



STANDING ADVISORY COMMITTEE AGENDA

Tuesday, February 6, 2018 at 3:00 p.m.
Truckee Meadows Water Authority
Independence Meeting Room
1355 Capital Boulevard, Reno, NV 89502

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., Reno), Reno City Hall (1 E. First St., Reno), Sparks City Hall (431 Prater Way, Sparks), Sparks Justice Court (1675 E. Prater Way, Sparks), Washoe County Courthouse (75 Court St., Reno), Washoe County Central Library (301 South Center St., Reno), Washoe County Administration (1001 East Ninth St., Reno), at <http://www.tmwa.com>, and State of Nevada Public Notice Website, <https://notice.nv.gov/>.
2. In accordance with NRS 241.020, this agenda closes three working days prior to the meeting. We are pleased to make reasonable accommodations for persons who are disabled and wish to attend meetings. If you require special arrangements for the meeting, please call 834-8002 at least 24 hours before the meeting date.
3. Staff reports and supporting material for the meeting are available at TMWA and on the TMWA website at <http://www.tmwa.com/meeting/> or you can contact Sonia Folsom at (775) 835-8002. Supporting material is made available to the general public in accordance with NRS 241.020(6).
4. The Committee may elect to combine agenda items, consider agenda items out of order, remove agenda items, or delay discussion on agenda items. Arrive at the meeting at the posted time to hear item(s) of interest.
5. Asterisks (*) denote non-action items.
6. Public comment is limited to three minutes and is allowed during the public comment periods. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a "Request to Speak" card and submitting it to the clerk. In addition to the public comment periods, the Chairman has the discretion to allow public comment on any agenda item, including any item on which action is to be taken.
7. In the event the Chairman and Vice-Chairman are absent, the remaining SAC members may elect a temporary presiding officer to preside over the meeting until the Chairman or Vice-Chairman are present (**Standing Item of Possible Action**).

1. Roll call*
2. Public comment — limited to no more than three minutes per speaker*
3. Approval of the agenda (**For Possible Action**)
4. Approval of the minutes of December 5, 2017 meeting (**For Possible Action**)
5. Water Supply Update — Bill Hauck*
6. Presentation on the first budget augmentation and budget revisions for fiscal year ending June 30, 2018 — Michele Sullivan*
7. Presentation of Financial Performance for First Half Fiscal Year 2018 — Michele Sullivan and Matt Bowman*

8. Update on the agreement for water system acquisition between West Reno Water Company and TMWA — John Enloe*
9. Update on StoneGate Retail Service Request — John Enloe*
10. Presentation on staff recommendation on potential estimate and timeline to retrofit all unmetered services and alternative options for the meter retrofit fund program — John Zimmerman (**For Possible Action**)
11. Discussion and possible direction to staff regarding agenda items for future meetings (**For Possible Action**)
12. Staff Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
13. Committee Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
14. Public Comment — limited to no more than three minutes per speaker*
15. Adjournment (**For Possible Action**)



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

December 5, 2017

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority (TMWA) in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chair McGuire called the meeting to order at 3:02 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Bob Chambers, Harry Culbert, Bruce Gescheider, Colin Hayes, Don Kowitz, Carol Litster, Neil McGuire, Ken McNeil, Mike Pidlypchak, Jonnie Pullman, and Jerry Wager.

Alternates Present: Fred Arndt, Ken Becker, Jordan Hastings, Bill Hughes, Karl Katt, Scot Munns, Dale Sanderson, Mike Schulewitch, and Jim Smith.

Primary Members and Alternates Absent: Kevin Haddock, and Fred Schmidt.

Staff Present: Matt Bowman, Robert Charpentier, John Enloe, Scott Estes, Andy Gebhardt, Mark Foree, Sonia Folsom, Joe Petrelli, Pat Nielson, Shawn Stoddard, Michele Sullivan, John Zimmerman, and Legal Counsel Debbie Leonard.

2. PUBLIC COMMENT

Michele Sullivan, TMWA Chief Financial Officer, introduced TMWA's new Financial Controller, Matt Bowman.

3. APPROVAL OF THE AGENDA

Upon motion duly made by Member Pullman and seconded by Member Gescheider, and carried by unanimous consent of the members present, the Committee approved the agenda.

4. APPROVAL OF THE MINUTES OF THE OCTOBER 3, 2017 MEETING

Upon motion duly made by Member Hayes and seconded by Member Wager, and carried by unanimous consent of the members present, the Committee approved the October 3, 2017 meeting minutes.

5. SMART ABOUT WATER DAY UPDATE

Andy Gebhardt, TMWA Operations & Water Quality Director, gave a recap on the success of the Smart About Water Day event that was held on October 21, 2017. Mr. Gebhardt said that about eighty customers attended, many of whom stayed for an extended period, and had good feedback.

Member McNeil, who attended the event, stated that it was well put together and encouraged other SAC members to attend the next Smart About Water Day event.

6. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, reported that all the reservoirs are at the highest legal capacity, Lake Tahoe is one foot below its natural rim and the snowpack in the Truckee System is currently 120 percent of average.

Discussion followed regarding what Pyramid Lake level was at (it rose 10 feet); concerns about the water level at Washoe Lake (what can be released is being released); and confirmed the ditches are being used for storm drainage in addition to being used for irrigation purposes.

Mr. Hauck updated the committee on improvements to the Donner Lake dam, which experienced issues during the flooding in January 2017. Currently staff is working on the permitting process in California related to removal of thousands of yards of sediment in the outlet channel to approve the project as an emergency so that the outlet channel does not get obstructed as it did in January.

7. PRESENTATION ON COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR 2017

Ms. Sullivan informed the committee that there were very minimal changes to the fiscal year ended June 30, 2017 financial statements, which were presented at the September meeting, and TMWA received a clean financial audit. A small finding in the single audit related to the Truckee River Operating Agreement (TROA) grant of \$1.2 million TMWA received. This single audit discovered invoices were submitted to the Bureau of Reclamation (BOR) prior to the award date. These invoices were replaced at the BOR with other qualified invoices that fell within the grant period.

8. UPDATE REGARDING POSSIBLE ACQUISITION OF WEST RENO WATER COMPANY SYSTEM AND FUTURE WATER SERVICE TO THE VERDI AREA, DISCUSSION AND POSSIBLE DIRECTION TO STAFF ON VERDI AREA WATER SERVICE

John Enloe, TMWA Natural Resources Director, reported that the TMWA Board of Directors directed staff to enter negotiations to acquire West Reno Water Company. Staff is in the process of drafting an agreement, which they would like to present at the January 17, 2018 Board meeting. Currently, staff is negotiating with the developer, Reno Land, which has agreed to contribute \$2.54 million towards the acquisition and improvement to the Boomtown system through water connection fees. Mr. Enloe explained the rationale behind purchasing the Boomtown water system is because it has several

production wells and the Board has expressed that they would like to see TMWA as the regional water manager, and the domestic well owners in the area also want TMWA's presence in the area because it would stabilize the groundwater table with conjunctive use of surface water and groundwater resources. The total anticipated cost will be approximately \$16 million, which includes, but is not limited to, the acquisition and improvement of the facilities, and the significant improvements required to connect TMWA's existing system to the Boomtown system and to supply sufficient capacity to serve the entire Verdi area (approximately 3,000 residences). A separate new business project to extend the pipeline to Riverbelle is being built right now. Discussion regarding the special assessment district boundaries followed, whereby Mr. Enloe explained that it is too early to elaborate on the parameters of the possible special assessment district. Mark Foree, TMWA General Manager, added that TMWA has applied for, and received, a \$500k grant from the State of Nevada to move forward with the consolidation/service to Riverbelle and has also applied for a similar grant for the acquisition of the Boomtown system. It was also stressed that the current TMWA rate payers are not affected by this acquisition, and it was explained that the carrying costs for development will be included in the TMWA's Area Fee for new development Fees.

9. UPDATE ON STONEGATE RETAIL SERVICE REQUEST

Mr. Enloe reported on this staff report and explained its similarities to the situation in Verdi described above. The proposed project in question is StoneGate, located in Cold Springs, and has yet to be approved by the Reno City Council, but they have submitted a formal request for "full retail supply and service from TMWA for the project." The estimated amount of water rights required for dedication is approximately 2,500 acre feet, and TMWA holds sufficient water rights to serve this area from the Fish Springs groundwater resource. It would require a 6+ mile long pipeline extension, and either new municipal wells or an intertie with Great Basin Water Company in Cold Springs for on-site source of water supply, or both, for the purpose of water supply redundancy.

10. UPDATE ON STANDING ADVISORY COMMITTEE MEMBERSHIP

Sonia Folsom, TMWA SAC Liaison, referred to the SAC Membership list, which identified the committee members whose terms were expiring on December 31, 2017. Ms. Folsom stated that of the 22 current members, six have terms that are expiring. She was pleased to report all members have accepted the invitation to continue for, or been reappointed by either the Reno-Sparks Chamber and the Builders Association of Northern Nevada, an additional two-year term. In addition, Jonnie Pullman, Primary Member of the Multi-Family Customer Class, has decided to move into the Alternate Member position, and Mike Schulewitch will move into the Primary Member position.

Staff's proposal regarding SAC membership that will be presented to the TMWA Board for approval consists of the following:

- The Wholesale customer representative, Fred Schmidt of Sun Valley General Improvement District (SVGID) will be re-appointed by the SVGID to the SAC for another term at its December 14th Board meeting.
- Jonnie Pullman has agreed to continue, but as the alternate representative of the Multi-Family Residential Class, and Mike Schulewitch has agreed to be the primary representative.
- BANN decided at its November meeting to reappoint Colin Hayes, primary representative, and Jim Smith, alternate, for another term.
- Reno-Sparks Chamber has reappointed Bruce Gescheider as their primary representative, and Bill Hughes, alternate, for another term.

11. PRESENTATION OF 2018 MEETING SCHEDULE

Ms. Folsom presented the SAC meeting schedule for 2018.

Upon motion duly made by Member Pullman and seconded by Member Gescheider, carried by unanimous consent of the members present, the Committee approved the Standing Advisory Committee 2018 Meeting schedule.

12. ELECTION OF CHAIR AND VICE CHAIR FOR 2018

Debbie Leonard, SAC Legal Counsel, noted both Chair Neil McGuire and Vice Chair Fred Schmidt were up for re-election of the Committee. Ms. Leonard recommended electing the individuals for each position separately.

Upon motion by Member Pullman and seconded by Member Gescheider, carried by unanimous consent of the members present, the Committee approved Neil McGuire as Chair.

Upon motion by Member Hayes and seconded by Member Chamber, carried by unanimous consent of the members present, the Committee approved Mike Pidlypchak as Vice Chair.

13. UPDATE ON INQUIRY REGARDING THE FORMATION OF A FINANCE SUBCOMMITTEE

Ms. Leonard reported that at the last Committee meeting, a question was put forth to form a subcommittee that focuses on finances. As it stands, the Committee exists at the pleasure of the TMWA Board of Directors, and the scope of its responsibilities are finances and budget. As such, the Committee is not authorized to form a subcommittee and the request would have to be presented to the Board for approval. Since the Committee's sole purpose is already reviewing and providing recommendations regarding financials and budget, Ms. Leonard questioned whether the Board would approve a subcommittee with the same responsibilities as the Committee.

Member Becker asked if it was possible for a small number of members to meet to discuss the financials without violating the Open Meeting Law. Ms. Leonard replied no, the number of members is secondary, any discussion can be considered deliberation regarding a matter that might come before the Committee. Mr. Foree added that any member who had questions for Ms. Sullivan, or any other staff member, can schedule a meeting. Ms. Leonard agreed so long as it was less than a quorum.

14. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING AGENDA ITEMS FOR FUTURE MEETINGS

Next meeting:

1. Water Supply update
2. West Reno Water Company update
3. Presentation of FY 2018 mid-year financials
4. StoneGate update
5. Meter Retro-Fit Fund Program update

Upon motion duly made by Member Litster and seconded by Member Wager, and carried by unanimous consent of the members present, the Committee approved the agenda items for future meetings and to cancel the January 2, 2018 meeting.

15. STAFF ITEMS

There were no staff items.

16. COMMITTEE ITEMS

There were no committee items.

17. PUBLIC COMMENT

There was no public comment.

18. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:08 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Secretary

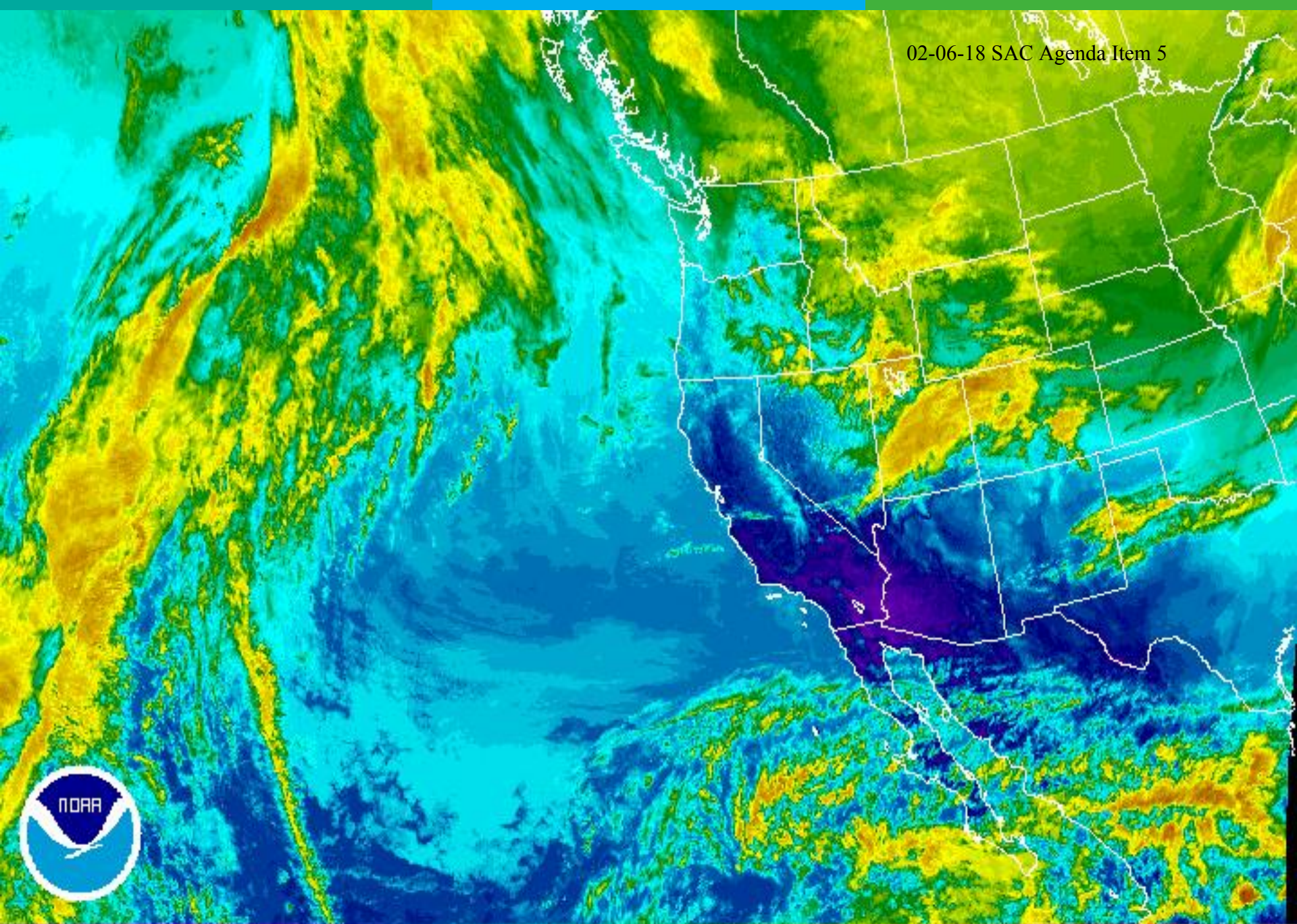


Water Supply Outlook for 2018

TMWA Standing Advisory Committee Meeting

Bill Hauck, Senior Hydrologist

February 06, 2018



U.S. Drought Monitor West

02-06-18 SAC Agenda Item 5

January 30, 2018

(Released Thursday, Feb. 1, 2018)

Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	26.92	73.08	44.29	21.57	0.88	0.00
Last Week 01-23-2018	40.25	59.75	38.41	17.68	0.00	0.00
3 Months Ago 10-31-2017	58.13	41.87	16.48	5.34	1.85	0.00
Start of Calendar Year 01-02-2018	48.76	51.24	29.03	8.60	1.52	0.00
Start of Water Year 09-26-2017	55.72	44.28	21.01	8.72	5.30	2.17
One Year Ago 01-31-2017	70.84	29.16	13.38	2.83	0.25	0.00

Intensity:

 D0 Abnormally Dry	 D3 Extreme Drought
 D1 Moderate Drought	 D4 Exceptional Drought
 D2 Severe Drought	

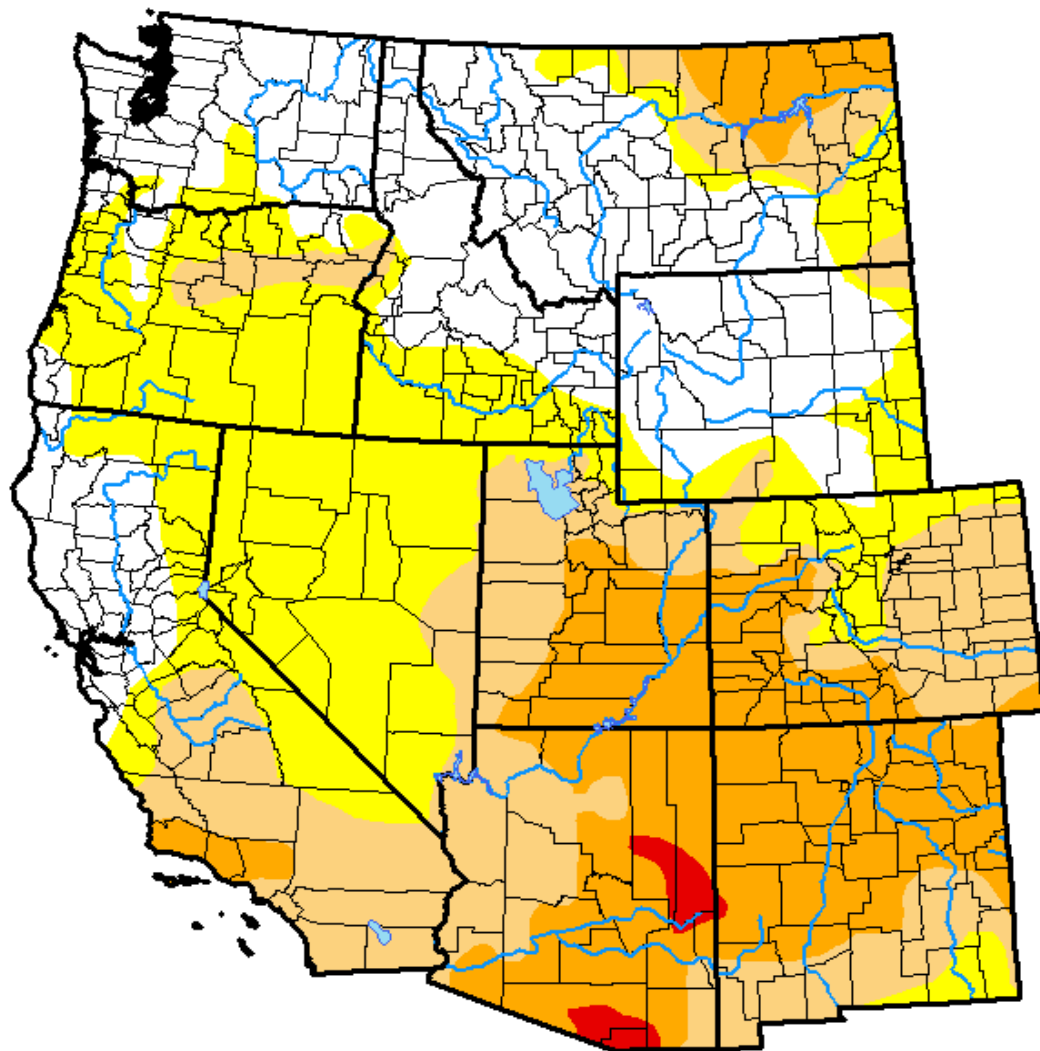
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:

Richard Heim
NCEI/NOAA

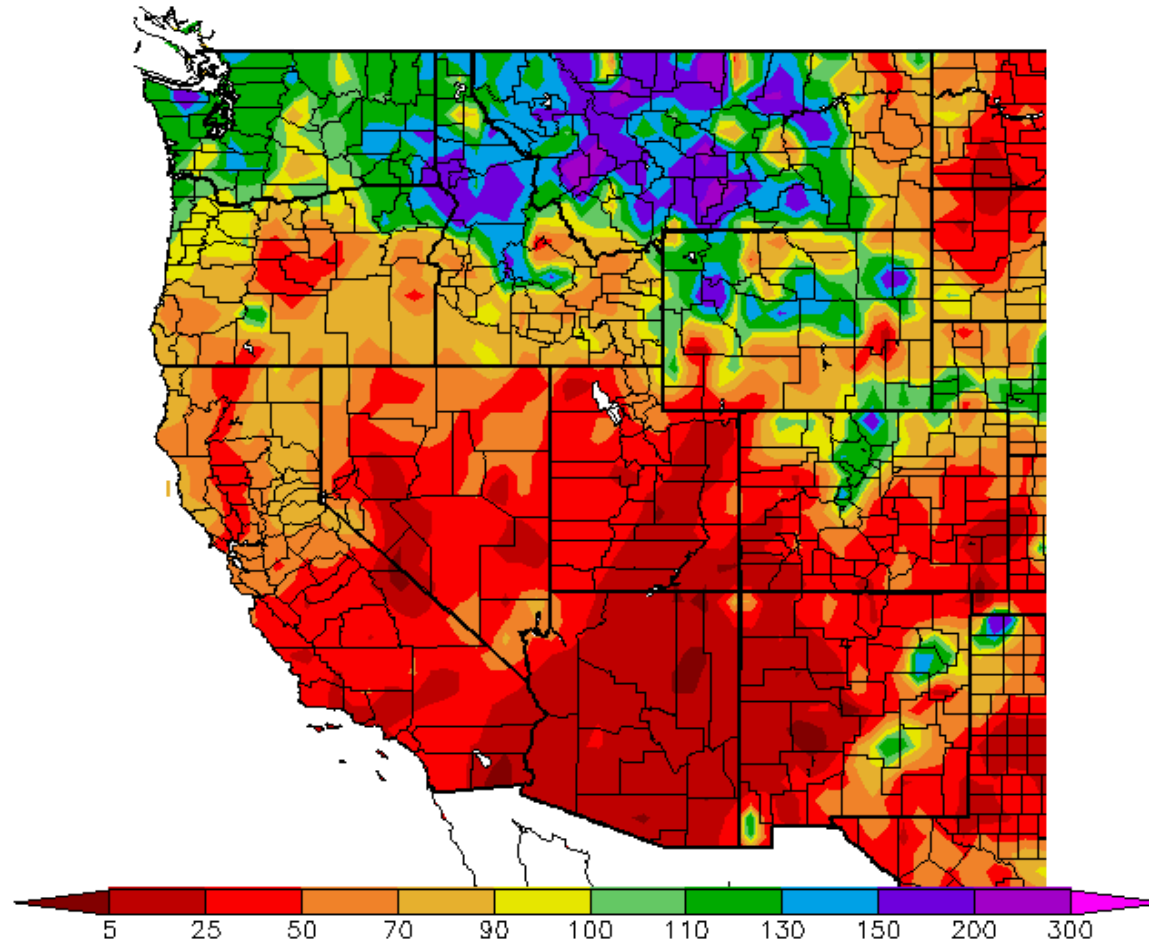


<http://droughtmonitor.unl.edu/>



Percent of Average Precipitation (%) 10/1/2017 – 2/4/2018

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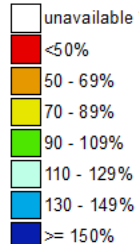
Generated 2/ 5/2018 at WRCC using provisional data.
NOAA Regional Climate Centers



Westwide SNOTEL Current Snow Water Equivalent (SWE) % of Normal

Feb 05, 2018

Current Snow Water Equivalent (SWE)
Basin-wide Percent of 1981-2010 Median



* Data unavailable at time of posting or measurement is not representative at this time of year

Provisional data
subject to revision



The snow water equivalent percent of normal represents the current snow water equivalent found at selected SNOTEL sites in or near the basin compared to the average value for those sites on this day. Data based on the first reading of the day (typically 00:00).

Prepared by:
USDA/NRCS National Water and Climate Center
Portland, Oregon
<http://www.wcc.nrcs.usda.gov>

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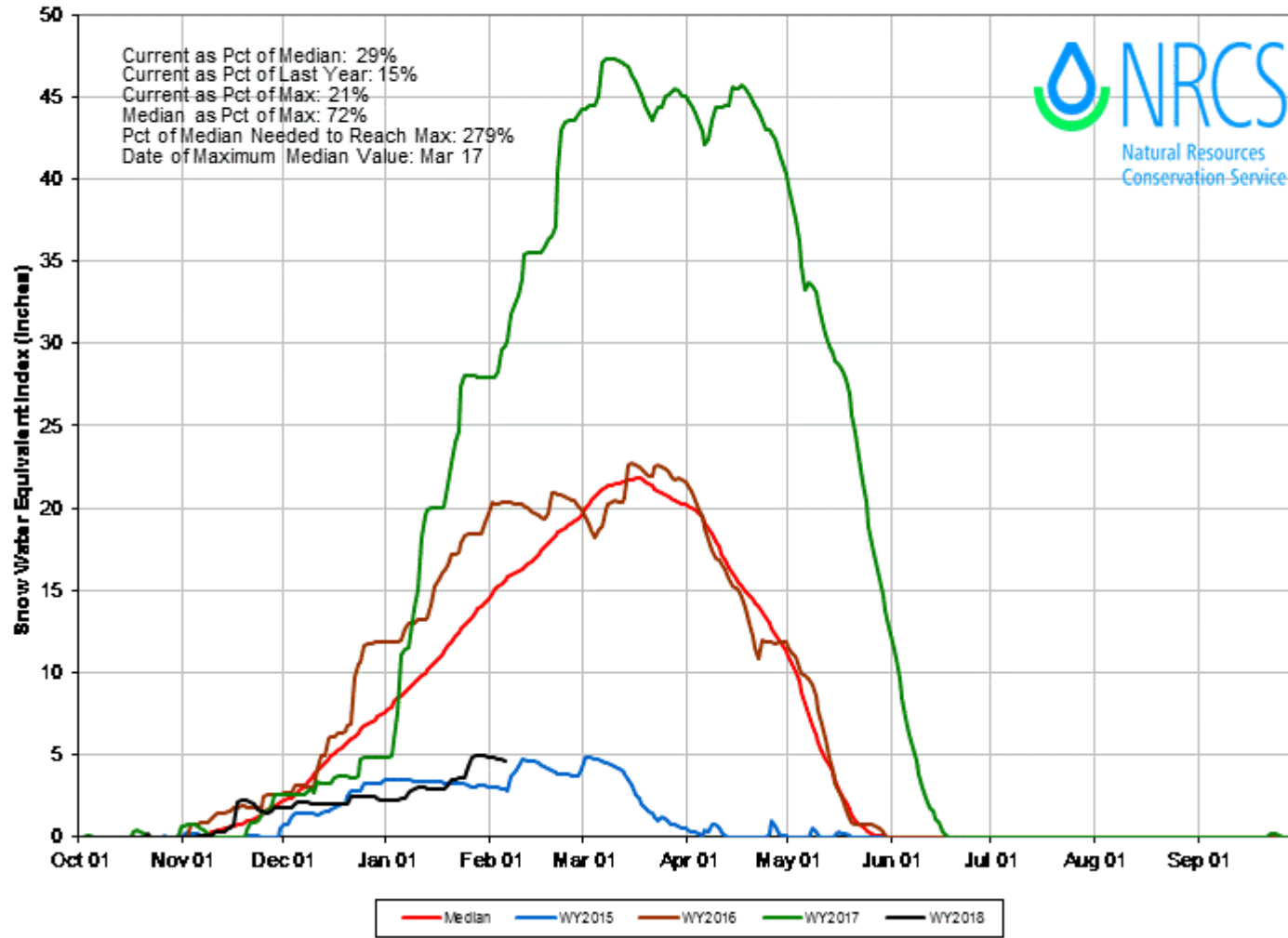
Western U.S. SNOTEL Current Snow Water Equivalent (SWE) % of Normal

- Tahoe Basin @ 29% Normal
- Truckee Basin @ 45% Normal

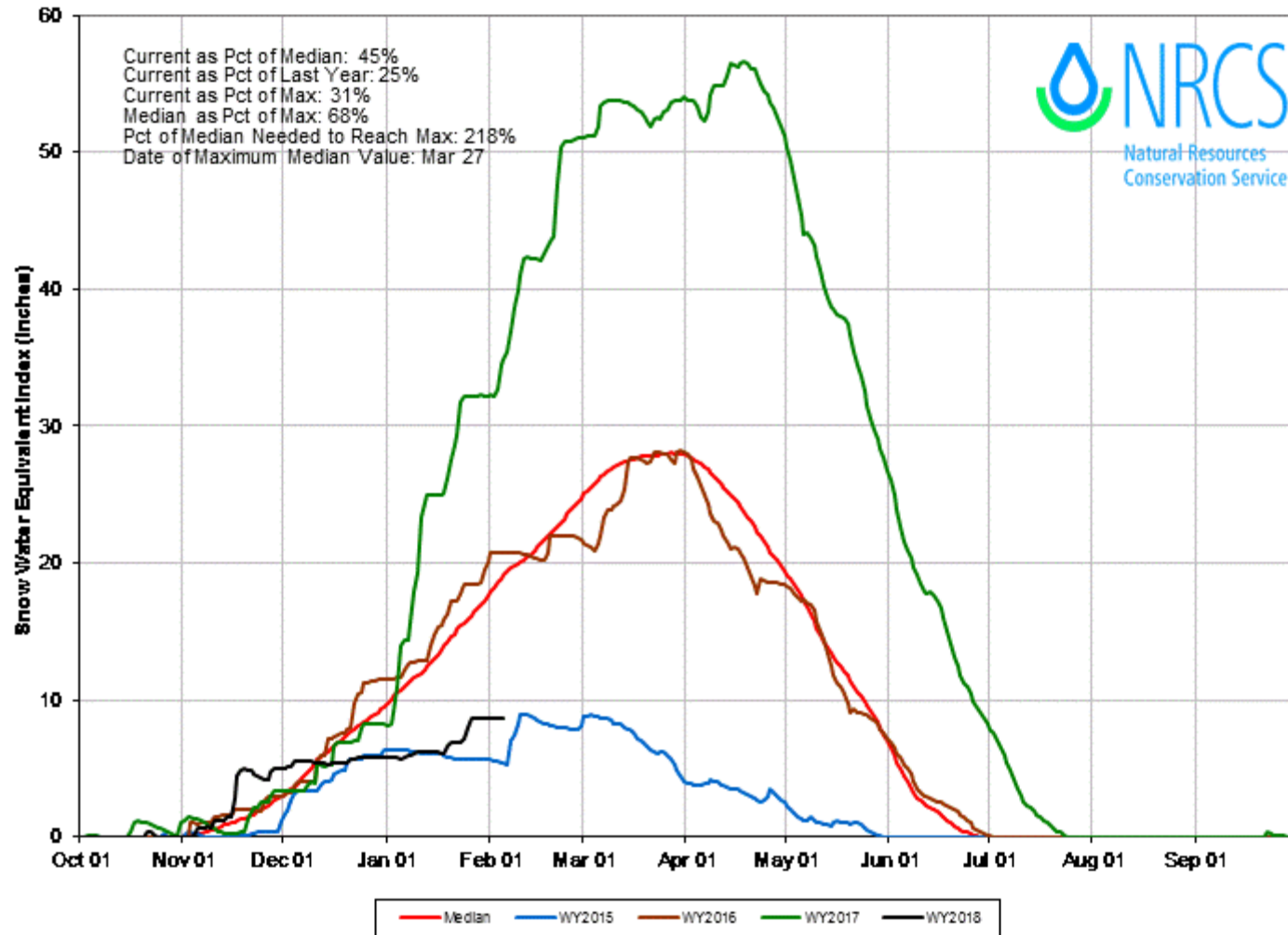


Lake Tahoe Basin Snowpack Status

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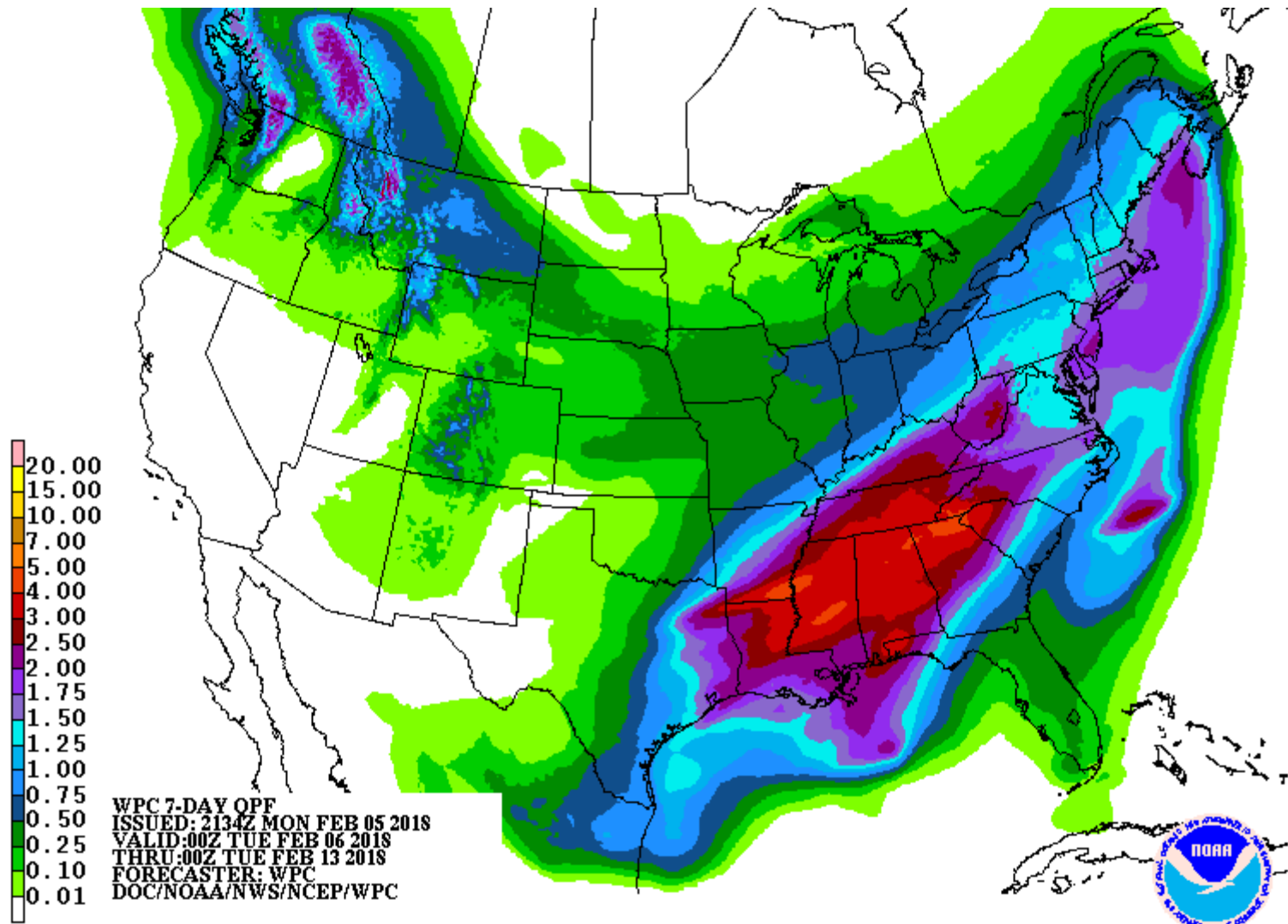


Truckee River Basin Snowpack Status



NWS 7 Day Quantitative Precipitation Forecast

02-06-18 SAC Agenda Item 5



Lake Tahoe, Truckee River and TMWA's Storage Under TROA

Basin-wide Summary (February 06, 2018)

	Current (KAF)	Last Year (KAF)	Capacity (KAF)	Current % Capacity
Lake Tahoe	604,400	267,400	744,600	81.2%
Boca Reservoir	32,877	23,335	40,870	80.4%
Stampede Reservoir	204,630	146,980	226,000	90.5%
Prosser Reservoir	9,868	9,662	29,800	33.1%
Donner Lake	3,890	4,914	9,500	40.9%
Independence Lake	14,560	12,581	17,500	83.2%
	870,225	464,872	1,068,270	80.8%
System Percent of Capacity	81.5%	43.5%		
TMWA TROA (SUM)	30,985	38,039		

The Truckee & Carson River Systems

02-06-18 SAC Agenda Item 5











02-06-18 SAC Agenda Item 5

NWS

Reno, NV

January 9, 2017

The
Weather
Channel



Glendale Ave



2017 Water Year Runoff (October 01-September 30th)

	Farad	Tahoe
	Water Year Volume (1,000 acre-feet)	Low to High Rise (ft.)
Water Year 2017	1,215	9.0
Rank*	1	1
Percent of Average*	302%	315%
Percent of Median*	333%	371%
Percent of Maximum*	130%	122%

*Based on historical data for water years 1901-2017

- An extremely slow start to the snowpack building season
- Anything is still possible (*but* we are now 2/3rd through traditional season)
- Statistically the chances of a “normal year” becoming less and less likely
- Snow water content (SWE) 25-70 % normal basin-wide (sparse below 8,000 ft.)
- Preliminary runoff forecasts significantly below normal (+/-50%)
- The 2017 WY was the biggest on record in terms of runoff (surpassing 1983)
- All Truckee River reservoirs filled and spilled last year (storage carry-over into 2018)
- Reservoirs *still* at maximum flood control capacity
- Normal Truckee River flows expected for another 2 years (supply outlook excellent)
- This is nothing new (we have dry years as often as wet years)

Thank you!

Questions?

Bill Hauck, Senior Hydrologist

Email: bhauck@tmwa.com

O: (775) 834-8111 M: (775) 250-1333



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
DATE: January 8, 2018
SUBJECT: Discussion and action, and possible direction to staff on adoption of Resolution No. 257, a resolution to approve the first budget augmentation and budget revisions for FY 2018

RECOMMENDATION

Staff recommends that the Board of Directors of the Truckee Meadows Water Authority (TMWA) approve the resolution adopting the proposed budget augmentation/revisions, and direct staff to forward the approved resolution and attachment to the Department of Taxation for the State of Nevada pursuant to NRS 354.615; and, record these changes in the minutes of the board meeting.

SUMMARY

The Board approved final budget was submitted to the State of Nevada in June, 2017. This is the first proposed augmentation and relates to unexpected maintenance expenses at the Donner Dam. Exceptional water flows in the winter of 2017 revealed issues with blockage from sediment and debris in the Donner Lake outlet channel. Removal and disposal of these materials is expected to cost approximately \$2.6 million. A detail listing of expenses is included in the description portion of this report. See Attachments A-1, and A-2 for a comparison between the original and proposed budget.

DESCRIPTION

This first augmentation relates to clearing or dredging of the outlet channel at the Donner Dam. These expenses were not anticipated at the time of the original budget implementation. The Donner Dam outlet channel has not been dredged for approximately 30 years. Although dredging is infrequent it is considered maintenance as it is necessary to retain the value of the dam, and does not provide additional value. Dredging does not extend the original life of the dam, and does not improve the structure of the dam. Since this project is considered maintenance it will be expensed to the Operating and Maintenance line item in the Statement of Changes in Net Position.

The following expenses have been identified for the project:

Design	\$ 193,456
Permitting	399,690
Construction	1,750,000
Environmental	250,000
Surveying	<u>15,000</u>
TOTAL	\$2,608,146

Emergency permits were obtained in December (after several months of work related to permitting) to begin the dredging, which was successfully completed in early January, 2018. There are still some uncertainties surrounding the final cost of the project. The sediment removed may need to be examined for Washoe Tribe artifacts (see Environmental expense listed). Also, there were expenses outside of the original scope of work of the original bid for construction. Those cost overruns have been included as an estimate (about \$475,000 of the Construction expense listed). If expenses are significantly higher or lower than estimated, another augmentation will be made.

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2018

	Proposed Fiscal Year 2018 Total	Original Fiscal Year 2018 Total	Increase (Decrease)
OPERATING REVENUES			
Charges for water sales	\$ 94,303,278	\$ 94,303,278	\$ -
Hydroelectric sales	2,990,391	2,990,391	-
Other operating sales	3,131,500	3,131,500	-
Total Operating Revenues	100,425,169	100,425,169	-
OPERATING EXPENSES			
Salaries and wages	19,024,704	19,024,704	-
Employee benefits	9,303,274	9,303,274	-
Services and supplies	28,312,357	25,704,211	2,608,146
Total Operating Expenses before Depreciation	56,640,335	54,032,189	2,608,146
Depreciation	34,061,148	34,061,148	-
Total Operating Expenses	90,701,483	88,093,337	2,608,146
Operating Income	9,723,686	12,331,832	(2,608,146)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	1,342,692	1,342,692	-
Unrealized gain on investments	-	-	-
Gain (Loss) on disposal of assets	-	-	-
Amortization of bond/note issuance costs	(468,624)	(468,624)	-
Interest expense	(13,394,016)	(13,394,016)	-
Other non-operating revenue	-	-	-
Other non-operating expenses	-	-	-
Total Nonoperating Revenues (Expenses)	(12,519,948)	(12,519,948)	-
Income (Loss) before Capital Contributions	(2,796,262)	(188,116)	(2,608,146)
CAPITAL CONTRIBUTIONS			
Grants	200,004	200,004	-
Water meter retrofit program	781,488	781,488	-
Developer infrastructure contributions	-	-	-
Developer will-serve contributions (net of refunds)	5,034,744	5,034,744	-
Developer capital contributions-other	4,345,296	4,345,296	-
Developer facility charges (net of refunds)	4,826,436	4,826,436	-
Contributions from others	-	-	-
Contributions from other governments	-	-	-
Net Capital Contributions	15,187,968	15,187,968	-
Change in Net Position	12,391,706	14,999,852	(2,608,146)
NET POSITION , BEGINNING OF YEAR	\$ 589,950,588	\$ 589,950,588	
NET POSITION, END OF YEAR	\$ 602,342,294	\$ 604,950,440	

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
BUDGET FOR THE YEAR ENDING JUNE 30, 2018

	Proposed	Original	
	Fiscal Year	Fiscal Year	
	2018	2018	Increase
	Total	Total	(Decrease)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 100,425,169	\$ 100,425,169	\$ -
Cash paid to employees	(28,327,978)	(28,327,978)	-
Cash paid to suppliers	(28,312,357)	(25,704,211)	(2,608,146)
Net Cash Provided by Operating Activities	43,784,834	46,392,980	(2,608,146)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(43,032,000)	(43,032,000)	-
Interest paid on financing	(17,225,410)	(17,225,410)	-
Principal paid on financing	(2,637,285)	(2,637,285)	-
Proceeds from capital debt issuance	-	-	-
Redemptions of commercial paper notes	(9,200,000)	(9,200,000)	-
Proceeds from refunding bonds	-	-	-
Proceeds transferred to refunding/redemption escrow	-	-	-
Proceeds (spending) from (on) capital asset disposal	-	-	-
Contributions for water meter retrofit program	781,488	781,488	-
Contributions from developers-will-serve letters	5,034,744	5,034,744	-
Contributions from developers-other	4,345,296	4,345,296	-
Contributions from developers-facility charges	4,826,436	4,826,436	-
Contributions from (to) others	-	-	-
Contributions from (to) other governments	-	-	-
Grants	200,000	200,000	-
Bond/Note issuance costs	(468,624)	(468,624)	-
Net Cash (Used) by Capital and Related Financing Activities	(57,375,355)	(57,375,355)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,342,692	1,342,692	-
Net Increase (Decrease) in Cash and Cash Equivalents	(12,247,829)	(9,639,683)	(2,608,146)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 171,000,000	\$ 171,000,000	\$ -
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 158,752,171	\$ 161,360,317	\$ (2,608,146)

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 257

A RESOLUTION TO APPROVE THE FIRST BUDGET AUGMENTATION AND BUDGET REVISIONS TO THE FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2018.

WHEREAS, TMWA prepared and presented the final Budget for Fiscal Year 2018 at a public hearing in May 2017;

WHEREAS, TMWA has unexpected maintenance expenses at the Donner Dam which became evident due to exceptional water flows in winter of 2017 revealing blockage in the outlet channel from sediment and debris;

WHEREAS these changes are currently occurring or are expected to occur in fiscal year 2018;

WHEREAS the expenditures are necessary to remove and dispose of these materials and rehabilitate and/or improve the efficacy of TMWA's Donner Lake Dam outlet channel to reduce blockage from sediment and debris;

WHEREAS, the TMWA Board has determined the augmentation and revisions described in the staff report attached hereto as Exhibit 1 and incorporated herein by reference are appropriate and justified;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority: that the first budget augmentation and budget revisions to the final annual Budget for Fiscal Year ending June 30, 2018 described in the Staff Report attached as Exhibit 1 is hereby approved and staff is directed to submit such information as necessary and appropriate in connection with the augmentation and revisions to the Nevada Department of Taxation.

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted this 17th day of January, 2018, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Approved this ____ day of _____, 2018

Geno Martini, Chairman

STATE OF NEVADA,)
 : ss.
COUNTY OF WASHOE.)

On this 17th day of January, 2018, Geno Martini, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.

Notary Public



TO: TMWA Standing Advisory Committee
FROM: Michele Sullivan, Chief Financial Officer
Matt Bowman, Financial Controller
DATE: February 6, 2018
SUBJECT: **Presentation of Financial Performance for First Half Fiscal Year 2018**

First Half Financial Results

Budget to Actual: Financial performance in the first half of FY 2018 (1H2018) reflected better than expected revenues and less than expected operating expenses resulting in Operating Income of \$19.6m compared to a budget of \$15.1m, a \$4.5m or 30% increase from budget. Please refer to **Attachment A-1** for actual to budget comparisons.

Year over Year: Total operating income in 1H2018 compared to the first half of FY 2017 (1H2017) was \$1.8m higher or an increase of 10%. During this period, revenue was higher by \$2.5m while operating expenses were lower by \$0.7m. Please refer to **Attachment A-2** for year over year comparisons.

Revenue

Budget to Actual: Total revenue for 1H2018 was \$62.2m compared to a budget of \$59.9m, or an increase of \$2.3m and 4%. We saw strong water sales during this period, both in the Irrigation Metered sales and Residential Metered sales. Irrigation metered sales were up \$1.0m or 15% from budget, while Residential Metered sales were up \$1.2m or 3% from budget. In both instances, more water use for irrigation due to hotter and drier late summer and early fall months drove the increase.

Year over Year: Water sales revenue is up approximately \$1.1m due to an increase in rates in May 2017. Lower water usage year over year limited the increase to 2%. Hydroelectric sales were also up \$1.1m year over year due to better river flows in 1H2018.

Operating Expenses

Budget to Actual: Operating expenses for 1H2018 were lower by \$2.2m or 5% from budget. Services and supplies accounted for \$1.3m of the decrease while employee salaries, wages and benefits accounted for \$1.0m. Services and supplies were lower than budget due to many factors, but the leading drivers were lower chemical costs at the water treatment plants of \$0.4m due primarily to Chalk Bluff being offline for scheduled maintenance for ~6 weeks, a write-off of contract retention balance of \$0.3m and power costs which were \$0.2m less than budget. Employee salaries and wages were less than budget by \$0.3m due to bargaining unit wage freezes during ongoing labor contract negotiations and delays in MPAT wage increases following a Q3 2017 compensation study, both of which accounted for a decrease of \$0.6m. This is offset by a budget overspend on overtime wages of \$0.3m. Employee benefits were less than budget due to not adopting GASB 68 until 2H2018.

Year over Year: Operating expenses remained relatively flat in 1H2018 compared to 1H2017. Salaries and wages are up \$0.4m due to cost of living adjustments and step increases as well as increases to headcount. This is offset by a reduction in services and supplies expenses of \$0.7m due to the Chalk Bluff shutdown in 1H2018 as well as general efficiencies that TMWA staff continue to build following the Washoe County Merger.

Non-Operating Expenses

Budget to Actual: Non-operating expenses were approximately \$1.1m less than budget in 1H2018. This is principally due to less interest expense incurred caused by a change in accounting method for amortizing debt premiums from the straight-lined method to effective interest method. This is a non-cash impact. Investment earnings were up \$0.3m from budget due to renegotiating the overnight sweep rate with US Bank during 1H2018.

Year over Year: Non-operating expenses were down year over year approximately \$2.2m due to lower interest expense resulting from the refunding completed in 2H2017 as well as the accelerated amortization of premium discounts as discussed above.

Capital Contributions

Budget to Actual: Capital contributions were approximately \$1.8m higher than budget in 1H2018. This is mostly due to higher than expected developer capital contributions and developer facility charges. Significant and fast-paced development in the Truckee Meadows has resulted in increased contributions from these sources.

Year over Year: Capital contributions are down approximately \$1.0m compared to prior year. This is due to several factors including; 1) less grant funding received in 1H2018 (TROA Grant proceeds of \$1.0m received in 1H2017); 2) more capital contributions from developers and the water meter retrofit fund of approximately \$1.4m; 3) in 1H2017 a developer contribution of \$1.2m was recorded for the Truckee River Canyon Water Treatment Plant Expansion.

Capital Spending

Spending on capital outlays and construction projects during 1H2018 was approximately \$15.4m. Major projects during the period were distribution main replacements at 4th and Prater and Stead, SCADA (Control System) upgrades and Highland Canal upgrades. Spending in the second half of the fiscal year is expected to increase with a total projected capital spend of approximately \$36.6m projected. Please refer to **Attachment A-3** which contains TMWA's Statement of Cash Flows that presents total capital spending and other cash flow information for the first half of the fiscal year.

Cash Flow

As reflected in **Attachment A-3**, we redeemed \$9.2m in TECP in 1H2018 with proceeds of will-serve sales. Referring to the Statement of Net Assets in **Attachment A-4**, total cash on hand was \$189.1m as of December 31, 2017 or approximately \$15.1m higher than at the beginning of the fiscal year. Of this total, \$144.2m was unrestricted to be used to meet upcoming and future operating/maintenance expenses, principal/interest payments, and construction project payments. Unrestricted cash increased due to lower debt service owed in the next twelve months and higher than expected operating cash flows. The remaining \$44.9m was restricted to pay for scheduled bond principal and interest payments as well as maintaining required reserves as stipulated in our bond indentures. In addition, the treasury reserve transferred from the dissolved South Truckee Meadows General Improvement District (STMGID) is included in restricted reserves for use on capital improvements in the former STMGID service area.

TRUCKEE MEADOWS WATER AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	1H 2018 Actual	1H 2018 Budget	Variance \$	Variance %
OPERATING REVENUES				
Charges for water sales	\$ 58,467,387	\$ 56,488,633	\$ 1,978,754	4%
Hydroelectric sales	1,937,694	1,811,985	125,709	7%
Other operating sales	1,778,341	1,579,000	199,341	13%
Total Operating Revenues	62,183,422	59,879,618	2,303,804	4%
OPERATING EXPENSES				
Salaries and wages	9,301,042	9,568,590	(267,548)	-3%
Employee benefits	4,208,741	4,901,634	(692,893)	-14%
Services and supplies	12,019,921	13,302,650	(1,282,729)	-10%
Total operating expenses before depreciation	25,529,704	27,772,874	(2,243,170)	-8%
Depreciation	17,030,751	17,030,574	177	0%
Total operating expenses	42,560,455	44,803,448	(2,242,993)	-5%
OPERATING INCOME	19,622,967	15,076,170	4,546,797	30%
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	921,265	671,346	249,919	37%
Net increase (decrease) in FV of investments	(312,289)	-	(312,289)	-
Gain (loss) on disposal of assets	20,764	-	20,764	-
Amortization of bond/note issuance costs	(238,340)	(234,312)	(4,028)	2%
Interest expense	(5,561,145)	(6,691,014)	1,129,869	-17%
Other nonoperating revenue	-	-	-	-
Other nonoperating expense	-	-	-	-
Total nonoperating revenues (expenses)	(5,169,745)	(6,253,980)	1,084,235	-17%
Gain (Loss) before capital contributions	14,453,222	8,822,190	5,631,032	64%
CAPITAL CONTRIBUTIONS				
Grants	19,377	100,002	(80,625)	-81%
Water meter retrofit program	859,077	390,744	468,333	120%
Developer infrastructure contributions	-	-	-	-
Developer will-serve contributions (net of refunds)	2,505,776	2,517,372	(11,596)	0%
Developer capital contributions-other	2,911,868	2,172,648	739,220	34%
Developer facility charges (net of refunds)	3,015,271	2,413,218	602,053	25%
Contributions from others	39,345	-	39,345	-
Net capital contributions	9,350,714	7,593,984	1,756,730	23%
CHANGE IN NET POSITION	23,803,936	16,416,174	7,387,762	45%
NET POSITION, BEGINNING OF PERIOD	631,462,629	605,764,318	25,698,311	4%
NET POSITION, END OF PERIOD	\$ 655,266,565	\$ 622,180,492	\$ 33,086,073	5%

TRUCKEE MEADOWS WATER AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	<u>1H 2018 Actual</u>	<u>1H 2017 Actual</u>	<u>Variance \$</u>	<u>Variance %</u>
OPERATING REVENUES				
Charges for water sales	\$ 58,467,387	\$ 57,381,582	\$ 1,085,805	2%
Hydroelectric sales	1,937,694	818,878	1,118,816	137%
Other operating sales	1,778,341	1,486,547	291,794	20%
Total Operating Revenues	62,183,422	59,687,007	2,496,415	4%
OPERATING EXPENSES				
Salaries and wages	9,301,042	8,916,018	385,024	4%
Employee benefits	4,208,741	4,160,529	48,212	1%
Services and supplies	12,019,921	12,730,738	(710,817)	-6%
Total operating expenses before depreciation	25,529,704	25,807,285	(277,581)	-1%
Depreciation	17,030,751	16,101,304	929,447	6%
Total operating expenses	42,560,455	41,908,589	651,866	2%
OPERATING INCOME	19,622,967	17,778,418	1,844,549	10%
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	921,265	1,310,373	(389,108)	-30%
Net increase (decrease) in FV of investments	(312,289)	(242,588)	(69,701)	29%
Gain (loss) on disposal of assets	20,764	305	20,459	6708%
Amortization of bond/note issuance costs	(238,340)	(161,298)	(77,042)	48%
Interest expense	(5,561,145)	(8,023,615)	2,462,470	-31%
Other nonoperating revenue	-	-	-	-
Other nonoperating expense	-	(243,000)	243,000	-100%
Total nonoperating revenues (expenses)	(5,169,745)	(7,359,823)	2,190,078	-30%
Gain (Loss) before capital contributions	14,453,222	10,418,595	4,034,627	39%
CAPITAL CONTRIBUTIONS				
Grants	19,377	1,191,168	(1,171,791)	-98%
Water meter retrofit program	859,077	(41,899)	900,976	-2150%
Developer infrastructure contributions	-	-	-	-
Developer will-serve contributions (net of refunds)	2,505,776	2,986,946	(481,170)	-16%
Developer capital contributions-other	2,911,868	2,126,205	785,663	37%
Developer facility charges (net of refunds)	3,015,271	2,856,989	158,282	6%
Contributions from others	39,345	1,244,000	(1,204,655)	-97%
Net capital contributions	9,350,714	10,363,409	(1,012,695)	-10%
CHANGE IN NET POSITION	23,803,936	20,782,004	3,021,932	15%
NET POSITION, BEGINNING OF PERIOD	631,462,629	584,982,314	46,480,315	8%
NET POSITION, END OF PERIOD	<u>\$ 655,266,565</u>	<u>\$ 605,764,318</u>	<u>\$ 49,502,247</u>	<u>8%</u>

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	<u>1H 2018 Actual</u>	<u>1H 2018 Budget</u>	<u>Variance \$</u>	<u>Variance %</u>
OPERATING ACTIVITIES				
Cash received from customers	\$ 65,757,629	\$ 59,879,618	\$ 5,878,011	10%
Cash paid to employees	(13,087,908)	(14,591,676)	1,503,768	-10%
Cash paid to suppliers	(14,946,741)	(13,302,650)	(1,644,091)	12%
Net cash from (used for) operating activities	<u>37,722,980</u>	<u>31,985,292</u>	<u>5,737,688</u>	<u>18%</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(15,430,115)	(21,516,000)	6,085,885	-28%
Interest paid on financing	(6,060,605)	(9,040,831)	2,980,226	-33%
Principal paid on financing	(1,746,424)	(1,737,428)	(8,996)	1%
Proceeds from refunding bonds	-	-	-	-
Issuance of commercial paper notes	-	-	-	-
Redemption of commercial paper notes	(9,200,000)	(9,200,000)	-	0%
Proceeds transferred to refunding escrow	-	-	-	-
Proceeds from capital debt issuance	-	-	-	-
Proceeds from capital asset disposal	20,764	-	20,764	-
Contributions for water meter retrofit program	859,077	390,744	468,333	120%
Contributions from developers-will-serve letters	2,505,776	2,517,372	(11,596)	0%
Contributions from developers-other	2,911,868	2,172,648	739,220	34%
Contributions from developers-facility charges	3,015,271	2,413,218	602,053	25%
Contributions from others	39,345	-	39,345	-
Grants	19,377	100,000	(80,623)	-81%
Bond/Note issuance costs	(137,967)	(234,312)	96,345	-41%
Net cash from (used for) capital and relating financing activities	<u>(23,203,633)</u>	<u>(34,134,589)</u>	<u>10,930,956</u>	<u>-32%</u>
INVESTING ACTIVITIES				
Cash received in connection with WCWU transfer of operations	-	-	-	-
Cash received from STMGID subsequent to merger	-	-	-	-
Verdi Business Park receivable	-	-	-	-
Payments received on Verdi Business Park receivable	30,494	-	30,494	-
Interest received	548,407	671,346	(122,939)	-18%
Net cash from used for) investing activities	<u>578,901</u>	<u>671,346</u>	<u>(92,445)</u>	<u>-14%</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>15,098,248</u>	<u>(1,477,951)</u>	<u>16,576,199</u>	<u>-1122%</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>174,036,630</u>	<u>174,036,630</u>	<u>-</u>	<u>0%</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 189,134,878</u>	<u>\$ 172,558,679</u>	<u>\$ 16,576,199</u>	<u>10%</u>

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF NET POSITION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017

	ASSETS			
	Dec-17	Jun-17	Variance \$	Variance %
CURRENT ASSETS				
Cash and investments	\$ 144,196,722	\$ 132,203,954	\$ 11,992,768	9%
Accounts receivable, net	11,407,237	14,803,390	(3,396,153)	-23%
Due from others	305,623	333,417	(27,794)	-8%
Due from other governments	-	9,559	(9,559)	-100%
Interest receivable	655,730	595,161	60,569	10%
Prepaid assets and other assets	1,380,476	1,222,604	157,872	13%
	<u>157,945,788</u>	<u>149,168,085</u>	<u>8,777,703</u>	<u>6%</u>
RESTRICTED CURRENT ASSETS				
Cash and investments				
Water meter retrofit program	3,208,958	2,369,793	839,165	35%
Current bond debt service	8,290,600	6,250,183	2,040,417	33%
	<u>11,499,558</u>	<u>8,619,976</u>	<u>2,879,582</u>	<u>33%</u>
Total current assets	<u>169,445,346</u>	<u>157,788,061</u>	<u>11,657,285</u>	<u>7%</u>
RESTRICTED NONCURRENT ASSETS				
Cash and investments				
Future bond debt service	3,260,943	3,242,632	18,311	1%
Operations and maintenance	9,005,365	8,797,778	207,587	2%
Renewal and replacement	20,672,290	20,672,290	-	0%
Water rate stabilization	500,000	500,000	-	0%
Hydro asset purchase	-	-	-	-
	<u>33,438,598</u>	<u>33,212,700</u>	<u>225,898</u>	<u>1%</u>
NONCURRENT ASSETS				
Capital assets, not depreciated	161,885,075	150,655,018	11,230,057	7%
Capital assets, depreciated	775,102,097	791,037,884	(15,935,787)	-2%
Prepaid bond insurance and other assets	513,398	510,360	3,038	1%
	<u>937,500,570</u>	<u>942,203,262</u>	<u>(4,702,692)</u>	<u>0%</u>
Total noncurrent assets	<u>970,939,168</u>	<u>975,415,962</u>	<u>(4,476,794)</u>	<u>0%</u>
Totals assets	<u>1,140,384,514</u>	<u>1,133,204,023</u>	<u>7,180,491</u>	<u>1%</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	3,046,952	3,154,276	(107,324)	-3%
Deferred amount on net pension liability	14,239,295	14,239,295	-	0%
Total deferred outflow of resources	<u>17,286,247</u>	<u>17,393,571</u>	<u>(107,324)</u>	<u>-1%</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 1,157,670,761</u>	<u>\$ 1,150,597,594</u>	<u>\$ 7,073,167</u>	<u>1%</u>

LIABILITIES

CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED CURRENT ASSETS

Accounts payable	\$ 2,462,982	\$ 3,028,060	\$ (565,078)	-19%
Contracts and retention payable	200,312	3,305,406	(3,105,094)	-94%
Accrued liabilities	4,334,249	3,912,374	421,875	11%
Due to other governments	1,635,152	3,738,649	(2,103,497)	-56%
Accrued interest payable	422,876	384,147	38,729	10%
Current portion of long-term debt	76,029,172	85,205,701	(9,176,529)	-11%
Customer deposits and amounts due to developers	2,870,663	2,729,962	140,701	5%
	87,955,406	102,304,299	(14,348,893)	-14%

CURRENT LIABILITIES PAYABLE FROM RESTRICTED CURRENT ASSETS

Current portion of long-term debt	885,000	850,000	35,000	4%
Interest payable	7,405,600	5,400,183	2,005,417	37%
	8,290,600	6,250,183	2,040,417	33%
Total current liabilities	96,246,006	108,554,482	(12,308,476)	-11%

NONCURRENT LIABILITIES

Net pension liability	35,783,246	35,783,246	-	0%
Long-term debt, net of current portion	367,852,325	372,259,981	(4,407,656)	-1%
Total noncurrent liabilities	403,635,571	408,043,227	(4,407,656)	-1%
Total liabilities	499,881,577	516,597,709	(16,716,132)	-3%

DEFERRED INFLOW OF RESOURCES

Deferred amount on net pension liability	2,410,007	2,410,007	-	0%
Deferred amount on bond refundings	112,613	127,250	(14,637)	-12%
Total deferred inflow of resources	2,522,620	2,537,257	(14,637)	-1%
Total liabilities and deferred inflow of resources	502,404,197	519,134,966	(16,730,769)	-3%

NET POSITION

Net investment in capital assets	506,700,472	506,700,472	-	0%
Restricted for water meter retrofit program	2,369,793	2,369,793	-	0%
Restricted for debt service	850,000	850,000	-	0%
Restricted for operations and maintenance reserve	4,197,778	4,197,778	-	0%
Restricted for renewal and replacement reserve	20,672,290	20,672,290	-	0%
Restricted for water rate stabilization	500,000	500,000	-	0%
Unrestricted	96,172,295	49,691,981	46,480,314	94%
Current Change in Net Position	23,803,936	46,480,314	(22,676,378)	-49%
Unrestricted	119,976,231	96,172,295	23,803,936	25%
Total net position	655,266,564	631,462,628	23,803,936	4%

TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION

\$ 1,157,670,761	\$ 1,150,597,594	\$ 7,073,167	1%
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STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: John Enloe and Scott Estes
DATE: January 17, 2018
SUBJECT: **Discussion and action, and possible direction to staff on the Agreement for Water System Acquisition between West Reno Water Company and TMWA**

Recommendation

Provide direction to staff related to the Agreement for Water System Acquisition between West Reno Water Company, Inc. and TMWA, and Authorize the General Manager to execute the Agreement, together with the discretion to make necessary, non-substantive changes to the final Agreement.

Background

At the October 18, 2017 meeting of the TMWA Board of Directors, the Board authorized staff to enter into negotiations to develop a draft acquisition agreement for the West Reno Water System for future Board action. At the December 13, 2017 Board meeting, staff presented a non-binding Letter of Intent for the acquisition of the West Reno Water Company's water system. The Letter of Intent provided the basis for an Agreement for the TMWA to acquire the West Reno Water Company water system.

Discussion:

Staff has negotiated the attached Agreement for Water System Acquisition between West Reno Water Company and TMWA ("Agreement"). "Assets" means collectively all the assets and all other rights and assets owned, leased, or used by West Reno in the operation of the Water Business, including:

- (a) All Water Facilities;
- (b) All Real Property;
- (c) All Resource Commitments, Will Serve Commitments and beneficial interest in the Dedicated Water Resources;
- (d) All Water Resources;

- (e) All accounts receivable, prepayments, hookup fees, connection charges, water resource fees or other amounts due or to become due from developers or customers for future service, water resources, or distribution facilities, and all cash and cash equivalents;
- (f) All Customer Information;
- (g) All books and records relating to the Water Business or the Assets, whether in written form or otherwise;
- (h) GIS data with respect to the Assets, if any exist; and
- (i) All intangible assets not described above.

The approximate Purchase Price is \$870,000 (subject to supporting documentation), calculated as the sum of the following:

- Book value of the water system assets, estimated at \$700,000;
- Reasonable legal and engineering fees and costs incurred by West Reno Water Company to prepare the application materials necessary for Seller to obtain authorization from the Nevada PUC to become a regulated public utility, estimated at \$170,000 (variance may be \$10,000+/-).

TMWA shall have up to one hundred twenty (120) days after the Effective Date of the Agreement to conduct due diligence investigations as it deems necessary to determine the feasibility, economic or otherwise, of its intended use of the Assets and Water Business (the “Due Diligence Period”). If TMWA determines prior to the expiration of the Due Diligence Period that TMWA’s intended use of the Assets is not feasible for any reason whatsoever, or if TMWA elects not to purchase the Assets, TMWA will be able to terminate the Agreement.

Several additional agreements will be required prior to closing, including the following:

1. Agreement to purchase a pipe casing installed beneath the Truckee River and a state-issued easement to maintain and access the casing, estimated at \$100,000, which are held by BCH Gaming Reno, LLC.
2. Agreement with SJP Reno Property, LLC as described in section 5.16 of the West Reno Agreement.
3. Agreement with Reno Land and Development Company, LLC (“RLD”) and BT South, LLC (“RLD Agreement”). In general, the RLD Agreement shall require conveyance of certain water rights and assets; agreement that water service shall be governed by TMWA Rules and associated annexation agreements; completion of certain improvements, including construction of a second water tank; and a requirement to pay TMWA at least \$2,540,000 in connection fees with respect to certain specified development within the West Reno Service Area.

Proposed Motion:

Authorize the General Manager to execute the Agreement for Water System Acquisition between West Reno Water Company and TMWA, including the discretion to make necessary, non-substantive changes to the Agreement.

Attachments:

Agreement for Water System Acquisition between West Reno Water Company and TMWA

AGREEMENT FOR WATER SYSTEM ACQUISITION

Between

WEST RENO WATER COMPANY

And

TRUCKEE MEADOWS WATER AUTHORITY

AGREEMENT FOR WATER SYSTEM ACQUISITION

THIS AGREEMENT FOR WATER SYSTEM ACQUISITION (this “Agreement”), is dated as of the date last executed by the Parties below (the “Effective Date”), and is entered into by and among WEST RENO WATER COMPANY, INC. a Maryland corporation (“West Reno”), and TRUCKEE MEADOWS WATER AUTHORITY, a joint powers authority created pursuant to NRS Chapter 277 by the Cities of Reno and Sparks, and Washoe County (“TMWA”).

RECITALS

A. West Reno owns certain assets and operates a retail water sale and delivery system in or near Verdi, Nevada (the “Water Business”) which system currently serves less than 25 customers in the West Reno service territory consisting of approximately 880.16 acres more particularly described in Exhibit “A” attached hereto (“WR Service Area”).

B. TMWA is a public purveyor of domestic water service in the greater Reno-Sparks area.

C. West Reno desires to sell and transfer to TMWA, and TMWA desires to purchase, the Assets (as defined herein), and TMWA agrees to assume certain liabilities as specified herein, for the consideration and on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which all parties acknowledge, the parties hereto agree as follows:

1. DEFINED TERMS.

In addition to the capitalized terms defined elsewhere in this Agreement, the following terms, when used in this Agreement, shall have the meanings set forth below:

1.1 “Additional Easements” shall have the meaning set forth in Section 5.11.2.

1.2 “Annexation Agreements” means the annexation agreements to be entered between TMWA and all Annexation Parties.

1.3 “Annexation Parties” means those owners of those certain properties located within the WR Service Area more particularly described in Schedule 1.3 attached hereto and incorporated herein by reference.

1.4 “Assets” means collectively all the assets and all other rights and assets owned, leased, or used by West Reno in the operation of the Water Business, other than the Excluded Assets, including:

- (a) All Water Facilities;
- (b) All Real Property;
- (c) All Resource Commitments, Will Serve Commitments and beneficial interest in the Dedicated Water Resources;
- (e) All Water Resources;

- (f) All accounts receivable, prepayments, hookup fees, connection charges, water resource fees or other amounts due or to become due from developers or customers for future service, water resources, or distribution facilities, and all cash and cash equivalents;
- (g) All Customer Information;
- (h) All books and records relating to the Water Business or the Assets, whether in written form or otherwise;
- (i) GIS data with respect to the Assets, if any exist; and
- (j) All intangible assets not described above.

1.5 “Assumed Liabilities” shall mean the following Liabilities, and no others:

- (a) All obligations of West Reno in the normal course of the Water Business to provide water service to those West Reno Customers receiving water service on the Closing Date, for the demand set forth in the Will Serve Commitments as set forth in Schedule 1.46 and upon dedication of sufficient water resources to other properties within West Reno’s Water Business as set forth in Schedule 1.46, all subject to the terms and conditions of TMWA Rules of service;
- (b) All Resource Commitments, subject to compliance by beneficiaries thereof with TMWA Rules of service.
- (c) Such other Liabilities as TMWA may incur in connection with the ownership of the Assets or operation of the Water Business from and after the Closing Date to the extent such Liabilities do not arise out of, do not occur, and are not incurred as a direct or indirect result of West Reno’s ownership or operation of the Water Business or Assets.

1.6 “Banked Resources” shall have the meaning set forth in Section 5.16.

1.7 “BCH Agreement” shall have the meaning set forth in Section 5.18.

1.8 “BLA or Parcel Map(s)” shall have the meaning set forth in Section 5.10.

1.9 “CC&Rs” means that certain Declaration of Covenants, Restrictions and Easements recorded on June 26, 2012 as Document No. 4125499, Official Records Washoe County, as amended by Amendment No. 1 thereto recorded on August 27, 2014 as Document No. 4386643, and as amended by Amendment No. 2 thereto recorded on December 17, 2015 as Document No. 4542990.

1.10 “Closing” means the consummation of the transactions contemplated by this Agreement.

1.11 “Closing Date” and “Outside Closing Date” shall have the meanings set forth in Section 3.2.

1.12 “Customer Information” all customer lists, customer credit information, the original or photocopies of all files, records, and accounts for customers of West Reno who receive, or have entered agreements to receive, water service from West Reno, in West Reno’s possession or control, and which shall include, without limitation, a separate schedule setting forth each individual customer name, address, telephone number (if available) and service property address.

1.13 “Deed and Bill of Sale” means a Grant, Bargain and Sale Deed and Bill of Sale from West Reno to TMWA in the form of Exhibit 1.13 attached hereto

1.14 “Dedicated Water Resources” means the acre feet of water rights described in Schedule 1.46 conveyed to West Reno by West Reno Customers or required to be conveyed to West Reno

by third parties supporting current water service and Resource Commitments by West Reno to West Reno Customers.

1.15 “Due Diligence Period” shall have the meaning set forth in Section 4.1.

1.16 “Environmental Laws” means all statutes specifically described in the definition of Hazardous Materials and any other federal, state, or local environmental health and safety statutes, ordinances, codes, rules, regulations, orders and decrees regulating, relating to or imposing liability or standards concerning or in connection with Hazardous Materials, or governing the parties’ rights with respect to any Hazardous Materials, and including, without limitation, the Solid Waste Disposal Act, 42 U.S.C. § 6901 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 et seq. (“CERCLA”), as amended by the Superfund Amendments and Reauthorization Act of 1986 (“SARA”); the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; and the Safe Drinking Water Act, 42 U.S.C. § 300f et seq.

1.17 “Escrow Holder” and “Title Company” shall have the meaning set forth in Section 3.1.

1.18 “Excluded Assets” shall mean: a) All cash, cash in banks, cash equivalents, bank and mutual fund accounts of West Reno; (b) except as provided in Section 5.7.1, all receivables, accounts, debts or rights to receive money arising out of the operation of the Water Business prior to the Closing Date, including receivables relating to earned but unbilled revenues, but specifically excluding hookup fees, connection charges, water resource fees or other amounts due from developers or customers for future service, water resources, or distribution facilities which shall be included in the Assets; (c) All property, casualty, workers’ compensation, liability or other insurance policies or related insurance services contracts of West Reno relating to the Assets or the Water Business existing before the Closing Date, and any rights, claims or chooses in action under such insurance policies; (d) all leases or leasehold interests in any real property or personal property; (e) all vehicles or equipment or tangible assets owned or leased by West Reno in connection with the Water Business not otherwise included in the Assets; (f) All rights or claims of West Reno with respect to any tax refund, or other credits for periods ending prior, or including the period prior, to the Closing Date, and (g) all other assets not specifically included in the Assets.

1.19 “Hazardous Materials” means any substance, material, waste, gas or particulate matter whose nature and/or quantity or existence, use, manufacture, or effect render it subject to federal, state, or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare, and including, without limitation, any material or substance which is defined as a “hazardous waste,” “hazardous material,” “hazardous substance,” “extremely hazardous waste,” or “restricted hazardous waste” under any provision of Environmental Law.

1.20 “Hazardous Materials Activity” means the generation, production, use, storage, transport, or disposal of, or other activity related to, any Hazardous Materials.

1.21 “Laws” means any and all laws, ordinances, statutes, regulations, rules, codes, or the like, and any judgments, administrative rulings, orders, decrees, writ, injunctions, directives, or the like of any governmental agency, department, entity, or court.

1.22 “Liabilities” means any and all debts, claims, losses, liabilities, or obligations of any nature, character, or kind whatsoever, whether known or unknown, accrued, absolute, contingent, or otherwise, matured or unmatured and whether due or to become due (including, without limitation, tax liabilities,

liabilities to employees, liabilities under executory contracts, trade payables, express or implied contract or tort liability involving persons or property of any kind) and any facts or circumstances which could give rise to any such debts, claims, losses, liabilities, or obligations.

1.23 “Meridian North Connection Fee” shall have the meaning set forth in Section 5.8.3.

1.24 “Meridian North Lots” means the 273 residential lots described as Lots 101 thru 106, 110 thru 130, 133 thru 278 in Subdivision Tract Maps 5205, recorded May 15, 2017 as Document No. 4704095 and Subdivision Tract Map 5227, recorded October 17, 2017 as Document No. 4754335.

1.25 “NDOT Consents” shall have the meaning set forth in Section 5.11.4.

1.26 Other Facilities” shall mean all water system facilities owned, being constructed by or to be constructed by West Reno Customers, applicants for water service, RLD and/or SJP which are used in the Water Business or are required to be constructed under various agreements as a condition of future water service delivery by West Reno.

1.27 “Private Fire Service Facilities” means all fire suppression systems and fire service facilities (including valves, pipes, hydrants, backflow devices, fire department connections and other appurtenances of fire service facilities) downstream from the service tap to the water main used for the delivery of water for fire protection and/or fire suppression.

1.28 “Purchase Price” shall have the meaning set forth in Section 2.1.

1.29 “Real Property” means all fee title, easements, rights of way, licenses, permits or other interests in real property owned or used by West Reno in the operation of the Water Facilities, including without limitation, the Tank Site and Well Sites, any encroachment permits issued by the Nevada Department of Transportation for Water Facilities crossings under Interstate 80 or former U.S. Highway 40, right of way or other permits issued by Union Pacific Railroad for Water Facilities crossings under railroad right of way, the Water Facilities Easements, and the Water Resources.

1.30 “Resource Commitments” means those specific commitments made by West Reno prior to the Effective Date to provide, sell, transfer or convey water resources, water rights or water resource credits of West Reno in the amounts and as described in Schedule 1.46.

1.31 “Retained Liabilities” means all other debts and Liabilities of West Reno and/or the Water Business other than the Assumed Liabilities, whether now existing or hereafter arising, in connection with West Reno’s ownership of the Water Business prior to the Closing Date, including without limitation any and all tax liabilities of West Reno, whether based on net income from operations of the Water Business, arising from the operation of the Water Business prior to Closing, the purchase and sale of the Assets, or otherwise.

1.32 “RLD” means Reno Land Development Company, LLC, a Nevada limited liability company.

1.33 “RLD Agreement” shall have the meaning set forth in Section 5.17.

1.34 “RV Park Meter Improvements” shall have the meaning set forth in Section 5.8.4.

1.35 “RV Park System” means all water supply, distribution and storage assets, including all mains, markers, conduits, pipes, pump stations, valve boxes, meters, fixtures, pipes, service lines, and any

other facilities or appurtenances located on the property described as APN 038-430-52 owned by SJP, which facilities are downstream of the RV Park Meter Improvements.

1.36 “SJP” means SJP Reno Property, LLC, a Maryland limited liability company.

1.37 “SJP Agreement” shall have the meaning set forth in Section 5.16.

1.38 “System Improvement Funding” shall have the meaning set forth in Section 5.8.1.

1.39 “Tank Site” means approximately ____ acres located on APN 038-120-03 currently owned by BT South LLC, upon which water tanks have been constructed by RLD.

1.40 “Third-Party Approvals” shall have the meaning set forth in Section 8.7.

1.41 “Third-Party Improvements” shall have the meaning set forth in Section 5.9, and shall include without limitation the RLD Improvements (as defined in the CCR’s).

1.42 “TMWA Rules” shall mean the Truckee Meadows Water Authority’s rules of service and rate tariffs, as such may be adopted and amended from time to time.

1.43 “Water Business” shall have the meaning set forth in the Recitals.

1.44 “Water Facilities” means all water supply, distribution and storage assets, including all mains, markers, conduits, pipes, pump stations, valve boxes, meters, fixtures, pipes, service lines, backflow prevention equipment, tanks, wells, and any other facilities or appurtenances owned, held or used in connection with the operation of the Water Business and distribution system of West Reno, including the RV Park Meter Improvements, but excluding the RV Park System and Private Fire Service Facilities.

1.45 “Water Facilities Easement” shall have the meaning ascribed in Section 5.11.

1.46 “Water Resources” means all right, title and interest in and to the groundwater rights described in Schedule 1.46, whether owned by West Reno or third parties, and all other groundwater rights owned or utilized by West Reno in connection with the Water Business, including without limitation the Dedicated Water Resources.

1.47 “Well Sites” means collectively the five (5) production well sites, located on APN 038-870-19 (well nos. 9 and 12), 236-120-08 (well no. 10), and 038-881-08 (well nos. 7 and 8) upon which West Reno currently operates groundwater wells, each of which sites shall be a minimum of 100 ft. by 100 ft.

1.48 “West Reno Customers” shall mean those existing customers of West Reno receiving water service from the West Reno water utility on the Effective Date, more particularly identified in Schedule 1.48.

1.49 “West Reno Service Properties” shall mean those service properties currently receiving water service from West Reno on the Effective Date, more particularly identified in Schedule 1.48.

2. PURCHASE AND SALE OF ASSETS.

2.1 Sale and Purchase of Assets. Upon the terms and subject to the satisfaction or waiver of the conditions set forth in this Agreement, at the Closing West Reno shall sell, assign, transfer, convey and deliver to TMWA, and where appropriate secure appropriate conveyances from third parties to assign, transfer and convey to TMWA, and TMWA shall purchase, acquire and accept all right, title and interest in and to the Assets. TMWA and West Reno acknowledge and agree that West Reno is not transferring to TMWA, and TMWA is not acquiring, any of the Excluded Assets. The Assets shall be transferred to TMWA free and clear of all liens, pledges, security interests, encumbrances, rights, and claims, except those which arise out of Liabilities expressly assumed by TMWA under this Agreement.

2.2 Purchase Price. The Purchase Price for the Assets (“Purchase Price”) shall be the sum of the following: i) the book value of the Assets (excluding the pipe casing and easement referred to in the BCH Agreement) deemed to be \$700,000; and ii) the reasonable legal/engineering costs incurred by West Reno through December 31, 2017 to prepare the application materials necessary for West Reno to obtain authorization from the Nevada PUC to become a regulated public utility, not to exceed \$180,000. TMWA and West Reno shall agree on the final Purchase Price amount prior to expiration of the Due Diligence Period and shall provide written notice to Escrow Holder of the same on or before Close of Escrow.

3. ESCROW.

3.1 Escrow Instructions. The purchase and sale of the Assets shall be consummated through an escrow (“Escrow”) to be established at Western Title Company, Attn: Patti Hanson, with an address of 5390 Kietzke Lane Ste. 101, Reno, Nevada 89511 (“Escrow Holder” or “Title Company”). The Escrow shall be opened within three (3) business days following the Effective Date, by delivery to Escrow Holder of a fully-executed copy of this Agreement, which shall constitute Escrow Holder's instructions. West Reno and TMWA agree to execute and deliver to Escrow Holder such additional and supplemental instructions as Escrow Holder may require in order to clarify Escrow Holder's duties under this Agreement; provided, however, that in the event of any conflict or inconsistency between this Agreement and any other instructions delivered to Escrow Holder, the terms of this Agreement shall govern the duties of Escrow Holder and the rights and obligations of West Reno and TMWA.

3.2 Closing Date. Escrow shall close on or before the date (the “Closing Date”) which is the later of: i) fifteen (15) days after the expiration of the Due Diligence Period; ii) fifteen (15) days after Final Governmental Approval of the BLA/Parcel Map(s), except as otherwise provided in Section 5.10; and iii) fifteen (15) days after receipt of all necessary Lender Consents and Owner Consents, or such other date as mutually agreed by the Parties, but in no event later than December 31, 2018 (“Outside Closing Date”). For purposes of this Agreement, the term “Close of Escrow” shall mean the time when Escrow Holder shall have recorded all of the instruments to be recorded with respect to the closing on the Assets.

4. DUE DILIGENCE PERIOD.

4.1 Due Diligence Period. TMWA shall have up to 5:00 p.m. on the date which is one hundred twenty (120) days after the Effective Date (the “Due Diligence Period”) to conduct such due diligence investigations as TMWA deems necessary to determine the feasibility, economic or otherwise, of its intended use of, and otherwise related to, the Assets and Water Business, including without limitation surveying the Water Facility locations. TMWA shall pay all costs and expenses incurred to conduct the investigation and studies. West Reno agrees to make available to TMWA for inspection and delivery to TMWA within three (3) business days after the Effective Date, and upon request from TMWA, the following:

4.1.1 A current preliminary title report covering the Real Property, together with all documents which constitute the underlying exceptions to title (collectively, the "Preliminary Title Report");

4.1.2. Any conditions, handbooks, contracts, litigation, leases and easements affecting the Real Property which may or may not be included in the Preliminary Title Report;

4.1.3. Copies of all existing permits, approvals, reports, surveys, engineering studies, geotechnical reports, tentative maps, final maps, environmental surveys, improvement plans, architectural, structural and landscape plans; subcontractor and supplier directory; and other consultant's material relating to the Real Property which are presently available to West Reno or available to West Reno's agents, which West Reno has knowledge of or has in its possession; and

4.1.4. All information related to the Water Facilities and Real Property in West Reno's possession or control, including but not limited to building, grading, drainage and improvement plans, maintenance and operation logs, and any other documents which may be reasonably requested by TMWA applicable to the Assets and in West Reno's possession or control.

With respect to TMWA's right to inspect the Assets (including the records and documents referenced above), TMWA agrees that (i) West Reno shall receive not less than 12-hours prior notice of each inspection, and (ii) each inspection shall be performed during normal business hours or at such other times as West Reno and TMWA shall mutually agree. All inspections, examinations and other reviews conducted by TMWA or TMWA's agents shall be performed at the sole risk and expense of TMWA and TMWA shall be solely responsible for the acts or omissions of TMWA and any of TMWA's agents brought on, or to, the Real Property by TMWA. In addition, TMWA shall defend, indemnify and hold West Reno harmless from and against all loss, liability, damage or expense (including reasonable attorneys' fees and court costs) resulting from claims for bodily injury, wrongful death or property damage against West Reno or the Real Property arising from any act or omission by TMWA or any of TMWA's agents in connection with any inspection of the Real Property or the records and documents by TMWA or TMWA's agents.

4.2 Termination. If TMWA, in its sole discretion, determines prior to the expiration of the Due Diligence Period that TMWA's intended use of the Assets is not feasible for any reason whatsoever, or that TMWA, for any other reason or for no reason, elects not to purchase the Assets, TMWA shall so notify West Reno in writing and this Agreement shall be immediately terminated and TMWA shall immediately return all due diligence materials to West Reno. If TMWA fails to so notify West Reno within the Due Diligence Period, TMWA shall be deemed to have waived its right to so terminate and the Due Diligence Period shall have expired. If TMWA terminates this Agreement, neither Party shall have any further rights or obligations hereunder (except such obligations that survive termination of the Agreement according to its terms).

5. PURCHASE TERMS

5.1 Acquisition of Water Business. Effective upon the Closing Date, West Reno shall transfer the Assets to TMWA pursuant to the procedures set forth in this Agreement and TMWA shall from the Closing Date forward assume full responsibility for operation of the Water Business, including all Assumed Liabilities, and shall have full authority to do all things necessary to conduct such operations. Effective on the Closing Date, the Water Business will be fully merged into the TMWA system, West Reno shall cease to provide water service to any person, all West Reno Customers shall become TMWA customers, TMWA shall have the right to all revenues from the Water Business and the

West Reno Customers, and all service properties of West Reno Customers shall become annexed into TMWA's retail service area.

5.2 Assumption of Liabilities. Upon the terms and subject to the satisfaction or waiver of the conditions set forth in this Agreement, at the Closing and from and after the Closing Date, TMWA shall assume and be responsible only for the Assumed Liabilities. The parties acknowledge and agree that TMWA is not assuming any of the Retained Liabilities, nor is TMWA assuming liability for obligations to the extent West Reno is obligated to indemnify TMWA pursuant to this Agreement.

5.3 West Reno's Retained Liabilities. West Reno acknowledges and agrees that West Reno shall remain absolutely liable for the Retained Liabilities, and that TMWA does not agree to assume, and shall not be obligated to perform or otherwise be liable in respect to the Retained Liabilities.

5.4 Transfer of Assets and Assumed Liabilities. The Assets shall be sold, transferred, assigned and delivered, and the Assumed Liabilities shall be assumed, pursuant to transfer and assumption agreements or other instruments in such form as is necessary and appropriate to affect a conveyance and in such form reasonably satisfactory to TMWA and West Reno. TMWA is not acquiring the Excluded Assets.

5.5 Governmental Approvals and Consents. To the extent required by applicable law, West Reno and TMWA shall cooperate with each other and promptly prepare and file all necessary documentation, if any, and use commercially reasonable efforts to obtain all necessary permits, consents, approvals and authorizations of all Governmental Authorities necessary or advisable to consummate the transactions contemplated by this Agreement, including without limitation the Nevada Public Utilities Commission.

5.6 Risk of Loss. West Reno shall bear all risk of loss with respect to the Water Business and the Assets prior to the consummation of the Closing on the Closing Date.

5.7 Water Business Operations. Except as provided in Sections 5.7.1, 5.7.2, 5.8.2 and 5.8.3, between the Effective Date and the Closing Date, West Reno shall: (1) continue to conduct the Water Business in its usual and ordinary course as previously conducted in accordance with sound and prudent business practices; (2) maintain the Water Facilities and Assets in good physical condition and repair; (3) maintain all books and records of the West Reno completely and accurately without any change in accounting methods or practices; (4) use its best efforts to cause West Reno to maintain the goodwill of, and good business relations with, its employees, agents, contractors, suppliers, customers and others having business relationships with it, so as to keep such fully available to TMWA after the Closing Date; and (5) pay all accounts payable incurred in the ordinary course of ownership and operation of the Water Business. Between the Effective Date and the Closing Date, West Reno shall not without the prior written approval of TMWA, not to be unreasonably withheld or denied so long as such action is consistent with TMWA Rules and does not impair the intent of this Agreement: (1) sell, lease, transfer or otherwise dispose of any of the Assets or mortgage, pledge, impose or suffer to be imposed any lien or encumbrance on the Assets; (2) agree to expand or modify the Water Business, provide new water service to any person, or provide modified water service to any West Reno Customer, (3) enter any agreement with any person with respect to the Assets, the operation of the Water Business, or the provision of water service; (4) accept any water facilities or easements for dedication; or (5) modify any Water Facilities which modifications taken as a whole or which involve aggregate consideration in excess of \$25,000. Prior to the Closing Date, West Reno shall cooperate with TMWA with respect to TMWA monitoring operations of the Water Business and shall cooperate with TMWA's efforts to become familiar with the Water Business operations prior to the Closing.

5.7.1 Completion of Groundwater Monitoring Plan Work. West Reno shall, prior to the expiration of the Due Diligence Period, complete all work necessary to drill and equip the two “new” monitoring wells referenced in the Groundwater Monitoring Plan dated April 26, 2017 and plug and abandon the existing “Middaugh” well referenced in the Plan. All work shall be performed under the direction and supervision of TMWA, at West Reno’s expense.

5.8 System Improvements and Funding.

5.8.1 System Improvements and Funding. West Reno acknowledges and agrees that substantial improvements to TMWA’s water system will be required to provide expanded water service to the WR Service Area. To fund these backbone water facility improvements, which are currently estimated to cost \$14 million, TMWA intends to establish a funding mechanism through a new special assessment district, new connection fees and/or a new capital surcharge fee to be included within the retail water rate all of which except as provided in this Section 5.8.1 is anticipated to apply to current West Reno Customers and future service within the WR Service Area, and possibly other future service in the Verdi area (“System Improvement Funding”). West Reno shall agree to cooperate with TMWA in the establishment of the System Improvement Funding. TMWA agrees that i) the West Reno Customers and the West Reno Service Properties will not be subject to System Improvement Funding, provided, any or Modified Service (as defined in TMWA Rules) on the West Reno Service Properties will be subject to Water System Facility Charges under TMWA Rules; ii) the property described as APN 038-870-20 and 038-870-19 currently owned by SJP, will not be subject to the System Improvement Funding in connection with the first 65 GPM of MDD to such properties as set forth in the Annexation Agreement with SJP. To the extent TMWA deems it prudent to impose any System Improvement Funding requirements, such shall be adopted by the TMWA Board through the normal public procedures for approving modifications to rate tariffs.

5.8.2 Adoption of TMWA Customer Rates. Prior to the Closing, West Reno shall take all action necessary to adopt TMWA’s Rules and Rate Tariffs in their entirety so such apply to all West Reno customers as if they were TMWA retail customers, which amendments shall be effective at the earlier of: (1) the date established by the West Reno Board at the time of adoption; (2) TMWA’s assumption of the Water Business operations pursuant to Section 5.8.1, or (3) the Closing. Following the Closing, West Reno Customers shall be subject to TMWA’s Rules and Rate Tariffs, including the requirement to pay any System Improvement Funding.

5.8.3 Meridian North Connection Fees. Prior to the Closing, West Reno shall impose and collect a connection fee on any development of the Meridian North Lots equal to One Thousand Eight Hundred Dollars (\$1,800.00) per residential unit (“Meridian North Connection Fee”). The Meridian North Connection Fee shall be collected no later than ten (10) days prior to the date a meter is to be installed for water service to the applicable Meridian North Lot, and must be collected prior to commencing any water service to the applicable Meridian North Lot. Pursuant to the RLD Agreement, RLD has agreed to pay all Meridian North Connection Fees to West Reno prior to the Closing, which fees shall be deposited and held in Escrow and released to TMWA at the Closing. In the event the Closing does not occur, all Meridian North Connection Fees shall be returned to RLD or such other person that paid them into Escrow.

5.8.4 RV Park Meter Improvements. It is acknowledged and agreed that the RV Park System is excluded from the Assets. Prior to the Closing, West Reno shall install, at no cost to TMWA, a master meter and backflow prevention assembly (collectively, “RV Park Meter Improvements”) on the Water Facilities on APN 038-430-52 in such location determined by TMWA. The RV Park Meter Improvements shall be installed in accordance with TMWA facility construction standards. On or before

the Closing, West Reno shall convey the RV Park System to the owner of APN 038-430-52 (currently SJP).

5.8.5 Private Fire Service Laterals. It is acknowledged and agreed that all Private Fire Service Facilities are excluded from the Assets. Prior to the Closing, West Reno shall, at no cost to TMWA, make such modifications, if any, necessary to convert all Private Fire Service Facilities into Private Fire Protection Service facilities as defined in and in conformance with TMWA's Rules. On or before the Closing, West Reno shall convey all Private Fire Service Facilities to the owner of the service property on which they are located.

5.9 Completion and Dedication of Third-Party Improvements. To the extent not previously completed, West Reno shall require i) RLD to complete the RLD Improvements (as defined in the CC&Rs) at RLD's cost prior to the Closing and dedicate the RLD Improvements to TMWA at the Closing; ii) all other third parties with obligations to construct and dedicate Water Facilities or Real Property to West Reno to complete and dedicate, at no cost to TMWA, such Water Facilities and Real Property to TMWA at the Closing; or ii) such third parties to enter an agreement or agreements reasonably acceptable to TMWA to complete and dedicate the third-party improvements at the third-party's cost after the Closing. All water supply, distribution and storage facility assets constructed or to be constructed by third parties which have yet to be dedicated and transferred to West Reno referenced in this Section 5.9 are referred to herein as "Third-Party Improvements." TMWA shall have no obligation or responsibility for any costs of completing or dedicating the Third-Party Improvements referenced in this Section 5.9. The Parties shall work cooperatively to identify and shall mutually agree upon the specific type and location of all Third-Party Improvements prior to the expiration of the Due Diligence Period.

5.10 Tank Site and Well Sites. West Reno shall convey and/or use its best efforts to obtain and secure all appropriate deeds and other approvals required from all necessary third parties (including, without limitation, SJP, BT South LLC, Santerra LLC and Cabelas Retail Inc.) to separately parcel and convey the Tank Site and Well Sites to TMWA in fee and access easements to the Tank Site to TMWA at the Closing. TMWA and West Reno acknowledge that a Parcel Map(s) or maps, merger and resubdivision map or boundary line adjustments that create the Tank Site and Well Sites as legal parcels (individually or collectively, the "BLA or Parcel Map(s)") must be created and approved by appropriate governmental entities and any third party owners prior to and as a condition of Closing. TMWA shall prepare the BLA or Parcel Map(s) and such surveys and governmental applications necessary to create a separate parcel or parcels for the Tank Site and Well Sites. As soon as practicable after the Effective Date, TMWA shall submit the BLA or Parcel Map(s) to the owner of the affected property for review and approval. TMWA shall thereafter immediately seek and secure all required Final Governmental Approvals prior to the Closing to subdivide and create a separate parcel comprised of the Tank Site and Well Sites and to permit the recordations of the BLA or Parcel Map(s) and conveyance of the Tank Site and Well Sites to TMWA. West Reno shall cooperate with TMWA as necessary with respect to the preparation of the BLA or Parcel Map(s) and securing Final Governmental Approvals thereof. All costs for preparing, submitting and securing Final Governmental Approvals of the BLA or Parcel Map(s) shall be split equally between TMWA and West Reno. As used in this Agreement, the term "Final Government Approvals" shall mean the final act by any governmental agency or entity with jurisdiction over such matters, not subject to appeal, granting approval of the BLA or Parcel Map(s) as applicable, under applicable Laws for TMWA's intended use. If the net acreage, size, location or configuration of the Tank Site or Well Sites changes in any material respect from the final BLA or Parcel Map(s), as approved by TMWA, or mapping conditions impose material costs, delays or otherwise materially and negatively impact the property, TMWA's obligation to consummate the Close of Escrow shall be conditioned upon TMWA's approval of such changes, which approval shall not be unreasonably withheld. Notwithstanding any provision herein to the contrary, TMWA may elect, in its sole discretion,

to proceed with Closing prior to the Final Governmental Approvals of the BLA or Parcel Map(s), in which event i) the obligations of West Reno under this Section 5.10 shall survive the Closing and West Reno; ii) a portion of the Purchase Price equal to Two Hundred Thousand Dollars (\$200,000.00) shall be heldback in escrow until the Final Governmental Approvals are secured and the Tank Site and Well Sites are conveyed to TMWA; and iii) West Reno shall grant or secure from third parties easements or license agreements in form and substance agreeable to TMWA permitting TMWA to operate the Water Facilities located on the Tank Site and Well Sites.

5.11 Easements and Rights of Way

5.11.1 Water Facilities Easements. The Parties agree that TMWA will require water facility and access easements for all Water Facilities as a condition of Closing. At the Closing, West Reno shall convey and/or shall secure from all necessary third parties appropriate easements for access and operation of the Water Facilities, including without limitation, easements for access and utilities for the Water Facilities and an access easement from BT South and Santerra LLC to the Tank Site, which easements shall be substantially in the form attached hereto as Exhibit 5.11 and as otherwise reasonably agreed by TMWA (“Water Facilities Easements”), and which easements shall be sufficient to provide rights of access and operation for all Water Facilities being conveyed to TMWA as well as any Third-Party Improvements. TMWA shall identify the specific location of all Water Facilities Easements prior to the expiration of the Due Diligence Period which shall be set forth in Schedule 5.11, and West Reno shall cooperate with TMWA as necessary to identify the location of all Water Facilities. TMWA and West Reno shall split equally the costs of all surveying, mapping and document preparation for the Water Facilities Easements.

5.11.2 Acquisition of Additional Easements. West Reno shall use its best efforts to obtain, at its sole cost and expense, such access, construction and operation easements or rights of way as reasonably necessary in TMWA’s reasonable discretion: i) to operate the Water Facilities, including tank drain line easements and pump to waste easements for the Wells; ii) to connect the Water Facilities to TMWA’s existing facilities on U.S. 40; iii) for access to the Washoe Canal and other TMWA property located north of the WR Service Area; (iv) to monitor the six monitoring wells referenced in the above-described Groundwater Monitoring Plan; and (v) if TMWA determines during the Due Diligence Period that any of the Water Facilities to be transferred hereunder are located on property other than the Real Property owned by West Reno, or in which West Reno has a valid easement or right of way, or in which a Water Facilities Easement is being secured, West Reno shall use its best efforts to obtain, at no cost to TMWA, such easements or rights of way on terms acceptable to TMWA from the owners of the property on which the Water Facilities are located for conveyance to TMWA at Closing. All easements referenced in this Section 5.11.2 shall be referred to as “Additional Easements” and TMWA shall identify the specific location of all Additional Easements prior to the expiration of the Due Diligence Period. TMWA and West Reno shall split equally the costs of all surveying, mapping and document preparation for the Additional Easements.

5.11.3 NDOT Consents. West Reno shall obtain, at its sole cost and expense, all approvals and consents required from the Nevada Department of Transportation to permit the assignment of permits or rights of way issued by NDOT in connection with the Water Business (collectively, “NDOT Consents”).

5.12 Third Party Water Resources. West Reno shall secure all appropriate deeds and other approvals required from all necessary third parties to convey title to all Water Resources to TMWA at the Closing.

5.13 Lender Consents. All Real Property, including all Water Resources, required to be conveyed to TMWA, whether by West Reno or other third parties, shall be conveyed free and clear of any monetary liens or encumbrances or West Reno shall secure, at its sole cost and expense, agreements in such form reasonably agreeable to TMWA releasing (in the case of fee title or Water Resource transfers) or subordinating (in the case of easements) any such liens and encumbrances to the rights being granted to TMWA (collectively, the “Lender Consents”).

5.14 CC&RS. To the extent required by the CC&Rs, West Reno shall secure and deliver to Escrow Holder at Closing the written consent of all Owners (as defined in the CC&Rs) to the purchase and sale transaction and TMWA’s acquisition and assumption of Water Business contemplated in this Agreement (“Owner Consent”). West Reno shall also secure and deliver to Escrow Holder at Closing an amendment of the CC&Rs terminating all water covenants or other terms and conditions related to or affecting the Assets and Water Business duly executed by all Owners (as defined in the CC&Rs). It is expressly agreed TMWA shall have no obligation or liability with respect to, nor shall any of the Assets be encumbered by, any provisions contained in the CC&Rs, it being agreed that TMWA shall provide water service subject only to TMWA’s rules and regulations and applicable provisions of law.

5.15 Annexation Agreements. West Reno shall secure and deliver to Escrow Holder at the Closing annexation agreements substantially in the form attached hereto as Exhibit 5.15 and as otherwise reasonably agreed by TMWA (“Annexation Agreements”) duly executed with notary acknowledgement by all Annexation Parties with respect to the parcels described in Schedule 1.3 attached hereto. Except as otherwise provided in Section 5.8.1, the Annexation Agreements shall include, without limitation, provisions for the payment of Water System Facility Charges and System Improvement Funding to TMWA, terminating any rights the Annexation Parties may have under agreements with West Reno or its predecessor with respect to water service, and providing that all future water service shall be governed by TMWA rules of service. waiving payment of connection fees. All other properties located within the WR Service Area that are not annexed into TMWA’s retail service area pursuant to Section 5.1 or this Section 5.15 shall be eligible for and required to annex into TMWA’s retail service area in accordance with TMWA’s rules of service prior to receiving water service.

5.16 SJP Agreement. West Reno shall cooperate with TMWA in securing an agreement between SJP and TMWA (“SJP Agreement”) in such form to be agreed upon by TMWA in its sole discretion prior to the expiration of the Due Diligence Period, pursuant to which: i) SJP shall convey to TMWA at the Closing all right, title and interest SJP may have in any Water Resources and/or Assets, including without limitation any Well Sites; ii) SJP agrees all water service to property owned by SJP shall be governed solely by TMWA Rules, unless otherwise agreed in writing by TMWA; iii) SJP agrees to amend the CC&R’s as set forth in Section 5.14; iv) SJP agrees to enter the Annexation Agreements; v) TMWA agrees to enter a separate banking agreement with SJP, in such form to be agreed upon by TMWA, in its sole discretion prior to the expiration of the Due Diligence Period, (“SJP Banking Agreement”) for that portion of the SJP Water Resources (“Banked Resources”) which exceeds the amount necessary to support all current demands of West Reno Service Properties and will serve commitments for service from the Water Business, the amount of which shall be mutually agreed by the Parties prior to the expiration of the Due Diligence Period, and which SJP Banking Agreement shall provide that Banked Resources shall be held by TMWA for the benefit of SJP or its assignees for future water service and may be dedicated to TMWA pursuant to TMWA Rule 7 to obtain a will-serve commitment for new or expanded water service in the WR Service Area; and vi) such other terms and conditions reasonably necessary in TMWA’s discretion to effectuate the transaction contemplated by this Agreement.

5.17 RLD Agreement. West Reno shall cooperate with TMWA in securing an agreement between TMWA, RLD and BT South, LLC (“RLD Agreement”), in such form to be agreed upon by

TMWA in its sole discretion prior to the expiration of the Due Diligence Period, pursuant to which: i) RLD and BT South, LLC shall be obligated to convey to TMWA at the Closing all right, title and interest each may have in any Water Resources and/or Assets; ii) RLD and BT South LLC agree all water service to property owned by either of them shall be governed solely by TMWA Rules, unless otherwise agreed in writing by TMWA; iii) RLD and BT South LLC, if applicable, agree to amend the CC&R's as set forth in Section 5.14; iv) BT South LLC agrees to enter the Annexation Agreements; v) RLD and/or BT South agree to complete the RLD Improvements, including construction of the water tank on the Tank Site; vi) RLD and/or BT South shall be required to pay TMWA at least \$2,540,000 in connection fees with respect to certain specified development within the WR Service Area; and v) such other terms and conditions reasonably necessary in TMWA's discretion to effectuate the transaction contemplated by this Agreement.

5.18 BCH Agreement. West Reno shall cooperate with TMWA in securing an agreement between TMWA and BCH Gaming Reno, LLC ("BCH Agreement"), in such form to be agreed upon by TMWA in its sole discretion prior to the expiration of the Due Diligence Period, pursuant to which: i) BCH shall be obligated to convey to TMWA at the Closing all right, title and interest it may have in that certain Non-Exclusive Easement issued by the State of Nevada, Division of State Lands recorded August 20, 2004 as Document No. 3086231 and the thirty inch (30") pipe casing installed under the Truckee River pursuant to such easement.; and ii) such other terms and conditions reasonably necessary in TMWA's discretion to effectuate the transaction contemplated by this Agreement.

6. REPRESENTATIONS AND WARRANTIES OF WEST RENO.

As a material inducement for TMWA to enter into this Agreement, West Reno represents and warrants to TMWA, as of the Effective Date and through the Closing Date, knowing and intending that TMWA is relying hereon in entering into the transactions contemplated hereby, that:

6.1 Good Standing. West Reno is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Maryland and is duly qualified to do business in the State of Nevada. West Reno has all organizational power necessary to carry on the Water Business as now being conducted and has taken all necessary corporate and other action to authorize and approve the execution, delivery, and performance of this Agreement and the transactions contemplated hereby.

6.2 No Violations; Proper Authority; No Required Consents. The execution, delivery and performance by West Reno of this Agreement is not inconsistent with and will not violate or contravene any Law applicable to West Reno; is not inconsistent with and will not violate or contravene West Reno's Articles of Incorporation or By-laws; does not and will not contravene any provision of, or constitute a default under any contract to which West Reno is a party or by which it or any of the Assets are bound; and will not result in the imposition of a lien upon the Assets pursuant to the terms of any agreement or instrument to which West Reno is a party or by which it is bound. West Reno has taken or will obtain prior to Closing all necessary approvals required of its Board and members under all applicable Laws to consummate the transactions contemplated hereunder. Except with respect to (i) the Nevada PUC and (ii) any public health or similar regulatory bodies of the state or county, there are no consents necessary from any person, association, entity, or governmental authority necessary to render the transactions contemplated hereby lawful, effective in accordance with the terms of this Agreement, and in compliance with any requirements by which West Reno or the Assets are bound. West Reno has the power, authority, and legal right to execute, deliver, and perform this Agreement. When executed and delivered, this Agreement and all other documents and instruments hereunder shall constitute legal, valid, and binding obligations of West Reno enforceable against West Reno in accordance with their respective terms.

6.3 Freedom from Restrictions. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the fulfillment of the terms hereof by West Reno do not violate or conflict with, and will not result in a breach or default, or in any occurrence that, with a lapse of time or action by a third party or both, could result in a breach or default with respect to any contract to which West Reno is a party.

6.4 Real Property. West Reno holds good and marketable title to the Real Property (other than the Tank Site and Water Resources) free and clear of all liens, mortgages, pledges, security interests, rights of third parties, encumbrances or other charges of any kind, except as expressly disclosed in this Agreement or in writing to TMWA and as approved in writing by TMWA. West Reno has a valid and enforceable right to assign and transfer the Real Property (other than the Tank Site) to TMWA without obtaining the consent or approval of any third party, including any governmental authority. The Real Property represents all interests in real property necessary to operate the Water Business as it is currently being operated other than the Tank Site. West Reno has not disposed of, nor taken any steps to dispose of, the Real Property and is not under any commitment to dispose of it in whole or in part.

6.5 Ownership of Assets; Good Title. At the Closing, West Reno shall convey to TMWA good and marketable title to all of the Assets, subject to no liens, mortgages, pledges, security interests, rights of third parties, encumbrances or other charges of any kind, except as expressly disclosed in this Agreement or in writing to TMWA and as approved in writing by TMWA.

6.6 Condition and Location of Assets. No person other than West Reno owns any of the Assets or any other assets necessary to the operation of the Water Business other than the Tank Site and RLD Improvements, which to the best of West Reno's knowledge are owned by RLD and/or BT South, LLC. All Real Property and Water Facilities, equipment and other tangible personal property owned, leased or used by Seller to be acquired hereunder are suitable for the purpose or purposes for which they are being used (including full compliance with all applicable Laws and TMWA rules and regulations for the construction of water facilities relating to such use) and are in good condition and repair.

6.7 Water Resources. The Water Resources represent all material interests in water owned by West Reno with respect to the Water Business, including water rights leased, licensed, or otherwise available to West Reno with respect to the Water Business.

6.8 West Reno's Resource Commitments Liabilities Schedule. The Resource Commitments and Schedule 1.46 fairly and accurately reflect, in reasonable detail, all Will Serve Commitments, agreements, or obligations of West Reno to provide, sell, transfer, convey or make available water rights, water resources, or water resource allocation held with TMWA, to any person arising out of, occurring, or incurred as a direct or indirect result of West Reno's ownership or operation of the Water Business or Assets. There are no Will Serve Commitments, obligations, or other agreements by West Reno with respect to the commitment, transfer or sale of water resources except as disclosed on Schedule 1.46.

6.9 Assumed Liabilities. There are no accounts payable due or payable by West Reno or other Liabilities with respect to the Water Business or any of the Assets except for amounts owed to TMWA to be assumed by TMWA, and recurring expenses due in the ordinary course of Water Business and not yet delinquent. Except as otherwise assumed by TMWA under this Agreement, there are no Liabilities against, relating to, or affecting the Water Business or any of the Assets arising out of, occurring, or incurred as a direct or indirect result of West Reno's ownership or operation of the Water Business or Assets regardless of when such Liabilities arise, occur, or are incurred.

6.10 Other Company Documents. All of the schedules attached to this Agreement and/or delivered to TMWA pursuant to this Agreement are true, complete and correct in all respects and accurately reflect the information set forth therein, as of the Closing Date.

6.11 Material Contracts. West Reno is not a party to, or bound by, any contract, understanding, commitment or agreement related to the Assets or which would be applicable to or binding upon TMWA in connection with TMWA's operation of the Water Business after the Closing Date.

6.12 Employees. West Reno has no employees, and is neither a party to nor bound by any oral or written employee collective bargaining agreement, employment agreement, consulting agreement, independent contractor agreement, deferred compensation agreement, covenant not to compete, or similar agreement or employees, pension, profit sharing, stock option, bonus, incentive, stock purchase, welfare, life insurance, or any other employee benefit agreement or plan or any compensation agreements or employee benefit plans within the meaning of Section 3(3) of the Employment Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder ("ERISA").

6.13 Taxes. West Reno has filed all federal, state, county and local tax returns or extensions for such returns which are required to be filed up to and including the Closing Date (including, without limitation, all sales tax and employee payroll tax returns, statements and remittances) and has paid all taxes which have become due pursuant to such returns, extensions or otherwise, or pursuant to any assessment which has become payable, and none of the Assets is subject to any tax liens or the demands of any governmental taxing agency or authority. All such returns filed or to be filed by West Reno with respect to any period ending on or before the Closing Date are or will be true and correct, and all returns hereafter required to be filed will be timely filed or appropriately extended. All tax, license, franchise and other similar payments including, without limitation, for withholding taxes, unemployment insurance, property tax and other amounts required to be paid to any governmental authority in respect of West Reno's employment or other Water Business obligations have been made when due.

6.14 Compliance With Laws; Suits and Proceedings. West Reno is not now (nor has it been within the past twelve (12) months) in violation of any Laws related to the Assets or the ownership or operation of the Water Business. There are no actions, suits, proceedings, investigations or claims pending or, to the knowledge of West Reno, threatened against West Reno with respect to the Assets and/or the Water Business, at law or in equity, before or by any federal, state, municipal or any other governmental court, department, commission, agency or instrumentality, domestic or foreign; nor to the knowledge of West Reno is there any basis for any such claim, suit, proceeding or investigation.

6.15 Environmental Matters. West Reno has not conducted or engaged in any Hazardous Materials Activity on or about the Real Property, West Reno has not received any written or verbal notice from any governmental agency or entity that West Reno, the Water Business, the Real Property or any of the Assets are in violation of any Environmental Laws, and, there are no Hazardous Materials on or about the Real Property.

6.16 Absence of Undisclosed Liabilities. Except for the Liabilities expressly disclosed by West Reno in any Exhibit or Schedule attached to this Agreement, West Reno has no unknown or undisclosed Liabilities that do or could affect or have a detrimental impact on the Assets or TMWA's conduct and operation of the Water Business after the Closing Date or which would or could create any financial obligation or liability of TMWA at any time.

6.17 Completeness of Disclosure. No representation or warranty by West Reno in this Agreement nor any information or documents furnished or to be furnished by West Reno to TMWA is

false or misleading, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact required to be stated herein or therein or necessary to make any statement herein or therein not misleading. There is no fact not disclosed to TMWA (nor any fact known to West Reno) on the date hereof which adversely affects or in the future is likely to adversely affect the Assets, the Real Property or the Water Business in any material respect.

6.18 Intellectual Property. To the knowledge of West Reno, the conduct of the Water Business does not infringe, misappropriate, or otherwise violate the Intellectual Property of any third party, and no claim has been asserted that the conduct of the Water Business as currently conducted infringes, misappropriates or otherwise violates the Intellectual Property of any third party.

7. REPRESENTATION AND WARRANTIES OF TMWA.

As a material inducement for West Reno to enter into this Agreement, TMWA hereby represents and warrants to West Reno, as of the date hereof and again as of the Closing Date, knowing and intending that West Reno is relying hereon in entering into the transactions contemplated hereby, that:

7.1 Good Standing. TMWA is a joint powers authority and political subdivision of the State of Nevada, duly organized, validly existing, and in good standing under the Laws of the State of Nevada. TMWA has all organizational power necessary, and has taken all necessary action, to authorize and approve the execution, delivery, and performance of this Agreement and the transactions contemplated hereby.

7.2 No Violations; Proper Authority; No Required Consents. The execution, delivery and performance by TMWA of this Agreement is not inconsistent with and will not violate or contravene any Law applicable to TMWA; is not inconsistent with and will not violate or contravene TMWA's Cooperative Agreement; does not and will not contravene any provision of, or constitute a default under any contract to which TMWA is a party or by which it is bound. Except with respect to (i) the Nevada PUC, and (ii) any public health or similar regulatory bodies of the state or county, there are no consents necessary from any person, association, entity, or governmental authority necessary to render the transaction contemplated hereby lawful, effective in accordance with the terms of this Agreement, and in compliance with any requirements by which TMWA is bound. TMWA has the organizational power, authority, and legal right to execute, deliver, and perform this Agreement. When executed and delivered, this Agreement and all other documents and instruments hereunder to which TMWA is a party shall constitute legal, valid, and binding obligations on TMWA enforceable against TMWA in accordance with their respective terms.

8. CONDITIONS PRECEDENT. The following shall be conditions precedent to the Closing for the benefit of TMWA, all of which must be satisfied, or waived in writing by TMWA, as the case may be, prior to Closing:

8.1 No Breach or Default. As of the Closing Date and at all times prior thereto, there shall be no material breach or default by West Reno of any of its covenants, obligations or responsibilities under this Agreement.

8.2 Status of Representations and Warranties. As of the Closing Date, all of West Reno's representations and warranties set forth in this Agreement shall be true and correct.

8.3 PUC Approval. To the extent required by applicable law, the Nevada PUC has approved the consummation of the purchase on the terms set forth in this Agreement or such other terms acceptable to TMWA in its sole and absolute discretion.

8.4 County Health Approval. The Washoe County Health District has approved the consummation of the purchase on the terms set forth in this Agreement or such other terms acceptable to TMWA in its sole and absolute discretion or West Reno's legal counsel has issued an opinion that no approval of the Washoe County Health District is required.

8.5 Title Policy. Title Company is prepared to issue an ALTA standard policy of title insurance to TMWA for the Tank Site and Well Sites.

8.6 BLA or Parcel Map(s). The City of Reno has approved the BLA or Parcel Map(s) with conditions reasonably agreeable to West Reno and TMWA and all appeal periods have expired.

8.7 Third-Party Approvals. West Reno shall have secured from all necessary third parties the Owner Consents, Annexation Agreements, Water Facilities Easements, Additional Easements, Lender Consents, NDOT and UPRR Consents, and System Improvement Funding to the extent necessary, fully executed by all necessary third parties (collectively, the "Third-Party Approvals").

8.8 Rates. West Reno shall have adopted TMWA Rate tariffs pursuant to Section 5.7.2.

8.9 RLD Agreement. TMWA shall have approved the terms and conditions of the RLD Agreement and all ancillary agreements related thereto, and RLD shall have delivered a duly executed copy of the RLD Agreement and any other funds and deliverables required thereunder to Escrow Holder.

8.10 SJP Agreement. TMWA shall have approved the terms and conditions of the SJP Agreement and all ancillary agreements related thereto, and SJP shall have delivered a duly executed copy of the SJP Agreement and any other funds and deliverables required thereunder to Escrow Holder.

8.11 BCH Agreement. BCH Gaming Reno, LLC and TMWA shall have entered into the BCH Agreement and all terms and conditions necessary to consummate such agreement have been satisfied or waived and such agreement is in a position to close on the Closing Date.

8.12 West Reno Connection Fees. West Reno has timely collected and deposited into Escrow all West Reno Connection Fees due from and after the Effective Date.

8.13 West Reno Deliverables. West Reno shall have executed, acknowledged and delivered to Escrow Holder the deliverables set forth in Section 9.1 below.

9. CLOSING.

9.1 West Reno's Deliveries. At the Closing, West Reno shall deliver all of the following to Escrow Holder:

(a) A Grant, Bargain and Sale Deed and Bill of Sale, fully executed with notary acknowledgement, in the form of Exhibit 1.12 attached hereto.

(b) One or more Grant, Bargain and Sale Deeds, fully executed by the appropriate grantor with notary acknowledgment, conveying fee title to the Tank Site and all Well Sites.

(c) One or more easement deeds, fully executed by the appropriate grantor with notary acknowledgement, conveying the Water Facilities Easements.

(d) Two (2) original counterparts of an Assignment of Assumed Contracts, fully executed by West Reno, in the form of Exhibit 9.1(d) attached hereto (the “Contracts Assignment”).

(e) The Third-Party Approvals, fully executed by all necessary third parties with notary acknowledgement, where applicable.

(f) The Additional Easements, if any, fully executed by the grantor(s) with notary acknowledgment.

(g) The SJP Banking Agreement, duly executed by West Reno with notary acknowledgment.

(h) The Customer Information.

(i) Bill(s) of Sale conveying the Third-Party Improvement to TMWA or such other agreements acceptable to TMWA with respect to the construction and dedication of the Third-Party Improvements, fully executed by the grantor(s) thereto.

(j) All West Reno Connection Fees collected after the Effective Date.

(k) Such other funds, documents, and instruments required under this Agreement or reasonably requested by TMWA to consummate the purchase and sale of the Assets contemplated under this Agreement.

9.2 TMWA’s Deliveries. At the Closing, TMWA shall deliver all of the following to Escrow Holder:

(a) The Purchase Price.

(b) Two (2) original counterparts of the Contracts Assignment, fully executed by TMWA.

(c) The Water Facilities Easements, duly executed by TMWA with notary acknowledgment.

(d) The Annexation Agreements and SJP Banking Agreement, duly executed by TMWA with notary acknowledgment.

(e) Such other funds, documents, and instruments required under this Agreement or reasonably requested by West Reno to consummate the purchase and sale of the Assets contemplated under this Agreement.

9.3 Prorations and Costs. The following amounts shall be prorated among TMWA and West Reno as of the Closing Date, based upon the actual number of days in the month and/or year in which the Closing Date occurs: (i) any personal property tax payable with respect to any of the Assets taxed by any governmental authority as personal property or on any other ad valorem basis; and (ii) any real property

tax or transfer tax payable with respect to the Real Property. All Escrow Holder fees and costs shall be divided equally between West Reno and TMWA. West Reno shall be responsible for the costs of any standard ALTA title policy of insurance for the Real Property. TMWA and West Reno shall share equally all recording fees, escrow fees, closing costs and expenses.

9.4 Closing Duties of Escrow Holder. Upon receipt of all of the documents, instruments and funds required to be delivered to Escrow Holder pursuant to this Agreement, Escrow Holder shall proceed as soon thereafter as reasonably possible to consummate the purchase and sale transaction contemplated under this Agreement by recording the Deeds, Water Facilities Easements, Additional Easements, Annexation Agreements and Lender Consents in the Official Records, Washoe County, and delivering the following amounts, documents and instruments to the following parties:

(a) Deliver one (1) fully executed original of the Contracts Assignment to West Reno and TMWA; and

(b) Deliver the fully executed original of the Deed and Bill of Sale, Third-Party Approvals, Additional Easements and SJP Banking Agreement to TMWA' and

(c) Deliver the Purchase Price less any adjustments for closing costs to West Reno.

9.5 Surrender of Possession. On the Closing Date, West Reno shall (i) surrender possession of the Water Facilities and Real Property and deliver in place the Assets to TMWA, and (ii) deliver to TMWA all keys to all locks to the Water Facilities.

9.6 Tax Clearance Letters. On the Closing Date, West Reno shall provide to TMWA a tax clearance letter ("Tax Clearance Letter") from the Nevada Department of Taxation with respect to any sales, use, business or other state tax or fee administered by the Nevada Department of Taxation and payable by West Reno, and a tax clearance letter from the Nevada Department of Employment with respect to any employment contributions and forfeits unpaid pursuant to NRS 612.695 or any other unemployment tax payable by West Reno, arising out of, occurring, or incurred as a direct or indirect result of West Reno's ownership or operation of the Water Business or Assets.

10. Post-Closing Obligations.

10.1 Discharge of Obligations. From and after the Closing Date, West Reno shall pay and discharge on a timely basis all Liabilities including, without limitation, the Retained Liabilities, arising out of, occurring, or incurred as a direct or indirect result of West Reno's ownership or operation of the Water Business, Assets, or Real Property, regardless of when such Liabilities arise, occur, or are incurred.

10.2 Further Assurances. Each party to this Agreement agrees that it shall, at any time and from time to time after the Closing Date, upon the request of any other party, do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably requested by the other party to effectuate the intent and purpose of this Agreement and the purchase and sale of the Assets, or which, in TMWA's opinion, may be reasonably necessary or advisable to confirm TMWA's title to or interest in or to enable it to deal with and dispose of, any of the Assets.

10.3 Payments Received. From and after the Closing Date, West Reno shall hold and promptly transfer and deliver to TMWA, from time to time as and when received by them, any cash, checks with appropriate endorsements, or other property that they may receive on or after the Closing

Date in connection with the Water Business which properly belongs to TMWA pursuant to this Agreement.

10.4 Access to Water Business Records. From and after the Closing Date, TMWA shall have the right to retain copies of any documents delivered by West Reno, whether or not the same are included in the Assets. For a period one (1) year from the Closing Date, (i) TMWA shall have the right to inspect, review and copy all other documents that it did not receive or retain a copy of prior to the Closing Date

10.5 Indemnification.

(a) Except to the extent caused by TMWA, or any of its officers, directors, employees, agents, or contractors (collectively, the “TMWA Parties”), West Reno shall indemnify, defend and hold the TMWA Parties harmless from and against any and all loss, cost, damage, liability, claim, action, cause of action, or expense (including, without limitation, reasonable attorneys fees and costs) incurred by any of the TMWA Parties arising out of or in connection with (i) the breach or default by West Reno of its obligations under this Agreement or any other agreement entered into by TMWA and West Reno pursuant to this Agreement; (ii) any misrepresentation or breach of warranty in connection with any representations or warranties of West Reno set forth in this Agreement; (iii) the ownership and/or operation of the Water Business and/or the Assets by West Reno and the assertion by any person or entity of any claim or liability against TMWA in respect of West Reno ownership or operation of the Water Business, the Assets, and/or the Real Property, regardless of when such claim or liability arises, occurs, or is incurred (whether or not West Reno had any knowledge or basis for knowledge of such Liability) and unless otherwise excluded by this Agreement; and/or (iv) the Retained Liabilities.

(b) Subject to and without waiving the liability limitations set forth in NRS Chapter 41, and except to the extent caused by West Reno, or any of West Reno’s officers, directors, members, employees, agents, or contractors, TMWA shall indemnify, defend and hold West Reno harmless from and against any and all loss, cost, damage, liability, claim, action, cause of action, or expense (including, without limitation, reasonable attorneys fees and costs) incurred by West Reno and arising out of or in connection with (i) the breach or default by TMWA of any of its obligations under this Agreement or any other agreement entered into by TMWA and West Reno pursuant to this Agreement; (ii) any misrepresentation or breach of warranty in connection with any representations or warranties of TMWA set forth in this Agreement or any other agreement entered into by TMWA and West Reno pursuant to this Agreement; and (iii) the ownership of the Assets after the Closing Date (except to the extent such claim or liability arises out of, occurs, or is incurred as a direct or indirect result of West Reno’s ownership or operation of the Water Business, Assets, or Real Property, regardless of when such claim or liability arises, occurs, or is incurred).

10.6 Survival of Representations, Warranties, and Indemnities. The representations and warranties of the parties set forth in this Agreement shall survive the Closing Date for a period of three (3) years. The indemnities of the parties set forth in this Agreement shall survive the Closing Date for a period of three (3) years.

10.7 Limitation of Indemnities. In no case shall any party be responsible or liable to the other party under any indemnity set forth in this Agreement for consequential or punitive damages, including, without limitation, lost Water Business profits, and each party’s right to recover from the other thereunder shall be limited to such recovering party’s direct, reasonably foreseeable damages.

11. Notices.

All notices or demands required or desired to be given under this Agreement shall be in writing and shall be validly given or made only if (i) personally delivered, (ii) mailed by United States mail, certified or registered, postage prepaid, return receipt requested, (iii) delivered by reputable overnight delivery service, such as FedEx, or (iv) sent by facsimile if the sender's facsimile machine prints confirmation records showing the date sent, the recipient's facsimile number, and the completed status of the transmission, and shall be addressed as follows:

To WEST RENO: West Reno Water Company
 P.O. Box 1070
 Verdi, Nevada 89439
 Attn: Rob Medeiros

With a copy to: Allison MacKenzie, Ltd.
 P.O. Box 646
 Carson City, Nevada 89702
 Attn: James R. Cavilia, Esq.

To TMWA: Truckee Meadows Water Authority
 1355 Capital Blvd.
 Reno, Nevada 89502
 Attn: Mark Foree

With a copy to: McDonald Carano Wilson LLP
 P.O. Box 2670
 Reno, Nevada 89505
 Attn: Michael A.T. Pagni, Esq.

Delivery of any such notice or demand shall be conclusively deemed made upon receipt if personally delivered or delivered by overnight delivery service, upon the date of delivery or attempted delivery shown on the return reply card if delivered by United States Mail, or upon the date of transmission shown on the sender's fax confirmation page.

12. Miscellaneous Provisions.

12.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, oral or written, express or implied, and all undertakings, negotiations or discussions of the parties, whether oral or written, all of which are integrated herein to the extent agreed upon by the parties. This Agreement may not be amended, changed, waived, terminated or modified unless the same shall be in writing and signed by or on behalf of the party to be charged. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced.

12.2 Attorneys Fees; Governing Law and Venue. In the event of any action for breach of, to enforce the provisions of, or otherwise involving this Agreement, the court in such action shall award a reasonable sum as attorneys' fees to the party who, in the light of the issues litigated and the court's decision on those issues was more successful in the action. This Agreement shall be governed by the Laws of the State of Nevada.

12.3 Construction; Headings. In the event of any dispute regarding any provision of this Agreement, the terms of this Agreement shall be construed neutrally and shall not be construed against or

in favor of either party, notwithstanding the fact that one party may have been responsible for drafting the initial form of this Agreement. The parties acknowledge that they have each participated equally in the negotiation and drafting of this Agreement prior to execution and each have been represented by legal counsel of their choice in connection therewith. The headings of the sections and paragraphs of this Agreement are for convenience only and in no way define, limit or affect the scope of substance of any section or paragraph of this Agreement.

12.4 Severability. If any provisions or part of a provision in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, the same shall not affect any other provision or part of a provision, but, to the fullest extent possible without defeating the parties' intentions hereunder, this Agreement shall be reformed and construed as if such invalid or illegal or unenforceable provision or part of a provision had never been contained herein.

12.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

12.6 Relationship of Parties. Nothing contained in this Agreement is intended to nor shall be deemed to create any partnership, joint venture, agency, fiduciary duty or other relationship between West Reno and TMWA other than with respect to their contractual obligations contained herein.

12.7 Third-Party Beneficiaries. There are no express or implied third-party beneficiaries to this Agreement, or any obligation, claim, or right arising under this Agreement, and no other person or entity who is not a signatory to this Agreement shall have any obligation, claim, right, or remedy hereunder.

12.8 Days. If the date for performance of any provision of the Agreement is a Saturday, Sunday, or legal holiday (in the State of Nevada), the date for performance shall be extended until the next day that is not a Saturday, Sunday or banking holiday. The phrase "Business days" in this Agreement means consecutive days excluding Saturday, Sunday and any such legal holiday.

12.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.10 Recitals, Exhibits and Schedules. The recitals at the beginning of this Agreement and the following Exhibits and Schedules attached to this Agreement are incorporated herein by this reference and made a part hereof as if set forth in full herein.

////

////

IN WITNESS WHEREOF, WEST RENO and TMWA have executed this Agreement effective the latest date written below.

“TMWA”
TRUCKEE MEADOWS WATER AUTHORITY

By: _____

Its: _____

Dated: _____

“WEST RENO”
WEST RENO WATER COMPANY, INC., a Maryland
corporation

By: _____

Its: _____

Dated: _____

Exhibits and Schedules

Exhibit A: WR Service Area

Schedule 1.3: Annexation Parties and Properties

Exhibit 1.13: Form of Deed

Schedule 1.46: Water Resources

Schedule 1.48: West Reno Customers and West Reno
Service Properties

Exhibit 5.11: Form of Water Facilities Easements

Schedule 5.11: Location of Water Facilities Easements

Exhibit 5.15: Form of Annexation Agreement

Exhibit 9.1(d): Assignment of Assumed Contracts

Exhibit “A”
WR Service Area

Schedule 1.3
Annexation Parties

OWNER	PARCEL
SJP Reno Property LLC	APN 038-870-19, 038-870-20, 038-870-25, 038-430-53 and 038-430-54
Bates Stringer-Reno LLC	All lands identified in Subdivision Tract Map 5205 and 5227, commonly referred to as Meridian 120 North Village

Exhibit 1.13

APN:

Recording Requested By:

McDonald Carano Wilson
PO Box 2670
Reno, NV 89501

The undersigned hereby affirms that this document submitted for recording does not contain the personal information of any person or persons per N.R.S. 239B.030. _____ Signature of Declarant or Agent

**GRANT, BARGAIN AND SALE DEED
AND BILL OF SALE**

THIS GRANT, BARGAIN AND SALE DEED AND BILL OF SALE is made effective the 25th day of _____, 2018 (“Effective Date”) by and between WEST RENO WATER COMPANY, INC., a Maryland corporation (“Grantor”) and TRUCKEE MEADOWS WATER AUTHORITY, a joint powers authority (“Grantee”).

WITNESSETH:

For and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration to it in hand paid by the Grantee, the receipt and sufficiency of which is hereby acknowledged, and pursuant to that certain Agreement for Water System Acquisition (“Agreement”), dated _____, Grantor does hereby grant, bargain, sell, and convey unto Grantee, its successors and assigns forever:

1. All of Grantor’s beneficial right, title and interest in and to all that certain water and water rights held by Washoe County on behalf of and for the benefit of Grantor, **consisting of _____ acre feet, more or less**, more particularly described as:

a) All of the water and water rights described in Water Right Permit No. _____ issued by the Nevada State Engineer, being _____ acre feet annually.

2. All of Grantor’s right, title and interest which Grantor may have in and to: (a) the easements and/or rights of way identified and more particularly described on Exhibit A attached hereto and by this reference made a part hereof (collectively, the “Water System Easements”), and (b) the personal property, facilities and fixtures owned by Grantor which are located within or are used in connection with the Water System Easements and Water Business, together with all and singular the tenements, hereditaments, and appurtenances thereunto belonging or otherwise appertaining.

2. All of Grantor's right, title and interest which Grantor may have to install, relocate, remove, repair, maintain, operate and replace any of the personal property, facilities and fixtures related to and used by Grantor in the operation of a potable water sale, delivery and storage system in Washoe County, Nevada, defined as the "Water Business" in the Agreement.

3. All rights of access to the Water System Easements held by Grantor related to, but not specifically contained in, the Water System Easements.

4. All prescriptive rights of Grantor in and to any easement and the personal property, facilities and fixtures located therein, whether or not identified on Exhibit A hereto, which easement as of the Effective Date was used and occupied by Grantor in connection with the Water Business; it being the intent of the parties that the conveyances contained herein include the after acquired title of Grantor, and that Grantee shall be entitled to tack onto the period of ownership or occupation by Grantor for purposes of establishing prescriptive rights.

5. All of Grantor's right, title, and interest which Grantor may have in and to all of the Assets, as defined the Agreement, to have and to hold the same unto Grantee, its successors and assigns, forever, and Grantee hereby accepts the sale, transfer, conveyance, and delivery of the Assets, subject to the terms and provisions of the Asset Agreement. The Assets are being transferred to Grantee free and clear of all liens, pledges, security interests, encumbrances, rights, and claims, except those which arise out of liabilities expressly assumed by Grantee under the Agreement. Grantor hereby constitutes and appoints Grantee the true and lawful attorney of Grantor, with full power of substitution, in the name of Grantor or Grantee, but on behalf of and for the benefit of Grantee: (i) to demand and receive from time to time any and all of the Assets and to make endorsements and give receipts and releases for and in respect of the same and any part thereof; (ii) to institute, prosecute, compromise and settle any and all actions or proceedings that Grantee may deem proper in order to collect, assert or enforce any claim, right or title of any kind in or to the Assets; (iii) to defend or compromise any or all actions or proceedings in respect of any of the Assets; and (iv) to do all such acts and things in relation to the matters set forth in the preceding clauses (i) through (iii) as Grantee shall deem desirable. Grantor hereby acknowledges that the appointment hereby made and the powers hereby granted are coupled with an interest and are not and shall not be revocable by it in any manner or for any reason.

TO HAVE AND TO HOLD unto the Grantee, its successors and assigns forever.

IN WITNESS WHEREOF, Grantor has executed this deed the day and year first written above.

"GRANTOR" WEST RENO WATER COMPANY, INC., a Maryland corporation	Agreed and accepted by: TRUCKEE MEADOWS WATER AUTHORITY, a joint powers authority
By: _____	By: _____
Its: _____	Its: _____

STATE OF NEVADA)

: ss.

COUNTY OF WASHOE)

On the ____, day of ____, 2017, before me, a notary public in and for said State, personally appeared ____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as ____ of the above named entity.

WITNESS my hand and official seal.

NOTARY PUBLIC

STATE OF NEVADA)

: ss.

COUNTY OF WASHOE)

On the ____, day of ____, 2017, before me, a notary public in and for said State, personally appeared ____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as ____ of the above named entity.

WITNESS my hand and official seal.

NOTARY PUBLIC

Schedule 1.46
Water Resources
(to be agreed upon during Due Diligence)

[illegible]

Schedule 1.48
West Reno Customers and West Reno Service Properties

Customer	Property Owner	Service Property
Reno KOA at Boomtown Journey	SJP Reno Property LLC	038-430-52
[Chevron Verdi]	SJP Reno Property LLC	038-430-51
[warehouse]	SJP Reno Property LLC	038-870-13
[Boomtown Casino Hotel]	SJP Reno Property LLC	038-430-02, 03, 04 and 24
[DP Clark Garson Road LLC]	DP Clark Garson Road LLC	038-870-27
[Cabelas]	Cabelas Retail Inc	038-881-08
[Cabelas]	Cabelas Wholesale Inc.	038-870-12

Exhibit 5.11
Form of Water Facilities Easement

A.P.N.:

After Recordation Return To:

Truckee Meadows Water Authority
P.O. Box 30013
Reno, Nevada 89520-3013
Attn: Heather Edmunson, SR/WA, Land Agent

The undersigned hereby affirms that this document submitted for recording does not contain the personal information of any person or persons per N.R.S. 239B.030.

**GRANT OF EASEMENT FOR
WATER FACILITIES**

THIS INDENTURE, made and entered into this ____ day of _____, 201____, by and between <**GRANTOR**>, (hereinafter referred to as "Grantor"), and **TRUCKEE MEADOWS WATER AUTHORITY**, a Joint Powers Authority entity created pursuant to a cooperative agreement among the cities of Reno, Nevada, Sparks, Nevada and Washoe County, Nevada, pursuant to N.R.S. Chapter 277 (hereinafter referred to as "Grantee").

RECITALS

- A. Grantor owns the real property located in the County of Washoe, State of Nevada, more particularly described as APN: _____ (the "Grantor Property");
- B. Grantee operates a municipal water system in Washoe County;
- C. Grantor desires to grant an easement to Grantee over a portion of the Grantor Property, for the purposes of and on the terms and conditions set forth herein.

NOW THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

GRANT OF EASEMENT

1. Grant of Easement. Grantor hereby grants to Grantee, its successors, assigns, agents, and licensees a permanent and non-exclusive easement and right of way to construct, alter, maintain, inspect, repair, reconstruct, and operate water system facilities, together with the appropriate mains, markers, conduits, pipes, generators, pump stations, valve boxes, meters, fixtures, and any other facilities or appurtenances deemed necessary or convenient by Grantee to

provide water service (hereinafter called "Water Facilities"), over, across, upon, under, and through that portion of the Grantor Property more fully described on **Exhibit "A"** and shown on **Exhibit "A-1"** attached hereto and made a part hereof (the "Easement Area"). Additionally, Grantor grants to Grantee a permanent and non-exclusive easement to (i)conduct routine inspection and maintenance services on all exterior fire hydrants owned by Grantor and located on Grantor Property that are not protected by approved backflow assemblies and (ii) the right to access the Grantor Property to the extent required to conduct such routine inspection and maintenance services. Nothing herein shall obligate Grantee to conduct such inspection and maintenance, such provisions to be set forth, if at all, in a separate agreement between the parties. All of the above-described fire hydrants located on Grantor Property shall remain private property and Grantor shall retain ownership of, and shall be solely responsible for, all other testing, inspections, repairs, replacement, costs, permitting and liability with respect to such fire hydrants. Grantor shall indemnify, defend, and hold Grantee harmless from any liability, action, damages, losses, or expenses arising from or related to the above-described fire hydrants, excluding claims to the extent caused by the negligence of Grantee in performing the routine maintenance and inspection, such claims against Grantee at all times limited by immunity available under NRS Chapter 41.

2. Access. Grantee shall have at all times ingress and egress to the Easement Area, including over the Grantor Property to the extent necessary, for the purposes set forth above.

3. Hold Harmless. Subject to the limitation of NRS Chapter 41 and Paragraph 4 below, Grantee shall be responsible for any loss, damage or injury suffered or sustained by Grantor for any damage to the personal property or improvements located on the Grantor Property, to the extent directly caused by any negligent act or omission of Grantee in constructing, maintaining, and operating the Water Facilities in the Easement Area.

4. No Interference. Grantor shall not, without Grantee's prior written consent (which consent shall not be unreasonably withheld), plant, erect or construct, nor permit to be planted, erected or constructed, within the Easement Area, any shrubs, trees, buildings, fences, structures, or any other improvement or obstruction which in the reasonable judgment of Grantee interferes with Grantee's access to and use of the Easement Area for the intended purposes, nor shall Grantor engage in or permit any activity to occur within the Easement Area which in the reasonable judgment of Grantee is inconsistent with Grantee's use of the Easement Area.

Notwithstanding the foregoing, Grantor may install or construct asphalt paving or standard concrete for purposes of providing parking within the Easement Area with Grantee's consent, which shall not be unreasonably withheld. Except as to landscaping, pavement or concrete otherwise permitted by Grantee pursuant to this Section, Grantee shall have the right, without payment, liability or notice to Grantor, to remove or clear any and all buildings, fences, structures, paving, combustible materials, trees, brush, debris, or any other obstruction from the Easement Area, which in the reasonable judgment of Grantee may interfere with or endanger Grantee's access to or use of the Easement Property or the constructing, altering, maintaining, inspecting, repairing, reconstructing and operating of the Water Facilities.

5. Reimbursement for Grantor Breach. Grantor shall reimburse Grantee for the

reasonable costs incurred by Grantee as a result of Grantor's breach of any covenant of Grantor set forth herein.

6. Relocation of Easement Area and Water Facilities. Grantor may, at any time, request the relocation of the Easement Area and Water Facilities to a new location on the Grantor Property, and Grantee agrees to perform such relocation provided (i) such new location is suitable to Grantee for Grantee's intended purposes; (ii) Grantor convey to Grantee an equivalent easement in the new location; and (iii) Grantor pay for all reasonable out-of-pocket costs and expenses incurred by Grantee arising from or related to the relocation of the Water Facilities, whether on or off the Grantor Property, including design costs and retirement of existing facilities.

7. Grantor Warranties. Grantor warrants and represents to Grantee as follows:

a. Title to Grantor's Property. Grantor owns fee title to Grantor's Property and the Easement Area and there are no prior encumbrances, liens, restrictions, covenants or conditions applicable to the Easement Area which will frustrate or make impossible the purposes of the easements granted herein.

b. Authority. The person(s) signing this Easement on behalf of Grantor is duly authorized to so sign and has the full power and authority to bind Grantor, to sell and convey the Easement Area to Grantee, and to enter into and perform the obligations hereunder.

c. Defects. Grantor has no knowledge of any defects or conditions of the Easement Area or Grantor's Property which would impair Grantee's ability to enjoy the use and purpose of this Easement.

d. Legal Access. Legal and sufficient access to this Grant of Easement exists through either the access easement granted hereunder, another easement transferred to Grantee or from a public road.

e. Contracts or Leases. There are no leases, licenses, permits or other contracts with third parties which affect any portion of the Easement Area.

f. Pending Litigation. Grantor is not aware of any pending or threatened litigation or regulatory actions regarding the Easement Area and the Easement Area is not subject to any foreclosure or deed in lieu of foreclosure.

THIS GRANT OF EASEMENT and the terms contained herein are granted in gross for the benefit of Grantee and shall run with the land and shall be binding upon and shall inure to the benefit of Grantor and Grantee and the successors, agents and assigns of Grantor and Grantee, and all rights herein granted may be assigned.

TO HAVE AND TO HOLD all and singular the said premises, granted together with the appurtenances, unto said Grantee, its successors, agents and assigns forever.

IN WITNESS WHEREOF, Grantor has caused these presents duly to be executed the day and year first above written.

GRANTOR:

By: _____

Name: _____

Title: _____

STATE OF _____)
) ss.

COUNTY OF _____)

This instrument was acknowledged before me this _____ day of _____, 201____, by _____ as _____ for _____, on behalf of said _____ as herein named.

Notary Public

Exhibit A to Water Facilities Easement
Legal Description of Exhibit

Exhibit A-1 to Water Facilities Easement
Exhibit Map of Easement

Exhibit 5.15
Form of Annexation Agreement
[To be Determined During Due Diligence]

Exhibit 9.1(d)
ASSIGNMENT OF ASSUMED CONTRACTS

THIS ASSIGNMENT OF ASSUMED CONTRACTS (this "Assignment") is dated _____, 2018 (the "Closing Date"), by and between **WEST RENO WATER COMPANY, INC.**, a Maryland corporation ("WEST RENO") and **TRUCKEE MEADOWS WATER AUTHORITY**, a joint powers authority created pursuant to NRS Chapter 277 ("TMWA").

Reference is made to that certain Water System Acquisition Agreement, dated _____, by and between West Reno and TMWA (the "Agreement"), the terms of which are incorporated herein by this reference. All capitalized terms used in this Assignment and not otherwise defined herein have the same meaning as set forth in the Agreement. In the event of a conflict between the terms and provisions of this Assignment and the Agreement, the Agreement shall govern and control.

Effective as of the Closing Date, West Reno hereby sells, conveys, transfers, and assigns to TMWA all of West Reno's right, title and interest in and to the contracts to provide water service to West Reno customers existing on the Closing Date, and TMWA hereby accepts the foregoing assignment and agrees from and after the Closing Date to assume the Liabilities of West Reno under the Assumed Contracts to the extent such Liabilities first arise out of the ownership and/or operation of the Water Business and Assets after the Closing Date; provided such Liabilities do not arise out of, do not incur, and are not incurred as a direct or indirect result of West Reno's ownership or operation of the Water Business, Assets, or Real Property. Except as expressly set forth in this Assignment, TMWA assumes absolutely no Liabilities with respect to the Assumed Contracts, including, without limitation, the Retained Liabilities. West Reno shall remain obligated and solely liable for any and all such Liabilities (including the Retained Liabilities), together with any claim of a third party to any Assumed Contract arising out of or in connection with the failure to obtain the consent of such third party to this Assignment, if such consent is required thereunder. This Assignment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Assignment has been duly executed and delivered by WEST RENO and TMWA as of the Closing Date.

WEST RENO:
WEST RENO WATER COMPANY, INC., a
Maryland corporation

By: _____

Its: _____

TMWA:
TRUCKEE MEADOWS WATER AUTHORITY,
a joint powers authority

By: _____

Its: _____



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: John Enloe, Director, Natural Resources
DATE: December 13, 2017
SUBJECT: Discussion, and action, and possible direction to staff regarding request from the developer of the StoneGate planned unit development that TMWA be the retail provider for its development project

Recommendation

Authorize staff to submit the attached Acknowledgement of Water Service for the StoneGate Master Plan Amendment and PUD Zoning Map Amendment to fulfill the City of Reno's request.

Summary

On November 15, 2017, the Reno City Council conducted a public hearing regarding LDC17-00008 & LDC17-00009, regarding StoneGate's request for a Master Plan Amendment, Zoning Map Amendment and PUD handbook. The StoneGate Master Plan and PUD Zoning Map Amendment is a request to establish a Planned Unit Development (PUD) on a site that is $\pm 1,737.9$ acres in size that includes $\pm 5,000$ residential units, associated public facilities, open space and nonresidential development. Four parcels totaling $\pm 1,378$ acres in size are located southwest of the US-395/White Lake Parkway interchange, south of the US-395/Frontage Road. Two parcels totaling ± 359.90 acres in size are located on the northwest side of the intersection of US-395 and White Lake Parkway. This request is considered a Project of Regional Significance for: (a) housing, (b) traffic, (c) water use, (d) sewage, (e) student population and (f) employment.

The Reno City Council continued the item until mid-January 2018 and requested City staff and the applicant to bring back several items for consideration. One of the items requested was an "Acknowledgement of Water Service" from TMWA. On November 16, 2017, the applicant formally requested "full retail supply and service from TMWA for the project". To fulfill the City of Reno's request, staff has prepared the attached Acknowledgement of Water Service for the Board's consideration. It states that:

“TMWA is agreeable to supplying water service to the Project, subject to the applicant satisfying certain conditions precedent, including, without limitation, execution of an Annexation Agreement, the dedication of water resources, approval of the water supply plan by the local health authority, the execution of a Water Service Agreement, payment of fees, and the construction and dedication of infrastructure in accordance with our rules and tariffs. This Acknowledgement of Water Service does not constitute a legal obligation by TMWA to supply water service to the Project, and is made subject to all applicable TMWA Rules.”

Background

At build-out of the project, the estimated average day demand is approximately 1,600 gallons per minute, the estimated maximum day demand of the project is approximately 4,000 gallons per minute, and the estimated amount of water rights required for dedication is approximately 2,500 acre feet. Presently, TMWA holds sufficient water rights to serve the Project from the Fish Springs groundwater resource. A 6+/- mile extension of TMWA's water transmission facilities will be required from the intersection of North Virginia Street and Lemmon Drive to service the Project. In addition, TMWA will require an on-site source of water supply, either from new municipal wells, an intertie with Great Basin Water Company in Cold Springs, or both, to provide a level of redundant capacity. All facility improvements will be paid by the applicant.

Attachments:

Acknowledgement of Water Service for the StoneGate Master Plan Amendment
PUD Zoning Map Amendment

December 4, 2017

Don Pattalock, Managing Member
Heinz Ranch Land Company
9210 Prototype Drive, Suite 100
Reno, NV 89521

**RE: ACKNOWLEDGEMENT OF WATER SERVICE, STONEGATE MASTER PLAN
AMENDMENT AND PUD ZONING MAP AMENDMENT**

We have reviewed the plans for the above referenced development ("Project") as submitted to the Truckee Meadows Water Authority (TMWA) and have determined the Project is not located within TMWA's retail service territory and will require annexation. This letter constitutes an Acknowledgment of Water Service pursuant to NAC 445A.65515, and TMWA hereby acknowledges that TMWA is agreeable to supplying water service to the Project, subject to the applicant satisfying certain conditions precedent, including, without limitation, execution of an Annexation Agreement, the dedication of water resources, approval of the water supply plan by the local health authority, the execution of a Water Service Agreement, payment of fees, and the construction and dedication of infrastructure in accordance with our rules and tariffs. This Acknowledgement of Water Service does not constitute a legal obligation by TMWA to supply water service to the Project, and is made subject to all applicable TMWA Rules.

Presently, TMWA holds sufficient water rights to serve the Project from the Fish Springs groundwater resource. A 6+/- mile extension of water transmission facilities will be required from the intersection of North Virginia Street and Lemmon Drive to service the Project. In addition, TMWA will require an on-site source of water supply, either from new municipal wells, an intertie with Great Basin Water Company in Cold Springs, or both, to provide a level of redundant capacity.

Review of conceptual site plans or tentative maps by TMWA does not constitute an application for service, nor implies a commitment by TMWA for planning, design or construction of the water facilities necessary for service. The extent of required off-site and on-site water infrastructure improvements will be determined by TMWA upon receiving a specific development proposal or complete application for service and upon review and approval of a water facilities plan by the local health authority. Because the NAC 445A Water System regulations are subject to interpretation, TMWA cannot guarantee that a subsequent water facility plan will be approved by the health authority or that a timely review and approval of the Project will be made. The Applicant should carefully consider the financial risk associated with committing resources to their project prior to receiving all required approvals. After submittal of a complete Application for Service, the required facilities, the cost of these facilities, which could be significant, and associated fees will be estimated and will be included as part of the Annexation Agreement and Water Service Agreement necessary for the Project. All fees must be paid to TMWA prior to water being delivered to the Project.

Please call me at 834-8250 at your convenience if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John P. Enloe". The signature is fluid and cursive, with the first name "John" being the most prominent.

John P. Enloe, P.E.
Director, Natural Resources



November 16, 2017

[Via Email jenloe@tmwa.com](mailto:jenloe@tmwa.com)

John Enloe
Operational Strategies Manager
Truckee Meadows Water Authority
1355 Capital Blvd.
Reno, Nevada 89502

***Re: Stonegate Master Plan Amendment and PUD Zoning Map Amendment
LDC17-00008 & LDC17-00009***

Dear John:

As you are aware, Heinz Ranch Land Company, LLC is developing the StoneGate Master Planned Community within the City of Reno. Currently, StoneGate lies within the Truckee Meadows Service Area; however, outside of TMWA's retail service area.

A TMWA Discover was completed on the project in April of 2015. Since that time, we have explored all water service options available to the project and are now in a position to request full retail supply and service from TMWA for the project.

Please advise on how to proceed with annexation into TMWA's service area.

Additionally, Reno City Council has requested StoneGate provide documentation of TMWA's willingness to serve the development. We'd like to request a letter that ultimately will satisfy the City's concerns relative to water service for the project.

As always, please feel free to call with any questions.

Respectfully yours,

A handwritten signature in blue ink, appearing to read 'Donald A. Pattalock', written over a blue circular stamp.

Donald A. Pattalock
Managing Member



STAFF REPORT

TO: TMWA Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: Pat Nielson and John Zimmerman
DATE: February 1, 2018
SUBJECT: **Meter Retrofit Cost Analysis and Fee Options**

Staff presented a status report (attached) to the Board last August regarding the water meter retrofit fee. As a result of that discussion, board member Brekhus asked staff to further analyze which of the remaining nonmetered services feasibly could be metered and obtain a more-detailed cost estimate for metering those services. Member Brekhus also requested staff provide options to the Board for transitioning the retrofit fee to other purposes. The following is a brief discussion regarding staff's analysis of these issues and recommendation.

Recommendation

The remaining nonmetered services are relatively insignificant from a water use perspective, the cost to retrofit them is substantial (roughly \$73,000/service), and metering them could potentially cause them to increase their water use. Accordingly, the Board should consider directing staff to use the current balance of the meter retrofit fund (\$3.2M) to complete as many meter retrofits as possible and change the purpose of the fee going forward to water resource sustainability and drought resiliency. This purpose would allow TMWA to use the funds collected from the fee to support projects such as expanded conjunctive use, aquifer storage and recovery (ASR), demonstration and validation of exceptional quality reclaimed water (Class A+) uses, future water resource investigation efforts, and other projects that improve water supply sustainability and drought resiliency. Under that purpose, the Board could also lower the fee.

If the Board chooses to change the purpose and amount of the fee, staff would bring a proposed rule change to the Board at a future meeting for consideration and adoption.

Summary of Meter Retrofit Fee

The meter retrofit fee was created to satisfy Section 29 of the May 23, 1989 Preliminary Settlement Agreement, which required TMWA to adopt a plan for financing and installing water meters. Under TMWA Rule 7(H)(3), applicants for water service (except those relying on domestic well conversion credits issued by the Nevada State Engineer, imported water resources, or groundwater rights for their dedication) must pay \$1,830 per acre-foot of their estimated water demand.

Nonmetered Services That Feasibly Could Be Metered

There are 253 remaining nonmetered services, which fall under the following three service types: Multiple-Unit Residential and Irrigation (MRIS), Multiple-Unit Residential Flat (MRFS), and Small Unit Flat Rate (SUFR). Staff eliminated all SUFR services (110) from consideration because metering them would be cost prohibitive considering: they are duplexes and fourplexes each fed by a single service line, each unit is usually under separate ownership, some of the internal plumbing and irrigation waterlines are shared among the units, it would require installation of additional service lines and metering facilities to each housing unit (which may need to be installed through adjoining property owner's land), and retrofitting each unit with a single service connection would require modifications to each unit's internal shared and non-shared plumbing as well as separating their irrigation systems.

Staff engaged Shaw Engineering to assist with reviewing the remaining 143 MRIS and MRFS services to determine whether they feasibly could be metered. Shaw and staff reviewed numerous factors to determine retrofit feasibility including, but not limited to, adequacy of existing water pressure to withstand pressure loss due to installation of meters and related facilities, whether there was adequate available space to install the required facilities, not placing facilities under streets (to avoid hazards to employees, additional costs, and creating traffic congestion during construction and maintenance activities), and legal issues due to multiple ownership of properties on a single service. Additionally, the analysis considered the age and state of the structure connected to the service to estimate the likelihood of it being demolished or substantially renovated and altered in the near future, which would trigger meter installation. Any structures that Shaw and staff considered likely to be demolished or renovated within 10 years were removed from the list.

After considering the above-described physical, legal, and practicable constraints of metering the remaining services, staff concluded that 82 of the 143 services could feasibly be retrofitted. These include only MRIS services as the MRFS services were deemed to be not feasible. Of the 82 services that are feasible, 68 are in Reno and 14 in Sparks.

Retrofit Cost Estimate

The estimated cost of retrofitting the feasible services is \$5.98M (\$73,000/service on average). This estimate is based on analysis and review by Shaw and TMWA staff of preliminary design drawings and construction cost estimates (see attached example cost estimate). Based on the average cost per service, staff estimates that the current meter fund balance would fund approximately 45 retrofits.

Preliminary Economic Analysis

As part of this project, staff also completed an abbreviated economic analysis of the potential impacts metering the 143 non-SUFR services may have on revenue and water usage related to these services. That analysis estimates that revenue could decrease by \$76/service/year and water usage could increase by as much as 400 acre-feet annually. This outcome is similar to

what occurred in the prior “flip the switch” metering process where certain flat-rate customers were required to switch to metered service.

Retrofit Options

The following are potential options for retrofitting services and the retrofit fee. The first two options would require a rule change, which would be subject to future public meetings.

1. Reserve Current Fund Balance For Future Retrofits And Change Fee Purpose

Based on experience and TMWA’s preliminary economic analysis it does not appear that metering the remaining services would save water and may actually lead to increased water usage. Further, the average cost to retrofit each service is substantial (roughly \$73,000/service). Staff anticipates 50% of the remaining services will be metered over the next 10 years. This estimate is based on the number of retrofits completed in the past few years and the type and difficulty of the remaining services. The estimated cost to retrofit 50% of the remaining services is nearly \$3M, which is close to the current meter fund balance. Staff recommends the Board direct staff to reserve the current amount in the fund to retrofit as many of the remaining services as possible. Staff would report to the Board annually regarding the number of services retrofitted, costs of retrofitting, and fund balance.

Staff also recommends the Board consider changing the purpose of the fee going forward to water resource sustainability and drought resiliency, which could be used to support projects such as expanded conjunctive use, ASR, demonstration and validation of exceptional quality reclaimed water uses, future water resource efforts, and other projects that improve water resource sustainability, and drought resiliency. Under this option, the Board could also consider lowering the fee.

2. Reserve Current Fund Balance For Future Retrofits And Terminate Fee

The Board could direct staff to reserve and apply the fund balance to the feasible services, but terminate the fee.

3. Terminate Fee After Remaining Feasible Services Are Retrofitted

This is the status quo option, which would direct staff to continue collecting the fee until the meter retrofit fund equals the estimated cost to retrofit the remaining feasible services.

Staff seeks SAC input regarding the above-described options, which will be presented to the Board on February 21, 2018.

Service Address: 101 E PRATER WAY

Service ID: 94938

Meter Size: 6-inch fire series

Easement Needed: Yes

Meter Retrofit Tracking Number: 143

Description	Unit	Quantity	Unit Cost	Total Cost	Comments
Easements and Legal	LS	1	\$5,000	\$5,000	Per TMWA
Engineering and Topographic Survey	LS	1	\$7,000	\$7,000	Assume \$2K survey, \$5K engineering
Permit Fees	LS	1	\$500	\$500	Assumed cost for EE permit
Mobilization/Demobilization	O	1	\$3,000	\$3,000	
2-inch meter/setter/box	LS	0	\$5,000	\$0	
4-inch Water Meter-Pipe	LS	0	\$31,500	\$0	Includes meter/vault, excludes backflow
6-inch Water Meter-Pipe	LS	0	\$38,000	\$0	Includes meter/vault, excludes backflow
8-inch Water Meter-Pipe	LS	0	\$45,000	\$0	Includes meter/vault, excludes backflow
4-inch Fire Series-Pipe	LS	0	\$40,000	\$0	Includes meter/vault, excludes backflow
6-inch Fire Series-Pipe	LS	1	\$45,000	\$45,000	Includes meter/vault, excludes backflow
8-inch Fire Series-Pipe	LS	0	\$50,000	\$0	Includes meter/vault, excludes backflow
10-inch Fire Series-Pipe	LS	0	\$58,000	\$0	Includes meter/vault, excludes backflow
Sidewalk R&R	SF	0	\$25	\$0	Includes meter/vault, excludes backflow
Curb and Gutter R&R	LF	30	\$45	\$1,350	
Concrete Driveway Apron	SF	0	\$18	\$0	
4-inch AC Patch	SF	0	\$10.6	\$0	Per West Coast 17 Bid
6-inch AC Patch	SF	0	\$12	\$0	
2-inch Grind and Overlay	SF	0	\$8	\$0	Per West Coast 17 Bid
Landscape R&R	SF	500	\$4	\$2,000	
Misc:				\$0	
Valves Raise/Lower	EA	0	\$700	\$0	Per COR Street Cut Fee
CATV Relocate	LS	1	\$2,000	\$2,000	
Added T&B/Pipe for (P) layout	LS	0	\$1,000	\$0	Have added pipe/fittings and/or utility x-ings
Total Estimated Construction Cost =				\$65,850	
20% Contingency =				\$13,170	
Total Estimated Project Cost =				\$79,020	



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Pat Nielson, Director of Distribution, Maintenance and Generation
Brent Smith, Field and Meter Service Supervisor
John Zimmerman, Water Resources Manager
DATE: August 8, 2017
SUBJECT: **Informational report regarding the water meter retrofit fund program**

At the June Board meeting, Member Brekhus requested an informational report on the status of the water meter retrofit program. The following is a brief discussion regarding the current meter fund balance, projected fund revenue over the next five years, and estimated costs and complications of retrofitting all remaining non-metered services.

Water Meter Retrofit Fee and Fund Balance

Under TMWA Rule 7(H)(3), applicants for water service (except those relying on domestic well conversion credits issued by the Nevada State Engineer, imported water resources, or groundwater rights for their dedication) must pay \$1,830 per acre-foot of their estimated water demand. In fiscal year 2017, TMWA collected \$370,667 in meter retrofit fund fees and as of June 30, 2017 the fund balance was \$2,425,647.

Estimated Annual Fund Revenue

Based on a very preliminary analysis, staff estimates that by the end of fiscal year 2022, the projected meter fund balance will be between \$4.2M and \$9.7M.¹ This range is based on the amount of surface water staff estimates may be used to satisfy dedication requirements over the next five years (fiscal years 2018-2022). The results of staff's analysis are shown in Tables 1 and 2.

Under the first scenario, surface water dedications remain constant at fiscal year 2017 levels. Under the second scenario, surface water dedications increase by 50% each year from fiscal year 2017 levels. It is somewhat likely that more surface water will be dedicated than projected in scenario 1 because groundwater resources in TMWA's Inventory are nearly exhausted, and thus, most commitments based on Inventory resources will be surface water. Accordingly, scenario 1 serves as a lower bound estimate.

¹ This projection does not account for expenditures under the fund over the next five years.

Table 1			
Scenario 1: 202.6 Acre-Feet of Surface Water Committed Annually			
Fiscal Year	Committed Acre-Feet	Revenue	Ending Balance
2018	202.55	\$ 370,667	\$ 2,796,314
2019	202.55	\$ 370,667	\$ 3,166,981
2020	202.55	\$ 370,667	\$ 3,537,648
2021	202.55	\$ 370,667	\$ 3,908,315
2022	202.55	\$ 370,667	\$ 4,278,982
Table 2			
Scenario 2: 50% Increase in Surface Water Committed Each Year			
Fiscal Year	Committed Acre-Feet	Revenue	Ending Balance
2018	303.90	\$ 556,137	\$ 2,981,784
2019	455.85	\$ 834,206	\$ 3,815,990
2020	683.78	\$ 1,251,308	\$ 5,067,298
2021	1025.66	\$ 1,876,962	\$ 6,944,260
2022	1538.49	\$ 2,815,444	\$ 9,759,704

Estimated Cost to Complete Retrofitting

There are 253 non-metered services and staff estimates the total cost to retrofit them with meters would be approximately \$4,326,000 – \$6,880,000. This cost estimate is based solely on staff's experience with, and knowledge of, these service types and is limited to the estimated amount of labor and materials to complete retrofitting. Staff believes converting these services to meters would be very difficult because of meter size, physical location of piping, and legal complications associated with obtaining any necessary easements and access rights. These complications are difficult to estimate without a more in-depth analysis, but are likely to increase the costs, substantially in some cases. To obtain more accurate cost estimates, staff would need to physically inspect each service property at a minimum.

The remaining services fall under three rate schedules:

Rate Schedule	Total Services	Estimated Cost Range
Multiple-Unit Residential and Irrigation Service	129	\$3,250,000 – \$4,000,000
Multiple-Unit Residential Flat Rate Service	14	\$300,000 – \$400,000
Small Unit Flat Rate Service	110 ²	\$500,000 – \$2,480,000

² As of June 2017, there were 396 customers billed under these SUFR party services.

The Multiple-Unit Residential and Irrigation services include apartment complexes and mobile home parks. These services are connected to TMWA's water system by single or multiple feeds and some have multiple owners. Most of these services use relatively large diameter pipe that likely would require construction of a vault with backflow prevention assemblies. Also, some of these services may require pipe upsizing to meet fire flow requirements.

The Multiple-Unit Residential Flat Rate services are all apartment complexes fed by one service line. These services also are likely to require construction of a vault and backflow assemblies and may require modifications to satisfy fire flow requirements.

The Small Unit Flat Rate party services consist of duplexes and fourplexes that are each fed by a single service line.³ Each housing unit is usually under separate ownership, but some of the internal plumbing and irrigation waterlines are shared among the units. These services will be the most difficult to retrofit. It would require installation of additional service lines and metering facilities to each housing unit from TMWA's main waterlines. These additional service lines may need to be installed through adjoining property owner's land, and thus, would require coordination with, and easements from, the affected property owners. Lastly, retrofitting each unit with a single service connection would require modifications to each unit's internal shared and non-shared plumbing as well as separating their irrigation systems. These modifications could increase the cost to retrofit each unit by approximately \$5,000, which additional cost is included in the higher cost estimate provided above.

For each service type, any construction that involves the installation of new or modified facilities on a customer's property or within their housing unit would require their consent.

Meter Fund Status

Based on staff's preliminary estimates and using the lower range of values provided above, the fund may receive enough fees for the estimated retrofitting costs of these services between fiscal years 2020 and 2022. Staff continues to retrofit existing services as time allows, however, it may be worthwhile to analyze the benefits of retrofitting the remaining SUFR party services due to their complexity and expense.

³ See attached photographs of several Small Unit Flat Rate services.

Example Duplex – SUFR



Example Fourplexes – SUFR



