

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE SEPTEMBER 19, 2018
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, September 19, 2018, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chair Hartung called the meeting to order at 10:00 a.m.

1. ROLL CALL

Members Present: Alternate David Bobzien, Jenny Brekhus, Kristopher Dahir, Neoma Jardon, Vaughn Hartung, and *Ron Smith.

Members Absent: Naomi Duerr and Bob Lucey

A quorum was present.

**Member Smith participated via telephone at 10:13 a.m.*

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Alternate Member Bobzien.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

Member Jardon requested agenda item #13 be heard after agenda #8.

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

5. APPROVAL OF THE MINUTES OF THE AUGUST 15, 2018 MEETING

Upon motion by Member Bobzien, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the August 15, 2018 minutes.

Chair Hartung inquired if agenda items #6 and #7 could be heard simultaneously. Michael Pagni, TMWA General Counsel, confirmed that it would be acceptable.

6. DISCUSSION AND ACTION REGARDING GENERAL MANAGER PERFORMANCE REVIEW FOR CONTRACT YEAR 2017/2018 AND DISCUSSION AND ACTION ON POSSIBLE LUMP SUM AWARD AND/OR OTHER COMPENSATION ADJUSTMENT

7. DISCUSSION AND ACTION REGARDING TERMS FOR AND POSSIBLE APPROVAL OF RENEWAL OR EXTENSION OF GENERAL MANAGER EMPLOYMENT CONTRACT

Jessica Atkinson, TMWA Human Resources Manager, presented the staff report on agenda item #6.

Mr. Pagni introduced agenda item #7, requesting Board approve staff recommendation to extend Mark Foree's contract for a four-year term, two-years with a two-year extension, which would enable succession planning, and to adjust his salary to Step 4 wage band, which is comparable to the MPAT salary adjustments made this year, but still below market.

Discussion followed regarding succession planning and looking at internal candidates that meet minimum qualifications and to consider the process during discussions prior to the two-year extension; not to consider a lump sum award considering TMWA is a public agency, and a better option would be to approve a retroactive increase for the current contract; the importance to consider protocol of compensation and reach a point of being competitive in the market to attract qualified candidates; and TMWA, under Mr. Foree's leadership and staff have done great work.

Upon motion by Member Jardon, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved the extension of the General Manager contract for a four year term, two-years and two-year extension, with a salary increase to \$215,115 that is retroactive to July 1, 2018, and automatically adjust salary on July 1, 2019 to the "market" step of the General Manager wage band.

Public Comment

Andy Gebhardt, TMWA Director of Operations and Water Quality, thanked the Board for their action and stated he is happy that he was part of the team that recommended Mr. Foree to be General Manager.

8. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF ON ADOPTION OF RESOLUTION NO. 265: A RESOLUTION TO APPROVE THE FIRST BUDGET AUGMENTATION AND BUDGET REVISIONS FOR FY 2019

Joe Petrelli, TMWA Principal Financial Analyst, presented the First Budget Augmentation to the Board to approve increased costs to the Mount Rose Water Treatment Plant capital project by \$3.9 million in

fiscal year 2019, which will not affect customer rates beyond what has been approved previously by the Board.

John Enloe, TMWA Director of Natural Resources and Planning, explained the reason for the plant is to provide conjunctive use in the Mt. Rose fan area to protect groundwater resources. The total project cost is \$27.3 million: a third of the cost will be paid for by developers through the WSF Charge Area fee for Area 15; a third of the cost will be paid for by developers through the WSF Supply-Treatment fees; and lastly, the final third will be paid for by funds that came over from Washoe County as part of the merger.

Upon motion by Member Bobzien, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 265: A Resolution to approve the first budget augmentation and budget revisions for FY 2019.

13. UPDATE REGARDING TMWA'S POSSIBLE ACQUISITION OF THE WEST RENO WATER SYSTEM AND STATUS OF DUE DILIGENCE ACTIVITIES AND POSSIBLE DIRECTION TO STAFF

John Zimmerman, TMWA Water Resources Manager, updated the Board that staff is three-quarters of the way through the due diligence period and has uncovered most of the significant identifiable items related to acquiring the system and that staff was requesting the Board to authorize the General Manager to extend the due diligence period, which expires October 17, 2018, for another 30 days, if deemed necessary.

Chair Hartung asked what is required to terminate the CC&Rs and General Counsel Michael Pagni responded that it requires approval of a majority of the landowners covered by the CC&Rs. Discussion arose regarding the requirement in the acquisition agreement that the parties agree on a purchase price, which consisted of the \$700,000 book value of the assets, \$100,000 for the pipe casing under the Truckee River (which transaction closed in July) and reimbursement for West Reno's reasonable PUC legal and engineering fees incurred prior to December 31, 2017. The Board commented that staff is doing a great job making progress in due diligence and to move forward as expeditiously as possible with the acquisition; support for the acquisition because it improves the sustainability of water resources in the area; the Board be kept apprised of the process and the separate contract with Reno Land Development Company due to legal issues with Reno Land and the City of Reno; and ensure TMWA customers are not financially impacted by this acquisition. Member Dahir asked if there were any issues that were impeding the closing and General Counsel Michael Pagni responded items have been identified in due diligence but they should be able to be worked through and that staff was working very diligently to complete due diligence and the closing, but that the request for authority to extend due diligence period was out of an abundance of caution due to the complexity of the transaction and the multiple parties involved.

Upon motion by Member Brekhus, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board accepted the report and authorized the General Manager to extend the due diligence period up to 30 days and to provide an update at a future meeting.

9. DISCUSSION AND ACTION ON RESOLUTION NO. 266: A RESOLUTION TO APPROVE THE UPDATED ENTERPRISE FINANCIAL MANAGEMENT AND RESERVE POLICY, REPLACING THE EXISTING RESOLUTION NO. 17

10. DISCUSSION AND ACTION ON RESOLUTION NO. 267: A RESOLUTION APPROVING TO INCREASE THE WATER RATE STABILIZATION FUND RESERVE TO A MAXIMUM OF 3 PERCENT OF PROJECTED WATER SALES FOR THREE YEARS, REPLACING THE EXISTING RESOLUTION NO. 52

Michele Sullivan, TMWA Chief Financial Officer, stated the policy was discussed at the last Board meeting in August and the updated Financial Management Policy and the Water Rate Stabilization Fund Resolutions are before them today for approval.

Discussion followed about staff finding a solution to not raise rates in preparation for the next severe drought period; and the third potential rate increase will be brought to the Board for discussion after the next 5-year Funding Plan is presented.

Upon motion by Member Brekhus, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 266: A Resolution to approve the updated enterprise Financial Management and Reserve Policy, replacing the existing Resolution No. 17.

Upon motion by Member Brekhus, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 267: A Resolution approving to increase the water Rate Stabilization Fund reserve to a maximum of 3 percent of projected water sales for three years, replacing the existing Resolution No. 52.

11. DISCUSSION AND ACTION ON RESOLUTION NO. 268: A RESOLUTION TO APPROVE FUNDING FOR THE PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS

Mr. Enloe presented the Truckee River Fund (Fund) Fall request for proposals (RFPs) for Board approval.

Discussion followed for the Board to receive an overall performance review of programs that have received continuous funding over the years in order to have a better understanding of the impact, history and how TMWA is making the watershed better. Mr. Enloe stated the Fund Advisors are each assigned to a project and report back to the Advisory Committee the success and metrics of the projects and it would be informative to see the magnitude of their impact.

Upon motion by Member Bobzien, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 268: A Resolution to approve funding for the projects recommended by the Truckee River Fund Advisory Committee and an authorization for the Community Foundation to fund such projects from Fund proceeds.

12. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF FOR THE APPROVAL OF INTERLOCAL AGREEMENT WITH WASHOE COUNTY, CITY OF RENO AND TMWA FOR A SUBSURFACE HYDROGEOLOGICAL INVESTIGATION AT THE AMERICAN FLAT ROAD SITE

Mr. Enloe presented this item to the Board; it is a cooperative project that is part of effluent management team's regional efforts looking at groundwater augmentation projects throughout the region. The project considers the feasibility of recharging water in the American Flat Road area in Stead, NV. Washoe County owns the property, the City of Reno is funding the majority of this effort, and TMWA is providing the technical expertise on the hydrogeology aspect in the recharge efforts.

Discussion followed regarding the Bureau of Reclamation Truckee Basin Study presented to the Board in August recommending additional storage would be prudent; the hydrogeological investigation would recharge approximately 160 acre feet of water; the site is more than 3 miles from Swan Lake, however, existing monitoring wells will be used to monitor water levels and check for connectivity with the lake;; and a geophysical study has been completed to locate drill wells and direction of water flow to pinpoint where best to put the injection well and two monitoring wells.

Upon motion by Member Dahir, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the interlocal agreement with Washoe County, City of Reno and TMWA for a subsurface hydrogeological investigation at the American Flat Road site.

14. DISCUSSION AND ACTION ON REQUEST FOR BOARD INPUT AND ACCEPTANCE OF GENERAL MANAGER PERFORMANCE OBJECTIVES FOR CONTRACT YEAR 2018/2019

Upon motion by Member Brekhus, second by Member Bobzien, which motion duly carried by unanimous consent of the members present, the Board approved continuing this item until the next meeting.

15. GENERAL MANAGER'S REPORT

Mr. Foree referenced the General Manager's Report for updates.

16. PUBLIC COMMENT

There was no public comment.

17. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There was no Board comment.

18. ADJOURNMENT

With no further discussion, Vice Chair Hartung adjourned the meeting at 11:49 a.m.

Approved by the TMWA Board of Directors in session on October 17, 2018.

Sonia Folsom, Recording Secretary

**Member Smith was present for agenda items #6 and #7 only.*