

**TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE OCTOBER 18, 2006
MEETING OF THE BOARD OF DIRECTORS**

The Board of Directors met at the Reno-Sparks Convention Center, in Room A20, 4590 South Virginia St., Reno, Nevada. Chairman Carrigan called the meeting to order at 9:10 a.m.

1. ROLL CALL

Members Present: Chairman Mike Carrigan, Vice Chairman Dave Aiazzi, Members Geno Martini and Judy Moss.

2. PLEDGE OF ALLEGIANCE

Led by Jeff Tissier.

3. PUBLIC COMMENT

There was no public comment at this time.

4. APPROVAL OF THE AGENDA

Upon motion by Vice Chairman Aiazzi, second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board approved the agenda of October 18, 2006.

5. APPROVAL OF THE MINUTES FROM THE SEPTEMBER 20, 2006 BOARD MEETING

Upon motion by Member Martini, second by Vice Chairman Aiazzi, which motion duly carried by unanimous consent of the members present, the Board approved the minutes from the September 20, 2006 Board meeting.

6. REPORT FROM THE BUILDER'S ASSOCIATION OF NORTHERN NEVADA (BANN) REGARDING PROPOSED REVISIONS TO TMWA WATER SYSTEM FACILITY RATE SCHEDULES

Candace Evert, President, Meridian Business Advisors (MBA), presented the report that was commissioned by BANN. BANN asked specifically for MBA to determine if the fee increases proposed by TMWA were based on sound methodology and data, and if new development is paying its fair share of those fees. MBA's role was primarily to look at the financial and fee side of the report and Mr. George Ball's role was to look at engineering costs and the allocation of

those costs between existing customers and new development and also to look at future water demand projections. She thanked TMWA staff for their assistance during the audit.

Ms. Evert then reviewed the following items from Chapter 11 Clerical Accuracy of Fee Calculations of the report.

Item 1 – Clerical Accuracy of Fee Calculations - TMWA immediately changed some rounding differences which did not affect the bottom line.

Item 3 – Developer Fees Comparison - BANN specifically asked MBA to review how TMWA developer fees compared with fees at other Water Districts in Nevada. MBA looked at Carson City Water District, Las Vegas Valley Water District, and Washoe County Department of Water Resources and *Table 7* shows that either under the existing fees or under the proposed fees, TMWA rates are lower by a significant amount.

Item 4 – Comparison of Customer Rates - As shown in *Table 8*, TMWA customer rates are a bit higher than the other districts with possible reasons being that TMWA uses debt to construct many of their facilities and TMWA's bonds are paid off largely by customer rate collections and developer fee collections.

Item 5 – Retail v. Wholesale Rates - addressed BANN concern about retail vs. wholesale rates. BANN thought they were paying much higher rates than wholesalers and MBA found that was not the case. Item 6 – 5-Year CIP vs. 20-Year CIP – addressed BANN's question as to what would happen if TMWA shortened their planning horizon from 20 years down to five years. MBA concluded that the 20-year projection period used sound and fair methodology because, as shown in *Table 9*, when costs and fees are not spread evenly over the projection period, developers building in certain areas, in certain years, would bear greater costs than others.

MBA reviewed the Bureau of Consumer Protection's audit that was completed in 2005, especially the part dealing with the debt management policy and the cash reserves. MBA concluded that TMWA's debt management methodology was sound and prudent.

George Ball then presented the highlights of the engineering part of the report which focused on two areas: How the cost estimates of facilities that TMWA plans to build in the future were developed, as they impact the facility charges to development and secondly how those costs were allocated between existing customers and new growth. The main references that were reviewed were the 2003 Water Resource Plan and the 2004 Water Facility Plan and the 2006 update of that plan.

Item 1 – Growth/Population Projections – Projections of population growth were done in a rational and acceptable manner, were based on sound and practical principles, and were comparable with the consensus forecast.

Item 2 – Water Facility Plan –The water facility plan utilized excellent, acceptable and very prudent engineering principles. Current construction cost estimating was developed utilizing good estimating principles. All phases of a project were included such as planning, designing, permitting, inspecting and contingencies. Many of the TMWA projects, such as retrofitting old pump stations that need to be repaired are quite difficult projects to estimate. He stated that he felt the master planning work done in TMWA's facility plan is outstanding and TMWA's utilization of its hydraulic model to replicate its system and how it responds to demands for improvements to create the service capabilities to meet NAC445A which is the

regulation that all water facilities have to match was excellent. The Facility Charge Analysis was very detailed and presented in an understandable, straightforward manner.

Item 4 – Cost Allocation – This was one of BANN’s main issues. Mr. Ball looked at what facilities were projected, the bids and the allocation. The allocations were either by maximum day demand of the new project and its ratio to what amount of water remained and/or the production capacity of the new well or treatment plant such as the expansion of Chalk Bluff or development of the Sparks Groundwater Treatment Facility which allows use of a good portion of the groundwater supply currently unusable because of mineral content. Mr. Ball concluded that the allocations of costs were reasonable and met prudent allocation principles. He also concluded that the allocation of costs by gpm (gallons per minute) used on a maximum day was a unique way of allocating those costs and felt that dividing those costs between storage, supply and treatment, and feeder mains provided a more equitable distribution of those costs to the development community.

Mr. Ball’s recommendations were for TMWA to update the facility charges on a periodic basis and input those facility charges into the facility analysis. He recommended to BANN that they maintain a working relationship with the TMWA staff so questions may be addressed sooner than later.

Mike Dillon, Community Relations Director with BANN, then thanked the TMWA staff that helped them through this process. BANN staff recently met with the TMWA staff on some process issues which culminated in a better understanding by both parties of the challenges each face.

In answer to a question from Vice Chairman Aiazzi, Mr. Dillon stated that the report went in front of a committee and was sent to the Board of the Builder’s Association and BANN supports the report 100%.

Vice Chairman Aiazzi and the Board commended the staff for a job well done. Mr. Aiazzi commented that as BANN paid for this review, it was truly an independent audit and he was pleased the report was favorable to TMWA.

Chairman Carrigan said this is the fourth audit of TMWA and our books are open to anyone who wishes to perform an audit.

Ms. Williams stated this had been very valuable for TMWA to help sync up more closely with the needs of BANN and helped facilitate our relationship with them by working together to understand and improve processes. She assured the Board that TMWA would work closely with BANN in the future so everyone is clear on all issues early on.

Upon motion by Vice Chairman Aiazzi, second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board accepted the report.

PUBLIC HEARING WAS OPENED

7. RESOLUTION NO. 102a – RATIFICATION OF BOARD’S JULY ACTION REGARDING TRUCKEE MEADOWS WATER AUTHORITY’S RATE SCHEDULE BSF “BUSINESS SERVICE FEES” AND/OR RATIFICATION OF JULY ACTION REGARDING REVISIONS TO TRUCKEE MEADOWS WATER AUTHORITY’S RATE SCHEDULE WSF “WATER SYSTEM FACILITIES” OR FIRST READING OF FURTHER REVISIONS TO WFS RATE SCHEDULE

Sylvia Harrison, Legal Counsel, recapped the steps taken to date on this issue. In July, the Board first considered the three schedule changes, the Service Charges, the Business Service Fees and the Water System Facilities Fees. In July the Board approved the Service Charges. At BANN’s request, the Board approved the staff recommended changes to be effective November 1, 2006 unless there were changes resulting from BANN’s review. As BANN did not recommend a change to the Business Service Fees, the Board must simply ratify its decision to allow those fees to go into effect on November 1, 2006.

Mark Foree, Director of Operations, then reviewed the options to the Water System Facilities Fees. Option 1 would keep the fee the same as proposed in June and July, 2006 and implement the new fees on November 1, 2006; Option 2 would amount to a decrease of \$40 in the Supply Treatment Facility Charge. That is the option requested by BANN. This option would require a second reading and, if passed, be implemented on November 16, 2006. Option 3 would amount to a \$17 decrease in the Supply Treatment Facility Charge and would also be implemented on November 16, 2006.

The differences are due as follows: A spreadsheet error of \$17 and a \$23 discrepancy in a cost estimate for the Sparks Groundwater Treatment Facility. The reason for the \$23 discrepancy was that TMWA staff inadvertently gave the BANN consultants an out-dated estimate. When the error was noticed, staff provided the corrected estimate to BANN, but it was too late to review or include in the BANN report. However, because the updated cost estimate was actually higher than TMWA staff used in the calculation by about \$100,000, Option 3 as provided to the Board, would leave this portion of the charge as is and adjust only for the calculation error.

In answer to a question by Member Moss, Mr. Foree explained that any of the three options would be fine with staff and that, if Option 3 was selected, the discrepancy of the \$23 would be adjusted during the next rate adjustment cycle. Ms. Williams noted that this is just a delay in the collection timing. All charges will be collected at a later date.

8. PUBLIC COMMENT ON ITEM #7

There was no public comment at this time.

Upon motion by Vice Chairman Aiazzi, second by Member Martini, which motion duly carried by unanimous consent, the Board adopted Resolution 102A, Option 2 wherein all WSF fees are revised and only the Supply-Treatment Facility Charge is reduced \$40 from the original TMWA staff proposal of \$3,276/gpm to the BANN proposal of \$3,236/gpm to be effective

end-of-business day November 15, 2006 and ratified the Business Service Fee adjustments to be effective end-of-business day November 1, 2006, as adopted at the July 19, 2006 Board meeting.

9. RESOLUTION NO. 105 – SECOND READING AND REQUEST FOR BOARD APPROVAL OF MODIFICATIONS TO RATE SCHEDULE LVS – LARGE VOLUME RESALE SERVICE – TO ADD WASHOE COUNTY AS AN LVS CUSTOMER PURSUANT TO THE TERMS OF THE NEW WATER SERVICE AGREEMENT FOR WHOLESALAE WATER SERVICE FOR SPANISH SPRINGS RETAIL AREA

John Erwin, Director of Planning and Resource Development, commented that this is the second reading approving revisions to the Large Volume Service (LVS) rate schedule adding Washoe County as a new LVS customer. This revision does not affect any other customers nor is it a new rate. It is only identifying Washoe County as a customer on the LVS rate schedule, per the contract approved by the Board in September 2006. The Board of County Commissioners have the contract as an action item on its agenda for October 24, 2006 and the contract is contingent on approval by the Board of County Commissioners. He noted that TMWA did extend the current contract to be able to cover service and bill Washoe County according to the current contract.

10. PUBLIC COMMENT ON ITEM #9

There was no public comment at this time.

Upon motion by Vice Chairman Aiazzi, second by Member Martini, which motion duly carried by unanimous consent, the Board approved the Resolution No. 105.

PUBLIC HEARING WAS CLOSED AT THIS TIME.

11. DISCUSSION AND POSSIBLE BOARD DIRECTION REGARDING SCR26 LEGISLATIVE REVIEW OF STATE WATER ISSUES AND WASHOE COUNTY CONSOLIDATION ISSUES INCLUDING LOCAL CONSOLIDATION DISCUSSIONS AND DEVELOPMENT OF THE INTERLOCAL AGREEMENT.

Lori Williams, General Manager, updated the Board on the previous joint purveyors meeting. The TMWA Board had voted to move forward with the Draft Interlocal Agreement for management of future water resources. Last week the Board of County Commissioners as well as the STMGID Board of Trustees voted to move forward with that Interlocal Agreement. TMWA staff will now begin working with the other purveyors' counsels to draft that Interlocal Agreement, and return to the Board with a draft.

No action was taken.

12. LEGISLATIVE UPDATE AND POSSIBLE BOARD DIRECTION REGARDING LEGISLATIVE ISSUES.

Terri Thomas, Financial Project Manager for TMWA, noted two items. The Washoe County Commission, meeting on October 10, 2006, as the South Truckee Meadows Board of Directors, voted to direct staff to continue work on drafting an Interlocal Agreement along the lines of the formation of the regional water entity. On October 20, 2006, the Flood Planning Coordinating Committee voted first to remove the provision that would have authorized a levy of a sales tax in their chapter 543 BDR to form a flood control district and thereafter they then voted to actually withdraw BDR. We will continue to monitor what happens to that placeholder but at this point in time, the Flood Planning Coordinating Committee has voted not to pursue that draft.

No action was taken.

13. GENERAL MANAGER'S REPORT

Lori Williams reported the River Tour was very successful. There were 53 customers on September 29 and 49 customers on October 13. TMWA's e-newsletter continues to garner very favorable comments. She also gave an update on water rights. TMWA has about 1,000 acre feet on hand. Everyone on the list of active projects has been offered water and we are able to meet the needs of every project on the list. The going rate is \$32,600 per acre foot; however, because of its current inventory, TMWA is currently offering less than \$20,000 an acre foot to anyone wishing to sell their water rights.

14. PUBLIC COMMENT

There was no public comment at this time.

15. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no board comments at this time.

With no further business to discuss, the meeting was adjourned at 10:00 a.m.

Approved by the TMWA Board of Directors in session on December 20, 2006.

Respectfully submitted,

Corinne Cassell, Recording Secretary