

**INTERLOCAL AGREEMENT FOR THE
PALOMINO FARMS RESOURCE SUSTAINABILITY FEASIBILITY STUDY**

This Interlocal Agreement dated as of the last date executed by the Parties below (Effective Date) is between the Truckee Meadows Water Authority, a joint powers authority under the laws of the State of Nevada (TMWA), the City of Reno, a municipal corporation (Reno), City of Sparks, a municipal corporation (Sparks), and Washoe County, a political subdivision of the State of Nevada (Washoe County). TMWA, Reno, Sparks, and Washoe County may be referred to under this Agreement individually as a Party or collectively as the Parties.

RECITALS

A. NRS 277.180 provides that any one or more public agencies may contract with any one or more other public agencies to perform any governmental service, activity, or undertaking which any public agency, entering into the contract, is authorized to perform.

B. TMWA is a public purveyor of water service within Reno, Sparks, and portions of Washoe County, Nevada and is interested in locating sites where it may bank water through active and passive groundwater recharge, and in developing groundwater resources to provide an additional source of water for drought protection, water resource sustainability, and operational flexibility.

C. Reno and Sparks operate a regional water reclamation facility known as the Truckee Meadows Water Reclamation Facility (TMWRF), and Reno and Washoe County operate other regional water reclamation facilities in their jurisdictions. As operators of regional water reclamation facilities, Reno, Sparks and Washoe County are interested in exploring long-term opportunities to provide treated effluent as recycled water for agricultural irrigation or other beneficial uses rather than discharging it to surface waters, like the Truckee River.

D. Palomino Farms LLC and LW Land Company, LLC (collectively, Palomino-LW) own approximately 1,484 acres of farmland and 2,580 acre-feet (AF) of groundwater rights in Warm Springs Valley, Nevada, which land (Palomino-LW Land) and water rights (Palomino-LW Water Rights) are more-specifically described on the attached Exhibits A and B.

E. Under the auspices of OneWater Nevada, a collaboration between TMWA, Reno, Sparks, Washoe County, the University of Nevada, Reno and other local government entities, with the cooperation of Palomino-LW, a feasibility study is proposed to evaluate the long-term feasibility of using recycled water from TMWRF and other regional water reclamation sources to irrigate the Palomino-LW Land in lieu of using their existing groundwater rights (the Feasibility Study).

F. The Feasibility Study will evaluate the feasibility and direct and indirect benefits of, among other things: (i) providing another option for regional treated effluent management, (ii) reducing the volume of treated effluent being discharged into the Truckee River, (iii) the long-term delivery of treated effluent as recycled water for permanent use for irrigation, land application or

other beneficial uses on the Palomino-LW Land, (iv) increasing the sustainability of the Warm Springs groundwater basin by resting current irrigation wells, (v) recharging and storing on a long-term basis potable water and potentially advanced purified water in the Warm Springs groundwater basin using rapid infiltration basins or injection wells on Palomino-LW Land, and (vi) providing TMWA with a water banking site and an additional source of water for drought protection, water resource sustainability, and operational flexibility; (vii) availability and suitability of existing conveyance pipelines and appurtenances, and (viii) right-of-way corridors for water system facilities.

G. Depending on the results of the Feasibility Study, there may also be benefits to Palomino Valley from leaving the Palomino-LW Land as farmland and open space, augmenting the water supply in the Warm Springs groundwater basin, improving area groundwater levels and water quality, and preserving existing farmland and a rural lifestyle. The intent includes determining whether water resources can be improved and sustainably managed improving the overall regional water supply.

H. To facilitate the Feasibility Study, TMWA has entered or will enter concurrently herewith a Feasibility Study Agreement with Palomino-LW (the Palomino Farms Agreement) pursuant to which Palomino-LW will grant TMWA physical access to the Palomino-LW Land to conduct the Feasibility Study for a ten month period and will grant TMWA access to data and information related to irrigation operations, the land, wells and water rights as necessary to allow TMWA to conduct the Feasibility Study, as well as options for TMWA to secure rights and interests for implementing permanent treated effluent solutions on the Palomino-LW Land if determined sustainable under the Feasibility Study.

I. The Parties desire to enter this Agreement for purposes of outlining each of their respective obligations and responsibilities regarding the Feasibility Study and their desire to work together and cooperatively on all public outreach, engagement, and education regarding the intent and scope of the Feasibility Study and the direct and indirect benefits to the region.

AGREEMENT

NOW THEREFORE, in consideration of the forgoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. PURPOSE AND INTENT

The purpose of this Agreement is to facilitate unified and cooperative efforts to complete a study to inform the Parties on the viability and future benefits of developing alternate options for regional treated effluent management, reducing the volume of treated effluent being discharged into the Truckee River, using treated effluent as recycled water for irrigation purposes, recharging and storing on a long-term basis potable water and advanced purified water, developing water banking sites and securing and developing additional water supplies for drought protection and operational flexibility, and potential roles and responsibilities on related water management

projects in the future. Further, the Feasibility Study will investigate the availability and suitability of both existing water infrastructure necessary to convey water to the Palomino-LW Land as well as existing or necessary rights-of-way, easements, and/or pipeline corridors.

2. PERFORMANCE OF FEASIBILITY STUDY

2.1 Palomino Farms Agreement. TMWA will endeavor in good faith to negotiate and enter the Palomino Farms Agreement with Palomino-LW for the purpose of securing access to the Palomino-LW Land to conduct the Feasibility Study, on terms and conditions reasonably agreeable to TMWA in its discretion. The Palomino Farms Agreement is anticipated to include the following elements: (i) physical access to the Palomino-LW Land to conduct the Feasibility Study, including permission for physical tests; (ii) rights to discuss permitting requirements with all regulatory agencies with respect to irrigation and land application with recycled water on the Palomino-LW Land, and recharging and storing potable water and potentially, advanced purified water; (iii) mechanisms for exploring TMWA's potential purchase, lease or other acquisition of the Palomino-LW Land (for irrigation using recycled water and recharge and recovery of potable water and potentially, advanced purified water) and Palomino-LW Water Rights (for possible importation into TMWA's system).

2.2 Agreement to Perform Study. Conditional on securing the Palomino Farms Agreement, TMWA will provide and perform or cause to be performed the services set forth in the scope of work attached hereto as Exhibit "C" as necessary to complete the Feasibility Study. TMWA will perform or contract for all services required to complete the Feasibility Study and shall perform the services diligently, in a timely and professional manner, and to the best of its ability, and in such a manner as is customarily performed by a person who is in the business of providing such services in similar circumstances.

2.3 Delivery of Study Results. TMWA shall provide the Parties with updates on the Feasibility Study as work progresses and upon completion of the Feasibility Study shall prepare and provide a report to each of the Parties setting forth information on the data collected and any conclusions drawn from the completion of the Feasibility Study.

3. REIMBURSEMENT OF COSTS

3.1 Allocation of Cost Share. Each Party shall be responsible for twenty five percent (25%) of the actual costs incurred by TMWA to perform and complete the Feasibility Study (TMWA staff time shall be excluded from costs); provided, unless agreed otherwise in writing the cost responsibility of Reno, Sparks and Washoe County shall not exceed \$400,000 each. Unless otherwise agreed by the Parties, TMWA shall be responsible for any costs in excess of \$1,600,000, but TMWA shall have the discretion to modify the scope of work or elements of the Feasibility Study as necessary to avoid cost overruns in excess of \$1,600,000. Should TMWA desire to modify the scope of work or elements of the Feasibility Study for any other purpose, then TMWA shall notify and receive prior approval from the Parties.

3.2 Payment of Invoices. TMWA shall submit invoices to the Parties on a monthly or

other regular basis for activities completed and payment of the Party's share of reimbursable costs. Each Party shall promptly review the invoice, request any further information or documentation required, and process the invoice for payment to TMWA within thirty (30) days following receipt.

3.3 Backup Information. TMWA shall, through its designated representative or Contract Administrator, provide to the Parties any information requested relating to any invoice submitted for payment. TMWA shall set up a separate account for the Feasibility Study, if not already existing, so that check numbers along with copies of cancelled checks for all expenditures can be submitted, as well as an exact itemization of Feasibility Study expenditures, copies of itemized invoices, and properly documented timesheets.

4. COOPERATION.

Reno, Sparks and Washoe County shall work cooperatively and collaboratively with TMWA to facilitate the Feasibility Study, including sharing data reasonably relevant to the Feasibility Study, working cooperatively on all public outreach, engagement, and education regarding the intent and scope of the Feasibility Study and the direct and indirect benefits to the region, Reno, Sparks, and Washoe County, communications with regulatory agencies (including the Nevada Division of Environmental Protection, Nevada Department of Transportation and Nevada Division of Water Resources), applications for grant or other funding available to support the Feasibility Study, and providing survey and right of way assistance and engineering support (including phasing, cost estimating, pipeline sizing, cost options) for potential future implementation of projects related to the Feasibility Study.

5. INDEMNIFICATION.

Subject to the limitations of Chapter 41 of the Nevada Revised Statutes, each party agrees to indemnify, defend and hold harmless the other party from and against any liability including, but not limited to, property damage and personal injury or death, proximately caused by the negligent acts or omissions of its officers, agents and employers arising out of the performance of this Agreement. Contract liability of the Parties shall not be subject to punitive damages. Liquidated damages shall not apply unless otherwise specified in this Agreement or any incorporated attachments. Damages for any breach by Reno, Sparks or Washoe County shall never exceed the amount of funds appropriated for payment under this Agreement, but not yet paid to TMWA, for the fiscal year budget in existence at the time of the breach.

6. MISCELLANEOUS PROVISIONS

6.1 This Agreement is binding upon and inures to the benefit of the Parties and their respective heirs, estates, personal representatives, successors and assigns.

6.2 This Agreement is made in, and shall be governed, enforced and construed under the laws of the State of Nevada

6.3 This Agreement constitutes the entire understanding and agreement of the Parties with respect to the subject matter hereof, and supersedes and replaces all prior understandings and agreements, whether verbal or in writing, with respect to the subject matter hereof. This Agreement shall not be construed to provide any person or entity not a party to this Agreement with any benefits or cause of action arising from the performance of this Agreement.

6.4 This Agreement may not be modified or amended in any respect, except pursuant to an instrument in writing duly executed by the Parties.

6.5 Each Party shall endeavor to include funding for this Feasibility Study in its FY 2022 budget. In the event any Party fails to appropriate or budget funds for the purposes as specified in this Agreement, each Party hereby consents to the termination of this Agreement as to such Party. In such event, the terminating Party shall notify the other Parties in writing and the Agreement will terminate as to such Party on the date specified in the notice. The Parties understand that this funding out provision is required under NRS 354.626.

6.6 No delay or omission by any Party in exercising any right or power under this Agreement shall impair any such right or power or be construed to be a waiver thereof, unless this Agreement specifies a time limit for the exercise of such right or power or unless such waiver is set forth in a written instrument duly executed by the person granting such waiver. A waiver of any person of any of the covenants, conditions, or agreements hereof to be performed by any other Party shall not be construed as a waiver of any succeeding breach of the same or any other covenants, agreement, restrictions or conditions hereof.

6.7 This Agreement may be executed in separate and multiple counterparts, each of which is deemed an original, but all of which taken together constitute one and the same instrument.

6.8 All notices, demands or other communications required or permitted to be given in connection with this Agreement shall be in writing, and shall be deemed delivered when personally delivered to a Party; when sent to a Party by electronic mail and same day U.S. regular mail with U.S. Postal Service Certificate of Mailing; or, if only mailed, three (3) business days after deposit in the United States mail, postage prepaid, certified or registered mail, addressed to the Parties as follows:

To TMWA: Truckee Meadows Water Authority
Attn: John Enloe
Director of Natural Resources Planning & Management
1355 Corporate Blvd.
Reno, Nevada 89502
jenloe@tmwa.com

To County: Dwayne E. Smith
Director, Engineering and Capital Projects

1001 Ninth St.,
Reno, NV 89512
desmith@washoecounty.us

To Reno: John Flansberg
Director of Public Works
City of Reno
P.O. Box 1900
Reno, Nevada 89501
flansbergj@reno.gov

To Sparks: John A. Martini
Assistant City Manager
City of Sparks
P.O. Box 857
Sparks, Nevada 89432-0857
jmartini@cityofsparks.us

6.9 This Agreement is effective on the latest date executed by the last Party to sign this Agreement below (Effective Date).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized officers the day and year written below.

TRUCKEE MEADOWS WATER AUTHORITY



Mark Foree, General Manager

APPROVED AS TO FORM:



Michael Pagni, General Counsel

Date: MAY 27, 2021

[Additional Signature Pages Follow]

CITY OF RENO

ATTEST:

By: _____
Hillary L. Schieve, Mayor

Ashley D. Turney, Reno City Clerk

Date: _____, 2021

APPROVED AS TO FORM:

Susan Ball Rothe, Deputy City Attorney

[Additional Signature Pages Follow]

CITY OF SPARKS

ATTEST:

By: _____
Ed Lawson, Mayor

Sparks City Clerk
Lisa Hunderman

Date: _____, 2021

APPROVED AS TO FORM:

Chester H. Adams
City Attorney

[Additional Signature Pages Follow]

WASHOE COUNTY

ATTEST:

By: _____
Robert Lucey, Chair

County Clerk

Date: _____, 2021

APPROVED AS TO FORM:

Deputy Attorney

EXHIBIT A
PALOMINO FARMS, LLC Land

No.	APN	Address	Acreage
1	077-090-03	5555 Sage Flat Road	60.18 acres
2	077-090-07	0 Youngs Road	48.96 acres
3	077-090-13	0 Whiskey Springs Road	539.53 acres
4	077-090-14	0 Sage Flat Road	204.45 acres
5	077-090-15	5800 Whiskey Springs Road	40.97 acres
6	077-340-04	0 Whiskey Springs Road	63.57 acres
7	077-340-05	0 Whiskey Springs Road	64.27 acres
8	077-340-44	0 Youngs Road	46.73 acres
9	077-340-45	0 Unspecified	46.54 acres

PALOMINO FARMS, LLC Groundwater Rights

Permit No.	Cert. No.	Acre-Feet
23888	8283	53.08
53304	12898	4.59
53306	12900	20.40
53307	12901	32.12
53308	12902	127.88
Subtotal		238.07
57085	14078	92.52
57086	14032	112.40
57087	14033	102.49
57088	14034	9.08
57089	14035	9.08
57095	14041	127.60
58507	14042	8.96
58508	14043	52.00
58509	14044	2.60
75473	18348	114.80
Subtotal		519.96*
57084	14031	409.48
57090	14036	57.32
57091	14037	57.32
57092	14038	68.80
57093	14039	86.00
57094	14040	150.60
Subtotal		772.20**
Total		1,530.23

*The permit terms state that the total combined duty of permits 57085-57089, 57095, 58507-58509, and 75473 is limited to 519.96 acre-feet.

**The permit terms state that the total combined duty of permits 57090-57092, 57093, and 57094 is limited to 772.20 acre-feet.

EXHIBIT A, CONT'D

PALOMINO FARMS, LLC Surface Water Rights

Permit No.	Cert. No.	Acre-Feet
V02333	NA	540
11653	3663	327
11654	3664	360
15326	5055	590
15327	5007	68.64
Total		2,155.64

EXHIBIT B
LW LAND COMPANY, LLC Land

No.	APN	Address	Acreage
1	077-100-01	0 Youngs Road	40.27 acres
2	077-100-02	0 Youngs Road	40.39 acres
3	077-100-07	0 Grass Valley Road	40.35 acres
4	077-100-08	0 Grass Valley Road	40.24 acres
5	077-100-09	0 Grass Valley Road	40.2 acres
6	077-100-10	0 Grass Valley Road	40.32 acres
7	077-130-23	0 Grass Valley Road	67.6 acres
8	077-200-05	5855 Youngs Road	49.2 acres

LW LAND COMPANY, LLC Water Rights

Permit No.	Cert. No.	Acre-Feet
55603	14068	164.32
55604	14069	23.36
55605	14070	7.40
55606	14071	304.68
55607	14072	47.60
Total		524*

* The permit terms state that the total combined duty of permits 55603-55607 is limited to 524 acre-feet

EXHIBIT C

Palomino Farms Sustainable Water Resource Feasibility Study

Feasibility Study Budget Summary

Task	Cost Estimate
Well Videos and Contractor-Assisted Well Sampling	\$60,000
Existing Production Well Flow and Quality Profiles (4)	\$120,000
Deep Sonic Core Boring and 2" Monitoring Wells (2)	\$150,000
Deep Mud Rotary 6" Monitoring Wells (6) to 600'	\$510,000
6" Monitoring Well Flow and Quality Profiles (5)	\$175,000
Water Quality Analyses	\$15,000
Soil Lab Analyses	\$10,000
Geochemistry Assessment	\$200,000
Subtotal	\$1,240,000
Engineering, Surveying, and R/W Research	\$160,000
Contingency	\$200,000
TOTAL	\$1,600,000