

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE SEPTEMBER 21, 2016
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, September 21, 2016, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chair Martini called the meeting to order at 10:07 a.m.

1. ROLL CALL

Members Present: Jenny Brekhus, Naomi Duerr, Vaughn Hartung, Neoma Jardon**, Jeanne Herman, Geno Martini and Ron Smith*.

A quorum was present.

**Member Smith departed at 11:25 a.m.*

***Member Jardon departed at 12:03 p.m.*

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Hartung.

3. PUBLIC COMMENT

Neil McGuire, TMWA Standing Advisory Committee (SAC) Chair, commented on the fact that the SAC did not have the opportunity to review agenda item #9 and provide a recommendation to the Board.

4. APPROVAL OF THE AGENDA

Upon motion by Member Smith, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved the agenda.

5. APPROVAL OF THE MINUTES OF THE AUGUST 17, 2016 MINUTES

Upon motion by Member Jardon, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved the August 17, 2016 minutes.

6. INFORMATIONAL REPORT FROM THE REGIONAL EFFLUENT MANAGEMENT TEAM

John Enloe, TMWA Director of Natural Resources, and Rick Warner, Washoe County Senior Engineer, presented on the work done thus far by the regional effluent management team, which is comprised of the Cities of Reno and Sparks, Washoe County, TMWA, Truckee Meadows Water Reclamation Facility (TMWRF), Northern Nevada Water Planning Commission (NNWPC), National Water Research Institute and the University of Nevada, Reno (UNR). For the last two years they have worked collaboratively to develop advanced planning for effluent management, including a proposal to conduct a five year feasibility study. Mr. Warner reviewed Categories A – E which regulate water quality and are set by the Nevada Division of Environmental Protection (NDEP): Category A and B represent the highest water quality.

Discussion followed regarding the proposed changes to regulations; proposed additions to water quality regulations for groundwater recharge have two scenarios: 1) recharge through spreading basins; and 2) recharge through direct injection, which requires a higher water quality. For spreading basins it is Category A, but it must be demonstrated that A+ standards have been attained at the interface with the water table. Category A+ standards must be met for direct injection. Reverse osmosis technology will be researched by UNR along with other treatment technologies such as ozone / biological activated carbon; the feasibility study is continuing the work from the City of Reno’s own study conducted in 2008-09; the TMWA Board will be updated on any policy implications as the study progresses.

Mr. Enloe informed the Board Mr. Warner will be inducted as the President of Water Environmental Federation, which is a great professional accomplishment and honor.

7. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 244: A RESOLUTION TO APPROVE FUNDING FOR THE PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS

Mr. Enloe reported the Truckee River Fund (TRF) advisors met on August 19 and reviewed eight proposals; they are recommending funding approval for six projects for a total of \$392,605. The projects for funding are:

1. Project #176: 2017 Spring Invasive Weed Pull & Fall Truckee River Cleanup

Organization: Keep Truckee Meadows Beautiful (KTMB)

Amount Requested: \$ 60,625 **Amount Recommended:** \$ 60,625

Organizational Match: \$ 15,000 (Cash) \$ 104,300 (In-Kind)

2. Project #177: Donner Creek Bank Stabilization Downstream of Railroad Culvert Final Design

Organization: Truckee River Watershed Council (TRWC)

Amount Requested: \$ 90,000 **Amount Recommended:** \$ 90,000

Organizational Match: \$ 260,000 (Cash) \$ 600 (In-Kind)

3. **Project #178:** Donner Creek Concept Designs
Organization: Truckee River Watershed Council (TRWC)
Amount Requested: \$ 40,000 **Amount Recommended:** \$ 40,000
Organizational Match: \$ 640,000 (Cash) \$ 9,000 (In-Kind)
4. **Project #179:** Watershed Education Initiative (WEI)
Organization: Sierra Nevada Journeys (SNJ)
Amount Requested: \$ 28,446 **Amount Recommended:** \$ 28,446
Organizational Match: \$ 6,250 (Cash) \$ 9,000 (In-Kind)
5. **Project #180:** One Truckee River Phase I Implementation: AmeriCorps Support, Watershed Survey & Watershed Education
Organization: Nevada Land Trust
Amount Requested: \$ 98,534 **Amount Recommended:** \$ 98,534
Organizational Match: \$ 14,604 (Cash) \$ 12,000 (In-Kind)
6. **Project #181:** Webber Lake Little Truckee River Headwaters Management
Organization: Truckee Donner Land Trust
Amount Requested: \$ 75,000 **Amount Recommended:** \$ 75,000
Organizational Match: \$ 18,750 (Cash)

Member Duerr noted the Exhibit A attached to the resolution was incorrect and had different projects listed. Michael Pagni, TMWA General Counsel, pointed out the exhibit can be updated as long as it was made available at the time of the meeting, which it was.

Upon motion by Member Duerr, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 244, a resolution to approve funding for the projects recommended by the Truckee River Fund Advisory Committee and an authorization for the Community Foundation to fund such projects from Fund proceeds.

8. PRESENTATION OF TMWA'S UNAUDITED FY2016 FINANCIAL PERFORMANCE

Michele Sullivan, TMWA Chief Financial Officer, reported on the unaudited FY2016 financial performance. Ms. Sullivan noted there was a positive change in net position of \$17.5 million versus the revised budget projecting a negative change of \$3.3 million, \$20.8 million greater than expected; the main items of revenue were on budget; operating expenses had a savings of \$4.0 million; and as part of the 2016 bond refunding, Bank of America no longer has to provide a 5.5% interest rate on a portion of our debt reserves balance, so the bank paid TMWA \$4.4 million dollars for the release of this commitment, which was negotiated by our financial advisors at PFM.

Member Brekhus inquired if the \$4.4 million will be used to buy down commercial paper. Ms. Sullivan replied no, it will be in unrestricted cash (TMWA Treasury).

Member Hartung asked if TMWA has a process for developers to receive credit for oversizing infrastructure dedicated to TMWA. Ms. Sullivan replied developers do not receive credit, but if they build additional capacity it is dedicated to TMWA and TMWA pays for the overage which is then charged to the next developer.

Member Hartung suggested TMWA consider a process to issue credits and add capacity to the system. Mark Foree, TMWA General Manager, replied it is a possibility when we do a development agreement and it is not outside of our rules; Rule 5 allows for a participation payment mechanism and in particular circumstances any developer can pay for oversizing and collect at a later time. Mr. Pagni added there is an oversizing reimbursement mechanism already established in TMWA Rule 5.

Ms. Sullivan reported on the cash flow; a decrease of only \$8.0 million versus the anticipated decrease of \$35.9 million. The main contributing factors were higher developer contributions of \$6.2 million, and a decrease of \$20.1 million in capital spending.

Member Brekhus remarked she would like to see plans in the Capital Improvement Plan (CIP) according to where growth is occurring.

9. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 245, A RESOLUTION TO APPROVE THE FIRST BUDGET AUGMENTATION AND BUDGET REVISIONS JULY 1, 2016 THROUGH SEPTEMBER 30, 2016

Ms. Sullivan presented the budget augmentation request to increase capital expenditures by \$4.3 million, which includes new project spending and adjustments to estimated costs for projects such as: the Verdi Main Extension \$1.7 million, Mogul Booster Pump Station Upgrade \$0.5 million, Mesa Park Drainage \$0.8 million; \$2.0 million in additional main replacements and \$0.5 million Fleish Penstock replacement.

Member Hartung inquired if, in order to avoid projects delays (referencing the Verdi Penstock project), would it not be better to purchase durable items and have them available when needed to avoid fluctuations on the market. Mr. Foree replied the delay (in ordering the pipe) was related to the fiscal year end and not a large gap in time. Pat Nielson, TMWA Distribution Maintenance and Generation Manager, added it was a coordinating issue with pre-purchasing the steel and contracting the work; sometimes there is a delay between purchasing and construction which results in additional change order claims, so we try to ensure turn-key projects when possible.

Member Brekhus confirmed the bulk of the augmentation is in Verdi and asked what the extent of capital projects, in response to growth that is occurring in Verdi and Mogul. Mr. Foree replied about \$1.7 million is being spent from the West Meadows subdivision to extend the water main line on US 40 which will bring the system to the Riverbelle Mobile home park. When consolidating systems, NDEP has grant funding of up to \$500,000 for each system consolidated. In addition, there is another system across the street on US 40, the Verdi Mutual water system serving commercial and industrial customers and we can connect to that system as well and take advantage of a potential \$1 million grant fund opportunity. Also, we are working with Boomtown on a potential acquisition and to do artificial recharge.

Member Jardon inquired about the construction schedule on the extension out to West Meadows, if the Mogul Pump station is part of the same schedule, if the improvements will be completed before the next irrigation season and when the discussions with Boomtown will be concluded. Scott Estes, TMWA Director of Engineering, replied the water main extension to West Meadows will begin construction later this fall and should be completed in a couple of months and the improvement to the Mogul pump station will lag about two months, but won't cause any complications. Mr. Foree added the improvements may be completed before the next irrigation season, but depends on developer schedules and we have provided a term sheet to Boomtown and are waiting to hear back from them, but they have to make improvements to their system to meet TMWA standards before we move forward.

Member Brekhus praised staff on leveraging money, developing the plan in Verdi and rectifying a problem on the Mt. Rose fan. She suggested as we move forward with the CIP, staff consider larger areas and growth, and use development commitments to open up areas. Mr. Foree replied one possibility in Verdi would be a special assessment district, but TMWA is not able to create special assessment districts; the City of Reno would have to create it and work with TMWA. The CIP is larger this year than it has been in the past to pay for rehabilitation and we need to weigh rehabilitative maintenance costs against new infrastructure.

Upon motion by Member Hartung, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 245, a resolution to approve the first budget augmentation and budget revisions JULY 1, 2016 THROUGH SEPTEMBER 30, 2016.

10. DISCUSSION AND ACTION ON POSSIBLE AMENDMENT TO STANDING ADVISORY COMMITTEE COMPOSITION AND MEMBER QUALIFICATIONS AND POSSIBLE DIRECTION TO STAFF REGARDING RECRUITMENT PROCESS FOR THE STANDING ADVISORY COMMITTEE

Mr. Foree noted this item was continued from last month. He provided a brief overview of the staff report and history of the SAC and informed the Board that SAC members are very engaged and ask challenging questions of staff regarding rate adjustments and budget and provide well thought out recommendations to the Board – the SAC has done a great job for the Board and TMWA customers over the last 10 years. He recommended to the Board to eliminate the two appointments made by the Northern Nevada Water Planning Commission (NNWPC) and the Office of Consumer Advocacy (OCA) and create a fourth and fifth residential customer class positions. He stated the other two appointments, Builders Association of Northern Nevada (BANN) and the Reno-Sparks Chamber of Commerce (the Chamber) are important to remain as they are. Members of those groups are affected by changes in rates and facility charges modifications for new development, are another means of public outreach by informing their members of these proposed changes, and are very engaged and provide valuable contributions to the SAC.

At this point discussion followed agreeing to eliminate the two appointments by NNWPC and OCA; to consider imposing term-limits; to have the Cities of Reno and Sparks and Washoe County make appointments; which customer class or community group, such as realtors, would fill the two new

vacancies to ensure a broader spectrum of TMWA customers are being represented; and whether it was necessary to fill both vacancies. It was concluded to keep the BANN and the Chamber appointments since they represent a large diverse group of builders, contractors, realtors, small business owners, casinos, etc.; that no term-limits would be imposed; the Cities of Reno and Sparks and Washoe County would not make appointments; the two vacancies would remain and now become at-large seats on the SAC; confirmed there are no issues with the recruitment process; and the TMWA Board of Directors will continue to approve recommendations to the SAC made by the SAC members and/or TMWA staff.

Public Comment

Tray Abney, Reno-Sparks Chamber of Commerce, representing 1,500 businesses and 64,000 employees. Mr. Abney noted there is a membership fee, but they have a long range of representation, the vast majority are small businesses and they are governed by a diverse board. He pointed out that the BANN works with TMWA in a very specific manner dealing with developer fees and facility charges. He added they support the staff recommendation.

Don Tatro, BANN, stated he thinks it is critical to have a voice of someone in this industry on the SAC. Mr. Tatro noted they are advocates of the industry and both of their appointed members to the SAC are engaged and attend the SAC meetings. He believes this had to do more with politics than policy and would like to keep the BANN members engaged. He added members represent multi-family and commercial properties.

Mr. McGuire, commented that many of SAC members are passionate about water issues and would like to provide input on the applicants to the Board.

Upon further discussion it was noted that the SAC members are doing great work; everyone benefits from development in the community; and input from developers, builders and the Chamber is critical.

Mr. McGuire noted to save time this could have been discussed at the SAC meeting and their recommendations brought to the Board for approval.

Mr. Foree confirmed staff can start recruiting now that there are two openings on the SAC for at-large members and the current SAC alternates can apply.

Upon motion by Member Hartung, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved modifying the composition of the Standing Advisory Committee by removing the two positions represented by the Northern Nevada Water Planning Commission and Office of Consumer Advocacy appointments and by creating two new At-Large positions to be filled by any customer class or group representative as appointed by the TMWA Board.

11. DISCUSSION AND ACTION REGARDING GENERAL MANAGER PERFORMANCE REVIEW FOR CONTRACT YEAR 2015/2016 AND DISCUSSION AND ACTION ON POSSIBLE LUMP SUM AWARD AND/OR OTHER COMPENSATION ADJUSTMENT

Mr. Foree reported that he has provided all the information requested by the Board regarding salary information, comparative salary data from other local agencies and the General Manager performance evaluation. He thanked the Board and leadership team for providing their positive feedback and suggestions and he will take the comments and suggestions to heart and will strive to improve in the suggested areas for growth.

Member Duerr commended Mr. Foree for the outreach, presentation of the comparative salary information and how his performance evaluation was presented. She noted he has many strong skills, but to focus on improving those areas of growth suggested in the evaluation.

Chair Martini praised Mr. Foree in doing a great job and having a great year, as well as a loyal team. TMWA is a great organization and starts at the top.

Member Herman stated she compared his salary to others who have less responsibility and recommended he receive a raise.

Member Hartung commented on his personal interactions with Mr. Foree who has always made himself, or a TMWA manager and staff, available to answer questions and all of those interactions have been positive. The organization is working well from the top-down.

Member Brekhus agreed and it has been a pleasure working with him this year.

Member Jardon agreed as well that TMWA does a great job with messaging, responsible water use and conservation. However, she suggested to improve information available on water availability and projections as related to growth, and expressed how TROA was a major shift in how we operate, but not everyone fully understands the significance. Mr. Foree replied he also noted that comment in the evaluation form and will include a goal of getting the word out about TROA (related to water supply for the future) as part of his FY17 goals.

At this point questions were raised regarding potential modifications to the general manager contract unrelated to compensation, and discussion continued regarding what the percentage salary increase would be; and what the staff's increase was in FY16 (Mr. Foree stated a 2 percent increase was provided for Bargaining Unit Employees based on prior agreement and a 2.1 percent increase was given to non-bargaining unit employees based on TMWA's compensation consultant's salary inflation metric). Mr. Pagni stated that the agenda limited today's discussion to Mr. Foree's performance review and potential compensation adjustments and that any proposed changes to the contract and terms of agreement would have to be brought forward at a future meeting. The Board continued discussion on compensation adjustments, and it was decided Mr. Foree would receive a four percent salary increase, but no lump sum bonus this year.

Upon motion by Member Jardon, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved a four percent salary increase for the General Manager.

12. DISCUSSION AND ACTION ON REQUEST FOR BOARD INPUT AND ACCEPTANCE OF GENERAL MANAGER PERFORMANCE OBJECTIVES FOR CONTRACT YEAR 2016/2017

Upon motion by Member Brekhus, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved to continue this agenda item to the October 19, 2016 TMWA Board Strategic Workshop meeting.

13. GENERAL MANAGER'S REPORT

Mr. Foree reported that Lake Tahoe fell below the rim last week; much later than last year. Customer demand year-to-date is 102.4 percent of 2015; this shows our customers are keeping to what they did in 2015 when they were asked to conserve and are keeping up with their conservation habits. He stated the next meeting is on October 19th at 10 am at TMWA offices, 1355 Capital Blvd.

14. PUBLIC COMMENT

There was no public comment.

15. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There was no Board comment.

16. ADJOURNMENT

With no further discussion, Chair Martini adjourned the meeting at 12:06 p.m.

Approved by the TMWA Board of Directors in session on October 19, 2016.

Sonia Folsom, Recording Secretary

**Member Smith was present for agenda items 1 thru 10 only.*

***Member Jardon was present for agenda items 1 thru 11 only.*