

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE MAY 17, 2017
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, May 17, 2017, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chair Martini called the meeting to order at 10:10 a.m.

1. ROLL CALL

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

A quorum was present.

* Member Duerr was present via telephone.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Vice Chair Hartung.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

Chair Martini recommended to move agenda item 8 to be heard after agenda item 12, followed by a legal briefing.

Upon motion by Member Hartung, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the amended agenda, to hear agenda item 8 after agenda item 12.

5. APPROVAL OF THE MINUTES OF THE APRIL 19, 2017 MEETING

Upon motion by Member Hartung, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved the April 19, 2017 minutes.

6. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING 2017 LEGISLATIVE ACTIVITIES AND CURRENT BILLS, AND TMWA RECOMMENDED POSITIONS ON LEGISLATIVE PROPOSALS

John Zimmerman, TMWA Water Resources Manager, presented the list of bills that TMWA is tracking which passed the April 25th deadline out of the first House. Mr. Zimmerman requested Board direction on AB404, *oppose*, which is staff's recommendation, but the TMWA legislative subcommittee recommended to change it to *watch*.

Steve Walker, TMWA Lobbyist, provided a brief overview of the status of bills TMWA is monitoring.

Member Smith inquired about AB379, asked for staff to monitor closely if the amendments proposed require the cities to eliminate parks, then TMWA should change its position to *oppose*. Mr. Walker replied he has been monitoring it closely, it is still in motion and the issues are still being addressed. Vice Chair Hartung confirmed there is an 'opt out' clause for each of the local entities.

Mr. Walker provided an overview on AB404, creating the Nevada Office of Inspector General, which is in the Assembly Ways and Means committee and has not moved forward. Vice Chair Hartung noted he recommended at the legislative subcommittee to bring this bill to the Board for review to continue to *oppose* or change to *watch/neutral*.

Member Brekhus noted the City of Reno has opposed AB404, but was not sure to what benefit it would be to TMWA to oppose.

Vice Chair Hartung recommended TMWA should continue to oppose AB404.

Upon motion by Member Hartung, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved staff recommendation on all bills, including maintaining the position of *oppose* on AB404.

7. PRESENTATION, DISCUSSION AND POTENTIAL DIRECTION TO STAFF REGARDING AN AGREEMENT TO USE RECLAIMED WATER FROM THE TRUCKEE MEADOWS WATER RECLAMATION FACILITY (TMWRF) AS PROPOSED BY THE TAHOE RENO INDUSTRIAL GENERAL IMPROVEMENT DISTRICT (TRI GID)

Member Jardon stated NRS 281A.420 requires her to disclose any potential conflict of interest since her family has ownership interest in property at 610 & 620 Waltham Way, in Storey County, Nevada. Member Jardon noted this will not financially benefit or harm her and her family with regards to above mentioned agenda item.

John Enloe, TMWA Director of Natural Resources, mentioned this item was heard at both the Cities of Reno and Sparks Council meetings last week. Mr. Enloe presented the staff report and background for Board review and to provide direction to staff regarding the use of treated effluent water from TMWRF as requested by TRI GID. Staff has researched the benefits, and met with both the State Engineer and Federal Water Master, of year-round use of treated effluent water to help maintain appropriate levels of

nitrate in the effluent discharged to the Truckee River, which is good for TMWRF. To provide the replacement return flow for the annual 4,000 acre feet (AF) of TMWRF reclaimed water that TRI GID would need, TRI GID would provide 1,500 AF, the Nevada Department of Transportation (NDOT) would provide between 1,500-2,200 AF via the State of Nevada, and TMWA would provide between 300-1,000 AF of community water resources. Several options are available to TMWA to provide the return flow requirement, including three PCE Remediation District Wells, other groundwater wells (since groundwater does not have a return flow requirement), and Donner Lake minimum releases. The technical issue of providing effluent to TRI GID has been resolved, it is now a matter of a policy decision for the Board to move forward; if so, the Cities of Reno and Sparks, and TRI GID would move forward to negotiate an agreement, which would also entail a Return Flow Management Agreement, which would be brought back for Board approval.

Vice Chair Hartung asked which entity would pay for the infrastructure to move effluent from TMWRF to TRI GID, the length of time for the agreement and expressed his concerns for a long-term agreement. Mr. Enloe replied the TRI Center would pay for the infrastructure, the duration for the agreement has not been decided, but it could be a 20-year agreement with a provision to extend it another 20 years.

Member Brekhus understood the technical component, but expressed reservations on the policy of providing resources to TRI GID, which has grown extremely quickly without the infrastructure needs accounted for, and reiterated concerns she expressed in 2013 at a Regional Planning Governing Board meeting where she asked for transparency and rate setting for effluent, but nothing has been done. She questioned TMWA rate-payer investments in the PCE program, and expressed concern that TRI GID is not paying into the program and yet they are experiencing great financial advantages with the abated taxes at the expense of surrounding jurisdictions. Mr. Enloe replied the remediation district reimburses TMWA for its operating expenses when they do not need to pump the wells to meet demand. Part of the Return Flow Management Agreement would address Member Brekhus' concerns; it would be stipulated in the agreement TMWA would be reimbursed if it incurred any cost to provide the community resources. Mark Foree, TMWA General Manager, added the PCE Remediation District paid for all treatment facilities at the well sites.

Mr. Enloe stressed this is a beneficial solution for all parties involved, especially at no cost; providing TRI GID with effluent water is a more efficient use of water, leaves good quality water in the river and provides significant benefit to TMWRF customers by deferring improvements because of the nitrate issue.

Member Smith pointed out TMWRF is not rescuing TRI GID by providing water to them, rather to look at them as a customer who is building a pipeline, and are willing to pay for a commodity, that TMWRF has. Also, setting rates falls under the negotiating team to determine, not this Board, while drafting the agreement, which will be brought forth for approval and the Board can recommend changes at that time.

Member Duerr stated the potential agreement is beneficial for all parties involved and is supportive of the negotiations and TMWA to be part of the agreement.

Vice Chair Hartung noted Washoe County is neutral on this agreement, but reiterated his concern the need for smaller more localized high-quality waste treatment facilities to treat to a higher standard. He also asked for the negotiating team to look at the value of the commodity over time and if the team has addressed availability to meet demand during a drought. Mr. Enloe replied the effluent provides a benefit

as a drought-proof water supply. TRI GID also has substantial groundwater resources (not in the Truckee Meadows Basin) and ample effluent water storage; they could potentially build their own independent water system.

Member Jardon noted there was ample discussion at the City of Reno Council meeting and there is plenty of work to do by the negotiating team. She thanked TMWA staff for addressing this issue for almost two years to get to this point, and pointed out the continued need to have more open lines of communication with Storey County, TRI GID, and Cities of Reno and Sparks on all matters that would impact each entity, not just issues relating to water.

Member Brekhus asked Mr. Enloe if he has spoken with representatives from the Pyramid Lake Paiute Tribe (PLPT) regarding this issue. Mr. Enloe replied that he had not, but that a representative from the TRI Center has). Member Brekhus also expressed her concern that TRI GID has surfaced as a competitor to TMWA (for Truckee river water rights) and about the implications related to water resources and stressed she would like to see a benefit returning to TMWA and rate-payers.

Member Brekhus asked what action is staff requesting. Mr. Enloe replied it is similar to what the Cities of Reno and Sparks; to have permission to continue to work on this effort and for TMWA to provide technical support since TMWA is already managing water resources on a day-to-day basis. He added, he can bring back answers to Member Brekhus' questions and address her concerns.

Vice Chair Hartung asked who would own effluent water. Mr. Enloe replied that would be decided during negotiations and added the Truckee river water rights are sometimes leased for the benefit of return flow.

Discussion followed regarding how to direct staff to move forward, that the Board recognized members in the public who are part of the negotiating team and can address the Board's concerns during negotiations, and bring back the draft agreement for review and approval or to give further direction.

Member Brekhus motioned to move forward with providing technical assistance to the cities in the broader negotiation and to return to the Board with an option that involves pricing for community water resources provided by TMWA to support TRIGID effluent use.

Member Smith agreed with going forward with it, but with no restrictions.

Upon motion by Member Brekhus, second by Member Jardon, which motion duly carried by five to one, with Member Smith dissenting, the Board approved staff to continue providing technical assistance to the Cities of Reno and Sparks in the broader negotiations and to return to the Board an option for pricing community water resources to support effluent water.

***Chair Martini left at 10:46 a.m.*

9. PRESENTATION OF FINANCIAL PERFORMANCE FOR THIRD QUARTER FISCAL YEAR 2017

Tabitha Carlisle, TMWA Financial Controller, presented on the third quarter, ending March 31, 2017 financial performance for FY 2017; change in net position is \$30 million, operating revenues were \$4.9

million over budget which can be attributed to rebound in water sales, but were \$1.5 million under budget for water sales in April due to the wet season; operating expenses were \$3 million lower than budgeted, in part due to lower services and supplies, and keeping power expenses low by utilizing time-of-use pumping; the water meter retrofit programs was \$1 million under budget due to the sale of groundwater will-serve commitments; developer contributions are significantly ahead of budget by \$6.9 million; spending on capital outlays and construction projects was approximately \$17.4 million, which is significantly under the budget of \$35.9 million due to weather delays; and the capital contributions from others of \$11.8 is due to the Farad settlement, which TMWA has received \$21.5 million to date.

Vice Chair Hartung asked how the money from the Farad settlement would be used and suggested reestablishing hydro generation. Michele Sullivan, TMWA Chief Financial Officer, replied it has not been decided, but they will look at all options.

Member Brekhus asked if the GASB 75 had to do with booking OPEB. Ms. Sullivan replied yes, it is booking unfunded liability on OPEB, which is determined by GASB 75, but our actuarial analysis determines how much we need to fund the plans to achieve fully funded status and the timing has yet to be determined, but possibly in the next 10 years.

***Member Jardon left at 11:30 a.m.*

10. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 251: A RESOLUTION TO APPROVE THE THIRD BUDGET AUGMENTATION AND BUDGET REVISIONS FOR FY 2017

Ms. Sullivan presented on the proposed third budget augmentation and budget revisions for FY 2017. She highlighted an increase in water sales by \$2.4 million which includes an increase of \$1.9 million in water sales that conforms with the funding plan assumptions, and \$0.5 million which is the estimated increase related to the 3% rate increase in May; employee benefit expenses of \$0.6 million required by GASB 75 has moved to FY 2018; river monitoring expenses of \$0.3 million will be incurred in FY 2019; \$1.0 million grant funding received related to TROA; water meter retrofit revenue expected to decrease by \$1.2 million due to groundwater will-serve sales in FY 2017 which do not include the retrofit fee; increase will-serve water right sales by \$3.6 million; two large developer contributions, one for \$1.2 million for the Truckee Canyon Water Treatment Plant, and one for \$0.9 million for D'Andrea #3 pump station; and an additional \$11.8 million received from insurance as partial settlement for flood damage at the Farad Hydro Plant; and cash flow will decrease by about \$3.8 million mainly due to the use of the debt service reserve fund of \$32 million to pay down debt in the 2017 bond refunding, offset by lower capital expenditures.

Member Brekhus recognized the budget augmentations reflect the assumptions made in the funding plan, and necessary to monitor the budget throughout the year. She suggested the Board review the second-year rate increase and consider blending it over two-years. She also noted the meter retrofit program is both a revenue and expense. Ms. Sullivan replied yes, and it is all reserved which does not affect rate-payers.

Upon motion by Member Brekhus, second by Member Smith, which motion duly carried by unanimous consent of the members present, the

Board adopted Resolution No. 251 to approve the third budget augmentation and budget revisions for FY 2017.

11. PUBLIC HEARING ON ADOPTION OF BUDGET

11.A DISCUSSION AND ACTION ON REQUEST FOR ADOPTION OF RESOLUTION NO. 252: A RESOLUTION TO ADOPT THE FINAL BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2018 AND THE 2018-2022 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Ms. Sullivan presented the proposed FY 2018 budget noting the funding decreases of \$400,000 to the Truckee River Fund and \$210,000 to the cloud seeding program, and decreased river monitoring expenses since it won't be required until 2019. She also noted that the effect of implementing GASB 75 was added to employee benefits expense. Additional cash will be used to pay down commercial paper, based on higher water will-serve sales in FY 2017.

Member Brekhus asked how many full-time employees (FTEs) TMWA has. Ms. Sullivan replied 206 employees is budgeted for FY 2018.

11.B PUBLIC COMMENT

There was no public comment.

Upon motion by Member Smith, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 252 to adopt the final budget for the Fiscal Year ending June 30, 2018 and the 2018-2022 Five-Year Capital Improvement Plan.

CLOSE PUBLIC HEARING

12. PRESENTATION ON PROPOSED SUMMER 2017 CAMPAIGN AND WATER LEADERSHIP COMMUNICATIONS PLAN, DISCUSSION AND POSSIBLE DIRECTION TO STAFF

Member Brekhus proposed to move this agenda item to the next meeting.

Upon motion by Member Brekhus, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved to move agenda item 12 to the next meeting.

Vice Chair Hartung recessed the Board for a closed door legal briefing on agenda item 8 at 11:34 a.m.

Vice Chair Hartung resumed the Board meeting at 12:09 p.m.

8. REQUEST FOR BOARD APPROVAL TO INITIATE LEGAL ACTION AGAINST FARR CONSTRUCTION CORPORATION DBA RESOURCE DEVELOPMENT COMPANY AND QUEST INSPAR, LLC IN RELATION TO THE TMWA CAPITAL IMPROVEMENT PROJECT TITLED FLEISH PENSTOCK AND HIGHLAND INVERTED SIPHON STRUCTURAL LINING, PWP # WA-2016-038

Upon motion by Member Smith, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved to initiate legal action against Farr Construction Corporation dba Resource Development Company and Quest Inspar, LLC in relation to the TMWA capital improvement project titled Fleish Penstock and Highland Inverted Siphon Structural Lining, PWP # WA-2016-038.

13. GENERAL MANAGER'S REPORT

Mr. Foree informed the Board that Lake Tahoe is about 1 foot below its maximum limit and all reservoirs will soon fill and spill. He reminded the Board that they approved funding a year ago for the One Truckee River (OTR) initiative to provide a restroom pilot program along the river, which has not happened because of OTR's inability to contract with Sani-Hut; the City of Reno said it can contract with Sani-Hut if TMWA reimburses them, allowing them to move forward with the program unless the Board has any concerns.

Vice Chair Hartung asked Mr. Pagni if this needed to be brought back for approval. Mr. Pagni replied, no, Mr. Foree, as the General Manager, has the authority since this has already been budgeted, unless the Board has issue with moving forward then it would have to be brought back for direction.

Member Brekhus asked if the location has been decided and noted she has no issue with moving forward. Mr. Foree replied at Fisherman's Park location in Reno.

Mr. Foree also informed the Board TMWA has a contract with Vertex for its call-center, billing services, etc. and staff found out yesterday that Vertex has sold its call-center and business outsourcing business to another company, but since TMWA's agreement with Vertex has a "successor" clause, TMWA's contract and pricing will be honored by the acquiring company and we do not anticipate any issues during the transition.

14. PUBLIC COMMENT

There was no public comment.

15. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus referred to the budget line item on assembling fractional water rights, and requested a brief explanation at a future meeting on how an individual may pursue it and for what purpose.

Vice Chair Hartung inquired if it would take staff more than two hours to put together the staff report. Mr. Foree replied yes, most likely, but staff can briefly explain the budget line item at a future meeting at the Board's discretion.

16. ADJOURNMENT

With no further discussion, Vice Chair Hartung adjourned the meeting at 12:18 p.m.

Approved by the TMWA Board of Directors in session on June 21, 2017.

Sonia Folsom, Recording Secretary

*****Chair Martini was present for agenda items 1 thru 7 only.***

*****Member Jardon was present for agenda items 1 thru 7 and 9 only.***