

LCB File No. R104-04

**PROPOSED REGULATION OF THE BOARD FOR
FINANCING WATER PROJECTS**

CHAPTER 349 - STATE OBLIGATIONS

**GRANTS FOR CAPITAL IMPROVEMENTS TO
PUBLICLY OWNED WATER SYSTEMS**

NAC 349.430 Definitions. (NRS 349.982) As used in NAC 349.430 to 349.574, inclusive, unless the context otherwise requires, the words and terms defined in NAC 349.435 to 349.469, inclusive, have the meanings ascribed to them in those sections.

NAC 349.435 “Board” defined. “Board” means the board for financing water projects created pursuant to NRS 349.957.

NAC 349.440 “Bureau” defined. “Bureau” means the bureau of ~~health protection services of the health division of the department of human resources.~~ *water pollution control of the division of environmental protection of the department of conservation and natural resources.*

NAC 349.445 “Community water system” defined. “Community water system” means a public water system which:

1. Has 15 or more service connections; or
2. Serves 25 or more persons,

at places which are intended for year-round occupancy.

NAC 349.450 “Department” defined. “Department” means the state department of conservation and natural resources.

NAC 349.455 “Director” defined. “Director” means the director of the department.

NAC 349.460 “Division” defined. “Division” means the division of ~~water planning~~ *environmental protection* of the department.

NAC 349.461 “Eligible recipient” defined (NRS 349.981 3) *“Eligible recipient” means a political subdivision of the state of Nevada, including, without limitation, a city, county, unincorporated town, water authority, conservation district, water district, irrigation district, general improvement district, or conservancy district.*

NAC 349.462 “Fund” defined. (NRS 349.982) “Fund” means the fund for grants ~~to certain purveyors of water.~~ *for capital improvements for water conservation, connections to a municipal water system, protection of groundwater, and to certain purveyors of water.*

NAC 349.463 “Irrigation district defined (NRS 539.013) *“Irrigation district has the meaning ascribed to it in NRS 529.013*

NAC 349.463 “Nontransient water system” defined. (NRS 349.982) “Nontransient water system” has the meaning ascribed to it in NRS 349.980.

NAC 349.464 “Program” defined. (NRS 349.982) “Program” means the program to provide grants of money *for capital improvements for water conservation, improvements to a municipal water system, to protect groundwater, and* to purveyors of water *or an eligible recipient* to pay for costs of capital improvements pursuant to NRS 349.981.

NAC 349.465 “Public water system” defined. “Public water system” has the meaning ascribed to it in NRS 445A.840.

NAC 349.466 “Purveyor of water” defined. (NRS 349.982) “Purveyor of water” has the meaning ascribed to it in NRS 349.980.

NAC 349.467 “Requirements for public water systems” defined. (NRS 349.982) “Requirements for public water systems” means the requirements imposed:

1. By the state board of health pursuant to NRS 445A.800 to 445A.955, inclusive; or
2. Pursuant to the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq.

NAC 349.469 “Viable” defined. (NRS 349.982) “Viable” means having the financial, managerial and technical ability to sustain the operation of a community water system or nontransient water system over a long term and remain in compliance with the requirements for public water systems.

NAC 349.471 “Costs traditionally associated with capital improvements” interpreted. (NRS 349.982) For the purposes of NRS 349.980, the board interprets “costs traditionally associated with capital improvements” to include:

1. The costs to carry out any feasible and appropriate changes in operations necessary for ~~[a community water system or nontransient water system]~~ *an eligible recipient* to become viable, including, without limitation, changes in ownership, management, accounting, rates, maintenance, consolidation and alternative supplies of water; and
2. Any costs that are not directly related to the actual construction of the capital improvement, including, without limitation, costs for engineering, design, construction, legal and financial services, *any costs to obtain a loan from the drinking water state revolving fund*, and acquisition of water rights, easements and rights-of-way.

NAC 349.475 Eligibility for grant; filing of letter of intent. (NRS 349.982)

1. The board will provide a grant to ~~[a purveyor of water]~~ *an eligible recipient* only if:
 - (a) The grant will assist the ~~[purveyor of water]~~ *eligible recipient* in constructing a capital improvement ~~[to the community water system or nontransient water system]~~ that will directly enable the ~~[water system]~~ *eligible recipient* to: ~~[comply with the requirements for public water systems]~~

(1) comply with the requirements of Nevada’s Safe Drinking Water Program, if the capital improvement is for a public water system;

(2) conserve water pursuant to NRS 349.981 1. (b);

(3) abandon domestic wells and connect to a municipal water system pursuant to NRS 349.981 1. (c); or

(4) abandon an individual sewage disposal system and connect the property to a community sewage disposal system pursuant to NRS 349.981 1. (d); and

(b) The ~~[purveyor of water]~~ *eligible recipient* is unable to finance the proposed capital improvement from its own resources.

(c) The board will not provide a grant to a purveyor of water that is not listed on the current drinking water state revolving fund loan priority list, except where the grant is to fund an engineering evaluation of the water system.

(d) The board will give preference to public water systems that regularly serve fewer than 6,000 persons.

(e) Water meters or approved water measuring devices will be required for a public water system to receive a grant, unless the board determines that water meters or flow measuring devices are not required for effective system monitoring and conservation.

2. To apply for a grant, ~~[purveyor of water]~~ *an eligible recipient* must file with the board a letter of intent. The letter must include:

(a) The name, address and telephone number of the applicant.

(b) The date on which the publicly owned community water system or publicly owned nontransient water system, *conservation district, irrigation district, conservancy district or general improvement district* began service. If the exact date is not known, the month and year must be provided.

(c) The title or name, the location and a brief description of the proposed capital improvement, including maps or preliminary plans.

(d) The number of ~~[residential connections and people served and the number of nonresidential connections]~~ *beneficiaries* served *and the assessed value within the service area.*

(e) A preliminary estimate of the cost of the capital improvement, *including construction, engineering, contingency* and any additional costs necessary for financing the capital improvement.

(f) A description of future capital improvements planned by the applicant, if any, that are not part of the capital improvement for which the application for a grant is made.

(g) A brief description of how the capital improvement makes the ~~[community water system or nontransient water system]~~ *eligible recipient* comply with the *appropriate* requirements ~~[for public water systems]~~.

(h) Documentation concerning the inability of the applicant to finance the capital improvement, including, but not limited to:

(1) Letters from local lending institutions;

(2) Letters from financial advisers, accountants or fiscal agents, if applicable;

(3) Copies of any applications for funding the capital improvement filed by the applicant with a governmental agency that funds capital improvements, other than the board

(4) Copies of an application for a loan, or other appropriate documentation, from: the state of Nevada drinking water state revolving loan fund; the state of Nevada clean water state revolving fund; or other government funding agencies and a copy of documentation showing loan approval, denying the loan, or stating that it is unlikely that a loan will be approved.

(5) A statement concerning the inability of the applicant to finance the capital improvement.

(i) A brief demonstration, which includes any relevant financial information, that the ~~[community water system or nontransient water system]~~ *eligible recipient* will be viable upon completion of the capital improvement.

(j) ~~[A]~~ *For community or nontransient water systems, a* statement that the plan of water conservation adopted pursuant to NRS 540.131 will be filed with the division *of water resources* before receipt of the grant.

(k) Any additional information required by the board.

3. A letter of intent must be directed to the board at the address:

(a) Specified in the application for a grant provided by the division to the applicant; or

(b) Otherwise provided by the division to the applicant for that purpose.

4. An applicant shall provide nine copies of the letter of intent to the division.

NAC 349.480 Procedure following receipt of letter of intent. (NRS 349.982)

1. Upon receipt of a letter of intent the division shall:

(a) Record the date of receipt;

(b) Maintain a file containing all documents and information pertaining to the financing of the proposed capital improvement; and

(c) Promptly forward a copy of the letter of intent to the bureau, *division of water resources or bureau of health protection services*.

2. The division and the bureau shall review the letter of intent and forward their comments to the board within 30 days after receipt of the letter of intent.

3. The board will consider a letter of intent forwarded from the division and will, in a motion or resolution adopted by the board, determine:

(a) Whether the ~~[applicant:]~~

(1) ~~[Was]~~ *Community water system, nontransient water system, conservation district, irrigation district, general improvement district, or conservancy district was* in existence on January 1, 1995 *and is currently publicly owned;*

(2) ~~[Is]~~ *improvements will be* publicly owned; and

(3) ~~[Is otherwise]~~ *recipient is* eligible for the program pursuant to NRS 349.983; and

(b) Whether the proposed capital improvement is likely to be economically justified and financially feasible pursuant to the provisions of NAC 349.430 to 349.574, inclusive.

NAC 349.485 Approval of letter of intent. (NRS 349.982)

1. The board will approve the letter of intent in a motion or resolution adopted by the board if the board:

(a) Makes the determinations required pursuant to subsection 3 of NAC 349.480; and

(b) Finds that the capital improvement qualifies for a grant pursuant to NRS 349.983.

2. Upon approval of a letter of intent by the board, the applicant must file an application for the proposed capital improvement within 1 year after the date of approval or by a date specified by the board, except that:

(a) Upon the request of the applicant and based upon the occurrence of circumstances beyond the control of the applicant, the division may once authorize the applicant to file the application at a later date, which must not be later than 18 months after the date of approval or 6 months after the date originally specified by the board; or

(b) The board may, upon good cause shown, extend the period for the applicant to file the application.

3. If the board has approved a letter of intent, it may request that the division and the bureau, within the limits of their available resources, assist the applicant with preparing an application. The board may also request the division to issue a letter evidencing an intent to proceed with the program.

4. The approval of a letter of intent by the board does not guarantee or ensure that any proposed capital improvement will be provided a grant.

NAC 349.490 Disapproval of letter of intent; finality of decision of board; reapplication.

1. If the board does not make the affirmative determinations required by subsection 3 of NAC 349.480 or finds that the letter of intent does not meet the requirements of NAC 349.475, it shall disapprove the letter of intent, by motion or resolution, and promptly notify the division and the applicant of its decision, listing the reasons for disapproval.

2. The decision of the board is final.

3. If a letter of intent is disapproved by the board, the applicant may reapply not less than 6 months after the date of disapproval or at such time as is permitted by the board, whichever is earlier.

NAC 349.495 Submission of application and ~~deposit~~ application fee; disposition of ~~deposit~~ application fee. (NRS 349.982)

1. If a letter of intent for a proposed capital improvement is approved, an applicant must submit an original and nine copies of an application to the board.

2. An application submitted pursuant to subsection 1 must be:

(a) In the form provided by the division; and

(b) Addressed to the board as provided in subsection 3 of NAC 349.475.

3. ~~A deposit~~ **An application fee** of \$1,000 must be paid to the division at the time an application is filed. The division shall deliver the money to the state treasurer for credit to the fund. The money must be used to defray the expenses of the division related to the program for financing the capital improvement. The amount of the ~~deposit~~ **application fee** must be included in the total amount of the administrative fee charged to a recipient of a grant pursuant to NAC 349.545. ~~A deposit~~ **An application fee** paid to the division pursuant to this subsection is nonrefundable **nor eligible for reimbursement if a grant is awarded**

NAC 349.500 Application: Required items and information; waiver of requirements. (NRS 349.982)

1. Except as otherwise provided in subsection 2, the application must include, **if appropriate**, the following items and information:

(a) A preliminary engineering report for the construction, operation and maintenance of the proposed capital improvement, including:

(1) The expected costs and benefits of the project;

(2) Plans for the development of the facilities of the ~~community water system or nontransient water system~~ **eligible recipient**; and

(3) The economic justification for and expected feasibility of the project, as prepared by a person licensed as a professional engineer pursuant to chapter 625 of NRS.

(b) A complete and legible legal description of the entire area of service for the capital improvement, including a map showing the layout of the capital improvement and the location and number of persons served by the capital improvement in relation to maps of the United

States Public Lands Survey, assessor's maps, or aerial or other similar maps showing sections and townships.

(c) A complete and legible copy of the legal description of the property that will be occupied by the ~~[community water system or nontransient water system]~~ **improvements**, including the assessor's plot maps on which the proposed capital improvement is identified.

(d) Proof of ownership, rights-of-way, easements or agreements, showing that the applicant holds or is able to acquire all lands, other than public lands, interests therein and water rights necessary for the construction of the proposed capital improvement. Copies of deeds to lands to be occupied, records of surveys, easements, agreements or permits to appropriate water may be used as evidence of ownership.

(e) A report concerning the amount of water required to satisfy the needs of the capital improvement, including:

- (1) The source and amounts of supply;
- (2) The rights to the water;
- (3) The quality of the water going into the capital improvement;
- (4) The quality of treated water flowing out of the capital improvement; and
- (5) A schedule indicating the volume of water required each month from the capital

improvement to meet the needs of the customers of the community water system or nontransient water system.

(f) ~~[A]~~ **For a community water system or nontransient water system, a** report concerning the implementation of the plan of water conservation adopted by the applicant pursuant to NRS 540.131, including:

- (1) A copy of the plan;
- (2) The most recent schedule established by the applicant for carrying out the plan; and
- (3) An analysis of the effectiveness of the plan.

(g) A complete and itemized list of the total estimated cost of the proposed capital improvement, including an estimate for **construction**, contingencies, engineering fees, administrative fees, legal fees and financing fees.

(h) An estimate of the capital costs required for the installation of water meters on all service connections to the community water system or nontransient water system, including an analysis of the feasibility of installing the water meters.

(i) Information which demonstrates that the capital improvement complies with applicable local regulations governing the use of land and water and any other applicable regulations and ordinances.

(j) A list of the permits required to carry out the capital improvement, with the anticipated dates and conditions for approval of those permits.

(k) The estimated cost of operation and maintenance for the capital improvement.

(l) The amount of money available for the capital improvement other than the money to be derived from the program, including terms of repayment if short-term or long-term financing is contemplated as a source of funding.

(m) A plan for the construction of capital improvements ~~[to the community water system or nontransient water system]~~ **eligible recipient** during the next 5 years.

(n) Copies of the current documents prepared by or on behalf of the applicant pursuant to NRS 350.013, which depict the effect of the proposed capital improvement on the financial capacity of the ~~[community water system or nontransient water system]~~ **eligible recipient**.

(o) Data and information deemed necessary by the division or by the financial advisers or other consultants of the division.

2. The board may waive any of the requirements of subsection 1 upon written request of the applicant.

NAC 349.505 Determination of financial feasibility of proposed capital improvement; evaluation of certain abilities of water system. (NRS 349.982) Upon receipt of an application, the division shall:

1. Forward all data and information contained in the application to the bureau and, if necessary, to any financial adviser, attorney and other person retained by the division to determine the financial feasibility of the proposed capital improvement.

2. Evaluate the ability of ~~[the community water system or nontransient water system]~~ *eligible recipient* to provide for:

(a) The continuing replacement of components of the water system that are functionally obsolete or worn out;

(b) Current and anticipated debt service; and

(c) Current and future expenses of operation and maintenance.

3. Water rates

(a) Unless there are exceptional circumstances, customers in a community receiving a grant must pay a minimum water fee for water before the state contributes grant funds.

(b) Water rates must be sufficient to: operate, maintain, and periodically replace or renew the facility.

NAC 349.510 Review of application and feasibility reports; incomplete application; reports to board. (NRS 349.982)

1. Within 20 working days after receipt of an application and deposit, the division shall review the application and determine if all information required by the board has been provided.

2. If the division determines that the application is incomplete, the division shall, within 30 working days after the receipt of the application and deposit, notify the applicant of the deficiencies and provide the applicant with instructions for satisfying those deficiencies. The applicant must comply with those instructions within 45 working days after the receipt of the instructions, except that, upon written request by the applicant and for good cause, the division may once extend the period for compliance by the applicant. If the applicant submits any additional information concerning his application within the appropriate period, the division shall, within 30 working days after receipt of that information, determine whether the application is complete. If the applicant does not complete the application because ~~[he]~~ *the applicant* failed to comply with the instructions provided to ~~[him]~~ *the applicant* by the division or submit any additional information required by the division within the appropriate period, the division shall recommend that the board deny the application.

3. Within 60 working days after the division determines that the application is complete, the division shall review the application and feasibility reports and prepare a report to the board concerning the application.

4. The bureau *and the division of water resources or the bureau of health protection services* shall review the application to determine if the capital improvement complies with ~~[the]~~ *their* requirements ~~[for public water systems]~~. The bureau shall prepare a report to the board

concerning the capital improvement within 60 working days after receipt from the division of the completed application.

5. The report to the board prepared by the division and the bureau must contain:

- (a) The application;
- (b) A summary of the economic justification for and financial feasibility of the proposed capital improvement;
- (c) The status of the funding available to the applicant for the capital improvement; and
- (d) Evaluations by the division concerning:
 - (1) Whether the ~~[community water system or nontransient water system]~~ *eligible recipient* will be viable upon completion of the proposed capital improvement;
 - (2) ~~[The]~~ *If appropriate, the* effectiveness of the applicant's efforts to conserve water and of the plan of water conservation adopted by the applicant pursuant to NRS 540.131; and
 - (3) The need for and the feasibility of installing water meters on all service connections to the community water system or nontransient water system.

NAC 349.515 Receipt of permits or authority to proceed required; exceptions; determination of sufficient water rights. (NRS 349.982)

1. Except as otherwise provided in subsections 2 and 3, an application must not be approved by the board until:

- (a) Copies of any permits necessary for compliance with any requirements for planning and zoning, including any necessary variances or special use permits, are received by the board; or
- (b) Each agency issuing a permit specified in paragraph (a) has given written authorization to proceed with the proposed capital improvement and a copy of the authorization is received by the board.

2. The board may waive the requirements of subsection 1 if it has received information from its counsel or any other reliable source that the proposed capital improvement will receive or has received all permits required by any governmental agency which are necessary to proceed with the construction, improvement, rehabilitation or redevelopment of the capital improvement.

3. The board may, before it receives any permit required pursuant to subsection 1 that requires the submission of a detailed engineering design, approve an application if there are no foreseeable conditions threatening the feasibility of the proposed capital improvement.

4. The board will not approve an application until it determines that the applicant owns sufficient water rights to carry out the proposed capital improvement or there are water rights otherwise available and committed to the proposed capital improvement.

NAC 349.520 Disapproval of application: Procedure; notice.

1. If the board determines not to approve an application, it will prepare findings and conclusions concerning its determination and adopt a resolution stating the reasons for the disapproval.

2. The board will give the applicant and the division notice of its action.

NAC 349.525 Public meeting on proposed capital improvement; correction of deficiencies. Before approving an application, the board or its designated representative:

1. Will hold a public meeting on the proposed capital improvement and provide reasonable notice to the members of the public who may be affected by the capital improvement.
2. May return the application to the applicant for the correction of any deficiencies.

NAC 349.530 Review of completed application; determinations by board. (NRS 349.982)

1. Except as otherwise provided in subsection 2, the board will review the completed application and determine whether, based on the records and documents submitted to the board concerning the capital improvement:

- (a) The proposed capital improvement is economically justified and financially feasible.
- (b) The proposed capital improvement complies with the provisions of NRS 349.980 to 349.987, inclusive.
- (c) The plan for development of the proposed capital improvement is satisfactory.
- (d) The applicant is able to obtain the financing required to complete the capital improvement.
- (e) The applicant has taken sufficient and reasonable efforts to determine whether the proposed capital improvement conflicts with any regional master plan of any local, state or federal governing authority, and those efforts have not revealed such a conflict.
- (f) The proposed capital improvement will not use or waste excessive quantities of water.

2. If the board determines pursuant to paragraph (a) of subsection 1 that the proposed capital improvement is not economically justified and financially feasible, the board will, based on the records and documents submitted to the board concerning the capital improvement, determine whether the construction of the capital improvement is in the interest of the state and brings the community water system or nontransient water system into compliance with the requirements for public water systems. In making its determination, the board will consider:

- (a) Whether there are any communities located near the community water system or nontransient water system that offer similar living conditions with potable water;
- (b) Whether the applicant has taken sufficient and reasonable efforts to discover an alternate source of potable water for the community water system or nontransient water system; and
- (c) Whether any other useable source of potable water for the community water system or nontransient water system has been discovered.

3. The board will approve or disapprove the proposed capital improvement taking into consideration the determinations made pursuant to subsections 1 and 2. If the board approves the proposed capital improvement, it will take into consideration the amount of money in the fund and determine whether to provide a grant for the proposed capital improvement. The board may give precedence to capital improvements which provide maximum benefits to the state.

NAC 349.535 Determination to provide grant: Action by board; duties of division. (NRS 349.982)

1. If the board determines to provide a grant, it will adopt a resolution which will include:
- (a) A statement of the approval of the board that sets forth its findings of fact concerning its determinations made pursuant to NAC 349.530;
 - (b) The application; and
 - (c) The terms for providing the grant to the applicant.

The board will provide a grant of between 57.1% and 87.0% of the total eligible costs.

(a) To determine the amount of a grant to a purveyor of water the board will use a scale to determine the grant amount, which may be subject to periodic revision

(b) The scale factors will contain at least:

- a. Need as determined on the drinking water state revolving fund loan priority list*
- b. Median household income compared to the state median household income*

- c. Persons served by the water system*
- d. Reduction of water leakage*
- e. Water conservation effectiveness*
- f. Relative rank of the project to other projects on the current years priority list, drinking water state revolving fund*
- g. Monthly residential water rates on the date of the application*
- h. Others factors that the board determines relevant*

2. The board will send a copy of the resolution to the division.
 3. Within 10 days after receipt of the resolution of the board, the division shall:
 - (a) Notify the applicant, director and bureau of the decision of the board.
 - (b) Impose an administrative fee in accordance with the provisions of NAC 349.545.
 - (c) Send the applicant an inducement letter which:
 - (1) States the intention of the director to issue the grant to be paid as other claims against the state are paid if the capital improvement meets local, state and federal requirements;
 - (2) States the amount of the grant;
 - (3) States that if the grant is to be made from the proceeds of bonds, it will be conditioned upon the successful issuance of the bonds;
 - (4) Directs the applicant to submit any supporting documentation required by the division;
- and
- (5) Directs the applicant to comply with any conditions imposed upon the grant and to enter into the funding agreement required pursuant to NAC 349.549 within 6 months after the date the board approves the grant or such other date as the board specifies.

NAC 349.540 Request for issuance of general obligation bonds; commitment for grant.
(NRS 349.982)

1. Upon receipt of a resolution of the board approving the capital improvement, the division may request the state board of finance to issue general obligation bonds in an amount sufficient to fund the grant. ~~[The division shall notify the director of the department of administration of any proposed sale of bonds.]~~
2. If the state board of finance approves the request of the division, a commitment for the grant may be made by the division. If such a commitment is made, the director shall enter into the funding agreement required by NAC 349.549.

~~[NAC 349.545 Administrative fee: Payment; disposition. (NRS 349.982)~~

~~— 1. A recipient of a grant must pay an administrative fee to the division by the date designated by the division. The administrative fee must be established by the administrator of the division based on the relative size, complexity and cost of the capital improvement, in an amount that does not exceed 3 percent of the money granted to the recipient.~~

~~— 2. The deposit required pursuant to subsection 3 of NAC 349.495 must be applied toward the administrative fee. All or any part of the administrative fee may be paid out of the money granted to the recipient.~~

~~— 3. The administrative fee must be used to reimburse any expense incurred by the division and the board pursuant to NAC 349.430 to 349.574, inclusive, and any other interagency agreement made in connection with the program. Any portion of the administrative fee which:~~

~~— (a) Exceeds the amount of the deposit paid by the recipient pursuant to subsection 3 of NAC 349.495; and~~

~~—(b) Is not required to reimburse the division and board, must be refunded to the recipient.]~~

NAC 349.549 Funding agreement. (NRS 349.982)

1. The recipient of a grant under the program and the director shall, if all conditions of the grant have been met, execute a funding agreement that complies with the requirements of this section.

2. The funding agreement must:

(a) Be for a term of not more than 5 years.

(b) Set forth the maximum amount disburseable pursuant to the grant, the percentage of eligible costs that will be paid and the amount of the minimum contribution to be paid by the recipient.

(c) Distinguish costs that are eligible and ineligible for payment pursuant to the grant, and set forth formulas for sharing the cost of components of the capital improvement that are partially eligible for payment pursuant to the grant.

(d) Describe procedures for the disbursement of the grant.

(e) Set forth any state requirements regarding:

(1) Compliance with the laws of this state;

(2) Access by the state to any accounts and books of the recipient that relate to the capital improvement;

(3) Access to the site of the capital improvement for inspection by state personnel;

(4) Indemnification of the state;

(5) The acknowledgment of the amount contributed by the state pursuant to the grant;

(6) The submission of financial reports and reports concerning the progress of the capital improvement;

(7) The maintenance of records;

(8) The provision of addresses for notification and other communication;

(9) The approval of plans and specifications;

(10) The submission of proof of the receipt of any required permits;

(11) The notification of the state concerning any difficulties in the construction or funding of the capital improvement that could adversely affect the capital improvement;

(12) The notification of the state concerning any claims made against the owner of the ~~[community water system or nontransient water system]~~ *eligible recipient*, the engineer or contractor for the capital improvement, or any other person associated with the capital improvement; and

(13) The submission, review and approval of contract change orders.

(f) Set forth provisions concerning:

(1) Requirements for the methods of procurement and applicability of the provisions of chapter 332 of NRS;

(2) Any default or termination;

(3) The rights of the state if the agreement is terminated;

(4) The right of the state to commence legal proceedings;

(5) The right of the state to require audits at the expense of the recipient;

(6) The amendment of the agreement;

(7) Requirements for notification of the parties to the agreement; and

(8) The release of any liability arising from a default.

(g) Set forth any other contractual provisions relevant to the grant or capital improvement.

NAC 349.554 Duties of recipient of grant before commencement of bidding and construction. (NRS 349.982) The recipient of a grant under the program:

1. Shall, before:
 - (a) Bids for the capital improvement are advertised, submit to the division the engineering design, plans and specifications for the capital improvement.
 - (b) Bids for the capital improvement are opened, submit to the division the bidding schedules and item descriptions for measurement and payment.
 - (c) Construction of the capital improvement is begun, submit to the division:
 - (1) Proof of the receipt of all necessary permits.
 - (2) Documentation that any procedures for purchasing and contracting required by the state are being followed.
 - (3) The agendas for any conferences held before bidding and construction.
 - (4) Schedules for procurement and construction.
 - (5) Proof that the funding required to be contributed by the recipient of the grant has been committed to the capital improvement.
 - (6) Any other documents that the division deems necessary to verify compliance with the goals of the program.
2. Shall not allow the commencement of any construction relating to the capital improvement until the division provides the recipient of the grant with a written notice to proceed with the capital improvement. The division shall, upon its approval of the items received pursuant to subsection 1, provide the recipient with that notice.

NAC 349.559 Duties of recipient of grant: Submission of information to division. (NRS 349.982) The recipient of a grant under the program shall:

1. During the construction of the capital improvement, provide the division with such documents as the division deems necessary to determine compliance with the funding agreement.
2. Submit to the division monthly reports concerning the progress of the construction of the capital improvement. Each report must include:
 - (a) A brief description of any work performed on the capital improvement after the date of the report submitted by the recipient pursuant to this subsection for the immediately preceding month;
 - (b) A discussion of any problems encountered that may cause a deviation from the schedule of construction for the capital improvement or an adjustment to the budget for the capital improvement; and
 - (c) Copies of any work directives and change orders issued to the contractor during the period specified in paragraph (a), regardless of whether the contractor approved the directives or orders.
3. Submit to the division quarterly financial reports concerning the construction of the capital improvement. Each report must:
 - (a) Include a current budget for the completion of the capital improvement that accurately reflects:
 - (1) Any costs incurred up to the date of the report;
 - (2) The anticipated costs to complete the capital improvement; and
 - (3) The status of available funding; and

(b) Be accompanied by copies of any change orders affecting the scope or cost of any components of the capital improvement that are eligible for payment pursuant to the grant.

4. Provide the division with current schedules for the construction of the capital improvement and such other current information as the division deems necessary to ensure that:

(a) The components of the capital improvement that are eligible for payment pursuant to the grant will be completed; and

(b) The health needs of the community will be met.

NAC 349.564 Disbursement of money pursuant to grant. (NRS 349.982)

1. Before submitting any requests for the disbursement of money pursuant to a grant under the program, the recipient of the grant shall remit any remaining balance of the local share of the administrative fee imposed in accordance with NAC 349.545.

2. The recipient of the grant shall:

(a) Submit periodic requests for the disbursement of money pursuant to the grant on forms provided by the division.

(b) Provide the division with:

(1) Copies of all contracts related to the capital improvement, including contracts for construction, procurement and the provision of professional services. Any invoice submitted by the recipient of the grant for the payment of reimbursable costs must include references to the authorizing contracts and, if such a contract is divided into separate tasks, references to those tasks.

(2) Proof that any prior disbursements of money pursuant to the grant have been distributed in an appropriate manner. The proof must consist of copies of the front and back of canceled checks issued by the recipient of the grant *or a signed letter from each vender stating that they have been paid in full for the invoice that is to be reimbursed by the current request for disbursement of money.*

3. The disbursement of any money pursuant to a grant under the program must comply with the funding agreement. Each payment must be approved based on the actual costs to date.

NAC 349.569 Award of credit toward amount of money recipient of grant is required to provide. (NRS 349.982)

1. The division may give a recipient of a grant pursuant to the program credit toward the amount of money the recipient is required to provide for the capital improvement pursuant to subsection 3 of NRS 349.983 if the recipient contributes to the capital improvement:

(a) All of the money the recipient has available for that purpose; and

(b) Material, labor, equipment or any other contribution approved by the division other than money.

The credit must not exceed the unpaid balance of the amount the recipient is required to provide pursuant to that subsection.

2. To obtain credit pursuant to subsection 1:

(a) A recipient of a grant pursuant to the program must submit to the division:

(1) Documentation for each contribution made to the capital improvement by the recipient for material, labor, equipment or other contribution approved by the division;

(2) A postconstruction audit of each contribution made to the capital improvement by the recipient; and

(3) Any other information the division deems appropriate.

(b) All forms, rates and documentation submitted by the recipient of the grant must be approved by the division.

3. If the division approves the credit, the amount of the credit must be determined by the division based on:

- (a) The prevailing wage for similar classifications of work;
- (b) The rates paid by the department of transportation for the rental of equipment; or
- (c) The actual costs sustained by the recipient of the grant.

NAC 349.574 Procedure following completion of capital improvement. (NRS 349.982)

1. After the recipient of a grant pursuant to the program has completed the capital improvement, the recipient shall submit to the division for its approval:

(a) A final engineering report that includes a certificate of completion executed by an engineer indicating that:

(1) The capital improvement has been completed in accordance with the provisions of the funding agreement;

(2) The capital improvement as constructed has been tested and satisfies the objectives for which it was designed and performs the functions for which it was intended; and

(3) Based on the results of the test specified in subparagraph (2), the quality of materials and workmanship are consistent with the plans and specifications approved for the capital improvement;

(b) Drawings of the capital improvement as constructed that depict any material changes from the initial plans for the capital improvement;

(c) The dates the capital improvement was tested, accepted and placed into service;

(d) A statement of the final costs for the capital improvement; and

(e) If required by the bureau, proof that the capital improvement performs the tasks for which it was designed.

2. The recipient of the grant may submit its final request for disbursement of the grant only after the division has approved the final engineering report submitted pursuant to subsection 1.

3. If the final engineering report, certificate of completion and statement of final costs submitted pursuant to subsection 1 are approved by the division:

(a) The division shall release the recipient of the grant from any liability arising pursuant to the funding agreement; and

(b) The recipient of the grant shall discharge the division and the State of Nevada from any claims or demands arising pursuant to the funding agreement.

4. Upon completion of the requirements of this section and payment of the final request submitted pursuant to subsection 2, any undisbursed amount of the sum authorized for the grant will be made available for other grants pursuant to the program.