

TRUCKEE MEADOWS WATER AUTHORITY  
MINUTES OF THE SEPTEMBER 20, 2017  
MEETING OF THE BOARD OF DIRECTORS

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The Board of Directors met on Wednesday, September 20, 2017, at Sparks Council Chambers, 745 4<sup>th</sup> Street, Sparks, Nevada. Vice Chair Hartung called the meeting to order at 10:01 a.m.

1. ROLL CALL

**Members Present:** Jenny Brekhus, Alternate Kristopher Dahir, Naomi Duerr, Vaughn Hartung, Jeanne Herman, Neoma Jardon, and Ron Smith.

**Members Absent:** Geno Martini

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Officer Scobell.

3. PUBLIC COMMENT

Ken McNeil, a Reno resident and TMWA Standing Advisory Committee (SAC) member, spoke as a TMWA customer, not as a representative of SAC. Mr. McNeil commended Mr. Mark Foree, TMWA's General Manager, on doing a great job managing TMWA and having a great rapport with members from the SAC; even when they disagree on certain issues there is continued open dialogue. Mr. McNeil also spoke against the proposed wholesale agreement with Boomtown Water System in Verdi, Nevada, which the Board considered at its last meeting.

4. APPROVAL OF THE AGENDA

Vice Chair Hartung stated Jessica Atkinson, TMWA Human Resources Manager, will be presenting on agenda item #12.

Member Brekhus requested agenda item #7 be heard after agenda item #13.

**Upon motion by Member Jardon, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the agenda as amended.**

5. APPROVAL OF THE MINUTES OF THE AUGUST 16, 2017 MEETING

**Upon motion by Member Duerr, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the August 16, 2017 minutes.**

6. PRESENTATION OF THE TRUCKEE MEADOWS REGIONAL PLANNING AGENCY (TMRPA) 2017 REGIONAL PLAN UPDATE AND TMRPA REQUEST FOR PUBLIC INPUT

Kim Robinson, TMRPA Executive Director, presented on the many collaborative projects they are working on with other local agencies. Ms. Robinson informed the Board of the continuous public outreach they conduct to receive input from the community including that regarding the 2017 Regional Plan Update. Member Duerr noted Ms. Robinsons' staff attended her Neighborhood Association Board (NAB) and they had a very good presentation.

8. DISCUSSION AND POSSIBLE ACTION ON ADOPTION OF RESOLUTION NO. 254: 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

John Enloe, TMWA Natural Resources Director, reported the Truckee River Fund (TRF) advisors met on August 18 and reviewed five proposals; they recommended funding approval for 4 projects for a total of \$281,125. However, Mr. Enloe informed the Board that the TRF Project #191, sponsored by the City of Reno to allow the use of chemicals to treat invasive weeds along the river, has since been pulled from consideration today. The three remaining projects, for a total of \$269,825, were presented to the Board for their consideration.

1. **Project #190:** Watershed Education Initiative (WEI)  
**Organization:** Sierra Nevada Journeys (SNJ)  
**Amount Requested:** \$ 35,065                      **Amount Recommended:** \$ 35,065  
**Organizational Match:** \$ 2,700 (Cash)      \$ 10,200 (In-Kind)
2. **Project #192:** Truckee River Tributaries Sediment Reduction Project  
**Organization:** Truckee River Watershed Council (TRWC)  
**Amount Requested:** \$ 165,000                      **Amount Recommended:** \$ 165,000  
**Organizational Match:** \$ 41,250 (Cash)      \$ 900 (In-Kind)
3. **Project #193:** 2018 Spring Invasive Weed Pull & Fall Truckee River Cleanup  
**Organization:** Keep Truckee Meadows Beautiful (KTMB)  
**Amount Requested:** \$ 69,760                      **Amount Recommended:** \$ 69,760  
**Organizational Match:** \$ 15,000 (Cash)      \$29,932 (In-Kind)

Discussion followed regarding when the next round of funding was going to occur, what the rollover balance was for FY 2018 and how potential recipients could apply for the grant. Lauren Renda, Community Foundation Program Manager for the TRF, replied the next round would be considered at the February 2018 TRF meeting, and brought to the Board for consideration in March, and she emails the request for proposals (RFPs) to non-profits in the area, and anyone who is interested can contact her at the Community Foundation to be put on the list. Mr. Enloe replied that TMWA's funding to TRF was reduced by half in FY17 and the TRF began FY18 with approximately \$850k.

**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. 254 to approve funding for the projects recommended by the Truckee River Fund Advisory Committee with the exception of project #191 and an authorization for the Community Foundation to fund such projects from Fund proceeds.**

9. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING REQUEST FOR APPROVAL OF REVISIONS TO THE VOLUNTARY EMPLOYEE BENEFIT ASSOCIATION (VEBA) PLAN DOCUMENT

Jessica Atkinson, TMWA Human Resources Manager, presented the revised VEBA Plan document which did not increase TMWA's financial requirements, rather it cleared up ambiguities, formatting, language and references within the document.

Member Brekhus inquired about the difference between the VEBA and the OPEB trust. Ms. Atkinson replied that the OPEB trust is a closed trust for employees that came from Washoe County as a result of the merger and will phase out as employees retire. The VEBA trust is the original and ongoing TMWA employee trust.

**Upon motion by Member Brekhus, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the revisions to the Voluntary Employee Benefit Association (VEBA) Plan Document.**

10. PRESENTATION OF TMWA'S UNAUDITED FY2017 FINANCIAL PERFORMANCE

Michele Sullivan, TMWA Chief Financial Officer, presented on the unaudited financial performance for FY17. Ms. Sullivan stated water sales ended at \$1.5M ahead of budget at the end of FY 2017; operating expenses were on track; employee benefits increased based on GASB 68 in addition to the increase in the number of employees; operating income was \$5.4M higher than anticipated due to savings in operating expenses of \$2.5M, \$1.1M lower depreciation, and \$1.8M higher operating revenue; developer infrastructure contributions were \$10.8M. Overall net change in position was \$21M higher than anticipated and cash balances decreased \$13M or \$10.5M less than the anticipated decrease of \$23.5M.

As part of the 2017 bond refunding, two forward delivery agreements (FDA) were terminated that guaranteed TMWA higher interest rates on debt service reserve and O&M reserve balances and TMWA received \$4.9M cash from dissolving the FDA's for the release of these agreements.

Discussion followed regarding how TMWA has the ability to collect fees from future developers for infrastructure oversizing costs that TMWA incurred in anticipation of increased future demand.; TMWA's portion in the Nevada Public Employees Retirement System (NVPERS) was larger and led to increased costs in employee benefits this year, and is adjusted every year. Ms. Brekhus asked if it was standard practice for TMWA to receive interest on its reserves balances and Ms. Sullivan replied yes; it was necessary to push out debt principle payments to phase in rate adjustments, and the bond refunding assisted TMWA's financial position by being able to pay down \$32M of debt due to the bond refunding.

#### 11. DISCUSSION AND POSSIBLE ACTION ON ADOPTION OF RESOLUTION NO. 255: A RESOLUTION TO APPROVE THE AMENDMENTS TO TMWA'S INVESTMENT POLICY

Joe Petrelli, TMWA Senior Financial Analyst, introduced TMWA's financial advisors to answer any questions, who were on teleconference: Monique Spike and Izac Chyou, from Public Financial Management (PFM) who are responsible for providing financial services and act as a liaison on PFM's investing team, respectively.

Vice Chair Hartung inquired if the suggested updates to the Investment Policy (IP) were more aggressive to account for the trend in the rising market. Monique replied yes, they took advantage of the trend. Ms. Sullivan added it was also because of the release of FDA and without that facility, TMWA needs to figure out what to do with investments; and while Nevada Revised Statutes (NRS) are conservative, TMWA has not been using some of the investment types allowed by NRS. Staff commented that the intent was to bring TMWA's investment policy in line with NRS.

Member Brekhus asked why did TMWA have a more conservative IP in the beginning. Ms. Sullivan replied that may be because the last IP was revised in 2009 during the recession. Member Brekhus asked if utilities generally had different investment policies than local governments.

Discussion followed regarding allowed investments under NRS 355.170 and the potential to use asset back securities, per NRS 355.171, but that legal counsel advised TMWA may not be eligible or it may not be feasible to put NRS 355.171 investments into the policy and additional research and discussion was necessary on those items Also, the possibility of investing in asset backed securities, but only if they are rated "AAA" by a nationally recognized statistical rating organization (NRSRO); per policy, TMWA will not engage in derivatives investments such as SWAPS; new restrictions were added to the IP such as no more than 20% can go into one type of investment, and restricted 5% to any one issuer; TMWA continues to be aggressively conservative, and investing in securities up to 5 years maturities allows for great flexibility than the current 2 year hold. Staff confirmed that if an investment was not listed, it would not be allowed.

Member Brekhus asked about the logistics of the agreement and if PFM had autonomy to make investment decisions. Ms. Sullivan replied PFM does have the authority to trade right now, which enables them to be proactive, and she speaks with them on a weekly basis.

**Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 255 to approve the amendments to TMWA's Investment Policy.**

12. DISCUSSION AND ACTION REGARDING GENERAL MANAGER PERFORMANCE REVIEW FOR CONTRACT YEAR 2016/2017 AND DISCUSSION AND ACTION ON POSSIBLE LUMP SUM AWARD AND/OR OTHER COMPENSATION ADJUSTMENT

Ms. Atkinson presented the staff report and reported on the results from the confidential survey taken by six direct reports and seven Board members, including Alternate Dahir.

Vice Chair Hartung commended Mr. Foree on a job well done and opened it to public comment.

*Public Comment*

Mr. McNeil noted again he is speaking as a TMWA customer and not on behalf of the TMWA SAC. He stated Mr. Foree does a good job, which can be difficult at times while navigating the politics associated with water management, and has qualities difficult to find in most people; very patient, communicates well, and is dedicated to TMWA, staff, Board and the SAC.

The Board was unified in their praise over Mr. Foree's performance as TMWA's general manager for FY17. They agreed that it has been a pleasure to work with him, that Mr. Foree (as well as the staff) is knowledgeable and responsive to their calls and inquiries. He has brought together a team of professionals whom he trusts with their expertise, his ability to handle contentious issues, such as the rate increase, and worked with the Board in making those tough decisions, his commitment to TMWA is reflected in the professional and interpersonal relationships with the Board and in the community, his conflict resolution skill-set, his leadership is a reflection of the team and customer satisfaction results, and that the survey results of his performance are a testament to what he has accomplished.

Member Jardon inquired what the proposed percent salary increase was. Vice Chair Hartung replied it was the Board's decision.

Vice Chair Hartung presented the options for the Board to consider. Michael Pagni, TMWA General Counsel, confirmed the aggregate bonus and salary increase could not be over 10%.

At this point, there was discussion regarding the percent amount to propose for Mr. Foree's salary increase and that it should reflect the same amount the MPATs received which was 3%; that Mr. Foree does not automatically receive cost of living adjustment (COLA) and any salary increase must be proposed and approved by the Board; that it would be difficult to approve a lump sum award in the same year as a rate increase even though Mr. Foree has done a great job leading the company

Member Duerr inquired if any changes to the general manager's contract terms could be considered today. Michael Pagni, TMWA General Counsel, replied no.

**Upon motion by Member Smith, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved a three percent salary increase for the General Manager.**

13. DISCUSSION AND ACTION ON REQUEST FOR BOARD INPUT AND ACCEPTANCE OF GENERAL MANAGER PERFORMANCE OBJECTIVES FOR CONTRACT YEAR 2017/2018

Mr. Foree presented the proposed objectives for contract year 2017/2018 for the Board's consideration.

Discussion followed regarding the ability of moving hydro water rights permits from Farad downstream to be used for another plant on the river; addressing concerns made by recreational river users about not adding another dam or to update diversions, including Glendale diversion, to allow for safe passage and to ensure adequate communication between TMWA staff and river users; to improve the safety for first responders; how TMWA continues to address water issues and manage operations in order to maximize efficiencies and be innovative in alternative solutions for reclaim water; and how TMWA is establishing itself as the regional water leader by scheduling its first public outreach event that's sole purpose is to bring other local agencies together to educate the community about water, resources, management, growth, and how it is all efficiently being managed and monitored.

**Upon motion by Member Duerr, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the General Manager performance objectives for contract year 2017/2018.**

7. INFORMATIONAL REPORT ON GROUNDWATER AQUIFERS

Randy Van Hoozer, TMWA Senior Hydrogeologist, and Nick White, TMWA Hydrogeologist, presented the report on groundwater aquifers. Mr. White reported that the region saw its largest water year on record.

Discussion followed regarding how basin boundaries are determined (related to the watershed and aquifer); how the geology determines well capacity and if a well has active recharge capabilities; the status of permitting efforts to expand the recharge program; passive versus active recharge; domestic wells in Spanish Springs and whether they have been depleted due to TMWA's wells or other factors; TMWA staff is obtaining information on the wells owned by Utilities Inc. to further understand the groundwater aquifers in relation to TMWA's wells; how active and passive recharge stabilizes the groundwater aquifers; ongoing monitoring of the age and stability of the wells through the well rehabilitation program; the lack of evidence of jet fuel contamination in the Stead and Lemmon Valley area nor any evidence of contamination due to flood or effluent discharge in Swan Lake after sampling the wells these past six weeks.

#### 14. GENERAL MANAGER'S REPORT

Mr. Foree reminded the Board of the Smart About Water Day on Saturday, October 21<sup>st</sup> from 10am – 2pm at the Lazy 5 Community Center and the past two months of been the highest in hydro generation revenue in TMWA's history.

#### 15. PUBLIC COMMENT

There was no public comment.

#### 16. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus confirmed the October Strategic Planning Workshop was to be held at TMWA Corporate office and start at 10am and the proposed wholesale agreement with West Reno Water Company would be on the agenda. Mr. Foree replied yes.

Member Herman requested a brief presentation on TMWA's population projections since a few of her constituents have expressed concerns that they have heard that population may reach 750k sooner than TMWA's projections. Mr. Foree replied TMWA's 20-year projection and the County projection are close in line to the Consensus forecast, but will provide a brief update at the workshop.

Mr. Foree thanked the Board for their support and comments received, and any success should also be directed to the staff and management team.

#### 17. 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 October 18, 2017.

Sonia Folsom, Recording Secretary