

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE DECEMBER 11, 2013
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday December 11, 2013, at Sparks Council Chambers, 745 Fourth Street, Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:02 a.m.

1. ROLL CALL

Members Present: Mike Carrigan, Mike Cate, Vaughn Hartung, Neoma Jardon, Kitty Jung, and Sharon Zadra. Members Absent: Geno Martini. A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Vice Chairman Cate.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

Upon motion by Member Jardon, second by Vice Chairman Cate, which motion duly carried by unanimous consent of the members present, the Board approved the agenda.

5. APPROVAL OF THE OCTOBER 16, 2013 MINUTES

Upon motion by Member Jung, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved the October 16, 2013 minutes.

6. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 199 APPROVING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2013

Jeff Tissier, TMWA Chief Financial Officer, introduced Kristin Burgess, shareholder with Kafoury Armstrong and Company (Kafoury), and asked her to present the required communications regarding the Comprehensive Financial Report for FY 2013. Ms. Burgess then referred to the staff report and audit report. Ms. Burgess stated that Kafoury had issued a clean, unqualified opinion on TMWA's financial statements with no findings; which is the highest opinion allowed. This unmodified opinion means that the financial statements were fairly presented and in accordance with all generally accepted accounting principles. The report also found that TMWA financial policies are consistent with those in prior years with two exceptions: the implementation of GASB 63 and 65 as required by the standard setters. These two

implementations were explained as follows. “Bond refundings” are now in a category called “Deferred Outflow of Resources,” “Net Assets” are now “Net Position” and finally, “Bond Issuance Costs” were previously deferred and accrued; but the new standard has bond issuance costs now expensed as incurred with the exception of bond insurance which is still deferred and amortized over the life of the bond issue. The adoption of these new Statements created the prior period adjustment.

She also noted that TMWA had no material weaknesses in connection with its internal controls or any issues of noncompliance.

Mr. Tissier thanked Ms. Burgess and expressed his gratitude to his staff for their continuing high standards resulting in the excellent audit. Mr. Tissier then introduced two members of his staff, Anne Hanson and Mary Bennett, who he recognized for outstanding work over the past year. He stated that it was because of their hard work that TMWA was able to complete a full financial system conversion without adding staff -- a very commendable feat.

Mr. Tissier reported that TMWA had an excellent year in 2013. He stated TMWA had record water sales and had come in under budget on operating expenses despite a series of unscheduled maintenance projects and a higher than average amount of distribution leaks. Hydro revenue was also at a record high. Overall, Mr. Tissier indicated he was very pleased with the financial standing of TMWA and recommended the Board adopt the CAFR.

Upon motion by Member Zadra, second by Member Jung, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 199 approving the Comprehensive Annual Financial Report for Fiscal Year 2013.

7. PRESENTATION OF FIRST QUARTER FISCAL YEAR 2014 FINANCIAL REPORT

Mr. Tissier reported solid financial performance for the first quarter; which was ahead of budget in revenues, mainly due to the practice of conservative budgeting based on cool weather patterns. Operating expenses were in line with the budget and spending was lower than budget primarily due to lower wages and salaries attributable to vacancies which have not yet been filled. Services and supplies were underspent; investment income is at a record low. Water sales are predicted to be lower than last year due to different weather patterns, and hydro revenue is also expected to drop off because of the lower reservoir levels and river flows. Year to date, water sales are \$ 2.5 million lower than last year, but still within a healthy range.

8. REVIEW OF TMWA’S FINANCIAL POSITION AND POSSIBLE ACTION IN REGARD TO IMPLEMENTATION OF THE PHASE 3 RATE ADJUSTMENT

PREVIOUSLY ADOPTED BY THE BOARD IN JANUARY, 2012

Jeff Tissier and John Erwin, TMWA Director of Natural Resources, presented this item. Mr. Erwin reported that TWMA was on target to implement the Phase 2 rate adjustment which was deferred one year by the Board to now go into effect in February 2014. Phase 3 was also scheduled to take place at the same time (February 2014). Upon review of the financial results and also after taking into consideration the input and recommendation from the Standing Advisory Committee staff recommended a delay in the implementation of the Phase 3 rate adjustment for one year, to February 2015.

Upon motion by Member Jung, second by Member Jung, which motion duly carried by unanimous consent of the members present, the Board moved to delay implementation of the Phase 3 rate adjustment to February of 2015.

9. CONSIDERATION AND POSSIBLE APPROVAL OF RESOLUTION NO. 200
SECOND BUDGET AUGMENTATION AND BUDGET REVISIONS JULY 1, 2013
THROUGH DECEMBER 31, 2013

Mr. Tissier and Mr. Erwin also presented this item. In October of 2013 the Board approved a Resolution to acquire a set of land parcels. Since that time, another set of land parcels became available, which would also collectively improve access to existing TMWA-owned property and/or allow for the accommodation of needed changes to facilities. Mr. Erwin explained that properties may be available to acquire that are adjacent to the Verdi Hydroelectric Generation Plant property allowing access to both the property and the canal itself. Another parcel in Reno may be available that would allow for the relocation and replacement of an existing water main that has outlived its intended service life.

Upon motion by Member Zadra, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved Resolution 200: Second Budget Augmentation and Budget Revisions July 1, 2013 through December 31, 2013.

10. REQUEST FOR BOARD APPROVAL OF THE INTERLOCAL AGREEMENT
GOVERNING THE MERGER OF THE SOUTH TRUCKEE MEADOWS GENERAL
IMPROVEMENT DISTRICT (STMGID) INTO THE TRUCKEE MEADOWS WATER
AUTHORITY (TMWA)

Mark Foree reported the good news that an agreement had been completed allowing for the merger of the South Truckee Meadows General Improvement District into TMWA. He

commended and asked for recognition for both the STMGID and TMWA teams who worked very hard on the project, and said that both sides were pleased with the resulting agreement. This agreement was approved unanimously by the STMGID Board at their December 5th meeting. Mr. Foree stated that if the TMWA Board approved the agreement, the target date to combine all three water systems, TMWA, STMGID and Washoe County Department of Water Resources (DWR) would be December 31, 2014.

Member Hartung asked if clarification could be made regarding the issue of restricted and unrestricted funds. Mr. Tissier responded that at the end of June 2013, STMGID reported that it had approximately \$15 million of which \$4.7 million was identified as restricted and the balance as unrestricted. Of the total \$4.7 million in restricted funds, STMGID reported that approximately \$800,000 was being held for Arsenic remediation efforts. TMWA understands that no further arsenic remediation is needed, which may allow the STMGID Board to unrestrict those funds and possibly include those funds in the Rate Offset Fund for STMGID customers. TMWA understands that it may be possible for the STMGID Board to redesignate an additional \$1 million of restricted funds as unrestricted for inclusion in the Rate Offset Fund. These decisions on redesignation will be made by the STMGID Board. Chairman Carrigan then recognized Steve Cohen, Chairman of STMGID. Mr. Cohen stated that he was pleased to confirm that an amicable and professional process had led to the agreement, and that the agreement had been approved by all members of the STMGID Board. Chairman Carrigan then gave thanks to the TMWA staff, STMGID Board and the attorneys on both sides for their hard work in making the agreement possible.

Mr. Tissier noted that after five years of working on the merger with DWR, it was very encouraging to have this agreement with STMGID become reality. He also thanked Mr. Cohen and his Board for the hard work and professionalism they brought to the process.

Member Jung also gave her thanks to Mr. Cohen for his courage through what was often a very tough and unpopular topic.

Upon motion by Member Jardon, second by Member Jung, which motion duly carried by unanimous consent of the members present, the Board moved to approve the Interlocal Agreement governing the merger of the South Truckee Meadows General Improvement District (STMGID) into the Truckee Meadows Water Authority (TMWA).

11. REQUEST FOR BOARD APPROVAL OF AN AMENDMENT TO THE VERDI BUSINESS PARK WATER COOPERATIVE ACQUISITION AGREEMENT

Scott Estes, TMWA Director of Engineering, addressed the Board and presented this item. He stated for background that in March of 2012 the Board had approved the acquisition of the water

assets for the Verdi Business Park and authorized the General Manager to negotiate the terms and execute the agreement. The agreement was executed in September of 2012, and since that time the Verdi Business Park has been working toward the construction of the improvements necessary to integrate their system into the TMWA system. It was not possible to construct the off-site facilities called for in the original agreement because the required easements could not be acquired. Therefore, this amendment is necessary to revise the description of the required capital improvements and to revise the amount of the State revolving fund loan. Mr. Estes explained that the new improvements while more expensive, will in the opinion of staff be better for TMWA in the long run. Mike Pagni, TMWA legal counsel, also added as clarification that the increased costs associated with the amended agreement will be paid for by the members of the Verdi Business Park and not be passed on to TMWA customers.

Upon motion by Member Zadra, second by Vice Chairman Cate, which motion duly carried by unanimous consent of the members present, the Board adopted the amendment to the Verdi Business Park Water Cooperative Acquisition Agreement.

12. REQUEST FOR BOARD APPROVAL OF REAPPOINTMENTS TO THE STANDING ADVISORY COMMITTEE (SAC) OF MEMBERS WHOSE TERM EXPIRES DECEMBER 31, 2013

Cara Rives, TWMA liaison to the Standing Advisory Committee (SAC), presented a staff report and explained that action was requested to renew the appointments of several members of the TMWA SAC. Ms. Rives stated that of 23 current members, 7 had terms expiring on December 31, 2013. The expiring terms were listed as follows:

- Wholesale: Ben Hutchins Primary will move to Alternate, Alternate Fred Schmidt will move to Primary.
- Multi-family Residential: Jonnie Pullman will continue as Primary.
- Residential 2: Ron Turner will continue as Primary, Paul Rose will continue as Alternate.
- BANN: Colin Hayes has been re-appointed as Primary, and Jim Smith has been reappointed as Alternate.

All members had been contacted and accepted the invitation to continue for an additional two years, pending Board approval.

Upon motion by Vice Chairman Cate, second by Member Zadra, which motion duly carried by unanimous consent of the members present, the Board reappointed all members of the Standing Advisory Committee whose terms expire December 31, 2013.

13. REQUEST FOR BOARD AUTHORIZATION FOR THE GENERAL MANAGER TO RENEW THE LEGAL SERVICES CONTRAC FOR SUSAN L. OLDHAM FOR PROVISION OF LEGAL SERVICES RELATED TO THE TRUCKEE RIVER OPERATING AGREEMENT FOR THE CALENDAR YEAR 2014

John Erwin presented this item. He stated that Sue Oldham continues to work with TMWA staff towards the implementation of the Truckee River Operating Fund (TROA) and has been on the project since the mid-1970's; formerly with Sierra Pacific and now with TMWA. He asked the Board to authorize the General Manager to renew her contract for ongoing legal services.

Upon motion by Member Jardon, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board authorized the general manager to renew the legal services contract for Susan L. Oldham for provision of legal services related to the Truckee River Operating agreement for the Calendar Year 2014.

14. REPORT REGARDING OMBUDSMAN ACTIVITIES FROM DECEMBER 2012 THROUGH NOVEMBER 2013 AND REQUEST FOR BOARD DIRECTION AND POSSIBLE AUTHORIZATION FOR THE GENERAL MANAGER TO RENEW THE OMBUDSMAN CONTRACT WITH JOANNE STRALLA FOR CALENDAR YEAR 2014

Kim Mazeres, TMWA Director of Customer Relations, addressed the Board and requested the renewal of the contract of Joanne Stralla, who is the TMWA Ombudsman. Ms. Mazeres explained that this contract comes up annually for renewal, and that Ms. Stralla does an excellent job and is an asset to TMWA.

Upon motion by Member Jardon, second by Member Jung, which motion duly carried by unanimous consent of the members present, the Board accepted the report of Ombudsman activities from December 2012 through November 2013 and authorized the General Manager to renew the Ombudsman contract with Joanne Stralla for the Calendar Year 2014.

15. PRESENTATION OF TRUCKEE RIVER FUND ACTIVITIES FOR CALENDAR YEAR 2013

Ron Penrose, TMWA's Truckee River Fund (TRF) Liaison, presented a summary of the activities of the TRF in a staff report and outlined a few of the projects completed in the past year. He gave a brief overview of the history of the TRF, noting that it was now in its ninth year

of operation and has evolved to become a very valuable asset for both TMWA and the community. Over the past nine years, the TRF has had close to \$17 million in matching funds from grant recipients, and approximately \$9 million coming from TMWA. One outstanding facet of the TRF is its ability to take on multi-jurisdictional projects which are of benefit to the watershed and water quality. They have provided the organizational “glue” that has allowed for completion of projects which would have been difficult if not impossible for TMWA to handle on its own. It has additionally provided a source of emergency funding for local watershed emergencies.

Mr. Penrose commented on a few notable projects in particular:

- The recovery and remediation of several watershed fires – including the Hawken, Caughlin Ranch and Washoe Fires.
- The removal and renovation of the Pioneer ditch diversion of the Truckee River. This project removed a potential drowning hazard and also lessened the potential of flooding at the Glendale Water Treatment facility and for commercial businesses located along Rock Boulevard in Sparks, Nevada.
- The Verdi Meadows Wastewater Treatment plant retirement project. This was another emergency watershed project done cooperatively with the County. This prevented the discharge of effluent into the river.
- Funding for the Aquatic Invasive species program. The TRF has supported projects which work to mitigate terrestrial invasive weeds and prevent the introduction of invasive species including the quagga and zebra mussel. The implementation of the watercraft inspection programs at Lake Tahoe and nearby reservoirs is an example of this project.

Mr. Penrose explained that the success of the TRF depends on a large group of very dedicated people. The fund advisors, who are appointed by the City of Reno, City of Sparks and Washoe County, all work very hard to meet the needs of the community. He thanked them for their hard work and asked for recognition of several who have been key players in its success -- including the Community Foundation of Western Nevada, and its Chief Philanthropy Officer, Tracy Turner, the Nevada Land Trust, Truckee River Watershed Council, The Nature Conservancy, The Keep Truckee Meadows Beautiful organization, University of Nevada, Town of Truckee, and the Tahoe Resource Conservation District. He then introduced Teresa Crimmens and Andy Otto from the Tahoe Resource Conservation District. He explained that this group has been instrumental in doing a lot of political work necessary in getting ordinances through the various communities. He also introduced Janet Phillips, Chairman of the Fund Advisors, who organizes the TRF meetings and thanked her for her hard work. Ms. Phillips expressed her appreciation to the Board for the contributions which she feels have allowed the TRF to make a meaningful difference in the community.

16. ESTABLISH REGULAR BOARD MEETING DATES AND TIMES FOR THE CALENDAR YEAR 2014

Mark Foree presented a calendar of meeting dates for the 2014 year.

Upon motion by Member Hartung, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the Board meeting dates for 2014.

17. GENERAL MANAGER'S REPORT

Mr. Foree reported that Lake Tahoe was currently at 11.5 percent of capacity and that hopes are for a big winter to help alleviate the low level. The snow pack was also low; at only 38 percent of average in the Truckee Basin and 56 percent of average in the Tahoe Basin. He also stated that due to the recent cold weather, there have been 191 cold weather related service orders in the last several days which are mainly comprised of broken pipes and "no water" calls due to frozen pipes. Additionally, TMWA crews have been very busy fighting ice at the hydroelectric facilities and the Chalk Bluff water treatment facility. These efforts are very important as they keep the water flowing; which saves money as it allows production without having to turn on the pumps at the Orr Ditch pumping station.

Member Jung asked if TMWA does public service announcements to inform the public of the best practices during the cold weather. Kim Mazerer responded that a number of efforts are in place, including flyers in customer bills, informational links including videos on the TMWA website, press releases, and public appearances on local TV and radio stations. Additionally, two Winterization workshops were done by the Conservation team in October.

19. PUBLIC COMMENT

There was no public comment.

20. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Hartung stated that he and Mark Foree had attended a meeting of the Builders Association of Northern Nevada (BANN) which discussed the possible implications of a proposal which would delay collection of facility charges and fees. He asked if Mr. Foree felt this should be placed as an agenda item for the Board. Mr. Foree responded that once more information was gathered on the issue and its impact on TMWA, that information would be brought to the Board.

21. ADJOURNMENT

With no further discussion, Chairman Carrigan adjourned the meeting at 10:50 a.m.

Approved by the TMWA Board of Directors in session on January 15, 2014.

Respectfully submitted,

Cara Rives, Recording Secretary