



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** May 18, 2023

Staff Contact: Darren Schulz, Public Works Director

Agenda Title: For Possible Action: Discussion and possible action regarding a proposed interlocal agreement with the State of Nevada ("State") for the purchase of water by Carson City ("City") from the Marlette Lake Water System for Fiscal Year ("FY") 2024, for a total not-to-exceed amount of \$1,350,000. (Darren Schulz, dschulz@carson.org and Eddy Quaglieri, equaglieri@carson.org)

Staff Summary: While the City and the State's negotiations for a long-term agreement are ongoing, the City and the State propose the continuation of the existing interim water agreement for FY 2024 for the City to purchase water from the Marlette Lake Water System.

Agenda Action: Formal Action / Motion **Time Requested:** Consent

Proposed Motion

I move to approve the agreement as presented.

Board's Strategic Goal

Sustainable Infrastructure

Previous Action

December 3, 2020 (Item 15F) – The Board of Supervisors ("Board") approved the FY 2022 and 2023 interim water agreement with the State.

July 18, 2019 (Item 22C) - The Board approved the FY 2020 and 2021 interim water agreement with the State.

Background/Issues & Analysis

The Marlette Lake Water System has provided water to Carson City and Virginia City for well over 100 years. The system consists of Marlette Lake, the Hobart Reservoir, a system of catchments on the East Slope of the Sierra Nevada Mountains above Washoe Valley, and a system of pumps, interconnecting pipes, tanks and an inverted siphon that feed water to Virginia City and Carson City. Water from the Marlette Lake Water System is critical to the City and is an integral part of the City's water plan. The water supply is important from a conjunctive management standpoint; in other words, to be fully used during wet years in order to save the City's groundwater for dry years, when groundwater is the only source available. Marlette and Hobart reservoirs are and will become increasingly more critical in buffering against a changing climate, which is forecasted to produce more rain in the future which requires reservoirs in order to release the water when demand requires. This water also plays a part in diluting inorganics when mixed with Carson City's groundwater. Historically,

water from the Marlette Lake Water System has generally been available during the City's peak demand months in July, August and September.

In past years, the Marlette Lake Water System has delivered to the City approximately 2,000 acre-feet per year ("AF/YR") of water (about 652 million gallons). More recently, however, the City has had difficulty treating the water from Marlette/Hobart Lakes at the Quill treatment plant due to organics that the Quill treatment plant cannot handle, and the volume of water that the City has purchased from the East Slope of the Marlette System has been approximately 1,500 AF/YR, or about 488 million gallons. The City is currently working on the Quill Surface Water Treatment Plant Upgrade in order to utilize all available surface water. While the Quill Surface Water Treatment Plant Upgrade is being completed to treat the Marlette Lake water, the City is putting the water to beneficial use, including, but not limited to, the newly revised Vicee Canyon Recharge Program, water right trades for irrigation, enhanced system operations and permitted water right transfers downstream.

The City and the State are in discussions concerning a long-term water agreement. In the interim, City and State staff propose an additional one-year interim water agreement for FY 2024 for the City to purchase water from the Marlette Lake Water System. Under this interim agreement, the City agrees to pay for the ongoing bond service, approximately \$50,000 per month, a monthly charge for operation and maintenance fees of \$12,099 per month, and to pay for raw water at the rate of \$0.75 per thousand gallons. The City's payments for the bond service will total \$612,392 for FY 2024. The bond service payments are scheduled to continue at this level until 2035, after which time the bond service payments will diminish and cease after 2038. The City's payments for the operation and maintenance fee and for the raw water, combined, are capped at \$550,000 for FY 2024. Thus, the City's yearly payments are subject to a cap of approximately \$1.15 million per year (approximately \$612,392 in bond payments and \$550,000 for operation and maintenance fees and for raw water).

The City does pledge, however, to make reasonable, good-faith efforts to purchase additional raw water if the water and the City's funding is available. At \$550,000, less the \$12,099 per month operation and maintenance fee (\$145,188 per year), there is \$404,812 available for raw water purchases. At \$0.75 per thousand gallons, this equates to approximately 540 million gallons of water, or 1,656 acre-feet. It is not clear if the Marlette Lake Water System will be able to provide to Carson City as much water as it has historically. But given the recent wet years and the State's ongoing recommissioning of the Marlette Lake pump, 652 million gallons, or more, may be available for the City's purchase. At a rate of \$0.75 per thousand gallons, 652 million gallons is approximately \$491,250 per year, or an additional approximately \$86,438 per year. If the City is fiscally able to, purchasing additional water from the Marlette Lake Water System will help financially support the System, will help to offset the City's fixed water costs and will ensure that the City can continue to rely upon a critical source of water for the City. For this reason, a not-to-exceed amount of \$1.35 million is requested, \$1.15 million of which is contracted, and \$200,000 of which, if budgeted and available, could be used to purchase additional available raw water.

Applicable Statute, Code, Policy, Rule or Regulation

Public Law 101-618; NRS Chapter 533; State Engineer Water Right Permit 30896 and Certificate 8855

Financial Information

Is there a fiscal impact? Yes

If yes, account name/number: 5203502-500452 – Water Purchase/State-Monthly, 5203502-500453 – Water Purchase/State Usage, 5203502-500455 – Water-State Pump SVC Fee, 5203502-500456 – Water-State Sys Wide Impr

Is it currently budgeted? Yes

Explanation of Fiscal Impact: The FY 2024 provisions provide an interim water purchase agreement. The budgeted amount in FY 2024 is \$1,128,136, consisting of \$612,392 for the bond payments, \$145,188 for the operation and maintenance fee and \$370,556 for water purchases. Should additional water be available and used from the State system, the water purchase line item will be augmented using available funds in the infrastructure capital account in the water utility fund.

Alternatives

Do not approve the agreement and/or provide staff with alternative direction.

Attachments:

[Marlette Rate Agreement Interim Agreement Renewal FY 2024 DRAFT.docx](#)

Board Action Taken:

Motion: _____	1) _____	Aye/Nay
	2) _____	_____

(Vote Recorded By)

**INTERIM INTERLOCAL CONTRACT FOR FY 2024
WATER SALE AGREEMENT**

This Agreement is made by and between Carson City (City) a Consolidated Municipality and a political subdivision of the State of Nevada, and the State of Nevada (State), by and through the State Public Works Division of the Department of Administration, Buildings and Grounds Section on behalf of the Marlette Lake Water System (collectively referred to as the Parties, and individually as a Party).

RECITALS

WHEREAS, the Marlette Lake Water System, composed of the water rights, easements, pipelines, flumes and other fixtures and appurtenances used in connection with the collection, transmission and storage of water in Carson City and Washoe and Storey Counties, was acquired by the State of Nevada pursuant to law; and

WHEREAS, pursuant to Nevada Revised Statute 331.160, the Public Works Division of the Department of Administration is responsible for the supervision and administration of the functions of the Marlette Lake Water System; and

WHEREAS, Carson City is a political subdivision of the State of Nevada and pursuant to Nevada Revised Statute 331.160 is entitled to water from the Marlette Lake Water System; and

WHEREAS, Carson City and the State Public Works Division are Public agencies as defined by NRS 277.100, and pursuant to NRS 277.180, are authorized to contract for the performance of any activity, service or undertaking which they are authorized by law to perform; and

WHEREAS, for purposes of this Interim Agreement City and State seek to cooperate to set rates (excluding costs for major capital costs of improving and modernizing the System) for FY 2024, as may be further amended by the Parties under the terms of this Agreement;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the Parties agree as follows:

1. **Term.** This Agreement shall govern the water rates State charges to City from July 1, 2023 to June 30, 2024. The Parties agree that the terms of this Agreement are effective, even if retroactively, beginning on July 1, 2023.
2. **Termination.** This Agreement shall terminate upon mutual consent of both Parties, or when the Parties enter into an interlocal agreement for the sale of water from State to City.
3. **Bond Payments for FY 2024.** City shall pay to State monthly fees to service Marlette Lake Water System Bond payments. The bond payments shall be approximately \$50,000 per month, as required by the State's bond repayment schedule. The bond payments of approximately \$50,000 are not included in the calculation of the \$550,000 Cap on City Payments for FY 2024.
4. **Operation Maintenance Fee Payments for FY 2024.** City shall pay to State a monthly Operation Maintenance fee of \$12,099.00.
5. **Raw Water Rates for FY 2024.** For the raw water received from the Marlette Lake Water System City shall pay to State a rate of \$0.75 per 1000 gallons (per kgal). City shall buy all water provided by the Marlette System to City, subject to the cap on City's payments and delivery of associated water. Water shall be delivered based upon normal operations, other water commitments, and availability.
6. **Cap on City Payments for FY 2024.**

a. **FY 2024** . City's payments for raw water and the Operation Maintenance Fee, combined, shall be capped at \$550,000.00. If additional raw water is available beyond this amount, City will make reasonable, good-faith efforts to buy the additional raw water.

7. Entire Agreement and Modification. This Agreement constitutes the full and final agreement between the Parties. This Agreement may not be amended or assigned except by an agreement in writing signed by both Parties and it will be binding upon and inure to the benefit of the Parties' respective successors and assigns.

8. Required Approval. This Agreement requires approval of the Carson City Board of Supervisors, and the Public Works Division of the Department of Administration and the Nevada Board of Examiners. However, by its express terms the Agreement applies retroactively and becomes effective on July 1, 2023.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and intend to be legally bound thereby.

ON BEHALF OF THE NEVADA PUBLIC WORKS DIVISION, DEPARTMENT OF ADMINISTRATION:

Signature Date

Title

ON BEHALF OF CARSON CITY, A CONSOLIDATED MUNICIPALITY:

Signature Date

Title

Board of Examiners Date

Approved as to form by:

Deputy Attorney General Date
for Nevada Attorney General

Deputy District Attorney Date
for Carson City District Attorney