. Malfabon replied that NDOT owned the water rights, but the department was not using the water. He said the state would not be compensated for the water, because the water was already going into the river.

Assemblywoman Benitez-Thompson asked if NDOT could sell the water rights. Mr. Malfabon thought the water rights could be sold if NDOT had taken the steps to determine the value. He said NDOT would have to make the case to the Division of Water Resources that the department wanted to sell the water rights, perfect them, and then assess the value. Mr. Malfabon recalled discussion during the recession about selling the water rights, but it was his understanding that they would be difficult to sell.

In answer to a question from Assemblywoman Benitez-Thompson, Mr. Malfabon replied that in his report provided to the Transportation Board in May 2018, he stated that the water rights would be managed by TMWA. Subsequently, public discussion took place at the TMWA Board meeting in June 2018. He explained that the responsibility for interagency agreements was delegated by the Transportation Board to the NDOT Director, so formal approval was not required.

Assemblywoman Benitez-Thompson said she was surprised that, until now, there was no public discourse on the details of the water rights and why the state would not be compensated for those rights when the end use would be very beneficial for others. As a state legislator, she had a fiduciary responsibility to the state. Assemblywoman Benitez-Thompson said she was left wondering why it was not considered in the state's best interest to put forth the effort to value the water rights.

Mr. Malfabon reiterated that the water rights would still be retained by the state, but managed by TMWA and used for that purpose. He said the water was surface water that ended up in the Truckee River anyway, so it was not seen as an asset.

Assemblywoman Benitez-Thompson said, along the same logic, rental car companies would never charge a fee, because they provided a vehicle for the customer's use and it was eventually returned. Ultimately, the fact that the vehicle was being used had no value. She said she felt differently in that if something was going to be used, then it had value; therefore, the state should be compensated for the use of that water.

In response to a question from Assemblywoman Carlton, Mr. Malfabon replied that there was an agreement with TMWA to manage the water rights. He was unsure of the term of the agreement, but offered to provide the information to the Committee. Assemblywoman Carlton thought the information would be helpful for the Committee.

Assemblywoman Carlton said she understood the concerns expressed by Assemblywoman Benitez-Thompson. She said the state had a valuable asset that would be used by someone other than the state, which warranted further discussion. Assemblywoman Carlton said she wanted assurance that if the water use agreement was revised or the state needed to perfect the water rights, the Legislature would be provided advance notice. She did not want the state to lose an asset as valuable as 2,200 acre feet of water. She thought the cost was closer to \$10,000 per acre foot, which was a substantial resource.

Pat Mulroy, Consultant for Switch, introduced Paul Taggart, Attorney, Taggart & Taggart, Ltd. Ms. Mulroy said she and Mr. Taggart had teamed up on various pieces of the project. She noted that it was still undetermined if the total water rights owned by NDOT was 2,200 acre feet or 2,500 acre feet.

Ms. Mulroy said it would cost the combined companies \$1 million to perfect the water rights, which included a title search and title work. The cost took into consideration the state's anticipated future development needs in the Truckee Meadows area. She explained that many years ago a study done by Mr. Turnipseed determined that the state would require approximately 224 acre feet for future development. She said TMWA agreed to provide the water to the State of Nevada for future use.

Ms. Mulroy said the term of the lease agreement for the wastewater was staggered. She indicated that the lease agreement was either for an initial term of 20 years with the option for two renewals to extend the term for an additional 20 years on each renewal, or for an initial term of 40 years with the option to extend the term by an additional 20 years. The intent was to ensure that the term of the bonds for the project was covered by the lease agreement. During the length of the lease agreement, all of the state's expected water needs for that area would be met by TMWA. Ms. Mulroy said there was an exchange of mutual consideration given the fact that the process of title work and perfecting the water rights still had to be undertaken.

Assemblywoman Carlton said it was her understanding that the water rights would still belong to the state after they were perfected. Ms. Mulroy confirmed that was correct. She said the water rights would still belong to the state, but used as dedicated instream flow. In other words, TMWA could never use that water. The water must remain in the Truckee River for the benefit of the river, the environment, and particularly for the benefit of the tribal users and cui-ui fish, which must be left whole and not negatively impacted. She said the water was critical for maintaining the balance in the Truckee River.

Senator Settlemeyer noted that he represented Storey County; therefore, he wanted assurance that the private property owners in TRIC would be held financially responsible for the project, not the citizens of Storey County.

Mr. Johnson confirmed that was correct. He said the assessment was the first resource for the bond payments. He explained that the assessment was a lien on the property; therefore, the county could initiate foreclosure proceedings if a payment was delinquent. The assessment was a form of protection, and that was the reason the value ratio had to exceed the amount of the assessment. In the event of a market downturn, the property could still be sold at a cost that would cover the assessment. He said the uncommitted portion of the county's general fund balance was well down the list in terms of security for the bond payments.

In answer to a question from Senator Settlemeyer, Mr. Aguero confirmed that all the SAD participants voluntarily put up their properties as collateral. He noted that one property owner had concerns with the structure of the deal in terms of specific financing agreements, so that property owner would not participate in the SAD. Ultimately, the financial responsibility fell on the property owners that agreed to the EDFP.

Assemblywoman Titus asked if funds had been secured for the onsite infrastructure. Mr. Aguero replied that the companies had substantial financial capability and were ready, willing and able to construct the onsite improvements. He said TRIC, LLC stood to ensure that the onsite improvements were ultimately completed. It was the responsibility of TRIC, LLC to circle back with the individual participants in the event that one of the companies had second thoughts. Thus, a double backstop was in

place. Mr. Aguero explained that the advanced water treatment infrastructure was a requirement for some of the larger companies within TRIC; therefore, those companies were committed to funding the infrastructure.

Referring to page 2 of the presentation, Assemblywoman Titus noted that \$1 million was allocated for the purchase of rights-of-way ([Exhibit B](#)). She thought it seemed like a small amount of money. She asked if the rights-of-way were already secured.

Mr. Farr replied that many of the parcels that the pipeline would pass through belonged to public entities that did not need to be paid, such as Storey and Washoe Counties and the City of Sparks. With regard to private land, an appraiser did an initial analysis on the appraised value of the lands, and it was determined that \$1 million should be adequate to acquire the easements and rights-of-way. Negotiations concerning the easements were taking place with land owners as the design was developed. As the design and alignment were finalized, the easements would be established and the documents secured.

In answer to a question from Assemblywoman Titus, Mr. Farr replied that the 100 TRI GID customers referenced previously were current water and sewer customers that would not be responsible for costs associated with the pipeline project. He clarified that only the entities participating in the SAD would be responsible for the operation and maintenance costs associated with the pipeline through monthly user rates and charges.

Assemblywoman Swank asked how the flow of the Truckee River would not be reduced if 2,200 acre feet of water was removed. She said a lot of things that lived along the river relied on that water. She also asked what would happen if NDOT's water rights were nonexistent.

Ms. Mulroy responded that maintaining the flows in the river was essential to the project. She said the Truckee River was one of the most adjudicated rivers in the western United States. The river was under a federally regulated operating agreement and monitored by a federal water master. She said the NDOT portion was only a small piece. TRIC, LLC owned Truckee River rights, which permitted the entity to use the river water; however, those rights were being turned over to TMWA to manage since TMWA was ultimately responsible for managing how the water was used for downstream purposes. The water owned by TRIC, LLC would be deposited into the river along with the NDOT water, to the extent it was available. She said it would have been impossible for the agreement to come together if the flows in the Truckee River were not protected.

Ms. Mulroy said, in the event that NDOT water was unavailable, the agreement required a one-for-one trade, which meant an equal amount of river water had to be replaced for every acre foot of wastewater removed. She said the environmental benefit of removing the wastewater was the impact it would have on the cui-ui fish at the end of the system. She explained that increased nitrate levels occurring in

wastewater discharge was detrimental to the fish. Ms. Mulroy stated that the Environmental Protection Agency and the Nevada Department of Environmental Protection had been carefully assessing the situation. At times, the Reno/Sparks area had been out of compliance with the Clean Water Act based on the level of contaminants deposited into the Truckee River. The water use agreement would remove that liability by requiring a one-for-one replacement of fresh water to keep the river whole. Ms. Mulroy said that was the commitment and foundation upon which the agreements were entered into. She noted that the return flow management agreement stated there would be a commensurate reduction in the amount of wastewater that could be transferred from the Reno/Sparks area to TRIC if there was an insufficient amount of clean water.

Assemblywoman Swank asked where the replacement water would come from, and if the state owned the associated water rights.

Ms. Mulroy replied that the replacement water had to be from the Truckee River. She reiterated that TRIC, LLC owned Truckee River water rights, which permitted the developer to divert the water from the river, thereby reducing the flows in the river; however, TMWA would be managing water rights during the term of the lease and not developing the water. The state would have to acquire or perfect Truckee River water rights and dedicate it to instream flows in order to keep the system balanced. She said the federal water master, who was responsible for managing the river flows, would not allow the diversion to occur if balance could not be maintained.

In answer to a question from Assemblyman Brooks, Ms. Mulroy replied that prevailing wage must be paid for the entirety of the project per the agreement with TMWA.

Assemblyman Brooks asked if the prevailing wage requirement was included in the agreement or statute. He also asked if other requirements of publicly-funded projects, such as bidding procedures, applied to the effluent water pipeline project. Ms. Mulroy replied that the City of Reno made prevailing wage a requirement in the water lease agreement for the wastewater.

Ms. Mulroy said, as a former general manager of a water utility, she was certain that state law required prevailing wage to be paid on all public works projects. She said the City of Reno embedded the requirement in the wastewater agreement as a precautionary measure.

Assemblyman Brooks said construction projects often experienced cost overruns. He said the pipeline project was a long process with property acquisition variables and a significant amount of permitting. He asked how cost overruns would be addressed. Mr. Aguero replied that all cost overruns were the sole responsibility of the developer per the bond financing documents. He thought the EDFP also addressed the issue.



Mr. Anderson noted that the financing language concerning cost overruns was included in Section 401A of the EDPF and indicated that all costs not covered by bond financing would be paid by TRIC, LLC and the SAD participants ([Exhibit A](#)).

Assemblyman Edwards asked for clarification on the cash flow associated with the project. If the Committee approved the project, it would take some time before construction began. He noted that the assessment payments began after the bonds were issued (page 5, [Exhibit B](#)). He said it appeared that the bond payments were equally spaced; therefore, the companies agreed to make the payments before growth occurred.

Mr. Aguero replied that the private sector companies would receive a bill for the assessment and were required to make the payments as indicated in the schedule, regardless if there was a TIA. If any company failed to make a payment, the company's property was subject to foreclosure. With regard to the TIA, the developer was completely responsible for making all of the bond payments based on the schedule, even if there was zero tax increment at any time during the bonding period.

In answer to a question from Assemblyman Edwards, Mr. Aguero replied that in the event that a property owner failed to make a payment, the property would go into foreclosure and proceeds from the foreclosure would pay off the assessment for that property. All other property owners would continue to make their payments. If the property declined in value and there was not enough money to pay the balance of the assessment in full, the foreclosure process would still occur. Whatever value could be obtained from the sale of the property would be used to reduce the amount of the lien on the property. In addition, the one-year reserve could be utilized to ensure all assessments were paid. Mr. Aguero clarified that the one-year reserve fund was the equivalent of one year of assessment payments for each property owner; therefore, only a portion of the fund balance would be used to make the payment. In the event that the one-year reserve fund was depleted, then the uncommitted portion of Storey County's general fund would be used, per statute. He said it was an odd financial provision, but essentially it meant that any portion of the ending general fund balance that was uncommitted could be accessed to pay the assessment. As a last resort, the state's general obligation would backstop the bonds. Mr. Aguero added that the administrative fund could also be used to pay the assessment, so there were multiple levels of security before reaching the state's general obligation.

Assemblyman Edwards recalled that the reserve fund would initially include one year's worth of funds, but would increase to two years. He asked why the reserve fund balance could not be maintained with only one year of funds so the bonds could be paid off sooner.

Mr. Johnson replied that the foreclosure proceedings would be used to recoup the entire unpaid balance of the assessment, not just the delinquent amount. For example, if a parcel had an assessment of \$1 million, but the property owner was only delinquent on a payment of \$50,000, the foreclosure would be based on the outstanding balance of the assessment. Subsequently, the property would be sold and a like amount of bonds would be redeemed so that the amount would pay the delinquent amount and the balance of the assessment.

Mr. Johnson clarified that one year of reserve would be set aside as soon as the bonds closed. Additionally, a 1 percent spread over the bond rate was included in the assessment rates, which would generate additional resources for the revenue fund. Based on current projections, the revenue fund would have the equivalent of one year of debt service after seven years. He said the revenue fund was not a second reserve fund; but the money in that fund could be used to pay down the bonds. Once the balance of the revenue fund reached a level equivalent to one year's debt service, bonds would be redeemed. Theoretically, there would be enough money between the reserve fund and revenue fund in 18 to 20 years for the county to pay off the remaining bonds, which the county was encouraged to do.

Ms. Follett said, if the total amount of the assessment was being foreclosed, but there was no bid for both the outstanding amount of the assessment and unpaid property taxes, the county would hold the property rather than sell it for less, because the assessment and property taxes were co-equal liens. The property would continue to go up for auction at a foreclosure sale until there was a bid for the unpaid property taxes as well as the total outstanding assessment.

Assemblyman Edwards said he wanted assurance that the proposal for \$35 million in bonding authority would not preclude a future deal with another company interested in building at the Apex Industrial Park.

Mr. Anderson said, since the initial amount of the bonding authority was set aside during the 29<sup>th</sup> Special Session, things had changed in North Las Vegas in regard to the capacity to build the infrastructure as well as availability at the Apex Industrial Park. By limiting the bonding authority on the effluent pipeline project to \$35 million, a reserve capacity of approximately \$195 million would be available for other projects. He reiterated that the bonding authority was only available for qualified projects, which meant the project had to include \$1 billion or more in improvements before the bonding authority could be triggered. Mr. Anderson said he was excited for an opportunity to trigger that bonding authority.

Assemblyman Edwards said he was hopeful that GOED would find a billion dollar project.

Assemblywoman Spiegel asked if the effluent pipeline project was considered a public project under NRS since public bonds would be used for the financing. Mr. Anderson said that was his understanding.

Assemblywoman Spiegel requested additional details concerning the debit capacity limits, and whether the Office of the State Treasurer provided a determination on the state's standing.

Mr. Anderson replied that the bonding authority was outside the state's bonding capacity, because it was a water project. He said the bonding authority was issued directly through GOED for economic development funds.

Lori Chatwood, Deputy Treasurer, Office of the State Treasurer, said the Office of the State Treasurer had not received a request from GOED regarding the debt capacity; however, because the pipeline project was a natural resources project, it was not subject to a determination of the capacity. She said the state's current capacity was about \$1.4 billion for any projects subject to the capacity.

Senator Kieckhefer said the pipeline project would utilize the municipal bond bank process in statute. He asked Ms. Chatwood to provide the Committee with a quick overview of the municipal bond bank process.

Ms. Chatwood said the state's portion of the bond would be issued as described in NRS 360.991. The bond bank would be utilized as the vehicle to purchase the bond from Storey County. The two bonds would mirror each other. Since the bond would be issued to benefit the Storey County project, the parameters of the Storey County bond for the interest rate, amortization period and the call features of an assessment district would also be included in the state's bond. The revenues that paid the state for the Storey County bond would then be used to pay the state's general obligation economic development bond. Therefore, the bond bank was the vehicle for the state to purchase the asset, which was the Storey County assessment bond.

Chair Woodhouse asked what ramifications the effluent pipeline project would have on departments within state government. More specifically, she asked if GOED would require additional resources and staff to administer the allocation of the bond proceeds.

Mr. Anderson replied that GOED would not require additional resources. The pipeline project would be a function of GOED's daily activities. He clarified that Storey County would manage the collection of the assessments as part of the administration costs.

Chair Woodhouse asked if GOED would need to enter into an agreement with the Department of Taxation regarding sales tax and MBT if the TIA was approved by the Committee. If so, she asked if the Department of Taxation would require additional resources or personnel.

Bill Anderson, Executive Director, Department of Taxation, replied that the impact on the Department of Taxation would be minimal. The department anticipated approximately \$30,000 in programming costs to facilitate the flow of tax revenue the TIA authority. He said the department had already identified budgetary savings to fund those costs.

Senator Parks asked if there was a process to add more entities to the program if an entity new to TRIC required effluent. Mr. Aguero replied that currently the effluent water was subscribed by all of the individual participants within the SAD. If another company wanted to utilize the effluent, the participants would have to work out the details.

Mr. Anderson added that to his knowledge, all of the land that was part of TRIC from the initial developer had been sold; therefore, the current owners would be the only subscribers of the effluent.

Senator Denis asked if all TRIC property owners would be part of the SAD. Mr. Aguero replied that all of the parties that would participate in the SAD and benefit from the TIA were included in the EDFP.

Assemblyman Wheeler asked how the interest earnings for the impound account were calculated (page 5, [Exhibit B](#)). Mr. Johnson replied that a 2 percent interest rate was assumed for purposes of the interest earnings.

Assemblyman Wheeler recalled that in response to the Great Recession, the 2011 and 2013 Legislatures decided to diversify the state's sources of income rather than remaining dependent on tourism, gaming and mining revenue. He said diversification was done through public/private partnerships. He thought the effluent pipeline project was an example of a public/private partnership that would advance economic diversity in the state to the next level; the state would have a true secure investment as well as a true return on investment. Assemblyman Wheeler asked stakeholder representatives if their companies would have moved to Nevada if the state was unable to partner with them on matters such as permit processing and tax structure.

Assemblyman Wheeler noted that Adam Kramer representing Switch nodded in response to his question.

Assemblywoman Benitez-Thompson recalled that some property owners in TRIC did not want to be part of the project. She noted that public works departments at the county and city levels bonded sewer and water lines. She asked why Storey County was not bonding the project for the benefit of the county and TRIC, which was also in Storey County. Assemblywoman Benitez-Thompson said she could not think of another scenario where people who would benefit from infrastructure had the ability to opt out. She asked why all the property owners within TRIC would not be assessed for the effluent pipeline.

Mr. Aguero said the participants in the SAD were also the property owners that would benefit from the pipeline.

Ms. Mulroy said it was not an unusual occurrence for a developer to bear the full cost of the necessary infrastructure to bring water to a particular parcel. The developer could impose a special assessment on property owners to pay back the cost of that infrastructure. She said it was no different from other places in the state where the beneficiary of a resource was financially responsible for the infrastructure needed to deliver the resource. She said the effluent pipeline would be located in a GID, which was a special purpose government under Nevada law, separate and apart from Storey County. She said TRI GID was a special purpose government for water and sewer service in the general area and within TRIC. Ms. Mulroy said only unique beneficiaries would have access to the effluent water, and those beneficiaries would bear the full cost.

Assemblywoman Benitez-Thompson said the difference was the TIA allowed the property owners to reimburse themselves for the assessment payments. She said if she received a rebate on her property taxes for the amount paid for water and sewer, she would end up at a net zero. Assemblywoman Benitez-Thompson asked when and how was it determined that only six property owners would pay an assessment.

Mr. Whitten thought a more accurate comparison was cable television. Some people may elect to have cable television while others may not, but cable was installed in the area regardless. He said the six companies participating in the SAD were not the average tenant. The Walmart distribution center in the area was guaranteed a certain amount of water when the land was purchased in the mid-2000s. The distribution center was a non-manufacturing, non-data center facility requiring a minimal amount of water; however, advanced manufacturing and data center facilities required a significant amount of water. Mr. Whitten said representatives from Switch and the other companies were the first to suggest the idea of an effluent pipeline.

Assemblywoman Benitez-Thompson said there seemed to have been a point at which it was determined that TRI GID was its own entity, wholly separate and apart from the county in which it existed. She asked why she should accept that paradigm. Storey County authorized the developer to build TRIC. She recalled discussions during the 28<sup>th</sup> and 29<sup>th</sup> Special Sessions regarding water availability and infrastructure in that area of Nevada. Assemblywoman Benitez-Thompson said Storey County was not completely removed from the matter; therefore, she wanted to hear the county's explanation concerning the history of TRI GID.

Mr. Whitten said TRI GID was responsible for a limited scope of service, which included water, sewer and treated effluent. The county was not responsible for those services within TRIC and various other parts of Storey County. He said some

residential areas outside of Virginia City were on well and septic systems. Additionally, another general improvement district, Canyon GID, operated east of Sparks. Mr. Whitten said Storey County supported the project and was a participant; however, utility conveyance was the responsibility of TRI GID.

Assemblywoman Benitez-Thompson recalled that Mr. Anderson stated in his opening remarks that the intent and purpose going into the 28<sup>th</sup> and 29<sup>th</sup> Special Sessions was to consider the type of economic development that would benefit the state and provide GOED with the necessary resources. Having sat through both of those special sessions, and as a longstanding member of the Assembly Committee on Taxation, she thought the recent recession was unique. She explained that Nevada was in dire straits during the recession, with an unemployment rate around 15 percent, and high foreclosure and bankruptcy rates. The state had to make decisions about economic development knowing that something different had to be done. As Mr. Anderson mentioned previously, Nevada was now one of the fastest growing states, with a low unemployment rate of around 5 percent. Assemblywoman Benitez-Thompson asked how an area experiencing housing and labor shortages as a result of growth and success was still in need of economic development and stimulus. She asked, at what point would that area be capable of sustaining itself and thriving in the marketplace, free from the support of the government.

Mr. Anderson said Assemblywoman Benitez-Thompson's question was valid, and he wanted to focus on a couple of areas to help address her question. He thought there was a time and place to refine the economic development plan and assess what was appropriate for the state and the regions. In fact, GOED was currently developing a new economic development plan to present to the 2019 Legislature, because Nevada had changed and was in a better position than it had been in 2011. He said the initial goal of the 2011 Economic Development Plan as well as subsequent plans were different from the 2019 Economic Development Plan. He said the economic development plan would be refined, but not drastically changed.

Mr. Anderson said Northern Nevada had experienced a significant amount of capital investment and job growth since the time Reno was referred to as "the next Detroit." At that point, it became evident that tourism and gaming were no longer thriving in Northern Nevada; the recession exposed that weakness. He said Reno was being reinvigorated in a way that was not envisioned in 2011, and that momentum could not be stopped without hurting Nevada's chances of weathering another recession, which was inevitable.

Mr. Anderson said Nevada's revenue still required more diversification. Nevada continued to rely heavily upon tourism, gaming and mining revenue, but the state was headed in the right direction. Significant investments were being made in Northern Nevada, which was helping to reduce the unemployment rate below that of the rest of the state. Additionally, home values had recovered. Equity had been recovered for families that had weathered the storm and were able to keep their

homes. Better paying jobs were available that would further benefit the average Nevadan. Mr. Anderson reported that Nevada's current economy surpassed that of 2005 and 2006.

Mr. Anderson said a lot of effort had gone into improving Nevada's economy, more so than any other state in the nation. State government should be proud of executing good public policy, and Nevada should be proud of its accomplishments as a whole and excited about the state's current position.

Mr. Anderson said he felt the effects of an improved economy first hand when his son recently relocated to Northern Nevada. His son was starting a new job that paid \$15 per hour, which was a reasonable wage in most situations; however, due to the housing prices and shortages in Northern Nevada, it was difficult to make ends meet on that wage. He said his son was fortunate to find an affordable apartment in Sparks. Mr. Anderson said his son was excited to move to Northern Nevada to pursue a job opportunity, which would be a wonderful experience for him. Mr. Anderson indicated that his son's story was just one of many examples of people trying to obtain housing in an area with a vacancy rate of about 1 percent.

Mr. Anderson said the effluent pipeline would not have a negative or positive impact on the housing situation in Northern Nevada; however, it would help create higher-paying jobs with good benefits, which was exactly what the state needed. The state did not want to incentivize low-wage jobs. Mr. Anderson explained that any economic development opportunity that came through GOED required a certain amount of capital investment. He said jobs created through GOED's economic development efforts had to exceed the county average wage and offer benefits that were paid at least 65 percent by the employer. He said a company moved to Nevada several years ago and received benefits from the state. The company was currently in the process of adding 1,000 jobs in Southern Nevada, but no longer qualified for state incentives, because the company did not meet the aforementioned requirements. He said the threshold was lower even a year ago, because of the great things that had happened in the state.

Mr. Anderson said he had the advantage of seeing a broader view of TRIC's impact on the state. He said Nevada business was diversified on a state level, but not a local level. Local regions had their own obstacles to facilitate growth, but in the long term, the pipeline project would be good for the state as a whole, and Nevada would be in a better position going forward.

Mr. Anderson thought the public good far outweighed potential risks to the state. Almost all of the state's risk was mitigated by the private entities that elected to be part of the SAD. The entities that would benefit from the TIA agreed to assume the risk and would not be reimbursed unless improvements were made to their properties.

Mr. Anderson said Tesla made up about 3 percent of the workforce. He was unsure how much of the state's workforce was represented within the whole of TRIC; however, just the 3 percent that Tesla represented would not experience the problems that were seen elsewhere in the state. Mr. Anderson said 170 different companies had moved into the region, partially because of the catalyst that Tesla provided for Nevada. Additionally, Apple and other companies have made major investments involving billions of dollars in Northern Nevada. As a result, Northern Nevada was experiencing housing and transportation issues, which was better than the unemployment and foreclosure issues that were seen during the recession.

Mr. Anderson said the proposal provided environmental benefits. The one-to-one water swap would prevent effluent water from entering the Truckee River and exacerbating potential problems as the river ebbed and flowed. He said it was a progressive and innovative approach resulting from several years of discussions with all the entities involved. Mr. Anderson said the companies involved in the project were complex entities, and the proposal offered incentives for all of them. However, there was little incentive if the TIA was not part of the deal. Each of the entities could obtain water individually, but it would remove the public benefit of redirecting and recycling effluent water and using it for high-quality jobs. Mr. Anderson said the proposal in its complete form was the reason each of the entities remained committed to the project. He said the proposal would benefit private industry and municipalities, but overall, it was for the greater good of Nevadans.

Ms. Mulroy said TMWA was initially concerned about ongoing competition with TRI GID for Truckee River water, which would have forced TMWA into a position to buy Truckee River water rights; however, that would have been unhelpful for the river and the environment, and wastewater would have remained in the river. The pyramid of benefits derived from the proposal could not be understated. It was unique in the western United States and the United States as a whole. Ms. Mulroy said she had given speeches about the project across the country, and people were amazed that the proposal had come together so quickly. She said it was a testament to regional cooperation in Northern Nevada. It was also a testament to future thinking recognizing the challenges that climate change would bring to the Truckee River, which was a very fragile river on which dramatic demands had been placed. Increasing those demands further without a larger regional water approach would not be beneficial to users of the Truckee River or residents in the Reno/Sparks area.

Assemblyman Frierson said, collectively, everyone agreed that diversifying the economy was good for the state; however, that would not resonate with the average citizen. He said it was difficult to articulate how a project such as this would benefit the average citizen and not exacerbate the housing challenges in Northern Nevada. He said it was important for legislators to be able to convey how the proposal would



benefit the average citizen and how Northern Nevada and Storey County would accommodate the potential growth.

Mr. Anderson said economic development in Nevada signaled that the state was open for business. However, many builders in Nevada experienced losses during the recession. Consequently, part of the current housing situation in Northern Nevada was directly related to their experience during the recession, which made them unwilling to take the risk and develop more properties. That was also true for municipalities, such as Washoe County and the Cities of Reno and Sparks, which were struggling to project housing needs and overall development. Mr. Anderson said it was important to show that Nevada was willing to move quickly and be progressive in key areas. He said there was a supply and demand issue in Northern Nevada. There was not a lack of plans or a desire to build, but mitigating the risk made it difficult. If builders could keep up with the housing boom, prices would level off like they had in parts of Southern Nevada, or at least equalize to a point where prices were not increasing so quickly.

Mr. Anderson indicated that businesses were waiting for certainty on water within TRIC before committing to building in the area. He said jobs available at the companies within TRIC would be higher paying, advanced manufacturing and technical jobs. He added that those jobs would be supported through the WINN fund. The WINN fund helped to educate tomorrow's workforce. Mr. Anderson said it was important to train people to qualify for up-and-coming jobs in the state.

Mr. Anderson said without the effluent pipeline project, TMWA would have to spend \$30 million to \$40 million to expand its facilities, a cost that would inevitably be borne by water and sewer customers in Washoe County through a rate increase to compensate for the bonding expense. Instead, the cost would be shifted out of Washoe County allowing the rates to remain reasonable, which was a direct benefit.

Mr. Anderson said another thing to keep in mind was the state's ability to reinvest in the communities that would be affected by the effluent pipeline. Rising home values would increase property taxes as the state continued to grow and improve, which would encourage continued development. As TRIC was developed, Reno and Sparks would develop as well with better paying, high-quality jobs. Ultimately, wages in the area would increase due to a higher cost of living.

Mr. Anderson said overall the proposal would affect the average citizen in four areas.

- Better jobs would be available to Nevadans. The state had tools to increase the workforce by helping to educate Nevadans and provide them with the necessary skillsets to qualify for the jobs of tomorrow.
- Utility costs would be maintained.
- Builders would see stability in the market, causing the momentum to build and thereby alleviating housing shortages.
- Increased property taxes would allow the state to build infrastructure and invest in schools to address growth in Nevada.

Vaughn Hartung, Washoe County Commissioner, and Chairman, TMWA, addressed the benefits of effluent reuse and how it would affect the region. He said the Truckee River watershed begins at Lake Tahoe and travels through a series of natural and manmade reservoirs. The water level of the Truckee River watershed varied based on winter precipitation; the only stable supply of water was effluent. Additionally, effluent management in the region was growing, and effluent was becoming an asset rather than a liability. Mr. Hartung said, leaving 4,000 acre feet of water in the Truckee River and using effluent somewhere else was extremely beneficial for the region. He noted that 4,000 acre feet was equivalent to 1.3 billion gallons of water, all of which would remain in the Truckee River. He said the proposal was a regional effort to collaborate on how effluent could be used as a regional resource.

Senator Kieckhefer said the most direct benefit for residents in Reno and Sparks was that the pipeline would offset the need to increase water and sewer rates in those areas. The cost of expanding TMWRF would be between \$30 million and \$45 million, but that would be delayed by diverting effluent from the Truckee River into TRIC for industrial reuse. He said that was a financial benefit for residents in Reno and Sparks, because it provided a savings.

Senator Kieckhefer said Northern Nevada was growing, and people were regularly asking where the water would come from to support that growth. He stated that there was plenty of water to support the development and growth in Northern Nevada; the real problem was the water that was deposited into the river. The TMWRF facility was depositing the maximum allowable nitrate levels feasible under environmental and Truckee River Operating Agreement standards into the river on a daily basis. He said it was a current problem, not a future problem. Senator Kieckhefer said the water that was currently being discharged into the Truckee River was a constraint on the ability to build additional housing to balance the supply and demand and allow for the development of affordable housing. He said the issue was being addressed to a degree by local governments, particularly in Reno and Sparks.

Senator Kieckhefer said the effluent pipeline project would not exacerbate a housing problem, it would help alleviate it. He said Nevada would receive hundreds of millions of dollars in revenue that could be reinvested in education and state services. He said the quality and skill level of jobs would increase, and consequently, wages would increase.

Looking at the project comprehensively, Senator Kieckhefer thought the pipeline was a good investment for the state. He said TRIC was not the cause of problems in Washoe County, instead TRIC would be putting \$25 million in property tax revenue on the line in future years to offset a cost that would otherwise go to the citizens of Reno and Sparks. Senator Kieckhefer said there were plenty of benefits for constituents throughout the state, and he thought the project was justifiable.

Assemblywoman Spiegel said it was her understanding that in 2014, TRIC, LLC sold USA Parkway in its entirety to the state for \$43 million, which included things that were given to the developer as part of the 28<sup>th</sup> Special Session (2014), such as building out the highway, etc. She asked how those proceeds were spent, and why the funds were not being used to build out the infrastructure.

Mr. Malfabon replied that \$43 million was paid to the developer of the industrial center for the right-of-way and improvements to the existing USA Parkway that NDOT purchased, which was now a state highway.

In answer to a question from Assemblywoman Spiegel, Mr. Anderson said the current discussion concerned the public benefit portion of the pipeline project, which was limited to \$35 million in bonding authority for the 13-mile section of pipeline from TMWA to TRIC. He noted that public bonds would not be used for the additional onsite development of the project. Mr. Anderson indicated that Robert Sader, Legal Counsel for TRIC, LLC, was available to address the question.

Robert Sader, Legal Counsel, noted that TRIC, LLC was the master developer of TRIC. He said the proceeds from the sale of USA Parkway were used in several ways. The largest portion of the funds were used to develop all of the infrastructure in TRIC. Additionally, TRIC, LLC deeded the ground for the Tesla facility, which was done at the same time as the transaction on USA Parkway, at no cost. Mr. Sader said TRIC, LLC was a developer in the business of making money. He said some of the value of the right-of-way offset costs and profits in providing the land for free to Tesla in order to encourage Tesla to come to Northern Nevada.

Mr. Sader said another portion of the funds was used for the resources that TRIC, LLC was required to provide for the project. He stated that 1,500 acre feet of Truckee River water rights was purchased by the developer and would be contributed as replacement water. He said the company paid dearly for that water, but now it would be used for instream flow, not for the project itself.

Mr. Sader noted that the water and sewer infrastructure developed at TRIC was built by TRIC LLC, as the master developer, and contributed to TRI GID for service at no charge to TRI GID or its customers. He said that was part of the investment as the master developer, so some of the money went to that as well.

Chair Woodhouse asked if GOED had made the required finding per NRS 360.990 that the revenue pledged would be sufficient to fully repay the bonds. Mr. Anderson confirmed that the GOED Board had vetted the proposal and thought the revenue that was pledged would more than substantiate the cost of the bond.

Chair Woodhouse called a recess at 1:31 p.m. The meeting was reconvened at 2:21 p.m.

ASSEMBLYMAN FRIERSON MOVED TO APPROVE AGENDA ITEM C-2 FOR THE ADOPTION OF THE RESOLUTION APPROVING THE ECONOMIC DEVELOPMENT FINANCING PROPOSAL UP TO \$35 MILLION.

SENATOR ATKINSON SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

SENATOR ATKINSON MOVED TO APPROVE AGENDA ITEM C-1 FOR THE ADOPTION OF THE RESOLUTION TO CREATE THE TAX INCREMENT AREA AND TAX INCREMENT ACCOUNT.

ASSEMBLYMAN FRIERSON SECONDED THE MOTION.

Senator Goicoechea said, although the proposals were worthwhile, he was concerned about the cost to the state; therefore, he opposed the motion.

THE MOTION PASSED. (Senator Goicoechea, Assemblywoman Benitez-Thompson, Assemblywoman Monroe-Moreno, Assemblywoman Spiegel, Assemblyman Sprinkle and Assemblywoman Swank opposed the motion.)

#### **D. PUBLIC COMMENT.**

Sam Toll, Storey County resident, said he was encouraged by the fact that there were a number of nay votes for the TIA. Mr. Toll said he helped conduct a series of open house meetings with Storey County taxpayers who opposed the use of taxpayer funding for the pipeline when the proposal was introduced to Storey County a year ago. In addition, a meeting was held on September 4, 2018, and another was scheduled for September 6, 2018. He indicated that Storey County taxpayers were not in agreement with using future tax revenue to reimburse billion dollar global companies for infrastructure that would only benefit their businesses.

Mr. Toll said he was an enthusiastic and vigorous supporter of the pipeline. He recognized what the pipeline meant for Northern Nevada and the state's economic future. The companies within TRIC would attract other companies that would make payroll and provide for housing and opportunity in the state; however, money that would otherwise go to Storey County's general fund to help its citizens would be diverted to compensate billion dollar companies for the project. He stated that many Storey County residents were on a fixed income, and 50 percent of children in the county were food deprived. He said there was a sign on the way to Virginia City referring to it as the richest place on earth, but the citizens of Storey County were far from wealthy.

Mr. Toll said, by the time the bond and interest payments were made, nearly \$67 million would be diverted to reimburse global players for a project that represented pocket change to those companies, which was unacceptable to Storey County taxpayers; therefore, residents would continue to voice their opposition.

**E. ADJOURNMENT.**

Chair Woodhouse adjourned the meeting at 2:29 p.m.

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Senator Joyce Woodhouse, Chair  
Interim Finance Committee

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Rick Combs, Director, Legislative Counsel Bureau,  
and Secretary, Interim Finance Committee