

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

The Board of Directors met on Wednesday, December 21, 2016, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chair Martini called the meeting to order at 10:00 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.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Brekhus.

3. PUBLIC COMMENT

Nathan Tusing, a resident in the North Valleys, reported there has been a distinct issue with the taste and odor in their water. Mr. Tusing noted that he has been in contact with Craig Moyle, TMWA Senior Chemist, who has explained that staff has conducted an investigation and the results indicate the water is safe and the issue is related to algae growth. He asked the Board to have staff look further into this matter.

Caleb Harris commented on the same problem and mentioned how helpful Mr. Moyle has been. He asked how often the water is tested and what regulations does TMWA have to adhere to.

Andy Gebhardt, TMWA Director of Customer Relations, agreed to speak with Mr. Tusing and Mr. Harris about the issue.

Patrick Waite, International Brotherhood of Electric Workers (IBEW) 1245 representative, represents approximately 110 bargaining unit employees at TMWA and informed the Board that they could contact him if they had any questions.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE MINUTES OF THE NOVEMBER 16, 2016 MINUTES

Upon motion by Member Hartung, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the November 16, 2016 minutes.

6. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 246, A RESOLUTION TO APPROVE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2016

Michele Sullivan, TMWA Chief Financial Officer, reported there were minimal changes to the unaudited financial report which was presented at the October Board meeting. Ms. Sullivan provided a brief overview of the report and the audit letter provided by Eide Bailly.

Kristen Chinvarasopak, Partner at Eide Bailly, reported briefly on the adjustments to the footnote disclosures and financial statements. Ms. Chinvarasopak stated that TMWA was subjected to a single audit given the federal awards program distributed through the State Revolving Fund Program, for the North Valleys Integration project, and there were no findings.

Member Brekhus inquired if the liquidity reclassification for the \$17 million was related to commercial paper. Ms. Sullivan replied no, it was part of TMWA's investment pool.

Upon motion by Member Duerr, second by Chair Martini, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 246, a resolution to approve the Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2016.

7. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 247, A RESOLUTION TO APPROVE THE SECOND BUDGET AUGMENTATION AND BUDGET REVISIONS FOR FY 2017

Ms. Sullivan reported the proposed second budget augmentation and budget revisions for FY 2017 will not change the final budget, but reflects changes in capital spending; indicating some projects have been pushed out beyond FY 2017, or have had their budgets increased, and due to the recent flooding, a couple of flumes need to be replaced.

Member Hartung inquired about the increase in estimated project costs and asked how much contingency is added above construction estimates. Scott Estes, TMWA Director of Engineering, explained construction and labor costs have increased, and how much contingency is added to the construction estimates depends on the size of the project, but is generally 5-20 percent. Ms. Sullivan added that most projects are running within budget.

Member Jardon conveyed that the Builders Association of Northern Nevada (BANN) report construction costs have increased 35% in materials and labor.

Discussion followed regarding the delay on the projects in Mogul and Verdi (bidding and construction phase to occur in FY 2018), whether there are any issues with serving West Meadows or the Boomtown system (staff identified no issues), the progress on the Boomtown system negotiations and whether they have submitted applications to the Public Utilities Commission (PUC), and if any protests have been filed against the Mt. Rose-Galena Fan Water Treatment Plant project. Mark Foree, TMWA General Manager, added that Boomtown has not submitted their applications to the PUC to expand their territory, but it's in progress. TMWA has provided Boomtown with a term sheet; but staff has yet to hear back. As for the Mt. Rose-Galena Fan Water Treatment Plant project, Mr. Estes replied the design phase is continuing, but legal issues have slowed the anticipated start of construction of the project, moving it into FY 2018. Michael Pagni, TMWA General Counsel, replied no one has appealed any of the entitlement approvals, but a complaint has been filed with the Nevada Real Estate Division seeking mediation on the applicability of covenants, conditions and restrictions (CC&Rs) and it is pending.

Mr. Foree added staff has filed with the State Engineer's to change point of diversion for the Mt. Rose Water Treatment Plant, and the application has been completed without protest.

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. 247, a resolution to approve the second budget augmentation and budget revisions for FY 2017.

8. DISCUSSION AND POSSIBLE DIRECTION TO STAFF ON PARAMETERS OF POTENTIAL RATE ADJUSTMENT PROPOSAL AND FUTURE PUBLIC INPUT AND HEARING PROCESS

Mr. Foree stated staff has provided answers in response to the questions raised at the December 21 meeting regarding the proposed rate adjustments. Staff is recommending, which was endorsed by the TMWA Standing Advisory Committee (SAC) at their November 1 meeting, the proposed rate adjustments of 3% for years 1 and 2 and up to 2.5% for years 3, 4, and 5; allowing the Board flexibility to review the financial situation before implementing an adjustment in years 3, 4, and 5.

Member Duerr asked staff to briefly explain the rationale of why it is not good practice to mix fees/costs, as well as how TMWA determines the cost of water rights, how many areas TMWA has, and if connection fees are similar in each area or unique for each customer. Mr. Estes referred to Table 2 in the Rule 5 staff report and replied that developer fees vary significantly each year and cannot be relied upon as a revenue source and TMWA has 15 connection fee areas, but not all areas in the TMWA system have connection fees. Mr. Foree added that facility charges (also referred to as connection fees), which pays for growth, are only applied to three categories: treatment, storage and area fees, and the cost charged for water rights are averaged by what TMWA paid and the connection fee is calculated based on gallons per minute of peak day demand.

Member Duerr remarked that the Board is being asked to set rates, and would like to ensure they have all the facts and understand the impact of their decision. Mr. Foree noted that the examples provided is typical of what a developer would pay and that developer fees and facility charges are not paid by existing customers.

Member Hartung clarified the rate increase would affect all customer classes equally, expressed his concern with the South Truckee Meadows General Improvement District (STMGID) rate tiers, and asked if staff had any recommendations. Mr. Foree replied, yes and one of the reasons staff is proposing across the board rate increase is partly due to the agreement with STMGID; they can only increase at the same rate as TMWA. Mr. Foree added that the Las Vegas Valley Water District is going through a similar process and their Customer Committee recommended a 3% increase for the first two years and consumer price index (CPI) for future years, and that is the proposal that is going forward in their public process.

Member Hartung confirmed the 2.5% rate adjustment in years 3, 4, and 5 can be revisited. Mr. Foree replied yes, that is in the proposal, which also gives the Board flexibility to revisit at that time and to lessen or defer implementing a rate adjustment for any of the three years.

Member Brekhus asked if the rate tiers analysis was for both residential and non-residential increases, and how commercial properties are tiered and if they are metered differently. Ms. Sullivan replied yes, the comparison was of both customer classes and some analysis was seasonal. Mr. Foree and Ms. Sullivan replied the commercial customer class has 3-tiers, but not the irrigation customer class, and no they are not metered differently. Mr. Foree added commercial tiers are more complicated because they have different thresholds to enter the next tier, which is based on the pipe (service) size.

Member Brekhus inquired if the attorney-client memo regarding the tiers the Board received was confidential and how it can be made public, if TMWA has an institutional rate, and expressed her concern in using the CPI for years 3 – 5, preferring a percentage. Mr. Pagni replied that the memo was written as confidential, but the Board can decide to make it public, and he will look into the process of waiving the attorney-client privilege for the memo, should the board desire. Mr. Foree replied no, such customers (churches and schools) are in the general metered water services (gmws) commercial class.

Member Jardon appreciated Mr. Pagni's legal memo and observed the point made regarding different rate increases on tiers and increases in hook-up fees in one industry (but not all) is an unstable practice to adopt, and believes there is value in considering the CPI in year 3 if there is a base.

Member Duerr asked if staff will be using the CPI in years 3, 4, and 5. Mr. Foree replied, no, staff's recommendation proposes to use up to a 2.5% increase in years 3, 4, and 5 and not using CPI.

Member Brekhus noted that the Board's decision today is to establish the intent for the rate adjustment, which remains subject to the public review process.

Member Brekhus requested a meeting invitation for the rate adjustment public open houses. Mr. Foree replied it will be provided at the January Board meeting.

Upon motion by Member Duerr, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the parameters of potential rate adjustment proposal for purposes of proceeding with future public input and hearing processes; the proposed rate increase of 3% for years 1 and 2, and up to a 2.5% rate increase for years 3, 4, and 5 allowing the Board to consider whether or not to lessen or defer the rate increases in years 3, 4, and 5.

9. DISCUSSION AND ACTION ON APPOINTMENTS TO THE STANDING ADVISORY COMMITTEE (SAC) TO FILL THE TWO NEW AT-LARGE REPRESENTATIVE POSITIONS, THE IRRIGATION CUSTOMER REPRESENTATIVE ALTERNATE, AND ALTERNATE MEMBERS AND OTHER POSSIBLE VACANCIES FOR TERMS BEGINNING JANUARY 1, 2017 TO DECEMBER 31, 2018 FROM THE FOLLOWING POOL OF CANDIDATES LISTED IN ALPHABETICAL ORDER: FRED ARNDT, KENNETH BECKER, CHRIS BRUCH, VICTOR BUICK, PETRA GONSALVES, BOB HAMMOND, JORDAN HASTINGS, STEVE JAFFE, JOHN KADLIC, RAY MASON, KEN MCNEIL, SCOT MUNNS, MICHAEL PIDLYPCHAK, BOB POHL, DALE SANDERSON, ED TILZEY AND GERRY TOMAC

Sonia Folsom, TMWA Standing Advisory Committee (SAC) Liaison, presented the SAC recommendation of new appointments from the pool of candidates, and requested the Board re-open the recruitment process for the alternate irrigation position due to there being only one applicant.

Upon motion by Member Hartung, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the TMWA Standing Advisory Committee recommendation to appoint in alphabetical order: Fred Arndt, Kenneth Becker, Jordan Hastings, Ken McNeil, Scot Munns, Michael Pidlypchak, and Dale Sanderson per the Standing Advisory Committee recommendation, and to re-open the recruitment process to fill the alternate irrigation customer representative.

10. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING APPOINTMENTS TO THE STANDING ADVISORY COMMITTEE TO FILL VACANCIES IN EXISTING POSITIONS WHOSE TERMS EXPIRE DECEMBER 31, 2016, SUCH APPOINTMENTS TO BE MADE FOR NEW TERMS FROM JANUARY 1, 2017 TO DECEMBER 31, 2018 FROM THE FOLLOWING LIST OF CANDIDATES: (1) NEIL MCGUIRE, PRIMARY REPRESENTATIVE, IRRIGATION CUSTOMER; (2) MIKE HEFFNER, ALTERNATE REPRESENTATIVE, IRRIGATION CUSTOMER; (3) MIKE SCHULEWITCH, ALTERNATE REPRESENTATIVE, MULTI-FAMILY CUSTOMER; (4) KEVIN HADDOCK, ALTERNATE REPRESENTATIVE, COMMERCIAL CUSTOMER; (5) ROBERT CHAMBERS, PRIMARY REPRESENTATIVE, SENIOR CITIZEN CUSTOMER; (6) KARL KATT, ALTERNATE REPRESENTATIVE, SENIOR CITIZEN CUSTOMER; (7) CAROL LITSTER, PRIMARY REPRESENTATIVE, RESIDENTIAL 1 CUSTOMER; (8) HARRY CULBERT, PRIMARY REPRESENTATIVE, RESIDENTIAL 2 CUSTOMER; (9) JERRY WAGER, PRIMARY REPRESENTATIVE, RESIDENTIAL 3 CUSTOMER; (10) KEN MCNEIL, PRIMARY REPRESENTATIVE, AT-LARGE 1 CUSTOMER; (11) MIKE PIDLYPCHAK, PRIMARY REPRESENTATIVE, AT-LARGE 2 CUSTOMER

Ms. Folsom presented the list of candidates whose terms were expiring on December 31, 2016 and confirmed all, except one, are willing to continue serving for another two years. Mike Heffner, alternate irrigation customer class representative, has resigned.

Upon motion by Member Duerr, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board reappointed: (1) Neil McGuire, primary representative, irrigation customer; (2) Mike Schulewitch, alternate representative, multi-family customer; (3) Kevin Haddock, alternate representative, commercial customer; (4) Robert Chambers, primary representative, senior citizen customer; (5) Karl Katt, alternate representative, senior citizen customer; (6) Carol Litster, primary representative, residential 1 customer; (7) Harry Culbert, primary representative, residential 2 customer; (8) Jerry Wager, primary representative, residential 3 customer; (9) Ken McNeil, primary representative, at-large 1 customer; (10) Mike Pidlypchak, primary representative, at-large 2 customer.

11. DISCUSSION AND ACTION ON ESTABLISHING A LEGISLATIVE SUBCOMMITTEE, APPOINTMENT OF BOARD MEMBERS TO SUBCOMMITTEE AND ESTABLISHING THE PROCESS TO REVIEW LEGISLATIVE ACTIVITIES

John Zimmerman, TMWA Water Rights Manager, presented the staff report. Mr. Zimmerman recommended the legislative subcommittee meet in January prior to the January 18 Board meeting to review the 2017 Legislative bills and provide a position ahead of the beginning of the legislative session.

Mr. Pagni added it would be helpful, going into the session, if the TMWA Board already has positions on the bills already introduced.

Upon motion by Member Duerr, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved establishing a Legislative Subcommittee for the 2017 legislative session, and appointed the Chairman, Vice Chair and Member Brekhus to the Legislative Subcommittee and established the process to review legislative activities.

12. GENERAL MANAGER'S REPORT

Mr. Foree reported that Lake Tahoe has risen about 7.7 inches, or 77,000 acre feet (AF) in the last two weeks, which is more than what TMWA diverts from the river in a year.

Member Jardon requested the general manager report include an update on the taste and odor issue in the water. Andy Gebhardt, TMWA Director of Customer Relations, reported the issue with the taste and odor in the water has to do with algae blooms, which is an anomaly; the water has been tested and the algae that was prevalent was the geosmin algae, but the water is safe to drink.

Member Brekhus inquired about the legal postings by the Public Utility Commission (PUC) regarding TMWA. Mr. Foree replied that there were a couple of incidents where staff dug into a gas service line or the area surrounding a gas line, resulting in a PUC violation. The PUC procedure is to meet with TMWA staff, issue a \$1,000 fine, and require training of staff, which has already occurred.

13. PUBLIC COMMENT

Mr. Harris informed the Board that the taste and odor issues are related to a different water source than they typically receive (surface water vs. groundwater).

14. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There was no Board comment.

15. ADJOURNMENT

With no further discussion, Chair Martini adjourned the meeting at 11:14 a.m.

Approved by the TMWA Board of Directors in session on Wednesday, January 18, 2017.

Sonia Folsom, Recording Secretary