



TRUCKEE MEADOWS WATER AUTHORITY Board of Directors Strategic Planning Workshop

AGENDA

Wednesday, October 17, 2018 at 10:00 a.m.

NEW VENUE: TMWA Corporate, 1355 Capital Blvd., Reno, NV

Board Members

Chair Vaughn Hartung
Member Neoma Jardon
Member Jenny Brekhus
Member Kristopher Dahir

Vice Chair Ron Smith
Member Bob Lucey
Member Naomi Duerr

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 (775) 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) 834-8002. Supporting material is made available to the general public in accordance with NRS 241.020(6).
4. The Board 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 Board 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**).
8. Notice of possible quorum of Western Regional Water Commission: Because several members of the Truckee Meadows Water Authority Board of Directors are also Trustees of the Western Regional Water Commission, it is possible that a quorum of the Western Regional Water Commission may be present, however, such members will not deliberate or take action at this meeting in their capacity as Trustees of the Western Regional Water Commission.

1. Roll call*
2. Pledge of allegiance*
3. Public comment — limited to no more than three minutes per speaker*
4. Approval of the agenda (**For Possible Action**)
5. Approval of the minutes of the September 19, 2018 meeting of the TMWA Board of Directors (**For Possible Action**)
6. Presentation of TMWA's Fiscal Year 2018 Customer Satisfaction Study — Sara Hart, Director of Research, Infosearch International*

¹The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters related to litigation or potential litigation.

7. Discussion and action, and possible direction to staff regarding the 2020-2040 Water Resource Plan outline and public outreach plan, and draft water supply scenarios — Kara Steeland and Bill Hauck **(For Possible Action)**
8. Update on the status of TMWA's possible acquisition of the West Reno Water Company water system, status of due diligence investigation, status of ancillary agreements with SJP Reno Property, Reno Land Development and BT South, and discussion and direction to staff and authorization for General Manager on possible amendments to acquisition agreement — John Zimmerman and John Enloe **(For Possible Action)**
9. Discussion and action, and possible direction to staff on approval of the annexation of the Stonegate development into the TMWA retail water service area — Scott Estes **(For Possible Action)**
10. Presentation of TMWA Goals and Objectives results for Fiscal Year 2018 — Mark Foree*
11. Discussion and action, and possible direction to staff on the proposed TMWA Goals and Objectives for Fiscal Year 2019 — Mark Foree **(For Possible Action)**
12. Required communication from Eide Bailly in regards to TMWA's annual financial audit — Sandra Tozi*
13. Presentation of preliminary funding plan for Fiscal Years 2019 through 2023, discussion and possible direction to staff — Michele Sullivan **(For Possible Action)**
14. Discussion and action, and possible direction to staff regarding the possible closure of the §501-c-9 Post Retirement Medical and Life Insurance plan and Trust to future employees — Michele Sullivan **(For Possible Action)**
15. Discussion and action, and request to authorize the General Manager to execute an Interlocal Cooperative Agreement by and between the State of Nevada Division of Environmental Protection, the Washoe County District Board of Health and Truckee Meadows Water Authority for engineering design review of certain public water system infrastructure — Danny Rotter **(For Possible Action)**
16. Discussion and action on request for Board input and acceptance of General Manager performance objectives for contract year 2018/2019 — Mark Foree **(For Possible Action)** *(continued from September Meeting)*
17. Discussion and action, and possible direction to staff regarding canceling the November Board meeting and re-scheduling December Board meeting to December 12, 2018 or such other date approved by the Board — Mark Foree **(For Possible Action)**
18. General Manager's Report*
19. Public comment — limited to no more than three minutes per speaker*
20. Board comments and requests for future agenda items*
21. Adjournment **(For Possible Action)**

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TRUCKEE MEADOWS WATER AUTHORITY
DRAFT 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 _____.

Sonia Folsom, Recording Secretary

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



Customer Satisfaction Study Fiscal Year 2018



Survey Purpose & Methodology

Fiscal Year 2018

Purpose:

- To assess TMWA customers' overall level of satisfaction and attitudes toward water-related issues including quality, sufficiency, and security
- To identify significant differences between customer groups
- To identify trends since 2002 (17 annual studies to date)

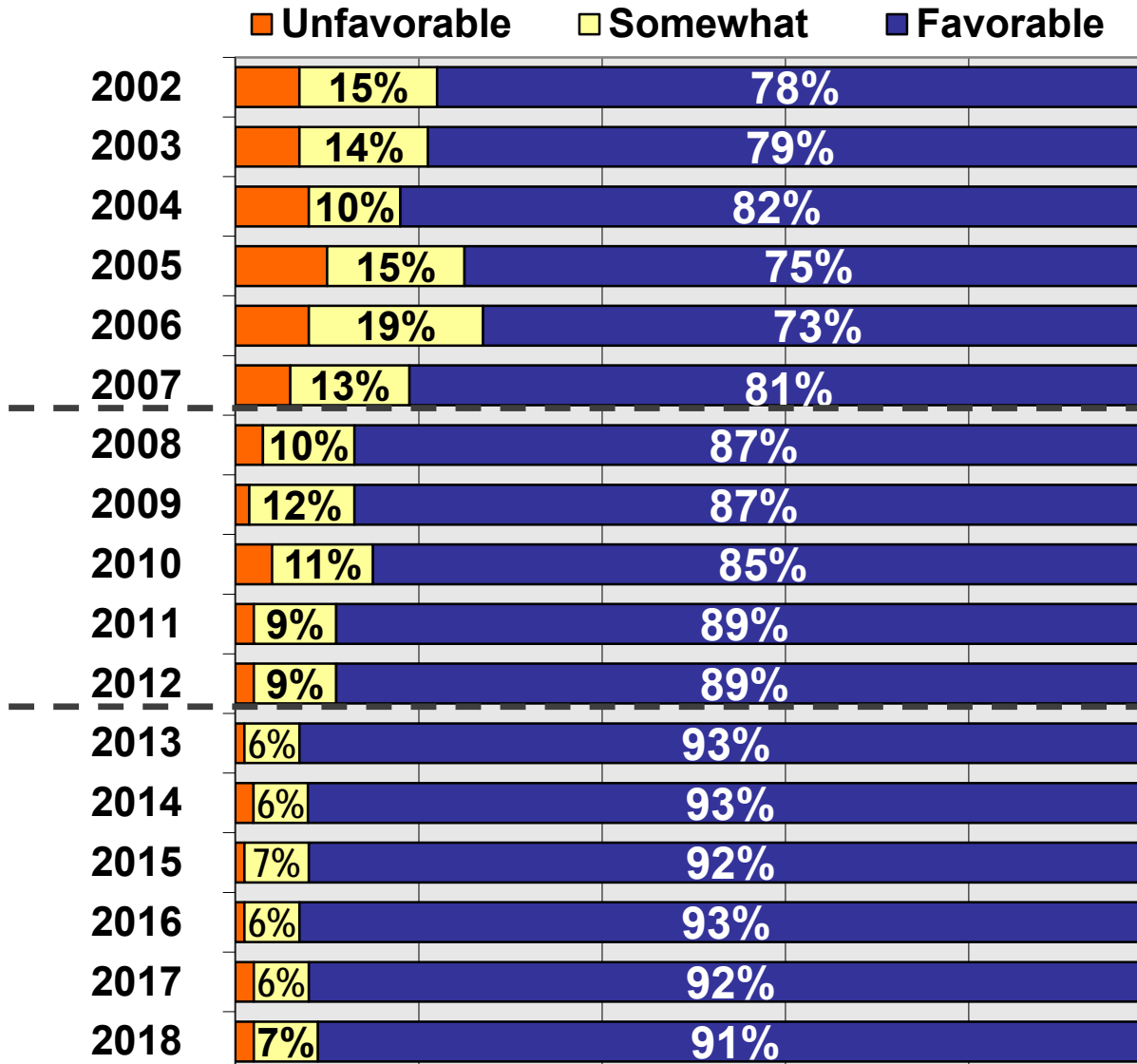


2018 Methodology:

- Telephone surveys managed by InfoSearch International
- In the field from July 2017 to June 2018; interviews averaged 7-10 minutes
- Sample of **500**: 400 Residential and 100 Commercial Customers
- Total sample, at 95% confidence level, $\pm 4.4\%$ confidence interval

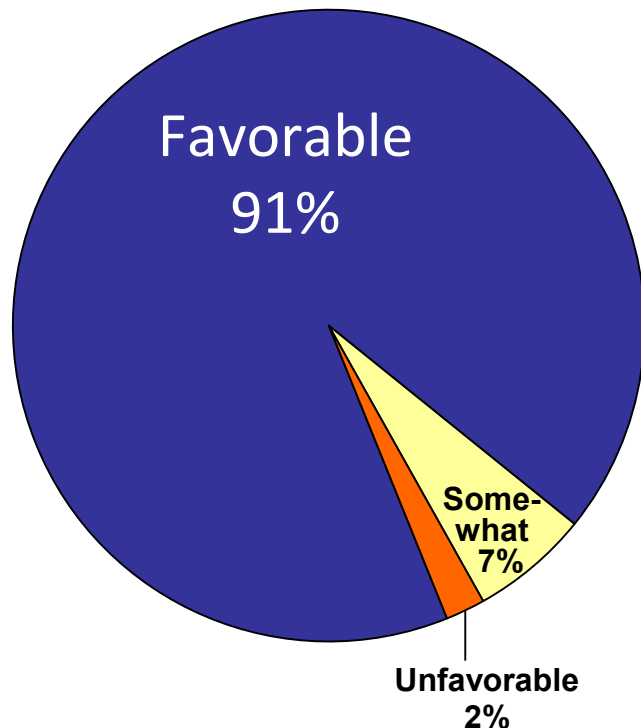
Overall Customer Satisfaction

2002 - 2018



- From 2002 to 2007, overall satisfaction ratings ranged from 73-82% favorable.
- From 2008 to 2012, overall satisfaction ratings ranged from 85-89% favorable.
- For the last six years, overall satisfaction ratings have been in the 91-93% range.

Overall Customer Satisfaction with Example Comments - 2018



- **Favorable (91%)**

- *"Everyone is always pleasant."*
- *"Rely on it and it's consistent."*
- *"We had a water line burst and they came right out."*
- *"It's excellent drinking water."*
- *"We drink from the tap."*
- *"Keep up the good work."*

- **Somewhat (7%)**

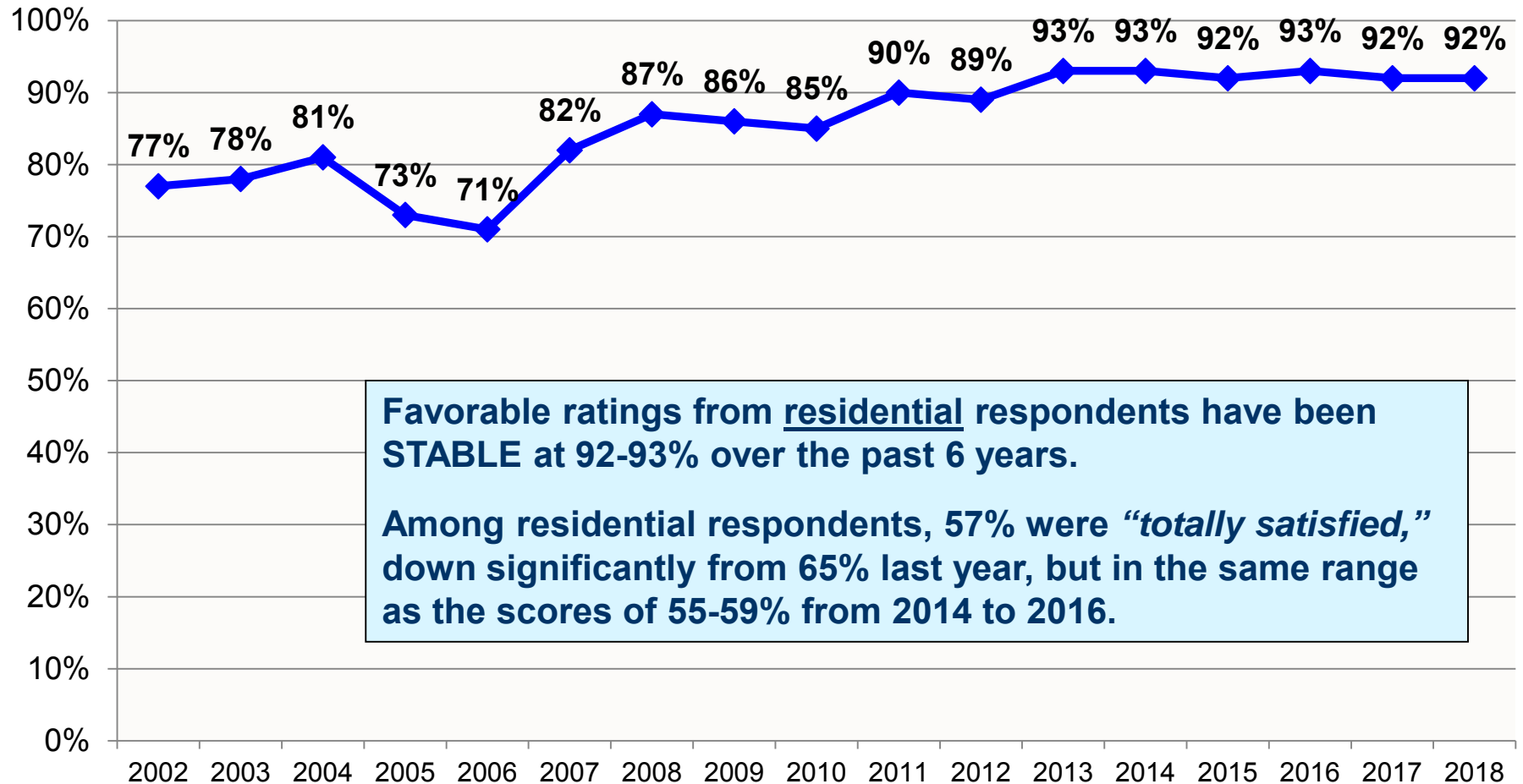
- *"I wish it was easier to pay the water bill online."*
- *"Improve the taste of the water."*

- **Unfavorable (2%)**

- *"Summer doesn't mean rates should be increased."*
- *"We can't stand our water."*

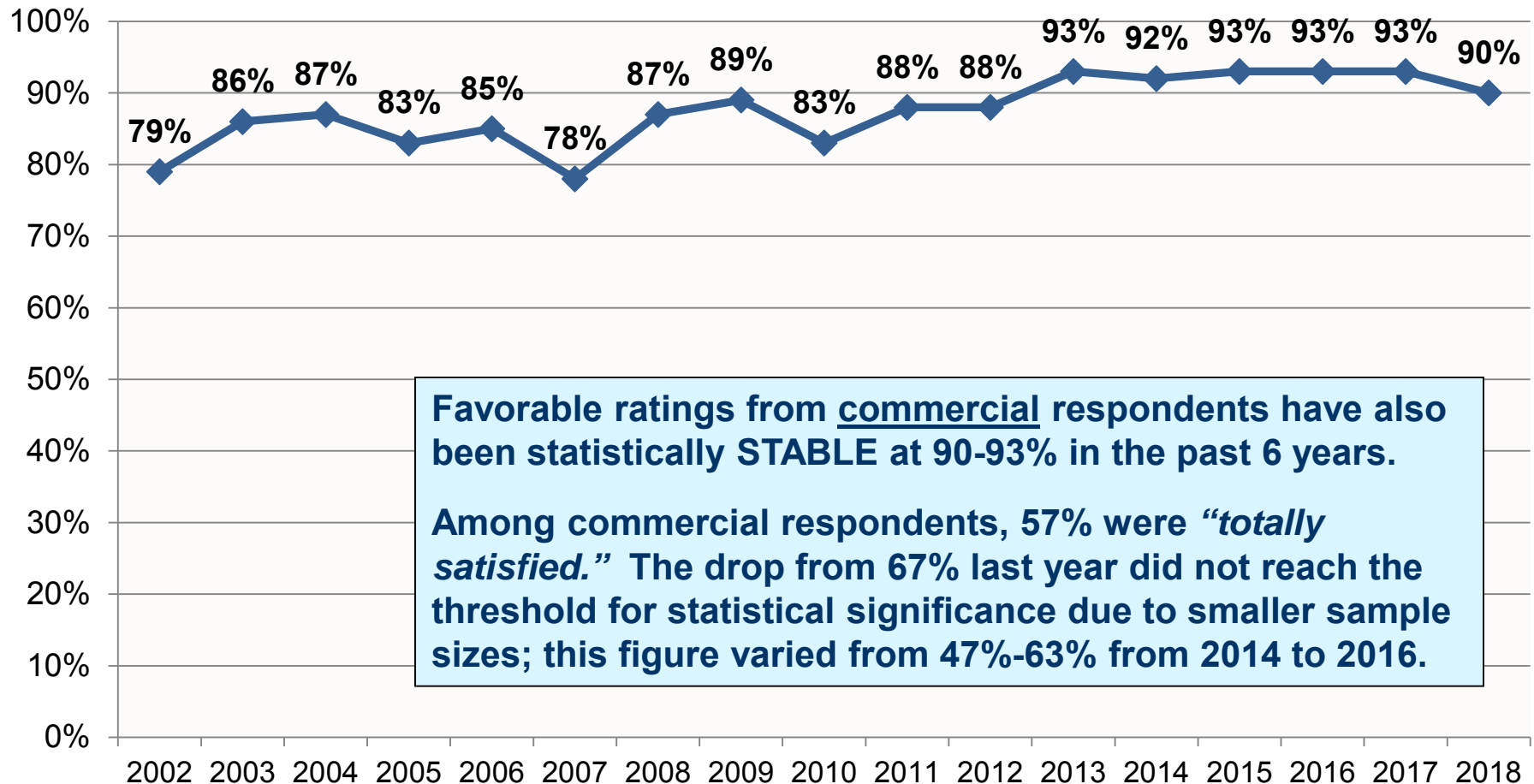
Overall Satisfaction Among Residential Respondents

2002 - 2018



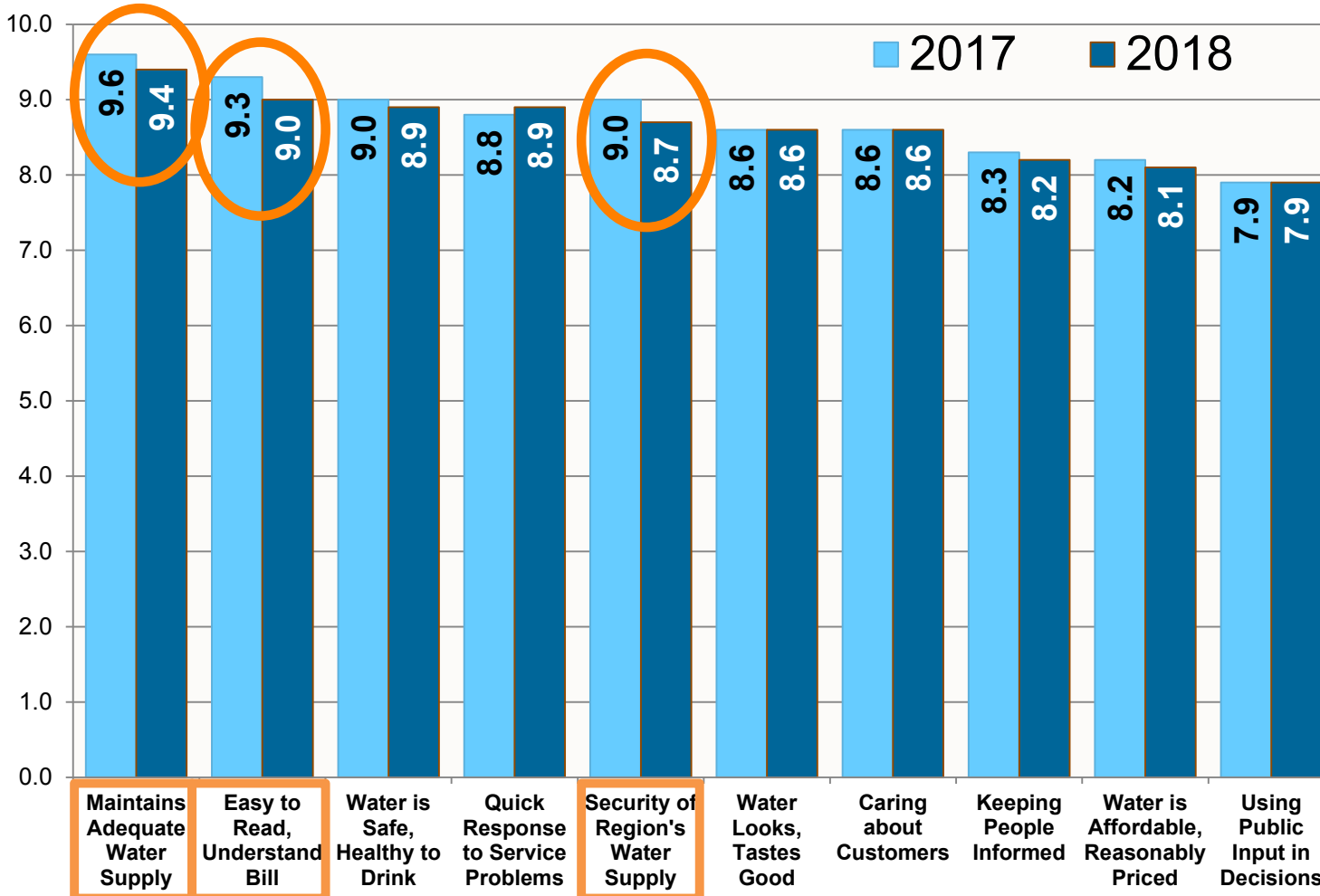
Overall Satisfaction Among Commercial Respondents

2002 - 2018



TMWA's Performance – 2017-2018

Scale from 0 “Very Poor Job” to 10 “Excellent Job”



In 2018:

- All 10 performance measures had a mean of 7.9 or higher on a 0-to-10 scale.
- The highest rated item was maintaining an adequate water supply (9.4), while the lowest was using public input in decisions (7.9).
- Residential and commercial respondents provided statistically similar ratings for all 10 performance measures.
- Compared to 2017, ratings decreased significantly for the water bill and the two items related to the water supply.

Some Concerns about Understanding the Water Bill - 2018



UNDERSTANDABLE IN GENERAL:

- *“Looked at it and didn’t understand what was being billed.”*
- *“It’s not perfectly understandable; they don’t flag potential problems.”*
- *“It seems like a lot of information I am not interested in.”*

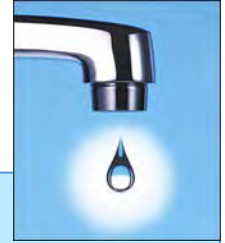
BILLING TIERS:

- *“I do not understand the billing tiers and don’t know how I got on a second tier as a single person.”*
- *“They have different tiers. I don’t think it’s fair, nor do I know how it works.”*

PRINT SIZE:

- *“Elderly people can’t understand it; the print is too small.”*
- *“Struggle to see the amount of water used, the print size is really small.”*

Some Concerns about the Water Supply - 2018



MAINTAINING AN ADEQUATE WATER SUPPLY:

- *"It's unclear what their plan is."*
- *"I really don't know what they do."*
- *"They could have prepared better for flooding."*
- *"Because of the building; I cannot imagine there is sufficient water."*
- *"I am not sure that they have enough stored for emergency purposes."*

SECURITY AND SAFETY OF THE WATER SUPPLY:

- *"Unclear of the security provided."*
- *"I don't think our water is protected."*
- *"I can drive in to their facilities."*
- *"They leave too much open."*
- *"Address the homeless issue; they are living on our water supply, throwing their trash in."*

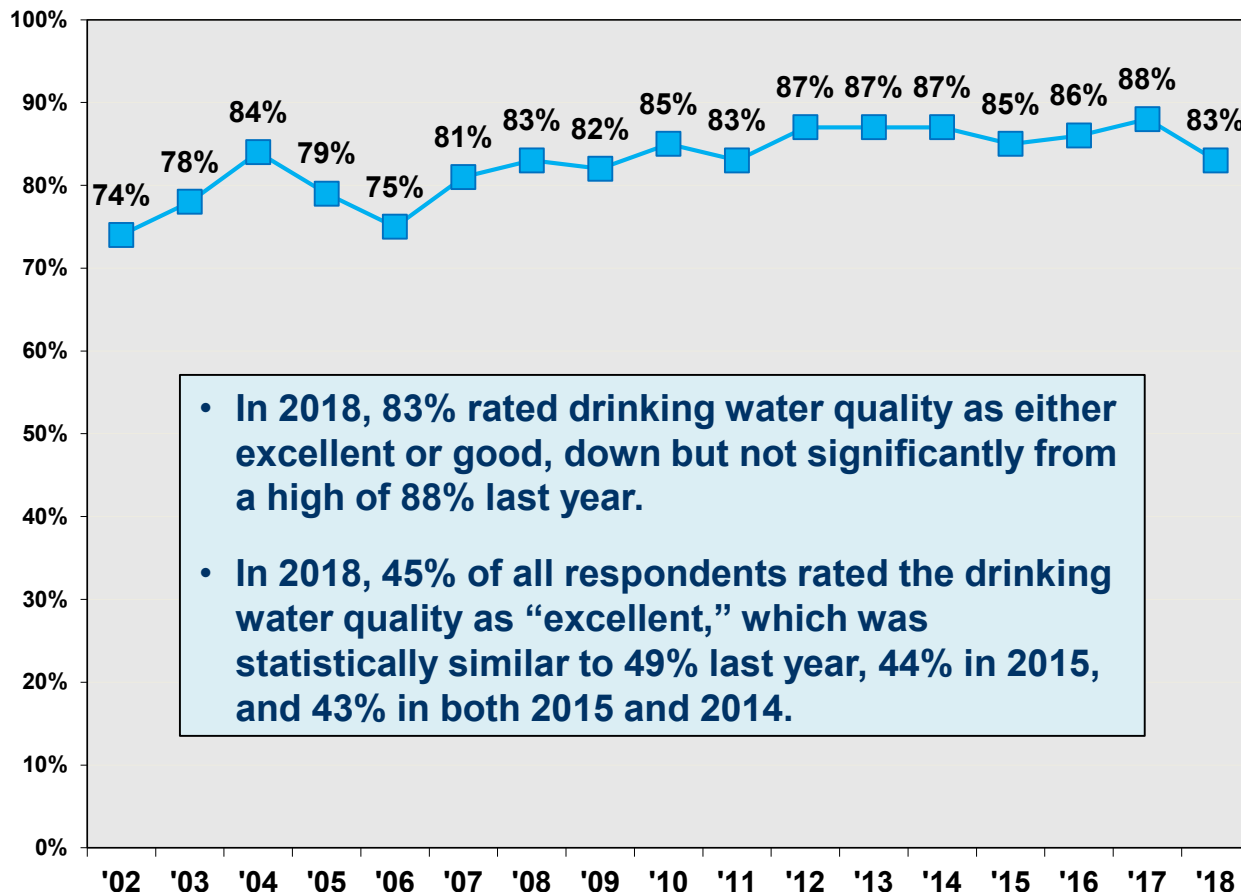
Most residents are not concerned about the water supply; some, however, are uncertain or wary.

Quality of Drinking Water

2002 - 2018



Respondents Who Rated Drinking Water Quality as Excellent or Good

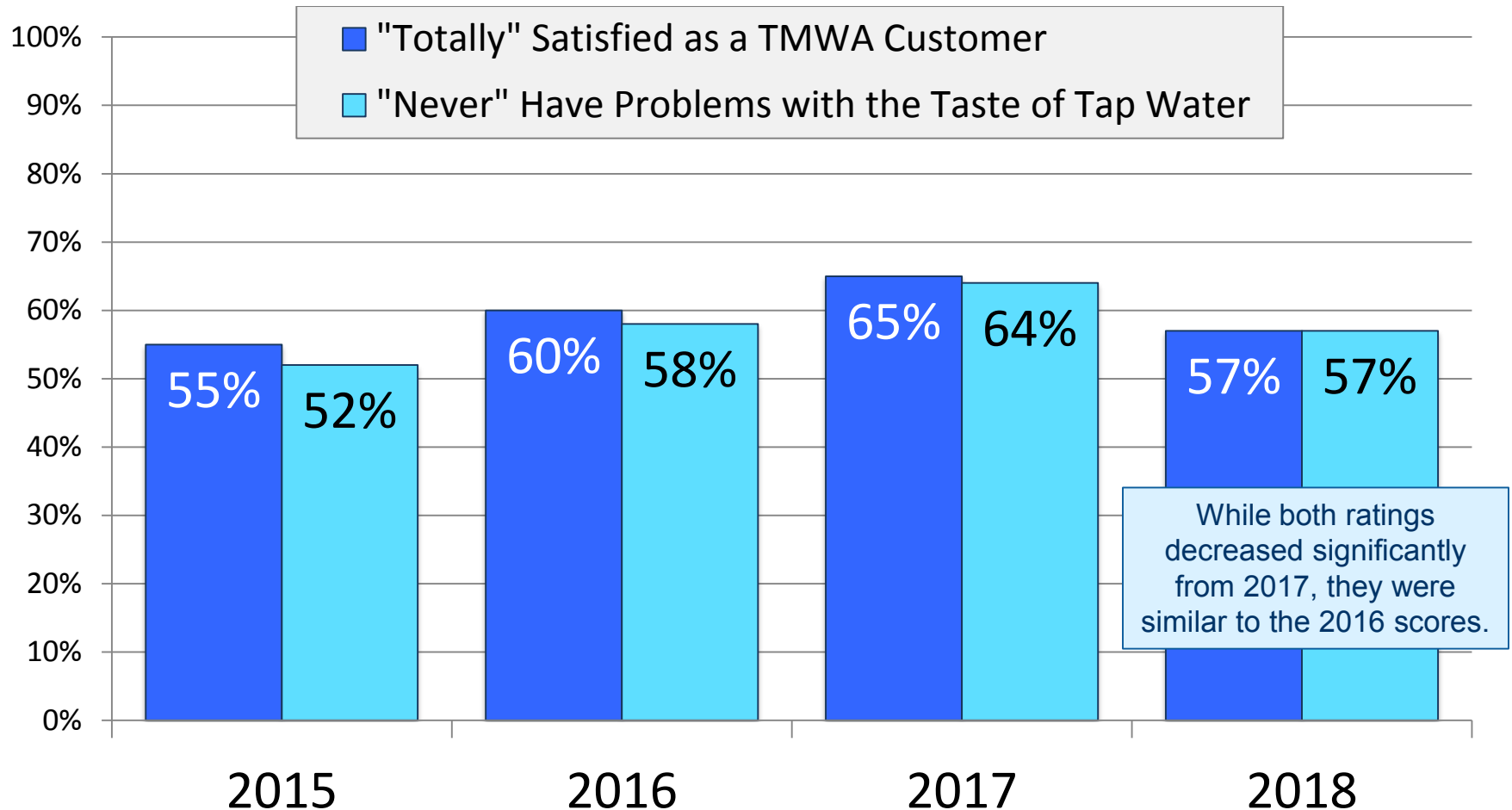


• **UNCHANGED:** Nearly all respondents (91%) noted “no difference” in water quality as compared to one year ago; 6% said it was better and 2% said it was worse.

• **UNCHANGED:** Three out of five (59%) reported that the overall quality of tap water was better than that of other cities, while just 6% said it was worse.

• **DECREASED:** The percentage who reported “never” having problems with the taste decreased (rebounded down) from a high of 64% in 2017 to 57% in 2018.

Being Totally Satisfied is Strongly Associated with Never Having Problems with the Taste



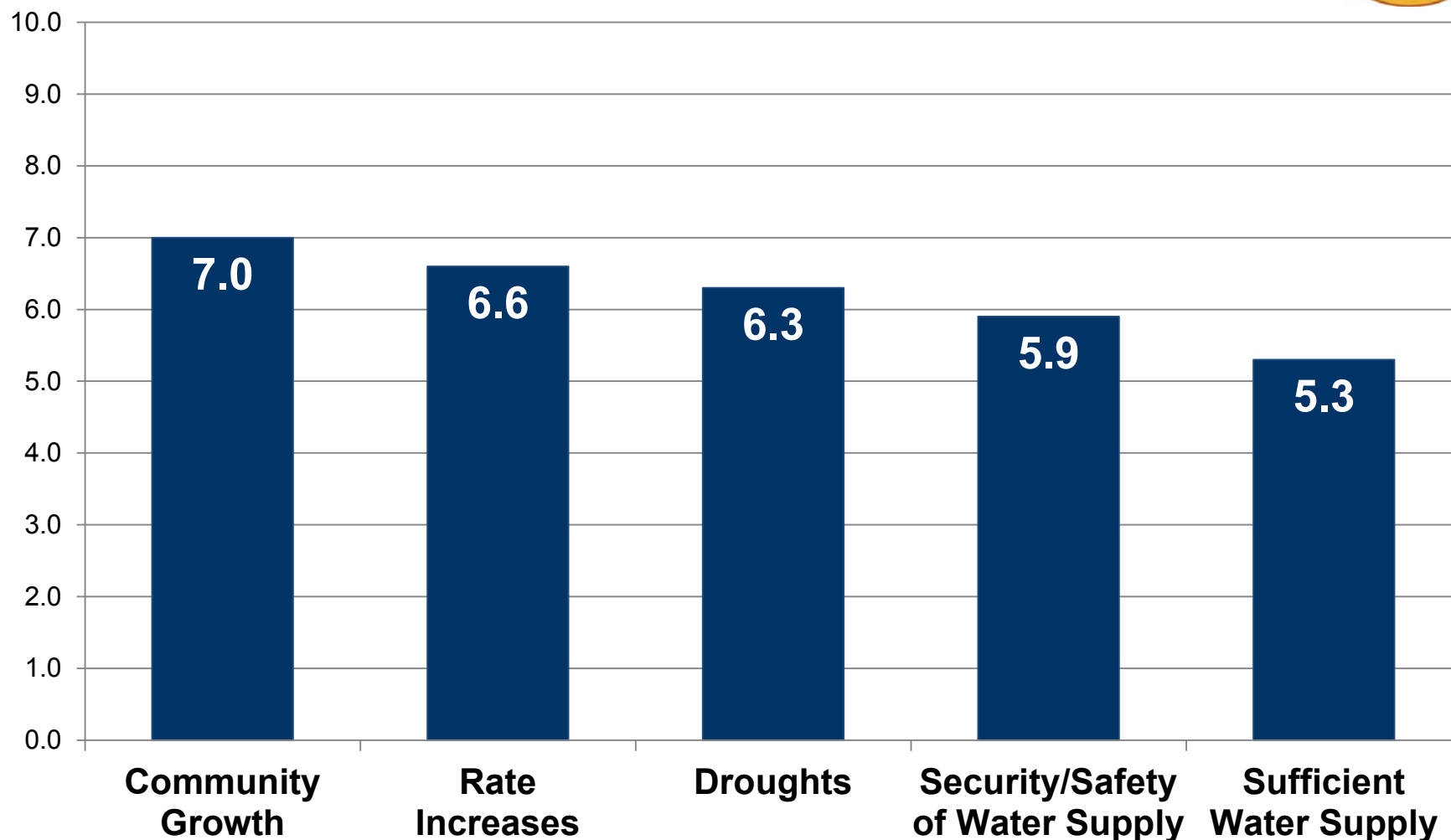
Example Reasons for Water Quality Ratings – 2018

WHY?

Rating	Percentage	Can you Elaborate as to Why You Gave that Rating?
Excellent	45%	<ul style="list-style-type: none"> • <i>"It is delicious, really good water."</i> • <i>"Always clear and never tastes weird."</i> • <i>"I can drink it from the tap."</i> • <i>"I have never seen discoloration."</i> • <i>"Based on other communities, it's by far the best."</i>
Good	39%	<ul style="list-style-type: none"> • <i>"I haven't had any problems with it."</i> • <i>"Bottled water is better, but tap is also good."</i> • <i>"Had better, had worse."</i> • <i>"It's fine, no issues."</i>
Fair	12%	<ul style="list-style-type: none"> • <i>"It doesn't taste fresh."</i> • <i>"It is harder than I like."</i>
Poor	4%	<ul style="list-style-type: none"> • <i>"It smells like bleach."</i> • <i>"Tastes like iodine."</i>

Level of Concern – 2018

Scale from 0 “Not at all Concerned” to 10 “Very Concerned”

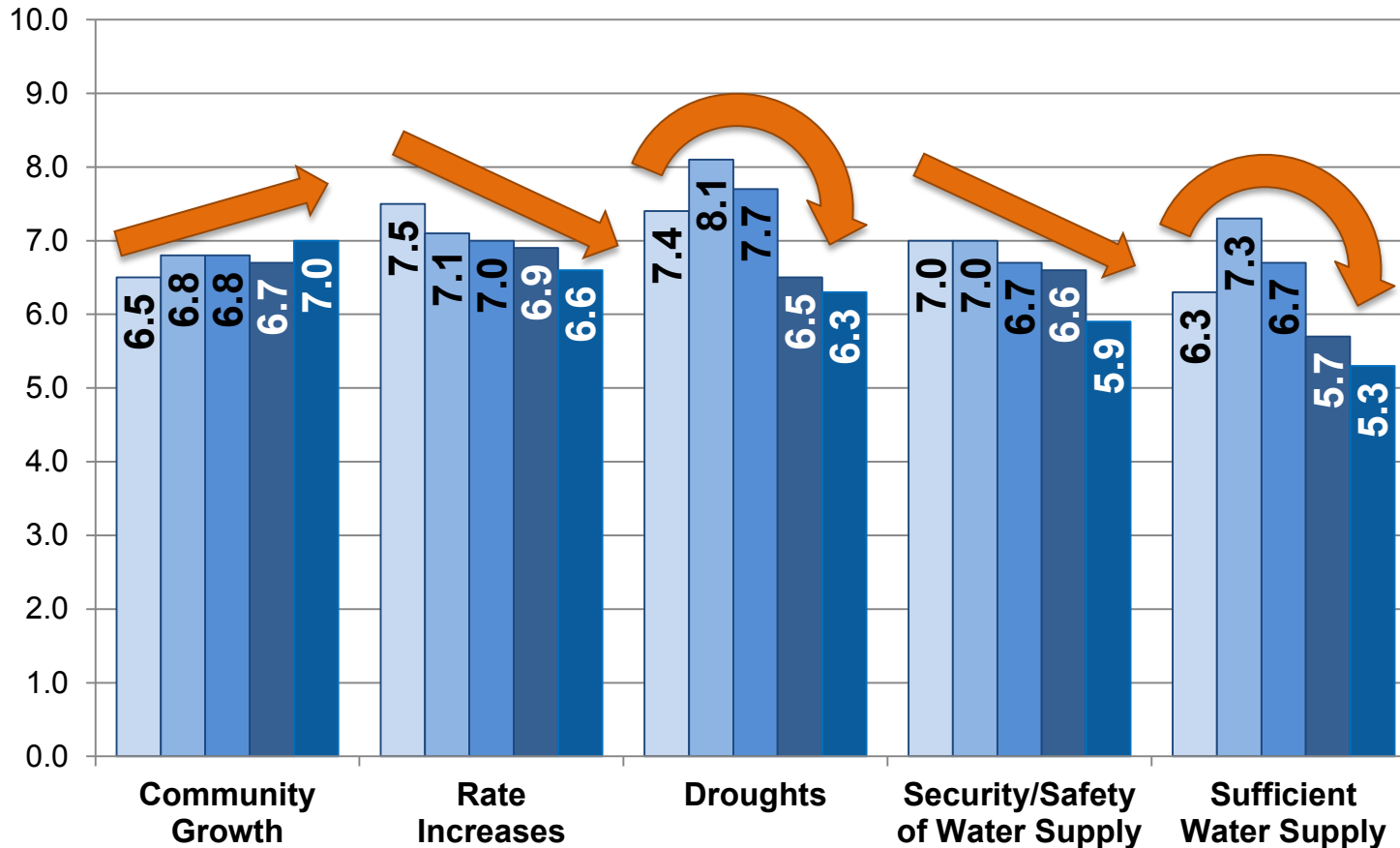


Trends for Concerns – 2014-2018

Scale from 0 “Not at all Concerned” to 10 “Very Concerned”



2014 2015 2016 2017 2018



- Concern about community growth is slowly trending up, while concern about the other four measures are trending down.

- Four of these measure were at their lowest level measured to date since 2002!

2018 = Lowest
Level Measured

2018 = Lowest
Level Measured

2018 = Lowest
Level Measured

2018 = Lowest
Level Measured

Some Topics of Public Concern or Misconceptions

(Not Currently Covered in Online FAQs)



1. What happened with the possibility of adding Fluoride?

- *“I don’t know if they still use fluoride?”*
- *“They put fluoride in and it was kind of undercover. A lot of people didn’t want it and they put it in anyway.”*

2. What can be done about low water pressure?

- *“My water pressure is low; is there any way to increase it?”*
- *“On Sundays, there is hardly any water pressure all day.”*

3. What is TMWA’s relationship to flood management?

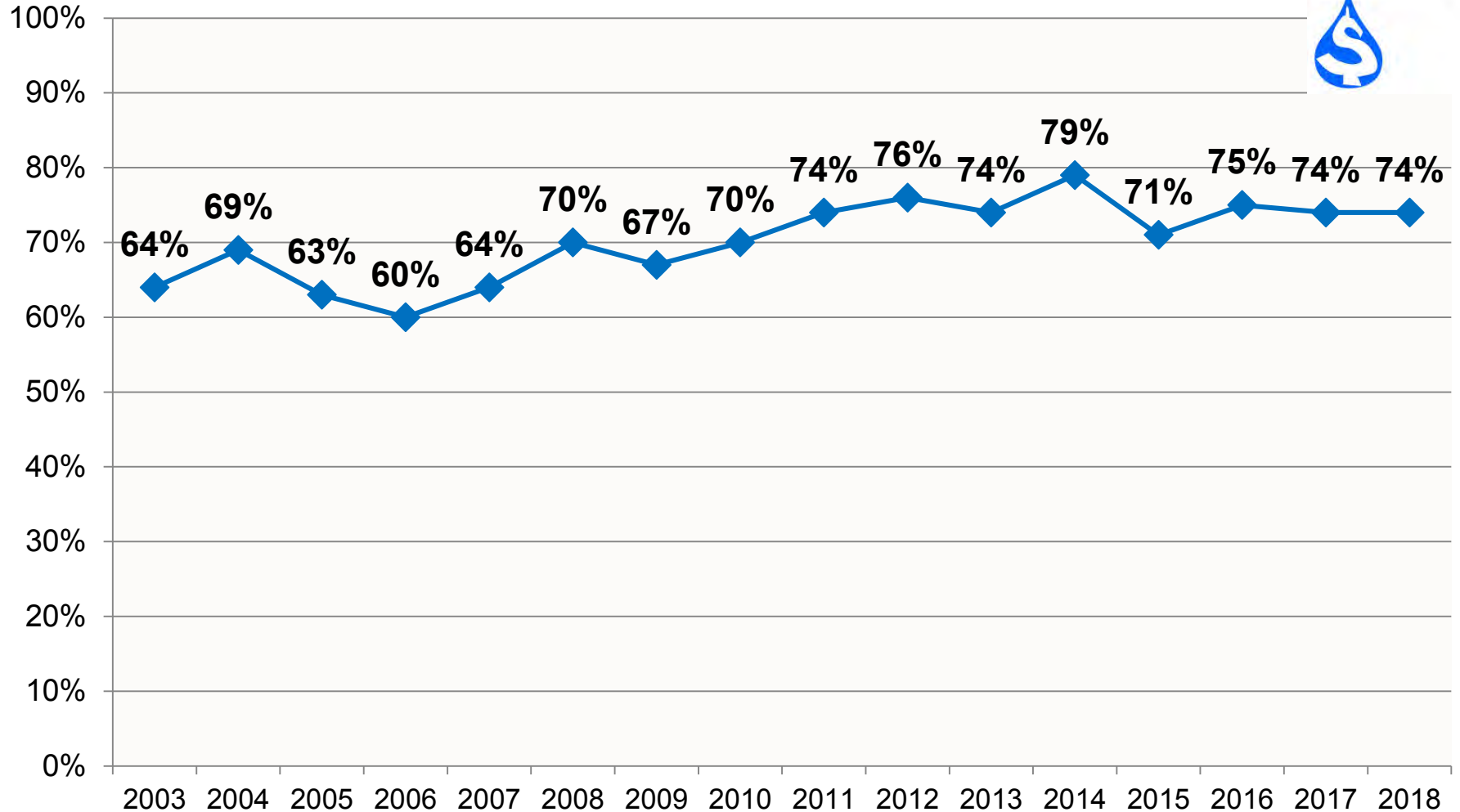
- *“The flood issue in the winter and never being notified.”*
- *“We had a flood and the water was open to anything and anybody.”*

4. What’s TMWA’s plan for handling community growth?

- *“I am very concerned with all the growth. Where are they going to find the water?”*
- *“We keep expanding homes without additional water services.”*

Price Relative to Value of Quality/Service

Excellent and Good Ratings – 2003-2018

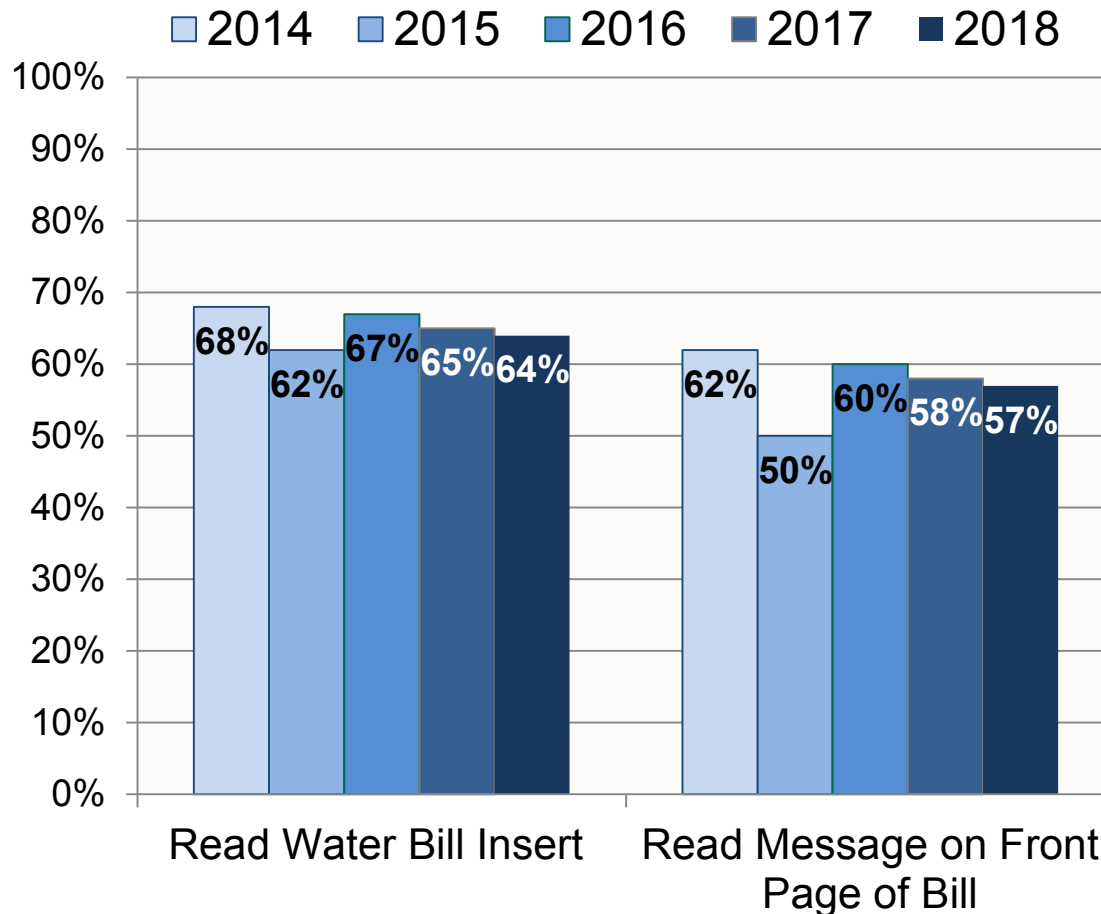


Example Reasons for Value for Price Ratings – 2018



Rating	Percentage	Can you Elaborate as to Why You Gave that Rating?
Excellent	26%	<ul style="list-style-type: none"> • <i>"It is quite affordable."</i> • <i>"We don't pay much for the great water we get."</i> • <i>"In Hawaii, it's five times more expensive."</i>
Good	47%	<ul style="list-style-type: none"> • <i>"I think it is very reasonable."</i> • <i>"Doesn't break the bank."</i> • <i>"It's fine."</i> • <i>"We take it for granted; it's cheaper than power."</i> • <i>"I don't want a well; it's convenient and reliable."</i>
Fair	22%	<ul style="list-style-type: none"> • <i>"The rate increase is too high."</i> • <i>"I have to spend money on filters."</i> • <i>"Have no choice."</i>
Poor	4%	<ul style="list-style-type: none"> • <i>"It's too expensive."</i> • <i>"I am paying for a product that doesn't taste good."</i>

Attention to Written Messages in the Water Bill – 2014-2018



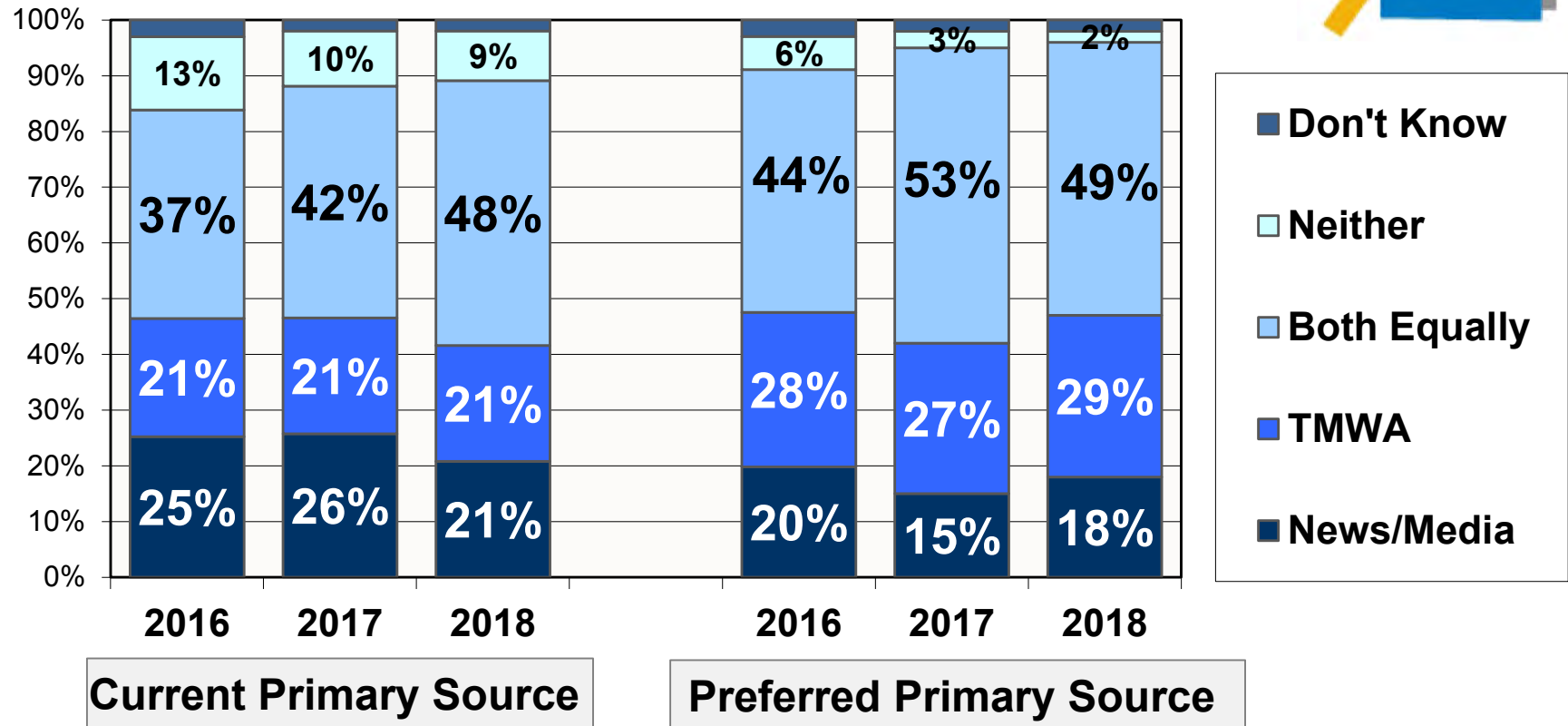
- Consistently, slightly more people read the water bill insert than read the message on the front page of the bill.

- The percentage who read the bill insert has been consistently in the 62-72% range since 2008, including 64% this year.

- The percentage who read the front page message has been consistently in the 50-62% range, including 57% this year.

Overall, 75% of respondents read either the insert (18%), the front page message (10%), or both (47%); 25% read neither one.

Primary Source of Information about Drinking Water – 2016-2018



- In 2018, nearly half (48%) reported that they receive information about drinking water from BOTH the local news/media and TMWA equally, up from 42% last year and 37% in 2016.
- Additionally, nearly half (49%) reported that they would prefer to receive this information from both sources. It may be that in an era of suspicious or fake news, interest in the ability to cross-check information has increased.

TMWA Online Accounts

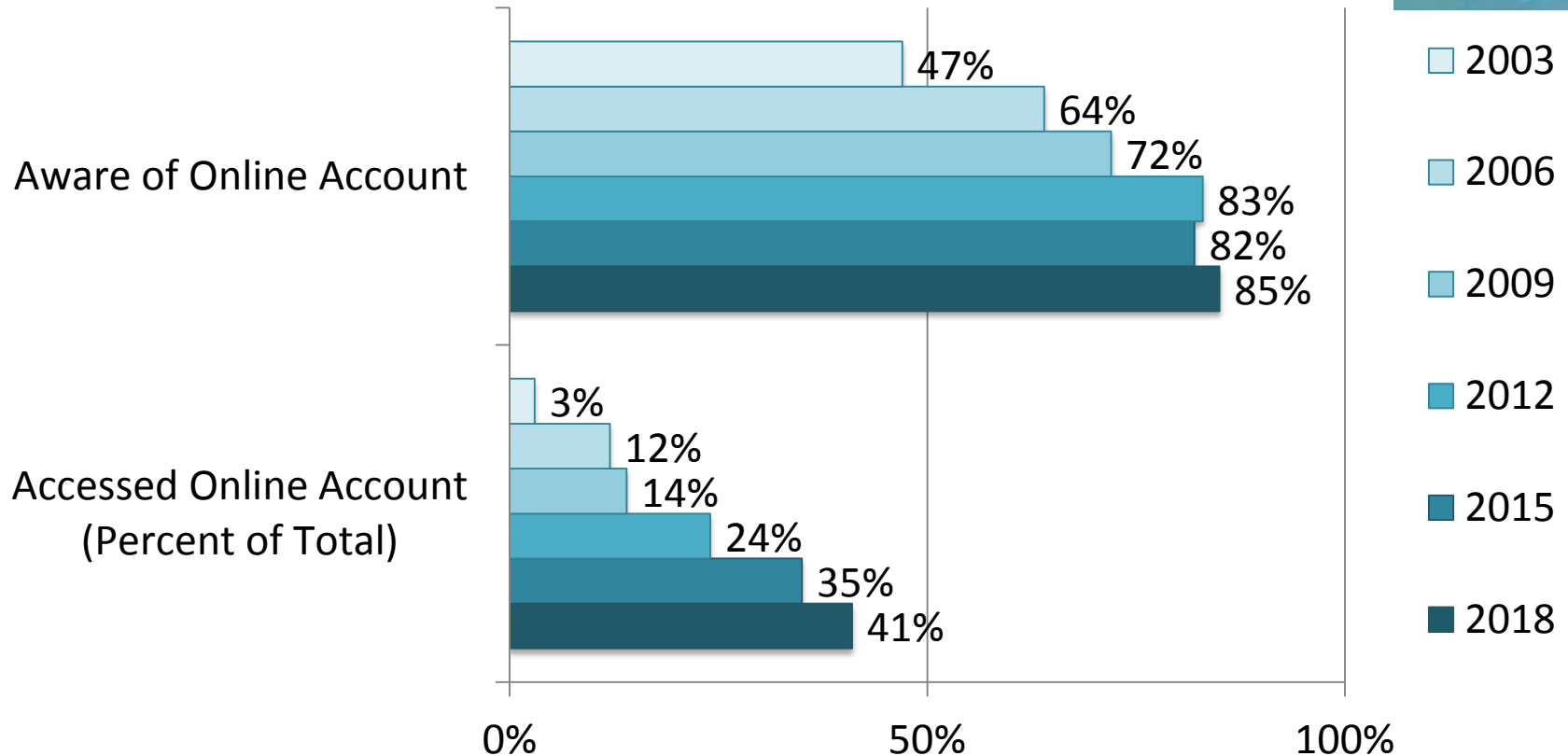
10-17-18 BOARD Agenda Item 6

2003-2018 – Shown in 3-Year Increments

User ID:

Password:

Login



- In 2018, 85% of respondents were aware that they could view their TMWA account online; this is the same percentage as last year.
- In 2018, two out of five respondents (41%) had accessed their online TMWA account; this is also the same percentage as last year.



2018 Summary:

Connection to TMWA's Goals and Communication Initiatives

TMWA's Goals for Customer Satisfaction	
<u>Residential:</u> Achieve at least 71% favorable ratings; 82%-86% is "excellent" and over 86% is "outstanding"	In 2018, 92% favorable – " Outstanding. " Rating remained stable with a similar score to last year (93%).
<u>Commercial:</u> Achieve at least 77% favorable ratings; 88%-90% is "excellent" and over 90% is "outstanding"	In 2018, 90% favorable – " Excellent. " Rating remained stable with a similar score to last year (93%)."

Communication Initiatives	
Increase awareness of <u>value</u>	Stable. In 2018, 74% rated <u>value for price</u> as excellent or good, the same as in 2017 and similar to 75% in 2016.
Increase awareness of <u>water quality</u>	Stable. In 2018, 83% rated drinking water quality as either excellent or good, down but not significantly, from a high of 88% last year.
Increase awareness of opportunities for <u>public input</u> in decision making	Stable. In 2018, the mean rating for using public input was 7.9, which is the same rating as last year; this rating has been statistically stable since 2012.



Customer Satisfaction Study Fiscal Year 2018





STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Kara Steeland, Hydrologist
Bill Hauck, Senior Hydrologist
DATE: October 5, 2018
SUBJECT: Discussion and action, and possible direction to staff regarding the 2020-2040 Water Resource Plan outline, public outreach plan, and draft water supply scenarios

Recommendation

Staff recommends that the Board approve the WRP 2040 draft outline and public outreach plan.

Summary

- TMWA has started the plan update process for its *2020-2040 Water Resource Plan* (“2040 WRP”).
- The 2040 WRP will be a more easily-readable document that can be utilized by the community. The plan will include sidebars, infographics, photos, and other content to engage and inform plan users.
- The planning effort will include a public outreach campaign to ensure that TMWA delivers a plan that resonates with community concerns.
- A key component of the 2040 WRP will be the incorporation of water supply scenarios that account for potential impacts of a range of climate futures on regional water resources.

WRP 2040 Overview

TMWA has started the plan update process for the *2020-2040 Water Resource Plan*, which will be presented to the Board for approval in mid-2020. Every five years, TMWA updates its WRP to account for regional changes that may impact water resources over the 20-year planning horizon. The planning process is continuous and dynamic to effectively respond to changing economic, population, and environmental factors. TMWA uses an integrated planning process, and the WRP helps guide the development of TMWA’s Capital Improvement Plan, Water Facility Plan and Funding Plan.

For the 2040 WRP, TMWA is striving to create a user-friendly document. The content and format of the plan will be easily readable, so the WRP can be used as a helpful tool to further educate

TMWA’s customers about the water system. Additionally, the 2040 WRP will include sidebars, infographics, photos, and other content to engage and inform plan users. TMWA intends to use this planning effort to further the existing Smart About Water goal of establishing high levels of regional water-management knowledge among civic, political, and public stakeholders. This shortened, more user-friendly approach has been successfully utilized by other water utilities throughout the West.

As described in the outline, the 2040 WRP will be organized into the following chapters:

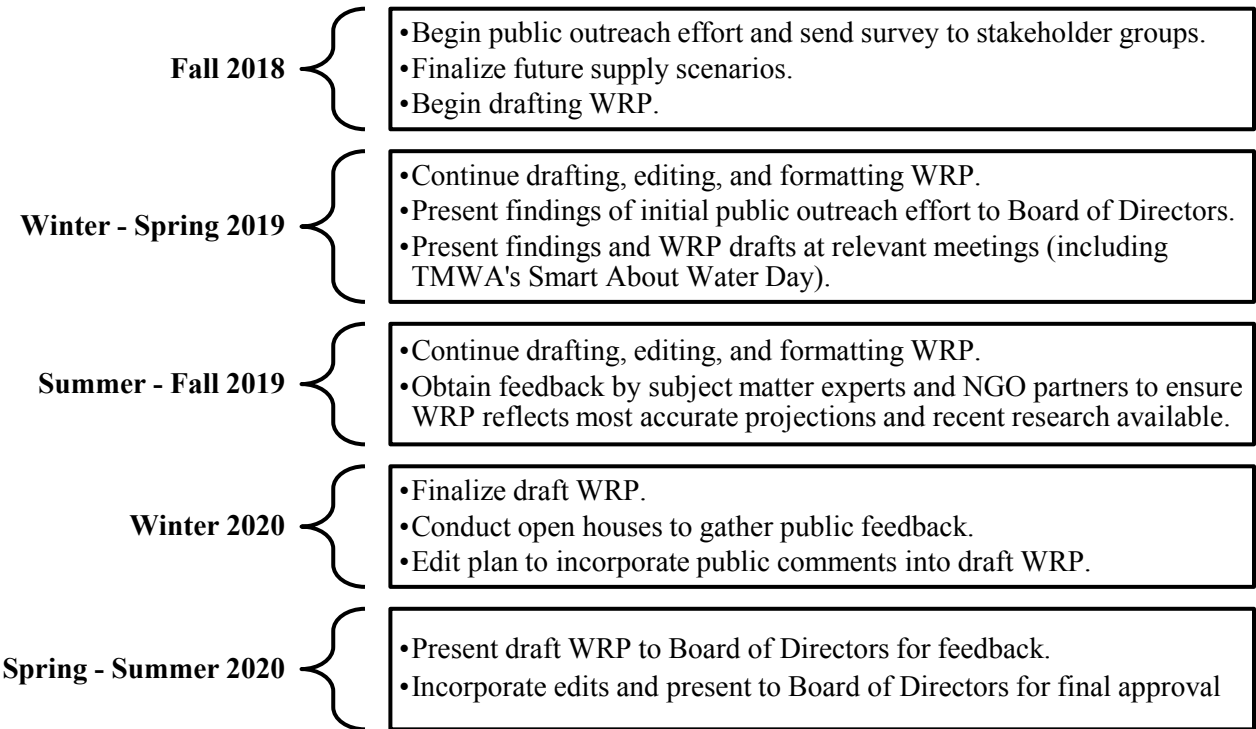
- | | |
|---|--|
| (1) Introduction | (5) Future Water Supply and Demand |
| (2) Current Water Resources | (6) Policy Recommendations and Mgmt. Strategies |
| (3) Current and Future Planning Environment | (7) Watershed and Environmental Protection Efforts |
| (4) Water Conservation | (8) Conclusion |

WRP 2040 Public Outreach Campaign

Public participation will be a key component of the 2040 WRP. The planning process will include a stakeholder outreach campaign to help guide content delivery. By collecting customer feedback at several stages, the overall intent is to deliver a WRP that resonates with community concerns while describing to customers how the utility will continue to deliver reliable, high-quality water under a range of future water supply scenarios.

The public engagement process will begin in fall 2018 with a customer feedback survey about water resources in the region. This survey will provide a forum for the community to actively participate in the planning process prior to the WRP being drafted. Other components of the public process are described in the attached summary of the outreach plan.

Estimated Timeline



Draft Water Supply Scenarios

An important component of the 2040 WRP will be the inclusion of water supply scenarios that account for a range of future climates. TMWA staff is currently evaluating the following draft scenarios for the plan:

1) Scenario 1: Design Drought

TMWA's 8-year design drought from 1987-1994 linked with additional average water years to create a 20-year planning scenario.

2) Scenario 2: Multiple Linked Historic Droughts

TMWA's scenario will link the 2012-2015 drought with the 1987-1994 drought with additional average water years to create a 20-year planning scenario.

3) Scenario 3: Warm-Dry or Hot-Dry Future Climate

This scenario will be *based on* the US Bureau of Reclamation's Truckee River Basin Study, published in August 2015. The scenario will focus on the warm-dry and/or hot-dry scenario from the study.

These scenarios may change as TMWA staff continues to evaluate ongoing research, public input, and additional relevant information throughout the planning process.

Attachments

Attachment A: TMWA's 2020-2040 Water Resource Plan Draft Outline

Attachment B: 2020-2040 Water Resource Plan – Stakeholder Outreach Campaign (Summarized Version)

TMWA 2020-2040 Water Resources Plan DRAFT Outline (October 2018)

ES. Executive Summary

1. Introduction

- a. Plan Introduction
- b. About TMWA
- c. TMWA's Service Area
- d. Plan Scope
- e. Plan Update Process
- f. Major Changes Since Previous WRPs
- g. Summary

2. Current Water Resources

- a. Surface Water Resources
 - i. Truckee River Resources
 - ii. Creek Water Resources
- b. Groundwater Resources
 - i. Production Wells
 - ii. Aquifer Storage and Recovery
- c. Conjunctive Use
- d. Reclaimed Water
- e. Water Rights
 - i. Available Water Rights
 - ii. Satisfying Conjunctive Use
 - iii. Competing Uses
 - iv. Rule 7
- f. Summary

3. Current and Future Planning Environment

- a. Droughts
- b. Climate Change
 - i. Predictions for the Truckee Meadows
 - ii. Potential Supply and Demand Impacts
- c. Addressing Drought and Climate Change
 - i. Management Strategies
 - ii. Drought Response Plan
 - iii. Future Strategies
- d. Development and Growth in the Region
 - i. Tahoe-Reno Industrial Center
 - ii. Proposed Washoe County Lands Bill
- e. Water System Resiliency
 - i. Earthquakes
 - ii. Wildfires
 - iii. Spills
- f. Summary

4. Water Conservation Program

- a. Conservation and Price of Water
- b. Supply-Side Management Programs & Activities
- c. Demand-Side Management Programs & Activities
- d. Drought Response Plan
- e. Demand Management Programs & Emergency Supply Conditions
- f. Conservation Partnerships
- g. Summary

5. Future Water Supply and Demand

- a. Supply and Demand Scenarios
 - i. Supply Scenarios
 - ii. Demand Scenarios
- b. Future Water Resources
 - i. Additional Groundwater Capacity
 - 1. New Well Development
 - 2. ASR Expansion
 - 3. I-Street Treatment Plant
 - ii. Fish Springs Ranch
 - iii. Water Conservation (expansion)
 - iv. Creek Water (Galena, Whites, Thomas, Ophir)
 - v. Indirect Potable Reuse
 - vi. Water Banking (Bedell Flat)
 - vii. Other Resources
 - 1. Dry Valley
 - 2. Lower Smoke Creek
 - 3. Red Rock
 - 4. Sierra Valley
- c. Summary

6. Policy Recommendations and Management Strategies

- a. Water Rate Stabilization Fund
- b. Drought Resiliency and Sustainability Fund
- c. Water Rights Acquisition
- d. Conjunctive Use
- e. Aquifer Storage and Recovery Expansion
- f. Other Recommendations and Strategies

7. Protecting the Watershed and Environment

- a. Watershed Protection and Restoration Initiatives
 - i. Truckee River Fund
 - ii. Preventing Large-Scale Wildfires in the Headwaters
 - iii. One Truckee River Management Plan
 - iv. Washoe County Integrated Source Water Protection Program
- b. Sustainability
- c. Summary

8. Conclusion

A. Appendices

Water Resource Plan – Stakeholder Outreach Campaign (Summarized)

Fall 2018 - Summer 2020

Overview

Every five years, the Truckee Meadows Water Authority updates its Water Resource Plan (WRP), a 20-year projection detailing how TMWA will meet potable water supply needs of current and future customers. As an exercise in long-term diligence, the plan will address known concerns of the community-- to include population change, economic cycles and climate conditions.

Drafting the WRP will take approximately 18 months and will include Stakeholder Outreach to help guide content delivery. By collecting feedback at several stages, the purpose of the outreach is to deliver a Water Resource Plan that resonates with community and describes how the utility will continue to serve TMWA customers under a range of future supply scenarios.



In addition to the Water Resource Plan, TMWA prepares a 20-year Water Facility Plan and regularly updates both funding plans to ensure continued success in achieving its overall mission. Both plans are operational in nature, in that they identify facilities needed to serve customers in a cost-effective manner into the foreseeable future. Both the Water Resource Plan and Facility Plan form the basis of TMWA's Funding Plan.

Outreach Alignment within the 'Smart About Water' Framework

The Smart About Water (SAW) communication framework is based on addressing the region's water resource management in context of existing public perceptions regarding community growth, safeguards to the water supply, and projected climate variation. With this perspective, the WRP outreach activity aligns to the SAW long-term objective: To establish high levels of regional water-management knowledge among civic, political, and public stakeholders.

The outreach campaign has four outreach phases over 18 months that will help guide the development of the plan itself. This two-page document is a broad overview; additional detail regarding tactics and channels is available as needed.

Key Stakeholder Audiences for WRP Outreach

The following matrix will help guide outreach with multiple stakeholder groups who have high levels of interest in the WRP. By identifying the right engagement tactics and timing, communication will be more relevant to these stakeholders' perspectives. With opportunities for open feedback from these groups, the outcome should be a WRP that is a widely-acknowledged and effective plan for managing our water resources.



Phase 1: Main Goal and Messaging (Fall 2018 - Spring 2019)

Goal: Educate customers about the purpose of the Water Resource Plan and gain external stakeholder feedback to ensure the WRP addresses themes of interest and concern.

Key Message: Updates to the Water Resource Plan happen every five years, now is the time to provide your feedback on what should be clearly reflected within the report.

Phase 2: Main Goal and Messaging (Summer - Fall 2019)

Goal: Obtain review and feedback of report outlined content by subject matter experts, appropriate government agencies and NGO partners to ensure development of the WRP reflects the most recent projections, reports and research available to TMWA.

Key Message: Comprehensive water planning requires involvement of other water resource leaders in the community. The WRP is our opportunity to unify and clearly communicate about the future of our water in our region.

Phase 3: Main Goal and Messaging (Winter 2020)

Goal: Present draft WRP in public forums and meetings in order to further a report that is straightforward and clearly addresses key interests and concerns of the community.

Key Message: The 20-year Water Resource Plan, updated every five years, is now in its final stage of development. See what has been compiled so far and tell us what you think.

Phase 4: Main Goal and Messaging (Spring - Summer 2020)

Goal: Present report on public feedback process findings and completed draft of WRP to Board of Directors. Collect requests or edits and finalize.

Key Message: After public surveys, meetings and open houses, TMWA's update to the Water Resource Plan is now available. Read what will help guide the agency into the next twenty years.



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Enloe, Natural Resources Director
John Zimmerman, Water Resources Manager
DATE: October 10, 2018
SUBJECT: Update on the status of TMWA's possible acquisition of the West Reno Water Company water system, status of due diligence investigation, status of ancillary agreements with SJP Reno Property, LLC, Reno Land Development Company, LLC, and BT South, LLC, and discussion and direction to staff and authorization for General Manager on possible amendments to acquisition agreement.

SUMMARY

Staff updated the Board in September regarding its due diligence findings related to the potential acquisition of West Reno Water Company's Boomtown water system and the Board authorized the General Manager to extend the due diligence period by 30 days if necessary. That update summarized the transaction, parties involved, timeline, and water system and is attached for ease of reference.

Since the last Board meeting, staff has continued to work diligently on the issues identified through the process and has finished drafting a majority of the documents required for closing (see attached list of closing documents). Because of the sheer number of documents required for closing and parties involved and the water system improvements the parties must resolve before closing, staff and General Counsel Michael Pagni determined that it was necessary to extend the due diligence period 30 days. In addition to giving staff and the parties more time to resolve the issues identified thus far and prepare for closing, an extension of the due diligence period also extends TMWA's right to terminate the agreement in its sole discretion without cause. At this time staff does not expect to trigger that clause, but prefers to maintain TMWA's right to do so until more of the issues discussed below, and in the prior Board report, are addressed to TMWA's satisfaction. Accordingly, staff requested an extension of the due diligence period from West Reno on October 4. West Reno has notified staff that it agrees to the extension and will sign an amendment to confirm. Importantly, staff does not believe that extending the due diligence period will cause the closing to be extended. If TMWA closes on this transaction, staff estimates that it would occur by the end of December barring some unanticipated or uncontrollable issue arising between now and then.

At the next scheduled Board meeting, staff expects to provide a final report on due diligence findings, an update on the status of all required pre-closing and post-closing water system improvements, final agreements requiring Board approval, and expected closing date. Staff will also seek Board direction regarding any additional conditions the Board deems appropriate and authorization for the General Manager to close the transaction if all conditions are met to TMWA's satisfaction.

UPDATED DUE DILIGENCE FINDINGS AND PRE-CLOSING REQUIREMENTS

Staff has not identified any new significant issues related to the water system and has shifted focus to preparing the closing documents and working with the parties to get the pre-closing items completed as quickly as possible. The following is an update on the pre-closing requirements identified in the prior Board report.

1. *The tank improvements should be completed for safety, security, and access reasons.*

To provide a reliable water supply for the Meridian North and South developments, Reno Land agreed to complete certain improvements to the water system. The most-significant improvement was construction of a new water storage tank and associated waterlines to connect to the system. Under the CC&Rs, Reno Land is required to construct the improvements to TMWA standards. Prior to and during due diligence, staff has notified Reno Land of certain deficiencies regarding the improvements. Reno Land has notified staff that their consultant will provide plans for review and approval that contain all the improvements required by TMWA. Additionally, staff has identified certain deficiencies related to existing infrastructure, which deficiencies were also noted by the Nevada Division of Environmental Protection and Washoe County Health District during their annual sanitary survey inspection. West Reno has notified staff that existing tank items have been or will be completed prior to closing.

2. *The land for the tanks must be parceled and conveyed to TMWA along with an access easement.*

Staff is working with Reno Land to create a separate parcel for land around the tanks and an access easement to be granted to TMWA at closing. The land is currently owned by BT South and all water facility easements are created and governed by the existing CC&Rs. Staff is also working with the City of Reno staff to ensure that a parcel map can be finalized and approved prior to the end of 2018.

3. *TMWA must obtain written confirmation from the Washoe County Health District (WCHD) and Nevada Division of Environmental Protection (NDEP) that they will not require TMWA to extend the sanitary seal of a few of the wells from 50 ft. to 100 ft.*

NDEP has provided a letter confirming that it approves TMWA's proposed well improvements, West Reno's wells can be "grandfathered" under state regulations, and it will not require TMWA to reconstruct the wells to make them comply with current well construction standards. (See attached). WCHD confirmed in writing that it concurs with NDEP's letter.

4. *WCHD and NDEP must confirm that West Reno is in full compliance with all of their requirements and any violations have been cured.*

NDEP's letter outlines the specific deficiencies that must be addressed as a result of it and WCHD's sanitary survey inspection. TMWA is monitoring West Reno's responses to the deficiencies and will require final approval by NDEP and WCHD as a condition of closing.

5. *West Reno must be in compliance with all water quality sampling and reporting requirements without any pending or issued violations.*

Because TMWA would eventually connect the West Reno system to TMWA's system, staff tested the water from all five production wells to determine whether it would meet the drinking water standards that would apply in that scenario. The test results show that the water would meet TMWA's current drinking water standards and did not exceed any maximum contaminant levels (MCLs).

Staff is also monitoring West Reno's NDEP-required water quality sampling and reporting and they do not show any water quality violations. The results of West Reno's lead, copper, and nitrate sampling are not yet available, however, so staff will continue to monitor them. Prior to closing, all of the above-described water quality sampling and reporting must be approved by NDEP and WCHD and there must be no current or upcoming violations.

6. *The stormwater detention basin next to well 10 must be lined to minimize the risk of groundwater quality degradation in the future.*

Reno Land has notified staff that it will pay for the cost to line the detention basin. Staff is working with Reno Land's engineering consultant on the design and construction of the liner to make sure it meets TMWA's requirements. Within NDEP's response to item 3 above, the liner must also be reviewed and approved by WCHD.

7. *The land TMWA requires around well 10 must be parceled and leveled to allow reasonable access for operation, maintenance, and repair purposes.*

Staff is working with Bates-Stringer and Reno Land to parcel the property for well 10, deannex it from Bates-Stringer's residential subdivision CC&Rs, and grade and fence it to TMWA's satisfaction. Staff is also working with the City of Reno staff to ensure that a parcel map can be finalized and approved prior to the end of 2018.

8. *DP Clark must agree to convey land to TMWA for a booster pump station.*

DP Clark has notified staff that they have approved the location of the future booster pump station and will work with staff to obtain approval from its lender to unencumber the property and deannex it from DP Clark's CC&Rs. Staff is also working with the City of Reno staff to ensure that a parcel map can be finalized and approved prior to the end of 2018.

9. *West Reno must obtain all necessary approvals from Steamboat Ditch Company for all facilities (two waterlines, two tank drain lines, and a tank access road bridge crossing).*

West Reno and Reno Land have initiated the process to obtain the necessary Ditch Company approvals. Staff is working with the parties and the Ditch Company to ensure that any improvements required to obtain the necessary approvals are satisfactory to TMWA and do not increase the cost of operating or maintaining the water system.

10. *SJP, BCH, or West Reno must agree to complete pre-closing, or reimburse TMWA for the cost of completing post-closing, certain improvements related to existing water facilities within the Boomtown development.*

West Reno has notified staff that they will complete these improvements before closing. TMWA will work with West Reno to make sure the design and construction meets TMWA's standards and does not increase the cost to operate and maintain the water system.

ACQUISITION AND ANCILLARY AGREEMENTS

At the last meeting the Board requested staff bring back the draft Reno Land/BT South agreement for review and input. Since that time staff has also nearly completed negotiations with SJP on its ancillary agreement. Staff requests Board input on the attached draft agreements and anticipates presenting the final drafts to the Board for approval at the next scheduled Board meeting. Lastly, staff also requests the Board authorize the General Manager to make certain changes to the Acquisition Agreement that are necessary to deal with issues identified through due diligence that West Reno must agree to resolve before the next Board meeting.

1. *West Reno Acquisition Agreement*

The West Reno Acquisition Agreement must be amended to deal with the pre-closing, closing, and post-closing requirements identified by staff through due diligence. Any amendment would not increase TMWA's liability, but is necessary to obligate West Reno to make the necessary improvements and satisfy the required closing conditions. Staff has not yet finalized the changes, but will provide a summary of them at the Board meeting.

2. *TMWA – Reno Land/BT South*

This agreement has not yet been signed, but would require Reno Land/BT South to pay a modified connection fee for a certain amount of development within the Meridian South project to reimburse TMWA for the cost of acquiring the system. This agreement also requires Reno Land to pay \$1,800/unit for the 273-unit Meridian North residential subdivisions. Reno Land/BT South must also complete certain improvements related to the new water storage tank that it agreed to make under the CC&Rs with West Reno and the pre-closing issues described above. A draft of this agreement was approved by the Board and Reno Land/BT South, but it has been revised to handle the issues TMWA has identified through due diligence. A revised version of the agreement is attached with redlines showing the differences from the previously approved version.

3. *TMWA – SJP*

Under the West Reno Agreement, it must help TMWA obtain an agreement with SJP Reno Property, LLC regarding annexation of SJP-owned land into TMWA's service area, easements for wells and water facilities on SJP property, and termination of the CC&Rs, which currently govern access and use of the wells and other water facilities. Attached is the draft agreement. SJP has agreed to the material terms and staff is working to finalize the remaining terms.

TMWA FUTURE SURFACE WATER CONNECTION

Staff is working to secure a signed agreement with the River Oak Homeowners Association and Riverbelle Properties, LLC to grant the necessary access easements to TMWA to connect the West Reno water system to TMWA's system. Reno Land also needs to grant TMWA an easement across its property and has agreed to do so. At this time, staff does not anticipate any issue with securing the necessary agreements. TMWA also needs access authorization from the Union Pacific Railroad Company, which process could take a year or more to obtain. Lastly, as stated above, TMWA needs property and an access easement from DP Clark for a future booster pump station. DP Clark has indicated it is willing to convey the property and grant an easement and staff is working with it to obtain the necessary agreements.

RECOMMENDATIONS

Staff intends to continue with due diligence and provide a final report at the next scheduled Board meeting regarding final due diligence findings, status of all required pre-closing and post-closing water system improvements, final draft agreements requiring Board approval, and expected closing date. Staff will also seek Board direction regarding any additional conditions the Board deems appropriate and authorization for the General Manager to close the transaction if all conditions are met to TMWA's satisfaction.

Staff requests the Board provide input and direction regarding any of the above-described items and authorize the General Manager to amend the West Reno Acquisition Agreement as necessary to secure the appropriate contractual obligations from West Reno to complete the pre-closing requirements described above and any post-closing obligations.



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Enloe, Natural Resources Director,
John Zimmerman, Water Resources Manager
DATE: September 13, 2018
SUBJECT: **Update regarding TMWA's possible acquisition of the West Reno Water System and status of Due Diligence activities and possible direction to staff**

SUMMARY

TMWA staff has been conducting formal due diligence regarding the potential acquisition of West Reno Water Company's Boomtown water system since June. Under the Acquisition Agreement between TMWA and West Reno, TMWA has until October 17th to conduct due diligence. The Standing Advisory Committee and TMWA Board has repeatedly stated that the cost of acquiring the water system must not be borne by existing customers. Accordingly, staff has endeavored to find all reasonably identifiable costs associated with acquiring and operating the system. This process has not yet concluded, but staff has identified most of the significant costs of acquiring and operating the system and reasonable improvements to the existing water facilities that should be completed prior to or immediately after closing. Staff is presenting this update now instead of at the end of due diligence so that the Board is fully-informed and can ask questions before staff's investigations are completed. Additionally, staff requests the Board provide direction on the allocation of costs of acquiring and operating the system and authorize the General Manager to negotiate an extension of the due diligence period and outside closing date or other amendment to the Acquisition Agreement, if deemed necessary, to address costs and responsibilities for system improvements required to close the acquisition.

BRIEF BACKGROUND

THE PARTIES

West Reno Water Company, Inc. and related companies

West Reno was formed in February 2017 and that is when it assumed ownership and operation of the Boomtown water system from SJP Reno Property, LLC. SJP owns the real property and is the landlord for the Boomtown hotel, casino, maintenance yard, gas station, minimart, carwash, and RV park. West Reno and SJP are owned by St. John Properties, Inc., a

privately held Maryland-based commercial real estate developer with over \$2.6 billion in real estate investments according to its website. The president of West Reno and chairman of St. John Properties own BCH Gaming Reno, LLC. BCH sold the pipe casing under the Truckee River to TMWA in July. BCH operates the Boomtown businesses.

Reno Land Development Company, LLC, BT South, LLC, Bates Stringer-Reno, LLC

Reno Land and BT South are under common ownership and are developing the property south of I-80 across from Boomtown known as Meridian 120 South. Bates Stringer-Reno, LLC owns the Meridian 120 North Village 1 (98 lots), Village 2 (78 lots), and proposed (but unrecorded) Village 3 (97 lots) residential subdivisions.

WATER SYSTEM AT A GLANCE

The water system includes five production wells, two water storage tanks, six monitoring wells, and various other water facilities. The system provides water to the Boomtown hotel, casino, maintenance yard, gas station, minimart, carwash, RV park, Cabela's, warehouses owned by DP Clark Garson Road LLC (i.e. Dermody Properties), a vacant house south of I-80 owned by BT South, and four model homes within Bates subdivision.

The West Reno service area is encumbered by CC&Rs, which essentially govern West Reno's relationship as a water purveyor with the landowners. The CC&Rs grant West Reno easements for the use of, and access to, the above-described water facilities. West Reno does not own any land and has just a few separate access easements (water facilities on Cabela's land and a tank access road on BT South's land). Under the Acquisition Agreement, TMWA will require the CC&Rs to be terminated because they contain certain obligations TMWA does not want to assume and lack certain rights TMWA needs to effectively operate the system.

TMWA FUTURE SURFACE WATER CONNECTION

TMWA has extended its surface water connection to the West Meadows subdivision and is working to secure the necessary landowner approvals to extend the connection to the Verdi area and Boomtown. To get surface water to the West Reno water system, TMWA needs authorization from the River Oaks Homeowners Association, Riverbelle Properties, LLC, Union Pacific Railroad Company, Reno Land, and DP Clark. River Oaks has authorized its board to negotiate and grant an easement to TMWA. Similarly, Riverbelle and DP Clark have indicated a willingness to grant any necessary easements or land to bring surface water into the system, but staff have not yet negotiated formal agreements with them. TMWA has not yet contacted the Railroad, however, in staff's experience a right-of-way could take a year or more to obtain.

TIMELINE

August 2014	SJP acquires water system, land, and water rights from Pinnacle Entertainment, Inc.
March 2016	SJP consultants meet with TMWA to discuss options for TMWA providing water to the Boomtown water system and groundwater capacity, quality, and sustainability.
February 2017	West Reno Water Company formed and assumed ownership of the water system.
August 2017	Draft wholesale water service agreement for TMWA to provide surface water to West Reno presented to the Board for discussion purposes. Board continued matter and requested staff provide alternatives to wholesale water service.
September 2017	Standing Advisory Committee votes unanimously to support TMWA acquisition of water system provided it does not increase rates for existing customers.
October 2017	TMWA Board authorizes staff to negotiate agreement to acquire water system.
November 2017	TMWA and West Reno sign non-binding Letter of Intent (LOI) to acquire water system.
December 2017	TMWA staff updates Board on LOI and main deal points.
January 2018	Board approves draft acquisition agreement.
March 2018	Board approves: Reno Land agreement (funding for interim improvements necessary to provide limited water service) and BCH agreement (sale of river casing)
June 2018	West Reno signs acquisition agreement and due diligence period begins.
October 2018	Due diligence expires unless extended.
December 2018	Closing must occur by the 31st or Acquisition Agreement terminates.

TMWA-WEST RENO AGREEMENT SUMMARY

The purchase price must be agreed to prior to the expiration of due diligence. The book value of West Reno's assets is \$700,000. Under the Agreement, TMWA agreed to reimburse West Reno for up to an additional \$180,000 for reasonable legal and engineering fees incurred prior to 2018 to secure Nevada Public Utilities Commission (PUC) approval to operate as a regulated public utility. West Reno has not yet provided TMWA with its PUC fees and costs. Before the due diligence period expires, TMWA may terminate the Agreement for any reason in its sole discretion if it determines that acquiring the system is not feasible. After the deadline expires, the Agreement will terminate only if the closing has not occurred by the end of 2018 due to the failure to satisfy all necessary closing conditions.

The deal may close within 15 days after the due diligence period expires if certain conditions are met. TMWA staff believe the closing may be delayed beyond the 15-day period due to the sheer number of land and title issues to address with multiple landowners and documents to secure such as lender consents, reconveyances, and subordinations and landowner easements, parceling, water rights, and fee title conveyances. All of these issues must be resolved and closing occur by December 31, 2018 or the Agreement terminates automatically. Staff is fairly confident it will be able to address all issues and obtain the necessary documents

by this date, however, it requests the Board authorize the General Manager to extend the due diligence period and outside closing date if necessary.

ANCILLARY AGREEMENTS WITH OTHER PARTIES

1. TMWA – Reno Land/BT South

This agreement has not yet been signed, but would require Reno Land/BT South (and Bates through separate agreement with those parties) to pay a modified connection fee for Meridian North and a portion of Meridian South to reimburse TMWA for the cost of acquiring the system. This agreement also requires Reno Land/BT South to complete certain improvements related to the new water storage tank that it agreed to make under the CC&Rs with West Reno. A preliminary draft was approved by Reno Land/BT South, but the final terms will require adjustment to address due diligence items.

2. TMWA – SJP

This agreement is still being negotiated. Under the Acquisition Agreement, West Reno must help TMWA obtain an agreement with SJP regarding annexation of SJP-owned land into TMWA's service area, dedication of water rights for existing water demands, and termination of the CC&Rs. Staff sent SJP an initial draft on July 24th and received comments back on August 29th. Staff sent a revised draft to SJP on September 12th.

3. TMWA – Bates Stringer-Reno, LLC

TMWA does not have an agreement with Bates at this time, but will require Bates to agree to grant easements and a parcel for well 10 and allow certain improvements to be completed on its property pre-closing. Two of the most significant items that staff recommends West Reno, Reno Land/BT South, or Bates complete are (1) lining the stormwater detention basin next to well 10 to minimize the potential for groundwater degradation and (2) conveying TMWA an adequate parcel of land for that well and grading it to a level grade. Staff has spoken with Reno Land representatives who verbally indicated it would pay to have the improvements completed per TMWA's standards pre-closing, however, definitive terms for this work have not yet been negotiated.

DUE DILIGENCE FINDINGS

The following is a list of due diligence topics staff has been reviewing and working on. Staff will provide a brief update on each of these items at the Board meeting.

1. Wells, groundwater sustainability, water quality, and potential conjunctive use
2. Land and title
3. Permitting and agency approvals
4. Distribution
5. Operations

CURRENT PRE-CLOSING REQUIREMENTS

The following is a list of the more significant items and deficiencies TMWA staff has identified to date, which should be cured or completed prior to closing. TMWA continues to conduct due diligence, however, and the list of identified deficiencies and conditions required for closing remains fluid and may change prior to the due diligence deadline.

1. The tank improvements should be completed for safety, security, and access reasons.
2. The land for the tanks must be parceled and conveyed to TMWA along with an access easement.
3. TMWA must obtain written confirmation from the Washoe County Health District (WCHD) and Nevada Division of Environmental Protection (NDEP) that they will not require TMWA to extend the sanitary seal of a few of the wells from 50 ft. to 100 ft.
4. WCHD and NDEP must confirm that West Reno is in full compliance with all of their requirements and any violations have been cured.
5. West Reno must be in compliance with all water quality sampling and reporting requirements without any pending or issued violations.
6. The stormwater detention basin next to well 10 must be lined to minimize the risk of groundwater quality degradation in the future.
7. The land TMWA requires around well 10 must be parceled and leveled to allow reasonable access for operation, maintenance, and repair purposes.
8. DP Clark must agree to convey land to TMWA for a booster pump station.
9. West Reno must obtain all necessary approvals from Steamboat Ditch Company for all facilities (two waterlines, two tank drain lines, and a tank access road bridge crossing).
10. SJP, BCH, or West Reno must agree to complete pre-closing, or reimburse TMWA for the cost of completing post-closing, certain improvements related to existing water facilities within the Boomtown development.

UPDATED COST ESTIMATE

Before due diligence, staff estimated it would cost \$1.59 million to complete certain critical improvements to the water system as soon as possible after acquisition. This amount, along with the purchase price, totaled \$2.54 million. As stated above, Reno Land/BT South and Bates agreed to pay this amount through modified connection fees for their developments. Through due diligence, staff has identified additional deficiencies that increase the improvement costs by \$1.074 million. Staff has had discussions with Reno Land representatives and their initial indication is they would agree to pay for the improvements to the tanks and tank access road and bridge (\$754,000), which were included in the initial estimate, thereby reducing the overage to \$320,000. Of this remaining amount, \$200,000 is for water facility improvements related to Boomtown facilities. Staff recommends the Board require SJP, BCH, or West Reno pay for the cost of these site-specific improvements. This leaves \$120,000 in additional costs to be recovered. Staff is currently evaluating different options for recovering this additional cost. Staff anticipates an amendment to the acquisition agreement will need to be negotiated with West Reno prior to expiration of due diligence to address responsibility and timing for completion of these deficiencies.

RECOMMENDATIONS

Staff requests the Board authorize the General Manager to extend the due diligence period and outside closing date under the West Reno Agreement, if necessary, and negotiate an amendment to address cost responsibility and timing for curing the additional deficiencies identified in due diligence. Staff will continue to conduct due diligence and will update the Board at the next meeting regarding any changes to the due diligence findings, Reno Land, Bates, and SJP agreements, and the estimated closing timeline.

BATES-STRINGER
Grant, Bargain & Sale Deed (Electronic File Name: <i>Closing Doc. West Reno. Bates Stringer-Grant Bargain and Sale Deed-Well 10 - version 1</i>)
Grant of Water Facilities Easement (Electronic File Name: <i>Closing Doc.West Reno.Bates Stringer.Water Facilities Easements - version 1</i>)
Grant of Temporary Water Facilities Easement (Electronic File Name: <i>Closing Doc. West Reno.Bates Stringer-Meridian Temp Streets Easement - version 1</i>)
Retail Water Service Area Annexation Agreement (Electronic File Name: <i>Closing Doc.West Reno.Bates Stringer Annexation Agreement - version 6</i>)
Release of Post Closing Obligations (Electronic File Name: <i>Closing Doc.West Reno.Bates Stringer.Release of Post Closing Obligations Well #10 - version 2</i>)
Declaration and Notice of DeAnnexation Covenants, Conditions, and Restructions and Reservations of Easements for Meridian 120 (Electronic File Name: <i>Closing Doc.West Reno.Notice of DeAnnexation from Meridian 120 CC&R - version 2</i>)
Termination of Declaration of Covenants, Conditions and Restrictions (Electronic File Name: <i>Closing Doc.West Reno.Termination of CC&Rs - version 3</i>)
NV Energy Exclusive Easement Consent

RENO LAND
RLD/BT South Ancillary Agreement (Electronic File Name: <i>West Reno.Ancillary Agreement with RLD And BT South - version 23</i>)
Bill of Sale and Assignment (Assigning any RLD interest in the water system assets)
Grant of Blanket Easement for Water Utility Facilities (For Waterlines through to the DP parcel pump station) (Electronic File Name: <i>Closing Doc.West Reno.RLD.Blanket Easement - version 1</i>)
Termination of Water Line Easement (Under Doc. No. 4590425)
Quitclaim Deed (Regarding rights under Doc. No. 4584663)
Release of Post Closing Obligations (Electronic File Name: <i>Closing Doc.West Reno.Bates Stringer-Release of Post Closing Obligations Well #10-version 1</i>)
Parcel map for well 10 site
Termination of Declaration of Covenants, Conditions and Restrictions (Electronic File Name: <i>Closing Doc.West Reno.Termination of CC&Rs - version 3</i>)
NV Energy Exclusive Easement Consent

BT SOUTH
RLD/BT South Ancillary Agreement (Electronic File Name: <i>West Reno.Ancillary Agreement with RLD And BT South - version 23</i>)
Retail Water Service Area Annexation Agreement (Electronic File Name: <i>Closing Doc.West Reno.BT Annexation Agreement - version 11</i>)
Grant, Bargain and Sale Deed and Bill of Sale (Electronic File Name: <i>Closing Doc.West Reno.BT South Tank Site Deed - version 2</i>)
Bill of Sale and General Assignment (For any BT South interest in the water system assets) (Electronic File Name: <i>Closing Doc.West Reno.BT General Assignment and Bill of Sale - version 2</i>)
Grant of Easement for Water Facilities and Access (Electronic File Name: <i>Closing Doc.West Reno.BT South Water Facilities and Access Easement - version 2</i>)
Subordination Agreement (Electronic File Name: <i>Closing Doc.West Reno.BT.Mountain West Easement Subordination Agreement - version 2</i>)
Subordination and Partial Release Agreement (Electronic File Name: <i>Closing Doc.West Reno.BT.Arcus Secured Fund Easement Subordination Agreement - version 2</i>)
Release of Post Closing Obligations (Electronic File Name: <i>Closing Doc.West Reno.Bates Stringer-Release of Post Closing Obligations Well #10-version 1</i>)
Substitution of Trustee and Deed of Partial Reconveyance (Electronic File Name: <i>Closing Doc.West Reno.BT.Mountain West Substitution of Trustee and Deed of Partial Reconveyance - version 2</i>)
Parcel map for tank site
Termination of Declaration of Covenants, Conditions and Restrictions (Electronic File Name: <i>Closing Doc.West Reno.Termination of CC&Rs - version 3</i>)

CABELA’S
Subordination Agreement (Electronic File Name: <i>Closing Doc.West Reno. Cabelas CC&R Easement Subordination Agreement-Version 1</i>)
Grant of Easement for Water Wells, Pumps, Water Pipes, Pumphouse and Underground Electric and Water Distribution and Communications Facilities (Electronic File Name: <i>Closing Doc.West Reno.Cabelas Facilities Easements with Well Option - v1 Final Draft</i>)
NV Energy Exclusive Easement Consent

DP CLARK GARSON ROAD
Subordination Agreement and Notice of DeAnnexation (Electronic File Name: <i>Closing Doc.West Reno.DP Clark CC&R Easement Subordination Agreement - version 4</i>)
Grant of Water Facilities Easement (Electronic File Name: <i>Closing Doc.West Reno. DP GARSON ROAD 1 LLC- New Water Facilities Easements - version 1</i>)
Grant of Water Facilities Easement (Electronic File Name: <i>Closing Doc.West Reno. DP GARSON ROAD 2 LLC- New Water Facilities Easements - version 1</i>)
Parcel map for future booster pump station
Grant, Bargain and Sale Deed and Bill of Sale (Electronic File Name: <i>Closing Doc.West Reno.DP GARSON ROAD 2 LLC - BPS Site Deed - version 1</i>)
Termination of Declaration of Covenants, Conditions and Restrictions (Electronic File Name: <i>Closing Doc.West Reno.Termination of CC&Rs - version 3</i>)
Subordination Agreement (Electronic File Name: <i>Closing Doc.West Reno.DP Clark Garson 1 and 2.BOKF Easement Subordination Agreement - version 1 - version 1</i>)
Substitution of Trustee and Deed of Partial Reconveyance (Electronic File Name: <i>Closing Doc.West Reno.DP Clark Garson Road 2.BOKF.Substitution of Trustee and Deed of Partial Reconveyance - version 1</i>)
Substitution of Trustee and Deed of Partial Reconveyance (Electronic File Name: <i>Closing Doc.West Reno. DP Clark .Substitution of Trustee and Deed of Partial Reconveyance-Version 1</i>)
Subordination Agreement (Electronic File Name: <i>Closing Doc.West Reno. DP Clark.Bank of West Easement Subordination Agreement-Version 1</i>)
NV Energy Exclusive Easement Consent

WEST RENO WATER COMPANY
First amendment to purchase agreement extending due diligence
Grant, Bargain, and Sale Deed (West Reno assets)
Water Rights Deed
Bill(s) of Sale (conveying private water facilities to owner of property on which facilities are located)
Assignment of Water Facilities
Assignment of Assumed Contracts
NDOT (Assignment of existing permits)
NDOT (Obtain new occupancy permit in Exit 4 right-of-way)
Steamboat Ditch Co. (License agreement for all water facilities – 2 water line, 2 drain lines, bridge crossings)
Termination of Declaration of Covenants, Conditions and Restrictions (Electronic File Name: <i>Closing Doc.West Reno.Termination of CC&Rs - version 3</i>)
Second Amendment to Acquisition Agreement (Addressing due diligence items)

SJP
Agreement Regarding West Reno Water System Acquisition (Electronic File Name: <i>West Reno.Ancillary Agreement with SJP - version 10</i>)
Grant of Water Facilities Easement (Electronic File Name: <i>Closing Doc.West Reno.SJP Water Facilities Easements - version 2</i>)
Grant of Easement for Water Wells, Access Road and Drainage Facilities <ul style="list-style-type: none">WELL 9 (Relocatable) and 12 (Non-Relocatable) (with Blanket pump-to-waste easements because interim solutions are not well-defined) (Electronic File Name: <i>Closing Doc.West Reno. SJP Easement-Exclusive Well wAccess Drain - version 2</i>)
Retail Water Service Area Annexation Agreement (Electronic File Name: <i>Closing Doc.West Reno.SJP Annexation Agreement - version 5</i>)
Substitution of Trustee and Deed of Partial Reconveyance (Electronic File Name: <i>Closing Doc.West Reno.SJP.MFR and Traders DOT Substitution of Trustee and Deed of Partial Reconveyance - version 1</i>)
Subordination Agreement (Electronic File Name: <i>Closing Doc.West Reno.SJP .MFR and Traders Easement Subordination Agreement-Version 1</i>)
Subordination Agreement (Electronic File Name: <i>Closing Doc.West Reno.SJP.Umqua DOT Substitution of Trustee and Deed of Partial Reconveyance - version 2</i>)
Substitution of Trustee and Deed of Partial Reconveyance (Electronic File Name: <i>Closing Doc.West Reno.SJP .Umqua DOT Substitution of Trustee and Deed of Partial Reconveyance-Version 2</i>)
General Assignment Agreement and Bill of Sale <ul style="list-style-type: none">(Any SJP assets required to be conveyed to TMWA) (Electronic File Name: <i>Closing Doc.West Reno.SJP General Assignment and Bill of Sale - version 1</i>)
Assignment of Water Facilities Easements (For any easements held by SJP)
Termination of Relocatable Tank Easement (created under Doc. No. 4590427)
Release and Subordination
Termination of Declaration of Covenants, Conditions and Restrictions (Electronic File Name: <i>Closing Doc.West Reno.Termination of CC&Rs - version 3</i>)
NV Energy Exclusive Easement Consent

PNK (Reno) LLC
Subordination of Option Agreement (Electronic File Name: <i>Closing Doc.West Reno.PNK Option Subordination Agreement - version 1</i>)
Abandonment and Termination of Easement (Electronic File Name: <i>Closing Doc.West Reno.Termination of Easement Doc. 3410826 - version 1</i>)

TMWA is still conducting due diligence. This list is preliminary only and other documents may be required



NEVADA DIVISION OF
**ENVIRONMENTAL
PROTECTION**

October 8, 2018

John P. Enloe, P.E.
Director, Natural Resources
Truckee Meadows Water Authority
1355 Capital Blvd.
Reno, NV 89520-3013

Re: West Reno Water Company Acquisition

Dear Mr. Enloe:

The Nevada Division of Environmental Protection (NDEP), Bureau of Safe Drinking Water (BSDW), has reviewed the Truckee Meadows Water Authority's (TMWA) letter, dated September 20, 2018, regarding the above-referenced water system. Please see responses provided below:

1. NDEP has no objections to the proposed improvements to the wells as listed in the letter.
2. NDEP requires that deficiencies observed during sanitary inspections in 2018 (March 9 and July 27) are addressed. Please see attached sanitary reports from the Washoe County Health District and list of deficiency status from NDEP.
3. NDEP recognizes that wells (Nos. W01-Well 7, W02-Well 8, W03-Well 9, and W04-Well 10) were constructed for Boomtown Enterprises/Hotel and Casino in 1981, and were part of the Boomtown water system prior to the adoption of the 1997 engineering regulations governing the Design, Construction, Operation and Maintenance of Public Water Systems, NAC 445A.65505 through NAC 445A.6731. As such, construction for these wells can be "grandfathered" under NAC 445A.6662ⁱ provisions as long as they continue to be safe and not subject to pollution or contamination. If any of the wells are found in the future to be no longer safe, or are subject to pollution or contamination, it will be necessary to revisit well construction requirements.
4. With the regard to W04-Well 10, we have reviewed the proposed conceptual plan for lining the low flow channel and the detention basin in order to reduce infiltration capability of those structures; now located within ¼ mile of this well that has a 50-foot sanitary seal. This conceptual plan for retrofit of the structures is acceptable to NDEP for addressing the intent of requirements in NAC 445A.6691ⁱⁱ.

Please be advised that proposed modifications to the wells and measures to address potential infiltration near the drinking water well will require engineering review and approval by the Washoe County Health District.

If you have any questions or comments, please contact me at (775) 687-9373, or My-Linh Nguyen at 775-687-9515, email: mnguyen@ndep.nv.gov.

Sincerely,



Greg Lovato, Administrator
NDEP

Enclosures & cc's: page 2

Enclosures: San Survey Letter 2018-3-29.pdf
San Survey Part 2 Letter 2018-9-4.pdf
West Reno Water Company - Deficiencies.xlsx

Ec: Jennifer Carr, P.E., NDEP, Deputy Administrator
My-Linh Nguyen, Ph.D., P.E., NDEP Bureau of Safe Drinking Water, Chief
Jim Balderson, P.E., NDEP BSDW, Engineering Supervisor
Andrea Seifert, P.E., NDEP BSDW, PWS Compliance Supervisor
Kevin Dick, Washoe County Health District (WCHD), Health Officer
Chad Westom, WHCD, Director of Environmental Health Services
Mark Foree, P.E., TMWA, General Manger

i NAC 445A.6662 Applicability of provisions. (NRS 445A.860)

1. Except as otherwise provided in subsection 2, the provisions of NAC 445A.65505 to 445A.6731, inclusive, apply to every public water system in this State.

2. Except for water projects performed after February 20, 1997, NAC 445A.65505 to 445A.6731, inclusive, do not apply to a public water system which the Division or the appropriate district board of health determines, based on a sanitary survey and past performance, to be safe and not subject to pollution or contamination as a result of the location, protection, construction, operation or maintenance of that public water system.

(Added to NAC by Bd. of Health, eff. 2-20-97; A by Environmental Comm'n by R194-08, 10-27-2009)

ii NAC 445A.6691 Water wells: Construction near certain other sources of water. (NRS 445A.860) If a water well is drilled within 1/4 mile of a perennial stream, river, lake, unlined reservoir or unlined canal:

1. There must be no perforations in the production casing from ground level to a depth of 100 feet.
2. The well must have a sanitary seal to a depth of 100 feet.
3. A permanent conductor casing may be used to convey the gravel pack to the 100-foot level.

(Added to NAC by Bd. of Health, eff. 2-20-97)

**AGREEMENT REGARDING
WEST RENO WATER SYSTEM ACQUISITION
(RLDC and BT South)**

THIS AGREEMENT REGARDING WEST RENO 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 RENO LAND DEVELOPMENT COMPANY, a Nevada limited liability company (“RLD”), BT SOUTH LLC, a Nevada limited liability company (“BT South”) 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. TMWA is a public purveyor of domestic water service in the greater Reno-Sparks area.
- B. TMWA and West Reno Water Company, Inc., a Maryland corporation (“West Reno”), have entered into that certain Agreement for Water System Acquisition dated June 20, 2018 (“West Reno Agreement”), pursuant to which West Reno has agreed to sell and TMWA has agreed to purchase certain water system facilities and assets in connection with the operation of a retail water sale and delivery system in or near Verdi, Nevada (the “Water Business”) which has a service territory consisting of approximately 880.16 acres more particularly described in the West Reno Agreement (“WR Service Area”). As used in this Agreement, the term “West Reno Closing” shall mean the date upon which the closing of the transactions contemplated under the West Reno Agreement occurs. A true and correct copy of the West Reno Agreement is attached to this Agreement as Exhibit “A”.
- C. RLD owns certain groundwater rights permitted for diversion through the West Reno Water Facilities as more particularly described in Exhibit “B” attached hereto (“RLD Water Rights”).
- D. RLD is a party to 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, as amended by Amendment No. 2 thereto recorded on December 17, 2015 as Document No. 4542990, and as amended by Amendment No. 3 thereto recorded on February 29, 2016 as Document No. 4564761 (the “CC&Rs”), and is obligated to construct and dedicate to West Reno certain water facilities and improvements described as the RLD Improvements in the CC&Rs. As used in this Agreement, the term “RLD Improvements” shall have the meaning ascribed in the CC&Rs.
- E. BT South, as successor to RLD, owns certain undeveloped real property in the WR Service Area described as APN 038-090-61, 038-120-03, 038-120-10, 038-120-12, 038-120-13, and 038-132-25 (collectively, “BT South Property”) upon which certain Water Facilities (as defined below) are located and which will benefit from TMWA’s acquisition of the Water Business.
- F. BT South owns certain groundwater rights permitted for diversion through the West Reno Water Facilities as more particularly described in Exhibit “B” attached hereto (“BT Water Rights”).
- G. RLD and BT South will each benefit from TMWA’s acquisition of the Water Business, and the ability of the BT South Property to receive retail water service from TMWA.
- H. As conditions precedent to TMWA’s acquisition of the Water Business, the West Reno Agreement requires RLD and BT South to enter this Agreement and provide for i) the conveyance of certain easements, fee property, and water facilities on the BT South Property; ii) the consent of TMWA’s

acquisition of the Water Business and amendment of the CC&Rs; iii) the payment of \$2,~~540~~660,000 in connection fees upon the development of the BT South Property and the Meridian North Lots (as defined below); iv) the completion and dedication of the RLD Improvements; and v) the release of TMWA from any water service related agreements with West Reno.

I. Additional conditions precedent to TMWA's acquisition of the Water Business are or shall be set forth in the West Reno Agreement, including without limitation completion of certain investigations and due diligence with respect to the Water Business, which conditions must be satisfied or waived in TMWA's sole discretion to consummate the West Reno Closing.

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~~ "BT Certificated Water Rights" means that portion of the BT Water Rights described in Exhibit B which have been certificated by the Nevada State Engineer for existing uses within the WR Service Area.

~~1.21.1~~ "Escrow" means the escrow opened to consummate the transactions contemplated in the West Reno Agreement.

~~1.31.2~~ "Meridian North Lots" means the 273 single family residential lots described as Lots 101 thru 198 in Subdivision Tract Map 5205, recorded May 15, 2017 as Document No. 4704095 and Lots 201 through 278 in Subdivision Tract Map 5227, recorded October 17, 2017 as Document No. 4754335, and Lots 301 through 397 in Meridian 120 North, Village 3 in Subdivision Tract Map _____, recorded _____ as Document No. _____, submitted to the City of Reno on or about November 30, 2017 and pending final approval as of the Effective Date of this Agreement.

~~1.41.3~~ "Monitoring Well" means the monitoring well site located on APN 038-120-10 upon which West Reno currently operates a monitoring well.

~~1.5~~ "Residential Unit" means: i) one (1) single family dwelling or building (commonly referred to as a single family residence), whether attached or detached; ii) one (1) apartment unit; iii) one (1) condominium unit; or iv) one (1) of such other building occupied for residential purposes.

~~1.61.4~~ "RLD Improvements" shall have the meaning ascribed to it in the CC&Rs.

1.5 "RLD/BT Improvements" shall have the meaning ascribed to it in Section 2.1.

~~1.71.6~~ "Tank Site" means approximately 1.27 acres located on APN 038-120-03 currently owned by BT South, upon which a 500,000 gallon water tank and a 1,500,000 gallon water tank are located.

~~1-8~~1.7 “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 used or intended to be used in connection with the operation of the Water Business and distribution system of West Reno, including the RLD/BT Improvements and Monitoring Well.

~~1-9~~1.8 “West Reno Closing” shall mean the date upon which escrow closes in the West Reno Agreement as evidenced by the recordation by the escrow holder of all instruments to be recorded in connection with the closing of the assets under the West Reno Agreement.

~~1-10~~1.9 “West Reno Customers” shall have the meaning ascribed to it in the West Reno Agreement.

~~1-11~~1.10 “WR Service Area” shall have the meaning ascribed to it in the West Reno Agreement.

2. **RLD OBLIGATIONS**

2.1 **Completion of RLD/BT Improvements.** ~~RLD represents~~Prior to and ~~warrants that it has completed as a condition of Closing.~~ RLD and/or BT shall, at no cost or expense to TMWA, complete the RLD Improvements- and system improvements described in Schedule 2.1 (collectively, “RLD/BT Improvements”). During the period between the execution of this Agreement and the West Reno Closing, TMWA shall make such inspections and take such actions as it deems necessary to confirm that the RLD/BT Improvements have been completed, and TMWA’s Closing of the transactions described herein on the West Reno Closing shall be deemed to be TMWA’s acceptance of the RLD/BT Improvements in their AS IS condition without further representation or warranty of any kind or nature from RLD or BT. At the West Reno Closing, RLD and BT shall assign to TMWA any third party warranties applicable to the RLD/BT Improvements.

2.2 **Amendment Termination of CC&R’s.** ~~To the extent required under the CC&Rs, RLD consents to the sale of the Water Business and West Reno water assets to TMWA under the West Reno Agreement.~~ Conditional upon the consummation of the West Reno Closing, RLD shall execute ~~an amendment to a termination of~~ the CC&Rs substantially in the form attached hereto as Exhibit 2.2 (“~~CC&R Amendment Termination~~”) at the West Reno Closing. RLD shall deliver the CC&R ~~Amendment Termination~~, duly executed by RLD with notary acknowledgement, to Escrow on or before the West Reno Closing.

2.3 **Conveyance of Water Facilities.** Conditional upon the consummation of the West Reno Closing, RLD shall dedicate and convey to TMWA, at no cost, all right, title and interest, if any, of RLD in and to the Water Facilities owned as of the date thereof by RLD. RLD shall convey the Water Facilities at the West Reno Closing by a General Assignment and Bill of Sale substantially in the form attached hereto as Exhibit 2.3 (“RLD Bill of Sale”) without further representation or warranty of any kind or nature from RLD; provided, RLD shall assign to TMWA any third party warranties applicable to the Water Facilities. RLD shall deliver the RLD Bill of Sale, duly executed by RLD, to Escrow on or before the West Reno Closing.

2.4 **Meridian North Connection Fees.** Conditional upon the consummation of the West Reno Closing and the timely performance of all of RLD’s and BT South’s obligations under this Agreement, TMWA agrees that in lieu of WSF Fees otherwise applicable under TMWA Rules, a modified connection fee shall apply to any development of the Meridian North Lots equal to One Thousand Eight Hundred

Dollars (\$1,800.00) per single family residential unit (“Meridian North Connection Fee”). RLD shall pay the Meridian North Connection Fee 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 the Meridian North Connection Fee must be paid prior to commencing any water service to the applicable Meridian North Lot. Prior to the West Reno Closing, RLD shall pay all Meridian North Connection Fees into Escrow with respect to meters set or requested to be set as of such date, which fees shall be deposited and held in Escrow and released to TMWA at the West Reno Closing. From and after the West Reno Closing, RLD shall pay all subsequent Meridian North Connection Fees directly to TMWA. In the event the West Reno Closing does not occur, all Meridian North Connection Fees shall be returned to RLD or such other person that paid them into Escrow. The obligations in this Section 2.4 shall survive the West Reno Closing.

3. **BT SOUTH OBLIGATIONS**

~~3.1 Water Rights Exchange. Conditional upon the consummation of the West Reno Closing and West Reno conveying at the Closing an equal volume of its permitted rights (the “Exchange Rights”) to BT South at no cost, BT South shall convey to West Reno, at no cost, the BT Certificated Water Rights. BT South shall convey the BT Certificated Water Rights at the West Reno Closing by deed substantially in the form attached hereto as Exhibit 3.1A (“Water Rights Deed”). At the Closing, West Reno shall convey to BT South the Exchange Rights by deed in substantially the form of Exhibit 3.1.B (the “West Reno Water Rights Deed”). BT South shall deliver the Water Rights Deed, duly executed by BT South with notary acknowledgment, to Escrow on or before the West Reno Closing. The BT South Water Rights shall be conveyed to TMWA free and clear of any monetary liens, mortgages, pledges, security interests, rights of third parties, encumbrances or other charges of any kind. TMWA shall cause West Reno to deliver the West Reno Water Rights Deed, duly executed by West Reno, with notary acknowledgment, to Escrow on the West Reno Closing and immediately after BT South’s delivery of the Water Rights Deed as provided above. The permitted water rights to be conveyed to BT South at the Closing shall be conveyed free and clear of any monetary liens, mortgages, pledges, security interests, rights of third parties, encumbrances or other charges of any kind.~~

~~3.2 Tank Site. Conditional upon the consummation of the West Reno Closing,~~ 3.1 Tank Site. BT South shall parcel and convey the Tank Site to TMWA in fee at the West Reno Closing. TMWA and BT South acknowledge that a Parcel Map(s) or maps, merger and resubdivision map or boundary line adjustments that create the Tank Site as a legal parcel (individually or collectively, the “BLA or Parcel Map(s)”) must be created and approved by appropriate governmental entities prior to and as a condition of transfer. 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 in a form and setting the Tank Site boundaries reasonably acceptable to BT South, as provided below. As soon as practicable after the Effective Date, TMWA shall submit the BLA or Parcel Map(s) to BT South for review and approval, such approval not to be unreasonably withheld, delayed or conditioned. TMWA shall thereafter immediately seek and use its best efforts to secure all required Final Governmental Approvals prior to the West Reno Closing to subdivide and create a separate parcel comprised of the Tank Site consistent with the BLA or Parcel Map approved by BT South and to permit the recordings of the BLA or Parcel Map(s) and conveyance of the Tank Site to TMWA. BT South shall cooperate with TMWA to the extent reasonably 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 BT South. As used in this Agreement, the term “Final Governmental 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) under applicable Laws for TMWA’s intended use. If the net acreage, size, location or configuration of the Tank Site 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 West Reno Closing shall be conditioned upon TMWA's approval of such changes, which approval shall not be unreasonably withheld. If Final Governmental Approvals are not secured by the West Reno Closing, TMWA may, in its sole discretion, elect to proceed with the West Reno Closing in which event 1) BT South shall grant TMWA at the West Reno Closing a temporary easement to access and operate facilities on the Tank Site until title is transferred to TMWA; 2) BT South shall convey the Tank Site to TMWA within five (5) days of the recordation of the BLA or Parcel Map(s).

3.32 Easements. ~~Conditional on the consummation of the West Reno Closing,~~ BT South shall convey to TMWA at the West Reno Closing easements for access and operation of the Water Facilities (including the Monitoring Well and Tank Site), which easements shall be substantially in the form attached hereto as Exhibit 3.32 and as otherwise reasonably agreed by TMWA and BT South ("Water Facilities Easements"), and which easements shall be sufficient to provide rights of access and operation for all Water Facilities being conveyed to TMWA hereunder and in connection with the West Reno Agreement. TMWA shall identify the specific location of all Water Facilities Easements prior to the West Reno Closing for BT South's review and approval, which shall not be unreasonably withheld, delayed or conditioned, and BT South shall cooperate with TMWA as necessary to identify the location of all Water Facilities. BT South shall have no responsibility for the costs of all surveying, mapping and document preparation for the Water Facilities Easements. BT South shall be solely responsible for the costs of relocating any Water Facilities Easements and/or Water Facilities and providing replacement easements to TMWA in accordance with TMWA Rules if such relocation is required in connection with the development of the BT South Property.

3.4—Amendment3 Termination of CC&R's. To the extent required under the CC&Rs, BT consents to the sale of the Water Business and West Reno water assets to TMWA under the West Reno Agreement. Conditional upon the consummation of the West Reno Closing, BT South shall execute the ~~amendment to termination of~~ the CC&Rs as set forth in the CC&R ~~Amendment~~Termination at the West Reno Closing. BT South shall deliver the CC&R ~~Amendment~~Termination, duly executed by BT South with notary acknowledgement, to Escrow on or before the West Reno Closing.

3.54 Conveyance of Water Facilities. Conditional upon the consummation of the West Reno Closing, BT South shall dedicate and convey to TMWA, at no cost to TMWA, all right, title and interest, if any, of BT South in and to the Water Facilities at the West Reno Closing. BT South shall convey the Water Facilities by a General Assignment and Bill of Sale substantially in the form attached hereto as Exhibit 3.54 ("BT South Bill of Sale") without warranty of any kind or nature, express or implied from BT South provided, BT South shall assign to TMWA any third party warranties applicable to the Water Facilities. BT South shall deliver the BT South Bill of Sale, duly executed by BT South, to Escrow on or before the West Reno Closing.

3.65 Lender Consents. The Tank Site and Water Facilities Easements shall be conveyed to TMWA free and clear of any monetary liens, mortgages, pledges, or security interests of any kind, any rights of third parties (but with respect to the Water Facilities Easements, rights of third parties to the extent in conflict with such Water Facilities Easements), encumbrances or other charges of any kind that would interfere with TMWA's use and enjoyment of such easements or the ownership thereof, and BT South shall secure, at its sole cost and expense, agreements in such form reasonably agreeable to TMWA releasing (in the case of the Tank Site) or subordinating (in the case of Water Facilities Easements) any such liens and encumbrances to the rights being granted to TMWA (collectively, the "Lender Consents"). BT South shall deliver the Lender Consents to Escrow in recordable form, duly executed with notary acknowledgment, on or before the West Reno Closing.

4. TMWA OBLIGATIONS.

4.1 Annexation of BT South Property Into TMWA Retail Service Area. Conditional upon the consummation of the West Reno Closing and the timely performance of all of RLD's and BT South's obligations under this Agreement, TMWA shall annex the BT South Property into TMWA's retail service area pursuant to the Annexation Agreement substantially in the form attached hereto as Exhibit 4.1.

4.2 Commitment Regarding Water Service. Conditional upon the consummation of the West Reno Closing and the timely performance of all of RLD's and BT South's obligations under this Agreement, TMWA shall issue to BT South an NAC 445A.65515 Acknowledgment of Water Service letter, acknowledging TMWA's willingness to supply water service to the BT South Property upon satisfaction of and in accordance with conditions in the Annexation Agreement and TMWA's rules and tariffs.

4.3 Water Resource Dedications. TMWA agrees the RLD Water Rights, and BT Water ~~Rights~~ and Exchange Rights shall be acceptable for dedication for the issuance of will-serve commitment letters for future water service within the WR Service Area to the extent otherwise dedicated in compliance with TMWA Rule 7 and to the extent the rights have not been cancelled, forfeited or the beneficial use is not otherwise restricted by the Nevada Division of Water Resources or Washoe County District Health. Notwithstanding the foregoing, TMWA agrees the RLD Water Rights, ~~BT Water Rights (other than the BT Certificated Rights) and Exchange Rights (collectively, the "Specified Rights")~~ and BT Water Rights shall be acceptable for dedication for the issuance of will-serve commitment letters for the First ~~124~~ 133 GPM of MDD ~~service~~ to the ~~projects described as South Village 1, South Village 2, South Village 3, Public Facility and Arterial Commercial on the Site Plan (such projects referred to as the "Eastern Property"), (as defined below),~~ and further agrees TMWA will not require dedication of additional surface or ground water rights to supplement the ~~Specified~~ RLD Water Rights and BT Water Rights in excess of Rule 7 dedication requirements as of the Effective Date of this Agreement for service to the First ~~124~~ 133 GPM of MDD ~~service~~ to the Eastern Property, provided: 1) the application(s) for will-serve commitments using the ~~Specified~~ RLD Water Rights and/or BT Water Rights are received by TMWA within ~~three (3) years~~ forty two (42) months of the West Reno Closing; 2) marketable title to the applicable ~~Specified~~ RLD Water Rights and BT Water Rights is conveyed to TMWA free and clear of liens and encumbrances; and 3) the underlying permits for the ~~Specified Rights remain in good standing with the Nevada Division of Water Resources at the time of dedication. RLD Water Rights and/or BT Water Rights offered remain in good standing with the Nevada Division of Water Resources at the time of dedication.~~ For purposes of this Agreement, the term i) "First 133 GPM of MDD to the Eastern Property" means the first 133 GPM of MDD supply sought or provided from the West Reno System to the Eastern Property and for which a corresponding will serve commitment has been issued on the RLD Water Rights and/or BT Water Rights dedicated in accordance with Section 4.3; and ii) "Eastern Property" means to a portion of the BT South Property described as South Village 1, South Village 2, South Village 3 and AC in the conceptual site plan attached hereto as Exhibit "C" (the "Site Plan").

4.4 Modified Connection Fees for Portion of Future Development of BT South Property. Conditional upon the consummation of the West Reno Closing and the timely performance of all of RLD's and BT South's obligations under this Agreement, TMWA agrees that in lieu of WSF Fees otherwise applicable under TMWA Rules, a modified connection fee shall apply to the First ~~421 Residential Units and 2.3 acres of commercial/industrial uses (not to exceed an aggregate Maximum Day Demand of 124 GPM ("GPM Limit")~~ to be developed on a portion of the BT South Property described as South Village 1, South Village 2, South Village 3 and AC (such portion of the BT South Property referred to as the "Eastern Property") in the conceptual site plan attached hereto as Exhibit "C" (the "Site Plan"), equal to \$4,866 per Residential Unit and \$16,521 per GPM for commercial uses 133 GPM of MDD to the Eastern Property equal to \$16,259 per GPM ("Modified BT South Connection Fee"). The Modified BT South Connection Fee shall be paid no later than ten (10) days prior to the date a meter is to be installed for water service to

the applicable parcel receiving ~~residential or commercial~~ service, and must be paid prior to and as a condition of TMWA having any obligation to commence water service to the applicable parcel. With respect to meters required to be set prior to or within ten (10) days after the West Reno Closing, BT South shall pay all such Modified BT South Connection Fees into Escrow, which fees shall be deposited and held in Escrow and released to TMWA at the West Reno Closing. From and after the West Reno Closing, BT South or its successors shall pay all Modified BT South Connection Fees directly to TMWA. In the event the West Reno Closing does not occur, all Modified BT South Connection Fees paid into Escrow shall be returned to BT South or such other person that paid them into Escrow. It is further agreed that except as otherwise set forth in this Section 4.4, new water service to the BT South Property shall be governed exclusively by this Agreement, TMWA Rules and other written agreements between TMWA and BT South, and except as provided herein any applications for new or modified water service to any project shall be processed under and in accordance with TMWA Rules and shall require annexation of the BT South Property into TMWA's retail service area in accordance with TMWA's Rules. Any new or modified service on the BT South Property other than the Eastern Property referenced above or which in the aggregate (considering all service to the BT South Property) exceeds the 133 GPM Limit of MDD shall be subject to all fees and charges, including WSF Charges, applicable to new development under TMWA Rules. The Modified BT South Connection Fee is appurtenant to, and may only be used in connection with development on, the BT South Property, and is not transferrable or assignable for use on any other property. The obligations in this Section 4 shall survive the West Reno Closing.

5. RELEASE

Conditional on the consummation of the West Reno Closing, BT South and RLD each, for itself and any assignees or successors in interest, hereby release and agree to hold harmless TMWA from and against any and all claims, liabilities, losses, damages, actions, or causes of action (in law or equity) of any kind or nature whatsoever, relating to arising directly or indirectly from or incident to any agreements between BT South and RLD, respectively, (or its predecessor) and SJP Reno Property, LLC, West Reno, PNK (Reno) LLC, or any of their predecessors in interest in connection with water supply and water service to RLD, BT South, or any property owned by them. The foregoing release and hold harmless shall not apply to agreements (including will serve commitments) expressly assumed by TMWA in the West Reno Closing.

6. REPRESENTATIONS AND WARRANTIES

6.1 RLD Representations. As a material inducement for TMWA to enter into this Agreement, RLD represents and warrants to TMWA, as of the Effective Date and through the West Reno Closing, that:

6.1.1 Good Standing. RLD is a limited liability company duly organized, validly existing, and in good standing under the Laws of the State of Nevada. RLD 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.

6.1.2 No Violations; Proper Authority; No Required Consents. The execution, delivery and performance by RLD of this Agreement is not inconsistent with and will not violate or contravene any Law applicable to RLD; does not and will not contravene any provision of, or constitute a default under any contract to which RLD is a party. RLD has taken or will obtain prior to the West Reno Closing all necessary approvals required of its Board and members under all applicable Laws to consummate the transactions contemplated hereunder. There are no consents necessary which will not be obtained prior to the Closing 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 RLD or the Assets are bound. RLD 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 RLD enforceable against RLD in accordance with their respective terms.

6.1.3 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 RLD, conditioned upon RLD's receipt of the Lenders Consents, 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 RLD is a party.

6.1.4 Material Contracts. Other than the CC&R's, RLD is not a party to, or bound by, any contract, understanding, commitment or agreement related to the Water Business or which would be applicable to or binding upon TMWA in connection with TMWA's operation of the Water Business after the West Reno Closing.

6.1.5 Compliance With Laws; Suits and Proceedings. RLD is not now (nor has it been within the past twelve (12) months) in violation of any Laws related to the Water Facilities. There are no actions, suits, proceedings, investigations or claims pending or, to the knowledge of RLD, threatened against RLD with respect to the Water Facilities, 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 RLD is there any basis for any such claim, suit, proceeding or investigation.

6.2 BT South Representations. As a material inducement for TMWA to enter into this Agreement, BT South represents and warrants to TMWA, as of the Effective Date and through the West Reno Closing, that:

6.2.1 Good Standing. BT South is a limited liability company duly organized, validly existing, and in good standing under the Laws of the State of Nevada. BT South 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.

6.2.2 No Violations; Proper Authority; No Required Consents. The execution, delivery and performance by BT South of this Agreement is not inconsistent with and will not violate or contravene any Law applicable to BT South; does not and will not contravene any provision of, or constitute a default under any contract to which BT South is a party or by which it or any of the BT South Property are bound; and will not result in the imposition of a lien upon the Tank Site or Water Facilities Easements pursuant to the terms of any agreement or instrument to which BT South is a party or by which it is bound. BT South has taken or will obtain prior to the West Reno Closing all necessary approvals required of its Board and members under all applicable Laws to consummate the transactions contemplated hereunder. There are no consents necessary which will not be obtained prior to the Closing 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 BT South, the BT South Property, Tank Site or Water Facilities Easements are bound. BT South 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 BT South enforceable against BT South in accordance with their respective terms.

6.2.3 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 BT South,

conditioned upon BT South's receipt of the Lenders Consents, 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 BT South is a party.

6.2.4 Ownership of Assets; Good Title. At the West Reno Closing, BT South shall convey good and marketable title to ~~the BT Certificated Water Rights to West Reno and shall convey~~ the Tank Site and Water Facilities Easements to TMWA, 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.

6.2.5 Material Contracts. Other than the CC&R's, BT South is not a party to, or bound by, any contract, understanding, commitment or agreement related to the Water Business or which would be applicable to or binding upon TMWA in connection with TMWA's operation of the Water Business after the West Reno Closing.

6.2.6 Compliance With Laws; Suits and Proceedings. BT South is not now (nor has it been within the past twelve (12) months) in violation of any Laws related to the Tank Site or Water Facilities Easements. There are no actions, suits, proceedings, investigations or claims pending or, to the knowledge of BT South, threatened against BT South with respect to the Tank Site, Water Facilities or Water Facilities Easements, 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 BT South is there any basis for any such claim, suit, proceeding or investigation.

7. CLOSING

7.1 Escrow Instructions. The transfers contemplated herein shall be consummated through the 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") pursuant to the West Reno Agreement. RLD, BT South 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 BT South, RLD and TMWA.

7.2 Closing Costs. Except as provided in this Section 7.2, RLD and BT South shall not be responsible for any closing costs. Any real property tax payable with respect to the Tank Site shall be prorated among TMWA and BT South as of the West Reno Closing, based upon the actual number of days in the month and/or year in which the West Reno Closing occurs. All Escrow Holder fees and costs, transfer taxes (if any), recording fees, escrow fees, closing costs and expenses shall be born and allocated between TMWA and West Reno pursuant to the West Reno Agreement.

7.3 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 but concurrently with the West Reno Closing to record any deed for the Tank Site, the ~~deed for the BT Certificated Water Rights, the~~ Water Facilities Easements, CC&R ~~Amendment~~ Termination and Lender Consents in the Official Records, Washoe County, and delivering the fully executed original RLD Bill of Sale and BT South Bill of Sale to TMWA.

~~7.4 Termination.~~ 7.4 West Reno Contingency/Termination. RLD and BT South acknowledge and agree the terms and conditions set forth in this Agreement, and TMWA's obligations in this Agreement, are expressly conditional upon and subject to the execution of the West Reno Agreement

by the parties thereto, TMWA's investigation of the West Reno system, the satisfaction and/or waiver of all conditions to the West Reno Closing benefitting TMWA, and the successful consummation of the West Reno Closing. At any time prior to the West Reno Closing, TMWA reserves the right in its sole and absolute discretion to terminate this Agreement with or without cause, and/or seek to renegotiate terms and conditions of this Agreement as deemed necessary by TMWA in its discretion to facilitate the West Reno Closing. If the West Reno Closing fails to occur or the West Reno Agreement is terminated for any reason, this Agreement shall automatically terminate and be of no further force or effect, and TMWA shall have no obligation with respect to water service to or in connection with the BT South Property or RLD Property under or in connection with this Agreement.

8. 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, (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, or (v) sent by email to the email address listed below with receipt confirmation requested, and shall be addressed as follows:

To RLD: Reno Land Development Company, LLC
6001 Talbot Lane
Reno, Nevada 89509
Attn: Chip L. Bowlby
Email: cbowlby@renolandinc.com

With a copy to: Brad Chamberlain
c/o Reno Land, Inc.
6001 Talbot Lane
Reno, Nevada 89509
Email: bchamberlain@bradchamberlainlaw.com

To BT South: BT South, LLC
6001 Talbot Lane
Reno, Nevada 89509
Attn: Chip L. Bowlby
Email: cbowlby@renolandinc.com

With a copy to: Brad Chamberlain
c/o Reno Land, Inc.
6001 Talbot Lane
Reno, Nevada 89509
Email: bchamberlain@bradchamberlainlaw.com

To TMWA: Truckee Meadows Water Authority
1355 Capital Blvd.
Reno, Nevada 89502
Attn: Mark Foree
Email: mforee@tmwa.com

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

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 or email receipt confirmation.

9. MISCELLANEOUS PROVISIONS.

9.1 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.

9.2 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.

9.3 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.

9.4 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.

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

9.6 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 RLD, BT South and TMWA other than with respect to their contractual obligations contained herein.

9.7 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.

9.8 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.

9.9 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.

9.10 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.

[\[Signature Page Follows\]](#)

[Signature Page – Agreement Regarding Water System Acquisition]

IN WITNESS WHEREOF, RLD, BT South and TMWA have executed this Agreement effective the latest date written below.

“TMWA”

TRUCKEE MEADOWS WATER AUTHORITY

By: _____

Its: _____

Dated: _____

“RLD”

RENO LAND DEVELOPMENT COMPANY, a Nevada
limited liability company

By: _____

Its: _____

Dated: _____

“BT SOUTH”

BT SOUTH, LLC, a Nevada limited liability company

By: _____

Its: _____

Dated: _____

Exhibits and Schedules

- Exhibit A: West Reno Agreement
- Exhibit B: RLD Water Rights and BT South Water Rights
- Exhibit C: Site Plan
- Schedule 2.1: RLD/BT South Improvements
- Exhibit 2.3: Form of CC&R Termination
- Exhibit 2.4: Form of RLD Bill of Sale
- Exhibit 3.2: Form Water Facilities Easements
- Exhibit 3.4: Form of BT South Bill of Sale
- Exhibit 4.1: Form of Annexation Agreement

**AGREEMENT REGARDING
WEST RENO WATER SYSTEM ACQUISITION
(SJP)**

THIS AGREEMENT REGARDING WEST RENO 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 SJP RENO PROPERTY, LLC, a Maryland limited liability company (“SJP”) 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. TMWA is a public purveyor of domestic water service in the greater Reno-Sparks area.
- B. TMWA and West Reno Water Company, Inc., a Maryland corporation (“West Reno”), have entered into that certain Agreement for Water System Acquisition dated June 20, 2018 (“West Reno Agreement”), pursuant to which West Reno has agreed to sell and TMWA has agreed to purchase certain water system facilities and assets in connection with the operation of a retail water sale and delivery system in or near Verdi, Nevada (the “Water Business”) which has a service territory consisting of approximately 880.16 acres more particularly described in the West Reno Agreement (“WR Service Area”). As used in this Agreement, the term “West Reno Closing” shall mean the date upon which the closing of the transactions contemplated under the West Reno Agreement occurs. A true and correct copy of the West Reno Agreement is attached to this Agreement as Exhibit “A”.
- C. SJP owns certain groundwater rights permitted for diversion through the West Reno Water Facilities as more particularly described in Exhibit “B” attached hereto (“SJP Water Rights”).
- D. SJP is a party to 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, as amended by Amendment No. 2 thereto recorded on December 17, 2015 as Document No. 4542990, and as amended by Amendment No. 3 thereto recorded on February 29, 2016 as Document No. 4564761, and as amended by the Assignment and Assumption of Water Facilities recorded on February 27, 2017 as Document No. 4683003 (the “CC&Rs”).
- E. SJP owns certain developed real property in the WR Service Area described as APN 038-430-02, 03, 04, 24, 51 and 52, and APN 038-870-13 (collectively, “SJP Developed Property”) and certain undeveloped real property in the WR Service Area described as APN 038-870-19, 038-870-20, 038-870-25, 038-430-53 and 038-430-54 (collectively, “SJP Vacant Property”, together with the Developed SJP Property referred to as the “SJP Property”) upon some of which certain Water Facilities (as defined below) are located and all of which will benefit from TMWA’s acquisition of the Water Business.
- F. SJP will benefit from TMWA’s acquisition of the Water Business, and the ability of the SJP Property to receive retail water service from TMWA.
- G. As conditions precedent to TMWA’s acquisition of the Water Business, the West Reno Agreement requires SJP to enter this Agreement and provide for i) the conveyance of certain easements and water facilities on the SJP Property and assignment of other property interests SJP may have with respect to the Water Business; ii) the termination of the CC&Rs; and iii) the release of TMWA from any water service related agreements with West Reno.

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 “CC&R’s” shall have the meaning ascribed to it in the recitals above.
- 1.2 “Escrow” means the escrow opened to consummate the transactions contemplated in the West Reno Agreement.
- 1.3 “SJP True-Up Water Rights” means that portion of the SJP Water Rights which are not otherwise committed for existing or future water services or encumbered as described in Exhibit “B”.
- 1.4 “SJP Developed Property” shall have the meaning ascribed to it in the recitals above.
- 1.5 “SJP Property” shall have the meaning ascribed to it in the recitals above.
- 1.6 “SJP Vacant Property” shall have the meaning ascribed to it in the recitals above.
- 1.7 “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 used or intended to be used in connection with the operation of the Water Business and distribution system of West Reno.
- 1.8 “Well Sites” means collectively the two (2) production well sites, located on APN 038-870-19 (well nos. 9 and 12) upon which West Reno currently operates groundwater wells, each of which sites shall be a maximum of 100 ft. by 100 ft. or in such other configuration as approved by TMWA, but not to exceed a total of 10,000 square feet.
- 1.9 “West Reno Closing” shall mean the date upon which escrow closes in the West Reno Agreement as evidenced by the recordation by the escrow holder of all instruments to be recorded in connection with the closing of the assets under the West Reno Agreement.
- 1.10 “West Reno Customers” shall have the meaning ascribed to it in the West Reno Agreement.
- 1.11 “Will Serve Commitment” shall have the same meaning as a “commitment for water service” as defined in NAC 445A.6577.
- 1.12 “WR Service Area” shall have the meaning ascribed to it in the West Reno Agreement.

2. **SJP OBLIGATIONS**

2.1 **Termination of CC&R's.** Conditional upon the consummation of the West Reno Closing, and the Termination of the CC&Rs substantially in the form attached hereto as Exhibit 2.1 ("CC&R Termination") being duly executed by the requisite number of property owners subject thereto with notary acknowledgments, SJP shall deliver the CC&R Termination, duly executed by SJP with notary acknowledgement, to Escrow on or before the West Reno Closing. SJP's obligation to execute the CC&R Termination is also contingent upon the satisfactory replacement of the Billboard Easement provided for in the CC&Rs with a standalone easement for the benefit of SJP, which SJP shall secure at its sole cost and expense.

2.2 **Conveyance of Water Facilities.** Conditional upon the consummation of the West Reno Closing, SJP shall dedicate and convey to TMWA, at no cost, all right, title and interest, if any, of SJP in and to the Water Facilities owned as of the date thereof by SJP. SJP shall convey the Water Facilities at the West Reno Closing by a General Assignment and Bill of Sale substantially in the form attached hereto as Exhibit 2.2 ("SJP Bill of Sale") without further representation or warranty of any kind or nature from SJP; provided, SJP shall assign to TMWA any third-party warranties applicable to the Water Facilities. SJP shall deliver the SJP Bill of Sale, duly executed by SJP, to Escrow on or before the West Reno Closing.

2.3 **Conveyance of Water Rights/Demand True Up** (MP: This is a newer concept emerging from Due Diligence, and has yet to be discussed with SJP). Conditional upon the consummation of the West Reno Closing, SJP shall convey to TMWA the SJP True Up Water Rights at the West Reno Closing by deed substantially in the form attached hereto as Exhibit 2.3.A ("Water Rights Deed"). SJP shall deliver the Water Rights Deed, duly executed by SJP with notary acknowledgment, to Escrow on or before the West Reno Closing. The SJP True Up Water Rights shall be conveyed to TMWA free and clear of any monetary liens, mortgages, pledges, security interests, rights of third parties, encumbrances or other charges of any kind. No later than forty-two (42) months after the West Reno Closing, TMWA shall determine the annual quantity of water delivered to the SJP Developed Property based upon three (3) years of continuous metered water use data for such SJP Developed Property collected by TMWA after the West Reno Closing (the "Actual Usage"). To the extent the Actual Usage for the SJP Developed Property or any portion thereof exceeds the will serve commitment demand identified in Exhibit 3.3, TMWA shall apply the SJP True Up Water Rights in accordance with TMWA Rule 7 to satisfy such deficit demand and the will serve commitment(s) will be adjusted to reflect the Actual Usage. Any excess SJP True Up Water Rights remaining after satisfying any deficit demand on the SJP Developed Property as set forth above shall be reconveyed by TMWA to SJP or its assignee.

2.4 **Easements.** Conditional on the consummation of the West Reno Closing, SJP shall convey to TMWA at the West Reno Closing easements across the SJP Property for access and operation of the Water Facilities (including the Well Sites), which easements shall be substantially in the form attached hereto as Exhibit 2.4 and as otherwise reasonably agreed by TMWA and SJP ("Water Facilities Easements"), and which easements shall be sufficient to provide rights of access and operation for all Water Facilities being conveyed to TMWA hereunder (if any) and in connection with the West Reno Agreement. TMWA shall identify the specific location of all Water Facilities Easements prior to the West Reno Closing for SJP's review and approval, which shall not be unreasonably withheld, delayed or conditioned, and SJP shall cooperate with TMWA as necessary to identify the location of all Water Facilities. SJP shall have no responsibility for the costs of all surveying, mapping and document preparation for the Water Facilities Easements. In addition to the foregoing, SJP shall convey and assign to TMWA at the West Reno Closing easements, if any, held by SJP across third party properties for purposes of operating and maintaining water facilities in connection with the Water Business, including without limitation water facilities easements conveyed pursuant to Subdivision Tract Maps 5205 and 5227.

2.5 Lender Consents. The Water Facilities Easements and SJP True Up Water Rights shall be conveyed to TMWA free and clear of any monetary liens, mortgages, pledges, or security interests of any kind, any rights of third parties (but with respect to the Water Facilities Easements, rights of third parties to the extent in conflict with such Water Facilities Easements), encumbrances or other charges of any kind that would interfere with TMWA's use and enjoyment of such easements or the ownership thereof, and SJP shall secure, at its sole cost and expense, secure agreements in such form reasonably agreeable to TMWA releasing or subordinating any such monetary liens and encumbrances to the rights being granted to TMWA (collectively, the "Lender Consents").

2.6 Cooperation with Water Facility Improvements. SJP shall cooperate in good faith with TMWA, at no expense to SJP, in connection with the installation of any backflow prevention facilities and/or meter installations or modifications to Water Facilities providing water service to the SJP Developed Property to the extent any are required by TMWA in connection with the West Reno Closing.

3. TMWA OBLIGATIONS.

3.1 Annexation of SJP Property Into TMWA Retail Service Area. Conditional upon the consummation of the West Reno Closing and the timely performance of all of SJP's obligations under this Agreement, TMWA shall annex the SJP Developed Property into TMWA's retail service area pursuant to the West Reno Agreement and TMWA shall annex the SJP Vacant Property into TMWA's retail service area pursuant to the Annexation Agreement substantially in the form attached hereto as Exhibit 3.1.

3.2 Modified Connection Fees for Portion of Future Development of SJP Property. Conditional upon the consummation of the West Reno Closing and the timely performance of all of SJP's obligations under this Agreement, TMWA agrees that in lieu of WSF Fees otherwise applicable under TMWA Rules, no TMWA WSF connection fees shall apply to the first 65 GPM of demand (in total) from new or modified service to any portion of the SJP Developed Property or the portion of the SJP Vacant Property described as APN 038-870-25, 038-870-20, and/or 038-870-19 ("Modified Connection Fee"). It is further agreed that except as otherwise set forth in this Section 3.2, new or modified water service to the SJP Property shall be governed exclusively by this Agreement, TMWA Rules and other written agreements between TMWA and SJP, and except as provided herein any applications for new or modified water service to any project shall be processed under and in accordance with TMWA Rules and shall be subject to all fees and charges, including WSF Charges, applicable to new development under TMWA Rules. The Modified Connection Fee is appurtenant to, and may only be used in connection with development on, the SJP Developed Property and APN 038-870-25, 038-870-20 and 038-870-19, shall not exceed 65 GPM in the aggregate, and is not transferrable or assignable for use on any other property. The obligations in this Section 3.2 shall survive the West Reno Closing.

3.3 Will Serve Commitments. Conditional upon the consummation of the West Reno Closing and the timely performance of all of SJP's obligations under this Agreement, TMWA agrees to issue Will Serve Commitments in the amount and to the service properties on the SJP Developed Property as described in Exhibit 3.3. SJP agrees TMWA shall have no liability or obligation with respect to any Will Serve Commitments to the SJP Developed Property except as disclosed on Exhibit 3.3.

4. RELEASE (MP: Concepts of reciprocal release remain under discussion with SJP)

Conditional on the consummation of the West Reno Closing, SJP, for itself and any assignees or successors in interest, hereby releases and agrees to hold harmless TMWA from and against any and all claims, liabilities, losses, damages, actions, or causes of action (in law or equity) of any kind or nature whatsoever, relating to or arising directly or indirectly from or incident to any agreements between SJP and West Reno, PNK (Reno) LLC, or any of their predecessors in interest in connection with water supply and

water service to SJP or any SJP Property. The foregoing release and hold harmless shall not apply to agreements (including will serve commitments) expressly assumed by TMWA in the West Reno Closing.

5. REPRESENTATIONS AND WARRANTIES

5.1 SJP Representations. As a material inducement for TMWA to enter into this Agreement, SJP represents and warrants to TMWA, as of the Effective Date and through the West Reno Closing, that:

5.1.1 Good Standing. SJP is a limited liability company 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. SJP 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.

5.1.2 No Violations; Proper Authority; No Required Consents. The execution, delivery and performance by SJP of this Agreement is not inconsistent with and will not violate or contravene any Law applicable to SJP; does not and will not contravene any provision of, or constitute a default under any contract to which SJP is a party. SJP has taken or will obtain prior to the West Reno Closing all necessary approvals required of its Board and members under all applicable Laws to consummate the transactions contemplated hereunder. There are no consents necessary which will not be obtained prior to the Closing 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 SJP or the Assets (as defined in the West Reno Agreement) are bound, other than the execution of the CC&R Termination by the third party property owners thereto. SJP 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 SJP enforceable against SJP in accordance with their respective terms.

5.1.3 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 SJP, conditioned upon SJP's receipt of the Lenders Consents, 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 SJP is a party.

5.1.4 Marketable Title to Water Resources. To the best of its knowledge, SJP holds good and marketable title to the SJP True Up Water Rights described in Exhibit "B" free and clear of all liens, mortgages, pledges, security interests, rights of third parties, encumbrances or other charges of any kind, except i) with respect to commitments for water service with respect to the SJP Dedicated Water Rights; and ii) as expressly disclosed in this Agreement or in writing to TMWA and as approved in writing by TMWA. Subject to receipt of the Lender Consents, SJP has a valid and enforceable right to assign and transfer the SJP True Up Water Rights to TMWA without obtaining the consent or approval of any third party, including any governmental authority.

5.1.5 Ownership of Assets; Good Title. At the West Reno Closing, SJP shall convey to TMWA good and marketable title to the SJP True Up Water Rights, Water Facilities Easements, and all right, title and interest, if any, of SJP to the Water Facilities, 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. Except to the extent previously conveyed to West Reno, SJP has not disposed of, nor taken any steps to dispose of, the SJP True Up Water Rights or Water Facilities and is not under any commitment to dispose of it in whole or in part.

5.1.6 Resource Commitments Liabilities Schedule. Schedule 3.3 fairly and accurately reflects 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 to the SJP Property. There are no Will Serve Commitments, obligations, or other agreements by West Reno or its predecessor with respect to the commitment, transfer or sale of water resources to the SJP Property except as disclosed on Schedule 3.3.

5.1.7 Material Contracts. Other than the CC&R's, SJP is not a party to, or bound by, any contract, understanding, commitment or agreement related to the Water Facilities or Water Business or which would be applicable to or binding upon TMWA in connection with TMWA's operation of the Water Business after the West Reno Closing.

5.1.8 Compliance With Laws; Suits and Proceedings. SJP is not now (nor has it been within the past twelve (12) months) in violation of any Laws related to the SJP True Up Water Rights or (to the extent owned by SJP) the Water Facilities. To the best of SJP's knowledge, there are no actions, suits, proceedings, investigations or claims pending or, to the knowledge of SJP, currently threatened against SJP with respect to the SJP True Up Water Rights and/or Water Facilities, 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 SJP is there any basis for any such claim, suit, proceeding or investigation.

5.1.9 Survival of Representations, Warranties, and Indemnities. The representations, warranties and indemnities of the parties set forth in this Agreement shall survive the Closing Date for a period of one (1) year.

5.1.10 Limitation of Damages. In no case shall any party be responsible or liable to the other party under any indemnity set forth in this Agreement or default hereunder 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, actual damages. SJP's liability for any breach(es) of its obligations, representations, warranties and indemnities hereunder shall not exceed in the aggregate One Hundred Thousand Dollars (\$100,000).

6. CLOSING

6.1 Escrow Instructions. The transfers contemplated herein shall be consummated through the 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") pursuant to the West Reno Agreement. SJP 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 SJP and TMWA.

6.2 Closing Costs. Except as provided in this Section 6.2, SJP shall not be responsible for any closing costs. All Escrow Holder fees and costs, transfer taxes (if any), recording fees, escrow fees, closing costs and expenses shall be born and allocated between TMWA and West Reno pursuant to the West Reno Agreement.

6.3 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 but concurrently with the West Reno Closing to record any

deed for the SJP True Up Water Rights, the Water Facilities Easements, CC&R Termination and Lender Consents in the Official Records, Washoe County, and delivering the fully executed original SJP Bill of Sale to TMWA.

6.4 Termination. If the West Reno Closing fails to occur on or before December 31, 2018 or the West Reno Agreement is terminated for any reason, this Agreement shall automatically terminate and be of no further force or effect.

7. 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, (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, or (v) sent by email to the email address listed below with receipt confirmation requested, and shall be addressed as follows:

To SJP: SJP Reno Property, LLC
P.O. Box 399
Verdi, Nevada 89439
Attn: Rob Medeiros
Email: rmedeiros@btreno.com

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
Email: mforee@tmwa.com

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

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 or email receipt confirmation.

8. MISCELLANEOUS PROVISIONS.

8.1 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.

8.2 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 reasonable attorneys' fees to the prevailing party in the action. This Agreement shall be governed by the Laws of the State of Nevada.

8.3 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.

8.4 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.

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

8.6 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 SJP and TMWA other than with respect to their contractual obligations contained herein.

8.7 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.

8.8 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.

8.9 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.

8.10 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.

[Signature Page Follows]

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

“TMWA”

TRUCKEE MEADOWS WATER AUTHORITY

By: _____

Its: _____

Dated: _____

“SJP”

SJP RENO PROPERTY, LLC, a Maryland limited liability company

By: _____

Its: _____

Dated: _____

Exhibits and Schedules

Exhibit A: West Reno Agreement

Exhibit B: SJP Water Rights

Exhibit 2.1: Form of CC&R Termination

Exhibit 2.2: Form of SJP Bill of Sale

Exhibit 2.3A: Form of Water Rights Deed

Exhibit 2.4: Form Water Facilities Easements

Exhibit 3.1: Form of Annexation Agreement

Exhibit 3.3: SJP Developed Property Will Serve Commitments

Exhibit A
West Reno Agreement
(to be attached)

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Exhibit B
SJP Water Rights (MP: Subject to revision)

Permit No.	Acre-Feet Annually
36512	103
44593	
44594	
44595	
44596	
66262	
66263	
66264	

SJP True Up Water Rights

Permit No.	Acre-Feet Annually
36512	55
44593	
44594	
44595	
44596	
66262	
66263	
66264	

Exhibit 2.1
Form of CC&R Termination

APN: _____

WHEN RECORDED MAIL TO:
SJP Reno Property, LLC

I the undersigned hereby affirm that this document submitted for recording does not contain the social security number of any person or persons. (Per NRS 239B.030)

TERMINATION OF DECLARATION OF COVENANTS,
RESTRICTIONS AND EASEMENTS

This Termination of Declaration of Covenants, Restrictions and Easements ("**Termination**") is made and entered into this ____ day of _____, 2018, by and between Reno Land Development Company, LLC, a Nevada limited liability company, and BT South, LLC, a Nevada limited liability company (together, "**RLD**"), SJP Reno Property, LLC, a Maryland limited liability company ("**SJP**"), DP Clark Garson Road 1, LLC, a Nevada limited liability company ("**DP Clark 1**"), DP Clark Garson Road 2, LLC, a Nevada limited liability company ("**DP Clark 2**" together with DP Clark 1 referred to as "**DP Clark**"), Bates Stringer-Reno, LLC, a Nevada limited liability company ("**Bates**") and West Reno Water Company, Inc., a Maryland corporation ("**West Reno**").

WITNESSETH:

WHEREAS, a Declaration of Covenants, Restrictions and Easements was recorded on June 26, 2012 with the Washoe County Recorder as Document #4125499, as amended by Amendment No. 1 thereto which was recorded on August 27, 2014 with the Washoe County Recorder as Document #4386643 ("**Amendment No. 1**"), as amended by Amendment No. 2 thereto which was recorded on December 17, 2015 with the Washoe County Recorder as Document #4542990 ("**Amendment No. 2**") , and as amended by Amendment No. 3 thereto which was recorded on February 29, 2016 with the Washoe County Recorder as Document #4564761 ("**Amendment No. 3**") (collectively, the "**Declaration**").

WHEREAS, the rights and obligations of the Water Facilities Owner as defined in the Declaration were assigned by SJP and assumed by West Reno pursuant to a written Assignment and Assumption of Water Facilities which was recorded on February 27, 2017 with the Washoe County Recorder as Document #4683003 ("**Assignment and Assumption**").

WHEREAS, West Reno is the current Water Facilities Owner, as such term is defined in the Declaration.

WHEREAS, pursuant to that certain Agreement for Water System Acquisition between West Reno and the Truckee Meadows Water Authority (“**Authority**”) dated June 20, 2018, West Reno has agreed to assign all right, title and interest in and to the Water Facilities and the water system described in the Declaration to Authority, and Authority, a municipal purveyor of water service serving the greater Reno-Sparks metropolitan area, has agreed to provide retail water service within the former West Reno service area. As a condition of such acquisition, Authority has required the Declaration terminate with respect to any and all provisions related to the creation, maintenance or operation of the water system or the provision of water service, including easements granted thereunder, it being the express intention that easements for the existing Water Facilities be granted through separate easement deeds to be recorded concurrently herewith and that all terms and conditions of current and future water service to the Property be governed solely and exclusively by the Authority’s rules and regulations or other written agreements between the Authority and the property owner seeking water service.

WHEREAS, Pursuant to Section 11.3 of the Declaration, the Declaration may be terminated by RLD, SJP, Bates and DP Clark, as they collectively represent Owners of at least 50% of the Total Area, and by West Reno Water Company as the Water Facilities Owner.

WHEREAS, the Owners desire to terminate the Declaration in its entirety as set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the recitals set forth above, the undersigned Owners, representing at least 50% of the Total Area, and West Reno Water Company, as the Water Facilities Owner, hereby terminate and delete the Declaration in its entirety, and to the extent necessary quitclaim to each other any easements, encumbrances or other rights created thereunder running with and inuring to the benefit of their respective properties, and further declare that the Declaration shall no longer be in force or effect or exist as an encumbrance, covenant, restriction or condition affecting the Property described therein.

In consideration of the terms of this Termination, each of the parties hereby fully and completely release and forever discharge each other, and its/their respective successors, heirs, assigns and agents from any and all claims, actions, suits, causes of action of whatever kind arising out of the Declaration and/or the Parties’ relationships with one another, at law, in equity, or otherwise, whether now known or unknown, which any of the Parties now have, had in the past, or may have in the future against any other Party, for any and all claims which were or might have been made in connection with the Declaration and/or the Parties relationships or dealings with one another. The Parties specifically recognize and accept the risk of the possible existence of presently unknown and unanticipated damage resulting from the circumstances or incidents which may be discovered after execution of this Termination.

Each of the parties hereto, on their own behalf and on behalf of their affiliates, owners, partners, members, managers, officers, directors, trustees, agents, attorneys, employees and affiliates and their successors and assigns indemnifies, defends and holds harmless the Water Facilities Owner and its predecessors, respective affiliates, owners, partners, members, managers, officers, directors, trustees, agents, attorneys, employees and affiliates and their successors and assigns from and against any claims related to the Declaration as of the date of this Termination.

This Termination is effective upon recordation in the Official Records, Washoe County.

[Signature Page Follows]

[Signature Page to CC&R Termination]

IN WITNESS WHEREOF, the parties hereto have executed this Termination as of the date first above written.

<p>SJP Reno Property, LLC, a Maryland limited liability company</p> <p>By: Edward St. John, LLC Its: Manager</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>WEST RENO WATER COMPANY, INC., a Maryland corporation</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Reno Land Development Company, LLC, a Nevada limited liability company</p> <p>By: _____ Chip Bowlby, Manager</p> <p>BT South, LLC, a Nevada limited liability company</p> <p>By: _____ Chip Bowlby, Manager</p> <p>Bates Stringer-Reno, LLC, a Nevada limited liability company</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p>	<p>DP Clark Garson Road 1, LLC, a Nevada limited liability company</p> <p>By: DP Garson MGR LLC, a Delaware limited liability company Its: Manager</p> <p>By: Dermody Properties, LLC, a Delaware limited liability company Its: Manager</p> <p>By: The Michael C. Dermody Revocable Trust (u.d.t. August 10, 1989) Its: Manager</p> <p>By: _____ Michael C. Dermody, Trustee</p> <p>DP Clark Garson Road 2, LLC, a Nevada limited liability company</p> <p>By: DP Garson MGR LLC, a Delaware limited liability company Its: Manager</p> <p>By: Dermody Properties, LLC, a Delaware limited liability company Its: Manager</p> <p>By: The Michael C. Dermody Revocable Trust (u.d.t. August 10, 1989) Its: Manager</p> <p>By: _____ Michael C. Dermody, Trustee</p> <p><u>Acknowledged and Consented To:</u> UMQUA BANK</p> <p>By: _____</p> <p>Its: _____</p>
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[Add notary block]

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Exhibit 2.2
Form of General Assignment and Bill of Sale

GENERAL ASSIGNMENT AGREEMENT AND BILL OF SALE

THIS GENERAL ASSIGNMENT AND BILL OF SALE is made effective the ____ day of _____, 2018 (“Effective Date”) by and between the SJP RENO PROPERTY, a Maryland limited liability company (“Assignor”) 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 (“Assignee”).

WITNESSETH:

Reference is made to that certain Agreement Regarding West Reno Water System Acquisition dated June 20, 2018 (“Agreement”) by and between Assignor and Assignee, pursuant to which Assignor agreed to dedicate and convey to TMWA, at no cost, all right, title and interest, if any, of SJP in and to the Water Facilities owned as of the date thereof by SJP, entered into in connection with that certain Agreement for Water System Acquisition entered between Assignee and West Reno Water Company, Inc., pursuant to which West Reno agreed to sell and Assignee agreed to purchase certain water system facilities and assets in connection with the operation of a retail water sale and delivery system in or near Verdi, Nevada. As used herein, the term “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 used or intended to be used in connection with the operation of the West Reno water system.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby grants, assigns, transfers, conveys and delivers to Assignee, without representation or warranty except as otherwise provided in the Agreement, any and all of Assignor's right, title, interest, benefits and privileges, in and to the following:

1. All of Assignor's right, title, and interest which Assignor may have in and to all of the Water Facilities to have and to hold the same unto Assignee, its successors and assigns, forever, and Assignee hereby accepts the sale, transfer, conveyance, and delivery of the Water Facilities, together with any assignment of existing and assignable third party warranties and representations that relate to completed or ongoing construction, reconstruction, upgrading, installation, expansion and repair of the Water Facilities.
2. All records, plans, plats, engineering and other drawings, designs, blueprints, plans, specifications, maintenance and operating manuals, engineering reports, calculations, computer models and studies relating to the Water Facilities, whether in written form or otherwise, in the possession of Assignor.
3. All electronic data, computer models and /or databases used to create geographic information, data and maps, distribution system design drawings, and as-built drawings with respect to the Water Facilities.
4. All necessary regulatory authorizations, governmental requirements, permits or approvals, permits, inspections, occupancy certificates, and similar approvals or documents issued by any applicable governmental entity or body, subject to all conditions, limitations or restrictions contained therein, necessary to construct, expand, repair, update, operate or maintain the Water Facilities.

Assignor hereby constitutes and appoints Assignee the true and lawful attorney of Assignor, with full power of substitution, in the name of Assignor or Assignee, but on behalf of and for the benefit of Assignee: (i) to demand and receive from time to time any and all of the Water Facilities 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 Assignee may deem proper in order to collect, assert or enforce any claim, right or title of any kind in or to the Water Facilities; (iii) to defend or compromise any or all actions or proceedings in respect of any of the Water Facilities; and (iv) to do all such acts and things in relation to the matters set forth in the preceding clauses (i) through (iii) as Assignee shall deem desirable. Assignor 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.

This Assignment shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, heirs and legatees of the respective parties hereto.

In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants, conditions, agreements or provisions on the part of the other party arising out of this Assignment, then in that event the prevailing party shall be entitled to have and recover of and from the other party all costs and expenses of the action or suit, including reasonable attorneys' fees.

This Assignment shall be governed by, interpreted under, and enforced and construed in accordance with the laws of the State of Nevada.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date first hereinabove written.

DATED effective as of _____, 2018.

ASSIGNOR: SJP RENO PROPERTY, LLC, a Maryland limited liability company By: _____ Its: _____ Dated: _____	Acknowledged and accepted: TRUCKEE MEADOWS WATER AUTHORITY By: _____ Its: _____
--	---

Exhibit 2.3A
Form of Water Rights Deed
(To be attached)

DRAFT

Exhibit 2.4
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 [exclusive][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 of Grantor 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, upon reasonable notice to Grantor, except in the event of an emergency, without payment or liability, 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

DRAFT

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

DRAFT

Exhibit 3.1

Form of Annexation Agreement

APN: APN 038-870-19, 038-870-20, 038-870-25,
038-430-53 and 038-430-54

When Recorded, Return to:

Truckee Meadows Water Authority
Attn: Amanda Duncan, ARWP, Land Agent
P O Box 30013
Reno, NV 89520-3013
TMWA WO: West Reno System Acquisition

RETAIL WATER SERVICE AREA ANNEXATION AGREEMENT
(West Reno System)

THIS AGREEMENT, entered into as of the date last executed by the parties below ("Effective Date"), by and between **TRUCKEE MEADOWS WATER AUTHORITY** (the "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, and **SJP RENO PROPERTY, LLC**, a Maryland limited liability company, (referred to as "Developer" or "Owner" in this Agreement and exhibits attached hereto, and together with Authority collectively hereinafter referred to as "Parties");

WITNESSETH:

WHEREAS, Owner owns certain real property more particularly described on Exhibit "A" and depicted on Exhibit "A-1" attached hereto and incorporated herein by this reference and comprised collectively of APN 038-870-19, 038-870-20, 038-870-25, 038-430-53 and 038-430-54 ("Property" or "Owner's Project"), located outside of Authority's current retail water service area.

WHEREAS, on June 20, 2018 Authority entered into an Agreement for Water System Acquisition ("West Reno Agreement") with West Reno Water Company ("West Reno") pursuant to which the Authority acquired and agreed to annex into the Authority system the water facilities assets of West Reno (the "West Reno System"), which system is located near or on portions of the Owner's Property.

WHEREAS, Owner desires the Authority to expand its retail water service area to provide water service to the Property.

WHEREAS, on _____, 2018, Authority entered into an Agreement Regarding West Reno System Acquisition with Owner ("WR Ancillary Agreement"), pursuant to which Owner agreed to convey certain property and easements utilized in connection with the West Reno System.

WHEREAS, Authority has determined it is willing to provide water service to the Property, and accordingly, Owner's Property may be annexed into Authority's retail water service area, on the terms and conditions set forth herein.

WHEREAS, the West Reno System together with interconnections into and enhancements to TMWA's surface water system, when constructed, can be utilized by Authority as part of an integrated system to provide capacity for water service to residential and commercial development in the former West Reno service area and to Owner's Property. Without improvements to and interconnection into TMWA's surface water system, the West Reno System will have limited capacity for new services.

WHEREAS, for and in consideration of the performance of obligations under the WR Ancillary Agreement, Authority is willing to expand its retail water service area to include water service to the Property, and Owner agrees to the expansion of Authority's retail water service area upon the terms and conditions set forth in this Agreement, subject to and on the express condition that Owner fully and completely perform the terms and conditions set forth in this Agreement and the WR Ancillary Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties agree as follows:

1. Expansion of Water Service area. Authority agrees to expand its retail water service area as set forth in Exhibit "A" attached hereto to provide water service for the Property; provided, however, that such expansion of the Authority's retail water service area is specifically conditioned upon execution of this Agreement by Owner and the Authority, and the complete and satisfactory performance of the terms and conditions in Section 2 herein. Owner agrees, for itself and its successors and assigns, that water service to and on the Property and Authority's obligations to provide new or modified water service to and on the Property shall be governed exclusively by this Annexation Agreement, Authority Rules and other written agreements between Authority and Owner. Except as expressly provided otherwise herein, applications for new or modified water service to any project on the Property shall be processed solely under Authority Rules. Provided that Authority performs its covenants and obligations in accordance with this Agreement and the WR Ancillary Agreement and except for the Will-Serve commitments provided for in Section 3 of the WR Ancillary Agreement, Owner agrees that Authority shall have no liability, obligation or responsibility under any entitlements or any other agreements between West Reno or its predecessors, on one hand, and Owner and/or its predecessors, on the other, with respect to water service to the Property and, subject to the foregoing, Owner hereby releases and agrees to hold harmless Authority from and against any and all claims, liabilities, losses, damages, actions, or causes of action (in law or equity) of any kind or nature whatsoever, relating to arising directly or indirectly from or incident to any such agreements in connection with water service to the Property.

2. Conditions to Annexation. The Authority has determined that improvements and/or modifications to its Water System Facilities and/or certain conditions are required to expand its retail water service area to include the Property, and the following conditions in this Section 2 must be satisfied before water service is provided by Authority.

2.1 West Reno System Capacity Reservation and Intertie Facilities Improvements. Owner acknowledges that the West Reno System provides a finite capacity, the exact amount of which has not been determined by Authority and of which 488 GPM of maximum day demand ("MDD") is committed to existing or future West Reno Customers as set forth in Schedule 2.1 attached hereto and incorporated by this reference. Authority has agreed to reserve the first 133 GPM of MDD capacity in excess of the 488 GPM referenced above remaining in the West Reno System, to the extent such capacity exists, for service to owned by BT South, LLC, as described in that certain Annexation Agreement between Authority and BT South, LLC, of even date herewith. The balance of available capacity within the West Reno System, if any, shall be available on a first come, first served basis to applicants for water service connecting into the West Reno System. Except as otherwise provided in Section 2.5, Authority's obligation to provide water service to the Property shall be limited to and in no event exceed the sustainable capacity of the West Reno System, whether through existing groundwater wells and/or in conjunction with constructed, in-service

Intertie Facilities Improvements or constructed, in-service Backbone Facilities Improvements, to produce water supply which meets or exceeds Authority's water quantity and quality requirements as determined in Authority's reasonable discretion. For purposes of this Agreement, i) the term "Intertie Facilities Improvements" means interconnections into Authority's surface water supply system intended to provide limited off-peak conjunctive use capacity, such improvements generally consisting of approximately 1,800 linear feet of 16" water main between Riverbelle mobile home park and the West Reno water system, a booster pump station and jack and bore under the UP railroad; and ii) the term "Backbone Facilities Improvements" means improvements to Authority's water system facilities intended to provide full design capacity to the Verdi area and provide a fully operational water distribution system, such improvements generally consisting of a 24" main across the Truckee River at Mayberry, expanded capacity at the existing US 40 Pump Station, approx. 6,600 feet of 16" main from Mesa Park/Mae Anne to Mogul, the Verdi Pump Station at Mogul, approx. 9,750 feet of 18" discharge main from the Verdi Pump Station to the Riverbelle Mobile Home Park including utilization of an existing casing under the Truckee River between River Oak and Riverbelle MHP and the proposed 1.5 MG Lower Verdi Tank including approx. 4,400 feet of 18" feeder main. Owner acknowledges and agrees that the water quality, quantity and capacity of the West Reno System must be tested and accepted by Authority, and developed and capable of being placed into service prior to and as a condition precedent of Authority entering any Water Service Agreement for an application for new water service to any portion of Owner's Property.

2.2 Additional Conditions Regarding Property. The Authority has determined that additions, improvements and/or modifications to the West Reno System and Authority's water system facilities are required to expand its retail water service area to provide service to the Property in excess of the available capacity of the West Reno System, the specific details of which have yet to be identified but which may include the Intertie Facilities and Backbone Facilities Improvements (collectively such additions, improvements and/or modifications referred to as the "West Reno Expansion Facilities"). In addition to the other conditions set forth in this Agreement, Authority's obligation to provide water service to the Property for demand in excess of the sustainable capacity of the West Reno System shall be conditional upon the following: 1) the West Reno Expansion Facilities necessary for service, as determined by Authority in its discretion, shall be completed, dedicated and in service prior to execution of a Water Service Agreement for new service to or on the Property; 2) development of the Property shall be subject to, and all applicants for new service on the Property shall pay, all applicable Authority WSF Water System Facility Charges, including without limitation the Area 7 Facility Charge and/or special improvement district assessments, if any, in effect at the time of execution of a Water Service Agreement; 3) the Property shall be subject to and all applicants for new service to the Property shall be required to pay at the time of execution of a Water Service Agreement a prorated share of the West Reno Expansion Facilities, if any are needed; and 4) Owner shall dedicate to Authority such easements and other property located on the Property necessary for the construction and operation of the West Reno Expansion Facilities, such dedications to be made in accordance with Authority's Rules.

2.3 WR Ancillary Agreement. Owner and SJP shall each have fully and timely performed all obligations required of each of them under the WR Ancillary Agreement.

2.4 Additional Conditions Regarding Authority's Water System Facility Charges ("WSF Charges"). Subject to Section 2.3 and 2.5 of this Agreement, Authority agrees that in lieu of WSF Fees otherwise applicable under Authority Rules, no TMWA WSF connection fees ("Modified Connection Fee") shall apply to the first 65 GPM of demand ("GPM Limit") from new or modified service to the portion of the Property described as APN 038-870-20, 038-870-19, 038-430-02, 03, 04, 24, 51 and 52, and 038-870-13 and 25 ("Modified Fee Parcels"). The Modified Connection Fee is appurtenant to, and may only be used in connection with development on the Modified Fee Parcels, and is not transferrable or assignable for use on any other property. Any new or modified service on the Modified Fee Property which in the aggregate exceeds the GPM Limit, and any new or modified service on all other portions of the Property,

shall be subject to all fees and charges, including WSF Charges, applicable to new development under Authority Rules.

2.5 Special Charges for Water Quality Mitigation. Notwithstanding any provision herein to the contrary, Authority shall be entitled to impose against the Property and collect from all owners of property served by the West Reno System, including the Owner(s) of the Property, as such Owner(s) apply for new Service from Authority or as customers of the Authority, and on such allocable basis determined by Authority consistent with this Section, special charges ("Special Charges"), to fund costs incurred to relocate or modify wells in the West Reno System necessary to mitigate adverse water quality conditions which arise within ten (10) years of the Effective Date and which impair or affect Authority's ability to supply water from the West Reno System facilities in compliance with applicable laws. The amount of the Special Charges shall be adopted by the Authority Board through the normal public procedures for approving modifications to Authority Rules or rate tariffs and must be applicable to all real property served by the West Reno System. Authority shall allocate any modified Special Charges equally on a pro rata basis to all Service Properties and/or undeveloped property served by the West Reno System, such that the Owner of each Service Property and undeveloped property served by the West Reno System shall be responsible for paying the proportionate share of the total Special Charges as a condition of water service. Owner for itself and behalf of its successors and assigns to the Property, hereby covenants and agree to pay the Special Charges to the Authority, and agrees the Special Charges, together with interest thereon, late charges, costs, and reasonable attorneys' fees for the collection thereof, are and shall be a charge against and a continuing lien upon the Property or applicable portion thereof against which such Special Charges are made until paid in full, and may, at TMWA's election, be collected on TMWA's behalf by the County Assessor through the property tax rolls assessed against the Property or applicable portion thereof in the same manner as property tax deficiencies.

2.6 Construction of Improvements/Dedication of Real Property. The Authority has determined that the dedication of certain real property in fee, or certain easements, rights of way or other interests in real property is required, and that certain improvements to such dedicated property are required, to expand its retail water service area to include the Property. The real property required for dedication in fee or by easement and the improvements required thereto is set forth on Exhibit "B" attached hereto and incorporated herein by this reference. Such property shall be conveyed free and clear of all liens and encumbrances (including any covenants, conditions and restrictions), and Owner shall obtain and provide Authority prior to dedication, at Owner's expense, a preliminary title report for any property offered for dedication showing all matters of record affecting such property, except for such monetary liens and encumbrances for real property taxes that are not yet due and payable and such other nonmonetary liens and encumbrances that Authority, in its reasonable discretion in accordance with common utility practice, is willing to accept. Owner is solely responsible for obtaining all appropriate permits, licenses, construction easements, subordination agreements, consents from lenders, and other necessary rights from all necessary parties to dedicate property with title acceptable to Authority. Owner may not apply for, nor shall Authority shall have any obligation to issue or enter, a Water Service Agreement for service to any portion of the Property until such real property required hereunder is granted to Authority in such form, location, scope and condition of title satisfactory to Authority. Furthermore, unless such real property is granted to Authority no later than six (6) months from the Effective Date of this Annexation Agreement, this Annexation Agreement shall automatically terminate, and the Property shall be deemed de-annexed from the Authority retail service area.

3. Conditions of Water Service. Owner acknowledges and agrees that this Agreement merely addresses conditions required for the expansion of Authority's retail water service area, and that Owner must independently comply with all applicable requirements in Authority's Rules before the Authority has any obligation to provide water service to the Property, including without limitation (i) submitting and receiving approval from the Authority of appropriate applications for service; (ii) dedicating sufficient

Water Resources to the Authority and receiving a Will Serve Commitment for service to the Property; (iii) in addition to any dedication requirements in Section 2 of this Agreement, dedicating appropriate easements and other real property required for service; (iv) in addition to any dedication requirements in Section 2 of this Agreement, installing, constructing and dedicating subdivision or on-site water system facility additions, improvements or modifications or, except as otherwise provided in Section 2.1.1 above, further additions, improvements, extensions or modifications to Authority's Water System Facilities as necessary to provide the requested new service(s) or modification of service(s) to the Property (excluding, with respect to the first 65 GPM of MDD supply to the Modified Fee Parcels, the Intertie Facilities Improvements and Backbone Facilities Improvements); and (v) satisfying such other terms and conditions pursuant to the Authority's Rules and any requirements of any local governmental entity with jurisdiction over the Property as necessary to obtain a Will-Serve Commitment letter from the Authority for the delivery of water to the Property. Owner shall submit such applications and execute such other documents required by Authority's Rules and procedures prior to being eligible for the delivery of water to the Property. All such conditions, dedications, additions, improvements, extensions and modifications shall be made in accordance with the Authority's Rules and regulations in effect at the time Authority and Owner enter into any agreement or agreements for the specific dedication, additions, improvements or modifications required to provide water service to the Property.

4. General Terms

4.1 Owner acknowledges and agrees that it is entering this Agreement voluntarily, that the expansion of Authority's service area is specifically conditioned on Owner's performance of all terms and conditions contained herein, and that if any of the provisions of this Agreement are deemed unenforceable or if Owner fails to perform any of its obligations hereunder, Authority is under no obligation to expand its service area to include any portion of the Property for which the Authority has not previously entered an agreement to provide water service. Nothing in this paragraph shall be construed to grant Owner a right, and Owner specifically waives any right, if any exists, to dispute any of the terms and conditions of this Agreement under Rule 8 in Authority's Rules. Upon annexation of the Property, the Parties acknowledge and agree that both are bound by the terms and conditions of the rules and regulations adopted by Authority, as the rules and regulations may be amended from time to time, and as such rules may exist at the time service is applied for or requested for the Property or certain phases of the Property.

4.2. Any written notices or communications required hereunder shall be served by placing such notices in the U.S. Mail, postage prepaid, properly addressed to:

To: Authority

Attn. General Manager
P.O. Box 30013
Reno, NV 89520-3013

To: Owner

4.3. This Agreement shall inure to and be binding upon the parties, their respective successors and assigns.

4.4. This Agreement shall not be modified except in writing, signed by all parties.

4.5. This Agreement represents the entire agreement between the Parties related to the expansion of the Authority's retail water service area and supersedes all prior representations and agreements whether written or oral with respect to the covenants and conditions provided herein; provided,

however, that the obligations set forth in this Agreement shall be in addition to, and do not supersede or replace, any obligations that may be imposed upon Owner under Authority’s Rules.

4.6 This Agreement and terms and conditions herein shall run with the land and be binding upon and inure to the benefit and burden of the parties to the agreement and their heirs, successors and assigns and any future owners of the Property.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the day and year written below.

**TRUCKEE MEADOWS WATER
AUTHORITY**, a joint powers authority

SJP RENO PROPERTY, LLC,
a Maryland limited liability company

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

[Notary page follows]

) SS

)

MEADOWS WATER AUTHORITY, on behalf of said Joint Powers Authority therein named.

NOTARY PUBLIC

) SS

)

_____ on behalf of said _____ therein named.

NOTARY PUBLIC

Exhibit "A" to Annexation Agreement
Description of Annexed Property

PARCEL 1

Parcel A of Parcel Map No. 4852, recorded in the office of the County Recorder of Washoe County, Nevada on November 1, 2007 as File No. 3590217.

APN: 038-870-19

PARCEL 2

Parcel B of Parcel Map No. 4852, recorded in the office of the County Recorder of Washoe County, Nevada on November 1, 2007 as File No. 3590217.

APN: 038-870-20

PARCEL 3

A parcel situate within the West Half of Section 16, Township 19 North, Range 18 East, M.D.M., being comprised of all of Parcel "B" as shown on the 2nd Parcel Map for PNK (RENO), LLC, Parcel Map 4851, File Number 3590216, recorded on November 1, 2007 in the Official Records of Washoe County, Nevada, together with a portion of the parcel described as the Boomtown Road Abandonment, Document Number 3798897, recorded September 3, 2009 in the Official Records of Washoe County, Nevada, and being more particularly described as follows:

BEGINNING at the Northeast corner of said Parcel "B", also being a point on the easterly right-of-way line of Cabela Drive, from which the West Quarter corner of said Section 16 bears South 59°57'00" West a distance of 2760.74 feet;

Thence along said right-of-way line from a tangent which bears North 33°19'09" East, along a circular curve to the left with a radius of 462.00 feet and a central angle of 08°00'09" an arc length of 64.53 feet to a point on the centerline of the abandonment parcel described in said Document Number 3798897;

Thence along said centerline from a tangent which bears South 01°59'49" West, along a circular curve to the left with a radius of 4000.00 feet and a central angle of 03°43'08" an arc length of 259.62 feet;

Thence continuing along said line South 01°43'19" East a distance of 695.76 feet;

Thence continuing along said line along a tangent circular curve to the left with a radius of 500.00 feet and a central angle of 14°54'02" an arc length of 130.03 feet;

Thence continuing along said line along a tangent circular curve to the right with a radius of 500.00 feet and a central angle of 23°29'07" an arc length of 204.95 feet;

Thence continuing along said line along a tangent circular curve to the left with a radius of 2500.00 feet and a central angle of 00°52'00" an arc length of 37.82 feet to the northeasterly right-of-way line of Boomtown Garson Road;

Thence along said line from a tangent which bears North 08°57'02" West, along a circular curve to the left with a radius of 699.00 feet and a central angle of 08°05'32" an arc length of 98.73 feet to the southeast corner of said Parcel "B";

Thence continuing along said line along a tangent circular curve to the left with a radius of 699.00 feet and a central angle of $02^{\circ}16'56''$ an arc length of 27.84 feet;

Thence continuing along said line North $19^{\circ}19'31''$ West a distance of 218.52 feet;

Thence continuing along said line along a tangent circular curve to the left with a radius of 699.00 feet and a central angle of $50^{\circ}56'46''$ an arc length of 621.53 feet to the southwest corner of said Parcel "B";

Thence along the westerly line of said Parcel "B" with a non-tangent line North $36^{\circ}51'42''$ East a distance of 30.81 feet;

Thence continuing along said line along a tangent circular curve to the left with a radius of 50.00 feet and a central angle of $90^{\circ}00'00''$ an arc length of 78.54 feet;

Thence continuing along said line North $53^{\circ}08'18''$ West a distance of 34.78 feet to the easterly right-of-way line of Cabela Drive;

Thence along said right-of-way line from a tangent which bears North $26^{\circ}22'34''$ East, along a circular curve to the right with a radius of 398.00 feet and a central angle of $34^{\circ}39'51''$ an arc length of 240.79 feet;

Thence continuing along said line North $61^{\circ}02'25''$ East a distance of 153.58 feet;

Thence continuing along said line along a tangent circular curve to the left with a radius of 462.00 feet and a central angle of $27^{\circ}43'16''$ an arc length of 223.53 feet to the Point of Beginning.

APN: 038-870-25

PARCEL 4

A parcel situate within the North Half of Section 16, Township 19 North, Range 18 East, M.D.M., being comprised of all of Parcel 2 as shown on the Parcel Map for S. Ross Mortensen and Irene Mortensen, Parcel Map 2038, File Number 1110476, recorded on October 22, 1986 in the Official Records of Washoe County, Nevada, together with a portion of the parcel described as the Boomtown Road Abandonment, Document Number 3798897, recorded on September 3, 2009 in the Official Records of Washoe County, Nevada, and being more particularly described as follows:

BEGINNING at the Northeast corner of said Parcel 2, from which the West quarter corner of said Section 16 bears South $65^{\circ}15'57''$ West a distance of 3309.40 feet;

Thence along the easterly line of said Parcel 2 South $06^{\circ}29'57''$ East a distance of 343.12 feet;

Thence continuing along said line South $25^{\circ}35'57''$ East a distance of 35.00 feet to the southeast corner of said Parcel 2;

Thence along the southerly line of said Parcel 2 North $88^{\circ}21'16''$ West a distance of 604.88 feet to the southeast corner of said Parcel 2;

Thence leaving said line and continuing North $88^{\circ}21'16''$ West a distance of 30.05 feet to a point on the centerline of the abandonment parcel described in said Document Number 3798897;

Thence along said centerline North 01°43'19" West a distance of 148.73 feet;

Thence continuing along said line along a tangent circular curve to the right with a radius of 4000.00 feet and a central angle of 03°37'17" an arc length of 252.82 feet;

Thence leaving said line with a non-tangent line South 85°23'10" East a distance of 30.03 feet to the northwest corner of said Parcel 2;

Thence along the northerly line of said Parcel 2 South 85°23'10" East a distance of 556.67 feet to the Point of Beginning.

APN: 038-430-53

PARCEL 5

A parcel situate within the North Half of Section 16, Township 19 North, Range 18 East, M.D.M., being comprised of all of Parcel "B" as shown on the 4th Parcel Map for PNK (RENO), LLC, Parcel Map 4853, File Number 3590218, recorded on November 1, 2007 in the Official Records of Washoe County, Nevada, together with a portion of the parcel described as the Boomtown Road Abandonment, Document Number 3798897, recorded on September 3, 2009 in the Official Records of Washoe County, Nevada, and being more particularly described as follows:

BEGINNING at the Northeast corner of said Parcel "B", from which the West Quarter corner of said Section 16 bears South 61°21'39" West a distance of 3553.37 feet;

Thence along the easterly line of said Parcel "B" South 41°49'03" West a distance of 198.38 feet;

Thence continuing along said line South 06°29'57" East a distance of 171.68 feet to the southeast corner of said Parcel "B";

Thence along the southerly line of said Parcel "B" North 85°23'10" West a distance of 556.67 feet to the southwest corner of said Parcel "B"

Thence leaving said line and continuing North 85°23'10" West a distance of 30.03 feet to a point on the centerline of the abandonment parcel described in said Document Number 3798897;

Thence along said centerline from a tangent which bears North 01°53'58" East, along a circular curve to the right with a radius of 4000.00 feet and a central angle of 00°05'51" an arc length of 6.80 feet to the easterly right-of-way line of Cabela Drive;

Thence along said line from a tangent which bears North 25°19'00" East, along a circular curve to the left with a radius of 462.00 feet and a central angle of 21°11'31" an arc length of 170.88 feet;

Thence continuing along said line North 04°07'29" East a distance of 267.21 feet to the northwest corner of said Parcel "B";

Thence along the northerly line of said Parcel "B" from a tangent which bears North 34°03'10" East, along a circular curve to the right with a radius of 30.00 feet and a central angle of 54°07'56" an arc length of 28.34 feet;

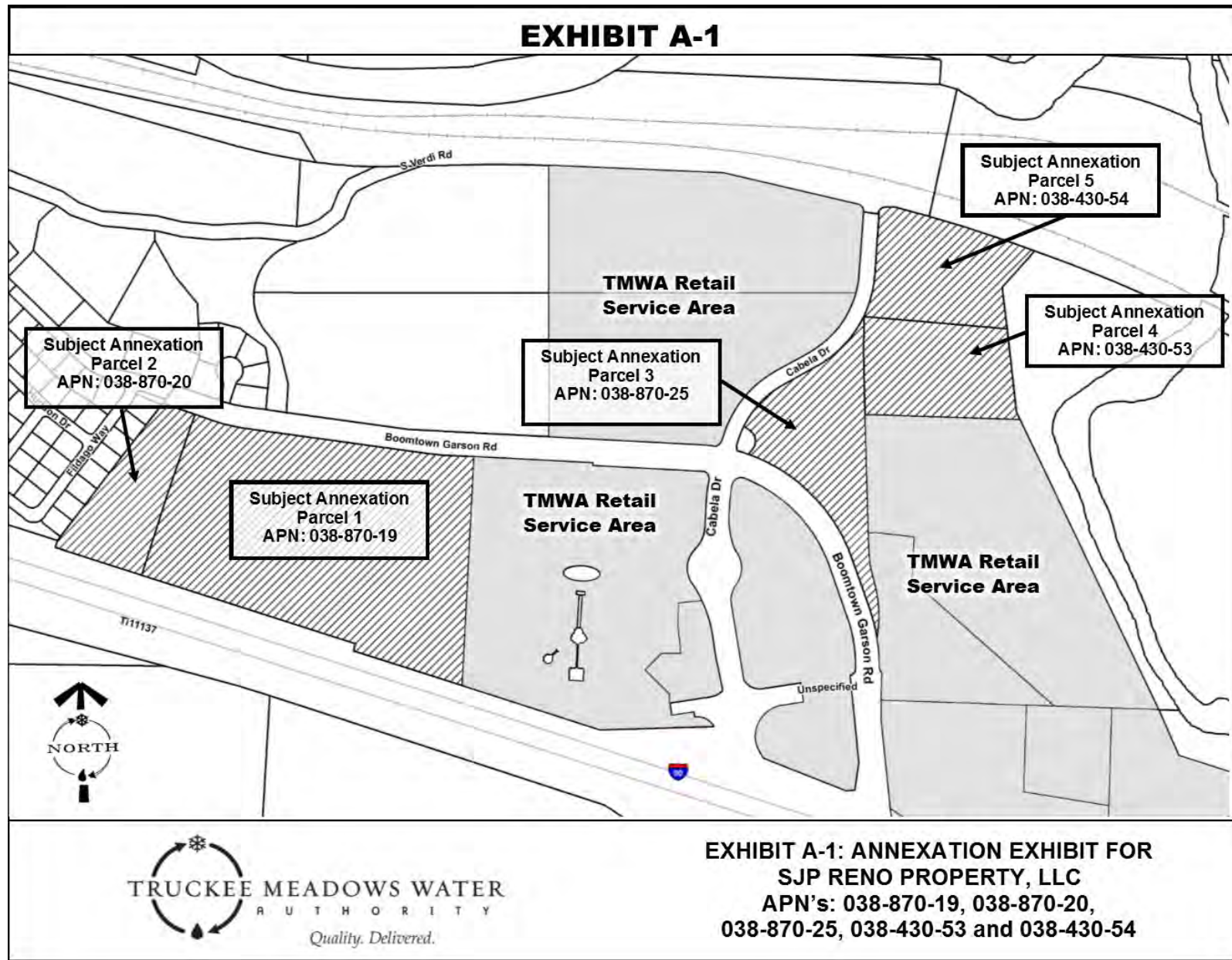
Thence continuing along said line North 88°11'06" East a distance of 35.12 feet;

Thence continuing along said line from a tangent which bears South 75°39'14" East, along a circular curve to the right with a radius of 5629.60 feet and a central angle of 06°08'49" an arc length of 603.97 feet to the Point of Beginning.

APN: 038-430-54

[Above referenced legal descriptions were referenced from that Preliminary Title Report from Western Title Company known as Order No. 093796-PAH dated as of March 15, 2018 at 07:30 am.]

DRAFT



DRAFT

Exhibit "B" to Annexation Agreement
Improvements/Dedications

1. Dedicate and convey to Authority the water wells, pressure regulating station, and all water facilities comprising portions of the West Reno System located on the Property to the extent owned by Owner.
2. Convey to Authority Water Facilities Easements across the Property in form and substance agreeable to Authority for West Reno System water facilities located on the Property.
3. Convey to Authority exclusive easements for Well #12 and Well #9 located on a portion of the Property.
4. Install fencing around the perimeter of the Well #12 and Well #9.
5. Dedicate and convey in fee title approximately 0.25 acres for a pump station site located on a portion of the Property to the extent not dedicated by DP Clark Garson Road, LLC on property owned by DP Clark Garson Road, LLC.

Exhibit 3.3
SJP Developed Property Will Serve Commitments

Service Property Address	Parcel Number	Service Type	Resource Commitment for Demand (AF)
Casino/Hotel	038-430-02; -03; -04; - 24 -51	GMWS	95
RV Park	038-430-52	GMWS	30
Gas station, car wash, minimart	038-870-13	GMWS	12



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
DATE: October 8, 2018
SUBJECT: Discussion and action, and possible direction to staff on approval of the annexation of the Stonegate development into the TMWA retail water service area

Recommendation:

Approve annexation of the Stonegate parcels and authorize the General Manager to finalize and execute the Annexation Agreement.

Summary:

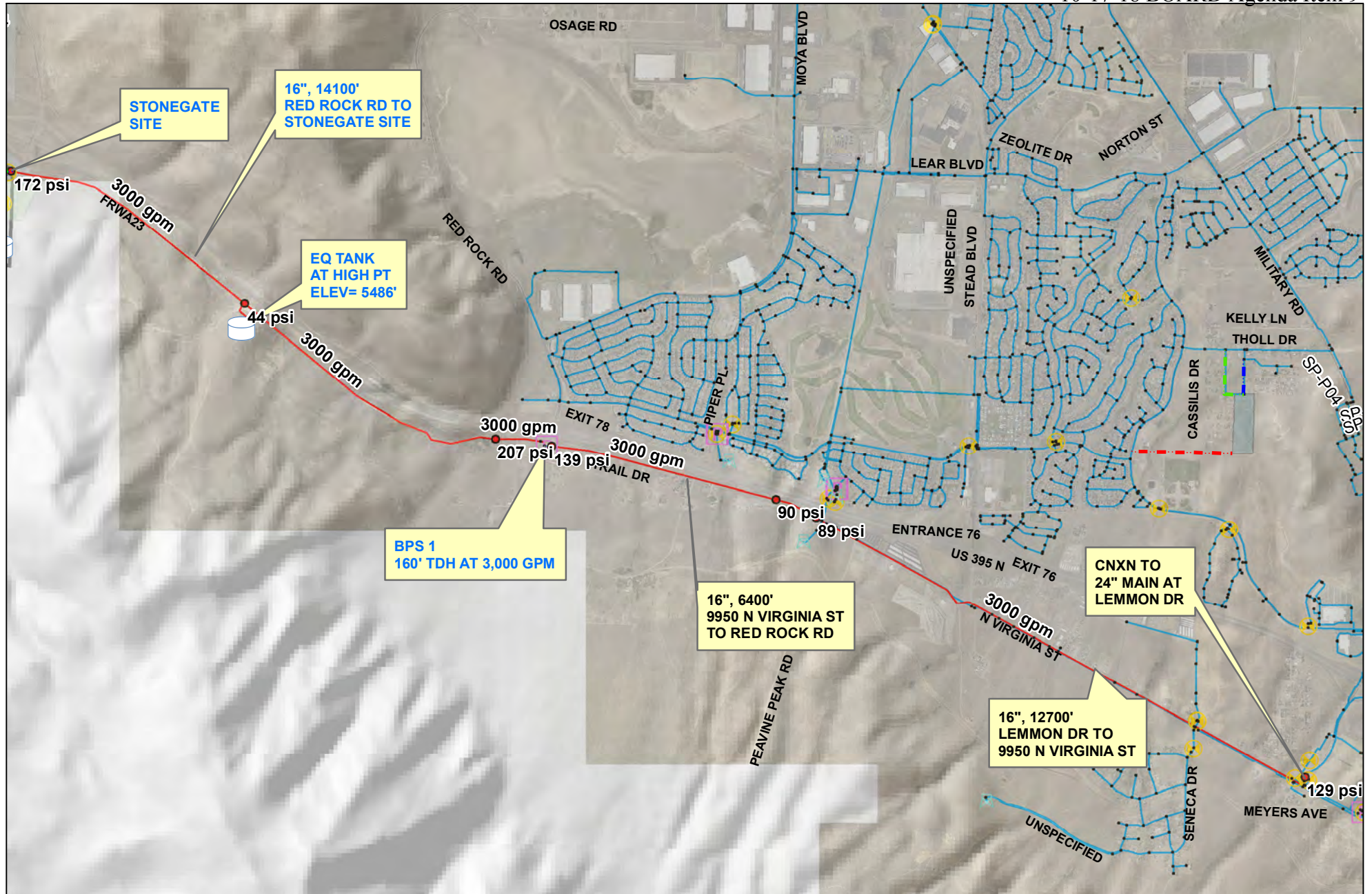
- Stonegate is a Planned Unit Development (PUD) consisting of 3,755 single family residential units, 1,325 multi-family residential units, commercial areas and three schools located on five parcels totaling 1,706 acres in the Cold Springs area.
- The TMWA Board has requested that annexation requests for all property that is non-contiguous to the existing TMWA retail water service area be brought to the Board for approval. Stonegate is located about 2.67 miles from the existing TMWA retail water service area in Stead/Silver Lake.

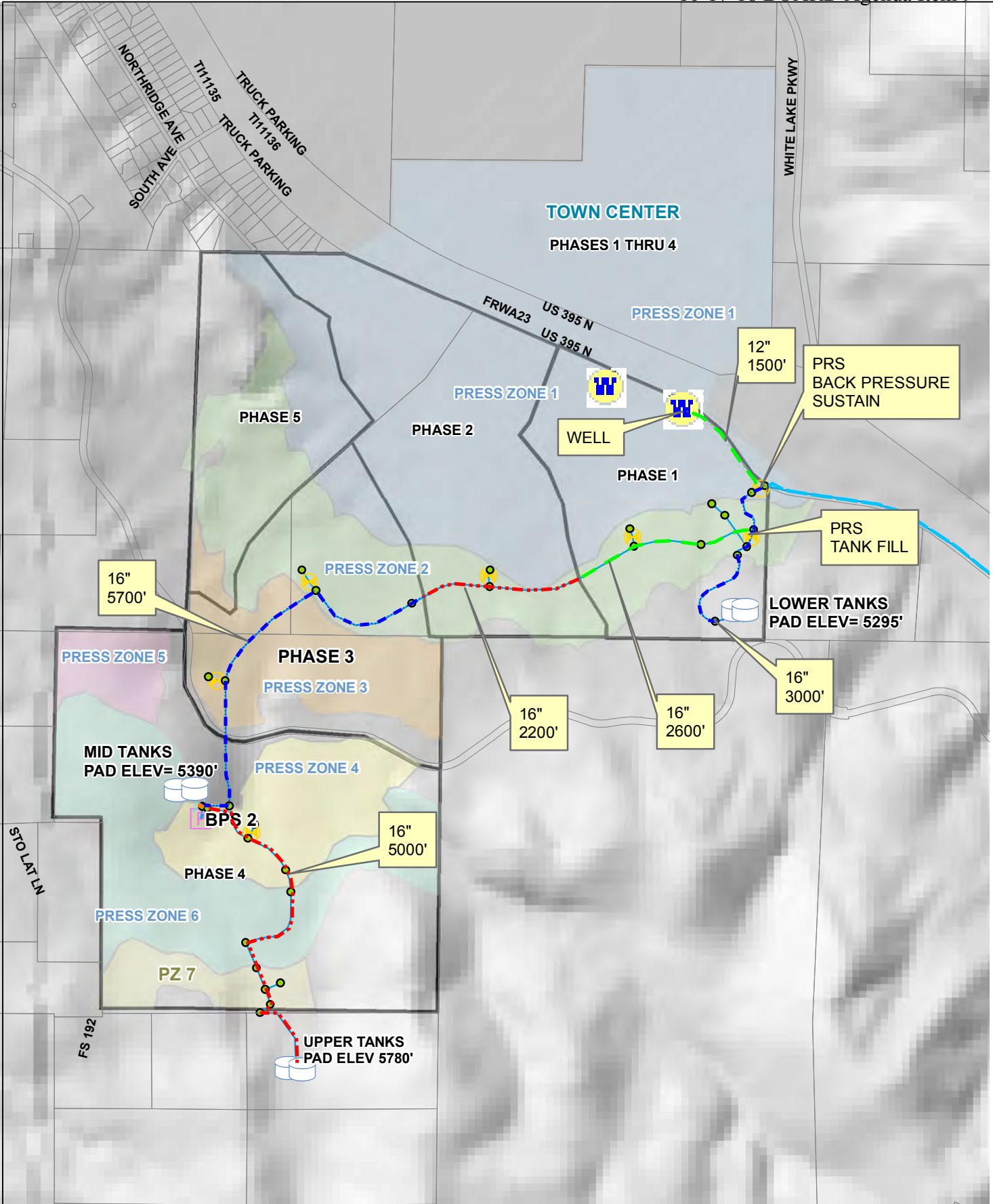
Background:


Stonegate is much closer to the existing Utilities Inc. water system in Cold Springs (UICS); however, the UICS does not have adequate peak capacity to serve the project. TMWA staff initially planned on providing a wholesale water supply to Utilities Inc. for the project; however, recent Board direction to staff (Boomtown) made it clear that the Board preferred that TMWA be the retail water service provider for growth in the region.

Staff has developed a water facility plan to provide the requested water service. Due to the extreme distance from TMWA's existing distribution system, the water supply will be delivered from a single, very lengthy, radial water main. To provide adequate reliability, staff is proposing, as a condition of annexation, that Stonegate develop and construct on-site groundwater wells to back up the primary water supply. If it is not possible to develop groundwater sources with acceptable quantity or quality, Stonegate will be required to construct an intertie to the UICS system.

A draft of the annexation agreement is attached to this staff report for your review.





 <p>TRUCKEE MEADOWS WATER AUTHORITY <i>Quality. Delivered.</i></p>	<p>EXHIBIT B-2 STONEGATE MAJOR ONSITE FACILITIES</p>	DATE JULY 2018	 <p>NORTH NAD 83 NEVADA STATE PLANE WEST FEET</p>
		MAP BY: BEL	
		WO# 15-4312	
		SCALE: 1 inch = 1,800 feet	

**APN: 081-010-13, 081-010-18,
081-110-32, 081-110-33 & 087-010-43**

When Recorded, Return to:

Truckee Meadows Water Authority
Attn: Amanda Duncan, ARWP, Land Agent
P O Box 30013
Reno, NV 89520-3013
TMWA WO: 15-4312

RETAIL WATER SERVICE AREA ANNEXATION AGREEMENT

THIS RETAIL WATER SERVICE AREA ANNEXATION AGREEMENT ("Annexation Agreement"), entered into this _____ day of _____, 2018 ("Effective Date"), by and between **TRUCKEE MEADOWS WATER AUTHORITY** (the "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, and **HEINZ RANCH LAND COMPANY, LLC**, a Nevada limited liability company, (referred to as "Developer" or "Owner" in this Agreement and exhibits attached hereto, and together with Authority collectively hereinafter referred to as "Parties");

WITNESSETH:

WHEREAS, Owner owns certain real property more particularly described on Exhibit "A" and depicted in Exhibit "A-1" attached hereto incorporated herein by this reference ("Property", or "Owner's Project"), located outside of Authority's current retail water service area.

WHEREAS, Owner desires the Authority to expand its retail water service area to provide water service to the Property.

WHEREAS, on December 31, 2014, Authority acquired the water utility system of the Washoe County Department of Water Resources and the South Truckee Meadows General Improvement District, and as a result, new customers may be eligible to annex into the Authority service area based upon their proximity to existing Authority facilities, availability of water resources, or cost-effectiveness.

WHEREAS, based upon these criteria, Authority has determined it is appropriate that Authority provide service to Owner and accordingly, Owner's property may be annexed into Authority's retail water service area.

WHEREAS, the expansion of Authority's retail water service area may require dedication of certain real property or water system facility improvements to facilitate the efficient management and operation of Authority's system to include the Property in its retail water service area.

WHEREAS, Authority is willing to expand its retail water service area to include water service to the Property and Owner agrees to the expansion of Authority's retail water service area upon the terms and conditions set forth in this Agreement, subject to and on the express condition that Owner fully and completely perform the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties agree as follows:

1. Expansion of Water Service Area. Authority agrees to expand its retail water service area as set forth in Exhibits "A" and "A-1" attached hereto to provide water service for the Property; provided, however, that such expansion of the Authority's retail water service area is specifically conditioned upon execution of this Agreement by Owner and the Authority, and the complete and satisfactory performance of the terms and conditions in Section 2 herein by Owner and its permitted successors and assigns, to the extent applicable.

2. Conditions to Annexation. The following conditions must be satisfied within the time frames stipulated below or this Agreement shall automatically terminate, and the Property shall be deemed de-annexed from the Authority retail service area.

2.1 Construction/Dedication of Facility Improvements.

~~[OPTION A: "No off-site improvements are required as a condition of expanding the Authority's retail water service area to include the Property."]~~

~~[OPTION B: "The Authority has determined that additions, improvements and/or modifications to its Water System Facilities are required to expand its retail water service area to include the Property. Owner is responsible for all costs related to, and except as otherwise provided herein, shall install and construct the off-site additions, improvements and modifications to the Authority's Water System Facilities as delineated in Exhibit "B" attached hereto and incorporated herein by this reference. Owner shall submit a complete Application for New or Modified Water Service and enter a Water Service Agreement with Authority for the completion of the foregoing Water Facilities (or portions thereof, for phased development) no later than twenty-four (24) months from the Effective Date of this Annexation Agreement, or this Agreement shall automatically terminate, and the Property shall be deemed de-annexed from the Authority retail service area. For phased development, Owner shall continue to submit complete Applications for New or Modified Water Service and enter into Water Service Agreements for subsequent phases no later than twenty-four months from the Effective Date of~~

the previous Water Service Agreement, or this Annexation Agreement shall automatically terminate and portions of the Property not actively receiving water service from Authority shall be deemed de-annexed from the Authority retail service area. Authority shall have no obligation to provide water service to any portion of the Property until required water system facilities are completed to the satisfaction of Authority. Upon completion of the facilities listed in Exhibit B, Owner shall dedicate the facilities to Authority pursuant to the terms of this Annexation Agreement and Authority's Rules, and Authority will own all capacity in the system including any excess capacity.}

2.2 Dedication of Real Property.

~~_____ [OPTION A: "No dedication of real property is required as a condition of expanding the Authority's retail water service area to include the Property."}]~~

~~_____ [OPTION B: "The Authority has determined that the dedication of certain real property in fee, or certain easements, rights of way or other interests in real property, is required to expand its retail water service area to include the Property. Owner shall, prior to the start of construction of any facilities required under this Annexation Agreement, grant and convey to Authority, all necessary easements, conveyances, deeds, rights-of-way, or other rights required by this Annexation Agreement as set forth in Exhibit "C" attached hereto. Such property shall be conveyed free and clear of all liens and encumbrances, and Owner shall obtain and provide Authority prior to dedication, at Owner's expense, a preliminary title report for any property offered for dedication showing all matters of record affecting such property. Owner is solely responsible for obtaining all appropriate permits, licenses, construction easements, subordination agreements, consents from lenders, and other necessary rights from all necessary parties to dedicate property with title acceptable to Authority. If any portion of the property required for dedication is located on property other than that owned by Owner, Owner shall be responsible for obtaining, at no cost to Authority, any necessary interests therein from such owners for conveyance to Authority free and clear of all liens and encumbrances. Owner may not apply for, nor shall Authority shall have any obligation to issue or enter, a Water Service Agreement for service to any portion of the Property until such real property required hereunder is granted to Authority in such form, location, scope and condition of title satisfactory to Authority. Furthermore, unless such real property is granted to Authority no later than twenty-four (24) months from the Effective Date of this Annexation Agreement, this Annexation Agreement shall automatically terminate, and the Property shall be deemed de-annexed from the Authority retail service area. In the event Owner has not conveyed the real property within the 24-month period, Owner may submit a written request for, and Authority in its sole discretion may grant, an extension up to one-year if Owner can show reasonable justification to Authority why the real property was not transferred."}]~~

2.3 Water Supply Reliability and Improvements. A single, radial water main extension approximately 33,200 feet in length is required to extend water service to the Project at buildout. Owner and Authority agree that a main extension of this length will result in a lower reliable water supply to the Project due to the increased risk of a main break

or pipeline maintenance requirements. To provide an acceptable level of reliability of the water supply, Owner agrees that additional onsite groundwater supply will be required by Authority as a condition of Annexation. The required groundwater supply will consist of the permitting, development, construction and test pumping of at least two production wells with acceptable water quality, each well capable of yielding a supply of no less than the Average Day Demand (ADD) of the project. In addition to the property dedications required in Section 2.2, Owner agrees to dedicate to Authority the two or more groundwater wells to be developed on the Property together with all real property and easements on the Property for utilities, access, pipelines and drainage identified by Authority necessary to equip, construct, operate, repair, replace and maintain the wells. Owner shall extend 3-phase electrical power with sufficient capacity to operate the wells and natural gas service to each well site at Owner's expense as part of Owner's on-site utility design for the Property. Following Owner's dedication of the wells to Authority, Authority will design and construct, at Owner's sole cost, the pumping facilities necessary to put the wells into service. Authority shall have the opportunity to participate during the development and testing of onsite groundwater wells and to inspect the wells prior to dedication, including video inspection, pump testing and water quality testing. If Authority determines, in its sole discretion, prior to dedication that the physical condition of the wells or casing is inadequate for operation as a municipal well, or determines within two (2) years of the recordation of the deed conveying the wells to Authority that water quality and/or water quantity results from the wells are insufficient or inadequate for development as municipal water supply wells, the Owner shall pay for all costs associated with repairing, acquiring, exploring for, developing, drilling, testing and dedicating to Authority a replacement well or wells. An acceptable groundwater supply is defined as having redundant capacity equal to twice (2x) the ADD of the project; water quality that does not require treatment to meet drinking water quality standards; and obtaining groundwater rights acceptable to Authority for dedication for Will Serve Commitments. An acceptable onsite groundwater supply must be developed prior to an extension of water mains to the Project. If an acceptable groundwater supply cannot be developed on the Property, Owner agrees to permit, design and construct an emergency intertie to the adjacent Utilities Inc. water system in Cold Springs (UICS) capable of delivering the ADD of the Project. An intertie must include execution of a long-term emergency water supply agreement between Authority and UICS. If an acceptable onsite groundwater supply or emergency intertie supply cannot be developed, this Annexation Agreement will automatically become null and void, the Property will be de-annexed from Authority's retail water service area and Authority will have no obligation to provide water service to the Property. Owner acknowledges and agrees that the water quality, quantity and capacity of the groundwater supply from the wells or replacement wells must be tested and accepted by Authority and must be placed into service prior to and as a condition precedent of, Authority entering into any Water Service Agreement for an application for new water service to any portion of Owner's Property.

2.4 Other Water Facilities and Improvements. As shown in Exhibits B-1 and B-2, in addition to groundwater wells, a booster pump station and several tanks are

required to extend water service to the Project at buildout. Owner and Authority agree that all pipelines, tanks and pressure regulating stations shall be Applicant designed, built and dedicated facilities; and that all pumping facilities (wells and booster pump station) will be designed and built by Authority at the sole cost of Owner. Owner will be responsible for property acquisition and permitting of all water system facilities. If Owner elects to phase the construction of the backbone water main extension required to provide water service at buildout, Owner agrees to acquire and issue a payment bond in the amount of 100 percent of the cost to design and construct the future water main.

3. Conditions of Water Service. Owner acknowledges and agrees that this Annexation Agreement merely addresses conditions required for the expansion of Authority's retail water service area, and that Owner must independently comply with all applicable requirements in Authority's Rules before the Authority has any obligation to provide water service to the Property, including without limitation (i) submitting and receiving approval from the Authority of appropriate applications for service; (ii) dedicating sufficient Water Resources to the Authority and receiving a Will Serve Commitment for service to the Property; (iii) in addition to any dedication requirements in Section 2 of this Annexation Agreement, dedicating appropriate easements and other real property required for service; (iv) in addition to any dedication requirements in Section 2 of this Annexation Agreement, installing, constructing and dedicating subdivision or on-site water system facility additions, improvements or modifications or further additions, improvements, extensions or modifications to Authority's Water System Facilities as necessary to provide the requested new service(s) or modification of service(s) to the Property; and (v) satisfying such other terms and conditions pursuant to the Authority's Rules and any requirements of any local governmental entity with jurisdiction over the Property as necessary to obtain a Will-Serve Commitment letter from the Authority for the delivery of water to the Property. Owner shall submit such applications and execute such other documents required by Authority's Rules and procedures prior to being eligible for the delivery of water to the Property. All such conditions, dedications, additions, improvements, extensions and modifications shall be made in accordance with the Authority's Rules and regulations in effect at the time Authority and Owner enter into any agreement or agreements for the specific dedication, additions, improvements or modifications required to provide water service to the Property.

4. General Terms

4.1 Owner acknowledges and agrees that it is entering this Annexation Agreement voluntarily, that the expansion of Authority's service area is specifically conditioned on Owner's performance of all terms and conditions contained herein, and that if any of the provisions of this Annexation Agreement are deemed unenforceable or if Owner fails to perform any of its obligations hereunder, Authority is under no obligation to expand its service area to include any portion of the Property for which the Authority has not previously entered an agreement to provide water service. Nothing in this paragraph shall be construed to

grant Owner a right, and Owner specifically waives any right, if any exists, to dispute any of the terms and conditions of this Annexation Agreement under Rule 8 in Authority's Rules, as such may be amended from time to time. Upon annexation of the Property, the Parties acknowledge and agree that both are bound by the terms and conditions of the rules and regulations adopted by Authority, as the rules and regulations may be amended from time to time, and as such rules may exist at the time service is applied for or requested for the Property or certain phases of the Property.

4.2. Any written notices or communications required hereunder shall be served by placing such notices in the U.S. Mail, postage prepaid, properly addressed to the following:

To: Authority	Truckee Meadows Water Authority Attn. General Manager P.O. Box 30013 Reno, NV 89520-3013
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To: Owner	Heinz Ranch Land Company 9210 Prototype Drive, Suite 100 Reno, NV 89521
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4.3. This Annexation Agreement shall inure to and be binding upon the parties, their respective successors and assigns.

4.4. This Annexation Agreement shall not be modified except in writing, signed by all parties.

4.5. This Annexation Agreement represents the entire agreement between the Parties related to the expansion of the Authority's retail water service area and supersedes all prior representations and agreements whether written or oral with respect to the covenants and conditions provided herein; provided, however, that the obligations set forth in this Annexation Agreement shall be in addition to, and do not supersede or replace, any obligations that may be imposed upon Owner under Authority's Rules.

4.6 This Annexation Agreement and terms and conditions herein shall run with the land and be binding upon and inure to the benefit and burden of the parties to the agreement and their heirs, successors and assigns and any future owners of the Property.

4.7 Neither this Annexation Agreement nor any of the terms set forth herein shall be effective or binding on Authority until this Annexation Agreement is executed by Authority, and the Authority will be under no obligation to execute this Annexation Agreement if not executed and returned by Owners to the Authority by _____.

IN WITNESS WHEREOF, the Parties hereto have executed this Annexation Agreement effective as of the Effective Date first written above.

**TRUCKEE MEADOWS WATER
AUTHORITY, A Joint Powers Authority**

**HEINZ RANCH LAND COMPANY,
LLC, a Nevada limited liability company**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

STATE OF _____)
) ss
COUNTY OF _____)

This instrument was acknowledged before me on _____, 2018, by
_____ as _____,
HEINZ RANCH LAND COMPANY, LLC, on behalf of said Nevada limited liability company
as therein named.

NOTARY PUBLIC

STATE OF NEVADA)
) ss
COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 2018, by
MARK FOREE as General Manager, for TRUCKEE MEADOWS WATER AUTHORITY, on
behalf of said Joint Powers Authority therein named.

NOTARY PUBLIC

Exhibit "A"
Description of Property

All that certain real property situate in the County of Washoe, State of Nevada, described as follows:

PARCEL 1 & 2:

Lots 1, 2, 3 and 4, the South Half of the North Half, Southeast Quarter, East Half of the Southwest Quarter and the East Half of the West Half of the Southwest Quarter of Section 5, Township 20 North, Range 18 East, M.D.B.&M.

EXCEPTING THEREFROM, that portion of said land conveyed to the Western Pacific Railroad Co., by instrument recorded August 15, 1917, in Book 50, Page 258, as Document No. 12334 of Deed Records, Washoe County, Nevada.

APN: 081-010-13 & 081-010-18

PARCEL 3:

Parcel 1 as shown on the Map of Division into Large Parcels for Jack F. Sweeney and Deborah N. Davis as Trustees of The Jack F. Sweeney Trust, created under The Jack & Kathleen Sweeney Living Trust, under trust agreement dated July 29, 1998 as amended by the First Amendment thereto dated December 14, 2004, and as amended by the Second Amendment and Restatement thereto Dated December 4, 2004, as to an undivided one-half (1/2) interest and Jack F. Sweeney as Trustee, or the successor Trustee, of The Kathleen B. Sweeney Family Trust, created under the Jack & Kathleen Sweeney Living Trust, under trust agreement dated July 29, 1998 as to an undivided one-half (1/2) interest, as tenants in common as to an undivided 5/48th interest; and the Trustee of the Josephine L. Sweeney Trust, created September 26, 1990 as to an undivided 43/48th interest, Map of Division Into Large Parcels No. L244, filed in the office of the County Recorder of Washoe County, Nevada, on October 16, 2015, as Document No. 4524410, of Official Records.

APN: 081-110-32

PARCEL 4:

Parcel 2 as shown on the Map of Division into Large Parcels for Jack F. Sweeney and Deborah N. Davis, as Trustees of the Jack F. Sweeney Trust, created under The Jack & Kathleen Sweeney Living Trust, under trust agreement dated July 29, 1998 as amended by the First Amendment thereto dated December 14, 2004, and as amended by the Second Amendment and Restatement thereto Dated December 4, 2004, as to an undivided one-half (1/2) interest and Jack F. Sweeney as Trustee, or the successor Trustee, of The Kathleen B. Sweeney Family Trust, created under the Jack & Kathleen Sweeney Living Trust, under trust agreement dated July 29, 1998 as to an undivided one-half (1/2) interest, as tenants in

common as to an undivided 5/48th interest; and the Trustee of the Josephine > Sweeney Trust, created September 26, 1990 as to an undivided 43/48th interest, Map of Division Into Large Parcels No. L244, filed in the office of the County Recorder of Washoe County, Nevada, on October 16, 2015, as Document No. 4524410, of Official Records.

APN: 081-110-33

[Legal Descriptions were referenced from that certain Grant, Bargain and Sale Deed recorded as Document No. 4665101 on December 23, 2016 in the Office of the County Recorder of Washoe County, State of Nevada.]

PARCEL 5

All that certain real property situate in the County of Washoe, State of Nevada, described as follows:

The South Half (1/2) of the South Half (1/2) of Section 28; the North Half (1/2) of the Southeast Quarter (1/4) of Section 28; and the North Half (1/2) of Section 33, all in Township 21 North, Range 18 East, M.D.B. & M., in the County of Washoe, State of Nevada.

EXCEPTING THEREFROM that portion thereof lying South of the Northerly line of U.S. Highway 395, as described in Deed recorded June 10, 1975, in Book 896, Page 389, as Document No. 367169, of Official Records, Washoe County, State of Nevada.

APN: 087-010-43

[Legal Descriptions were referenced from that certain Grant, Bargain and Sale Deed recorded as Document No. 4548406 on January 7, 2016 in the Office of the County Recorder of Washoe County, State of Nevada.]

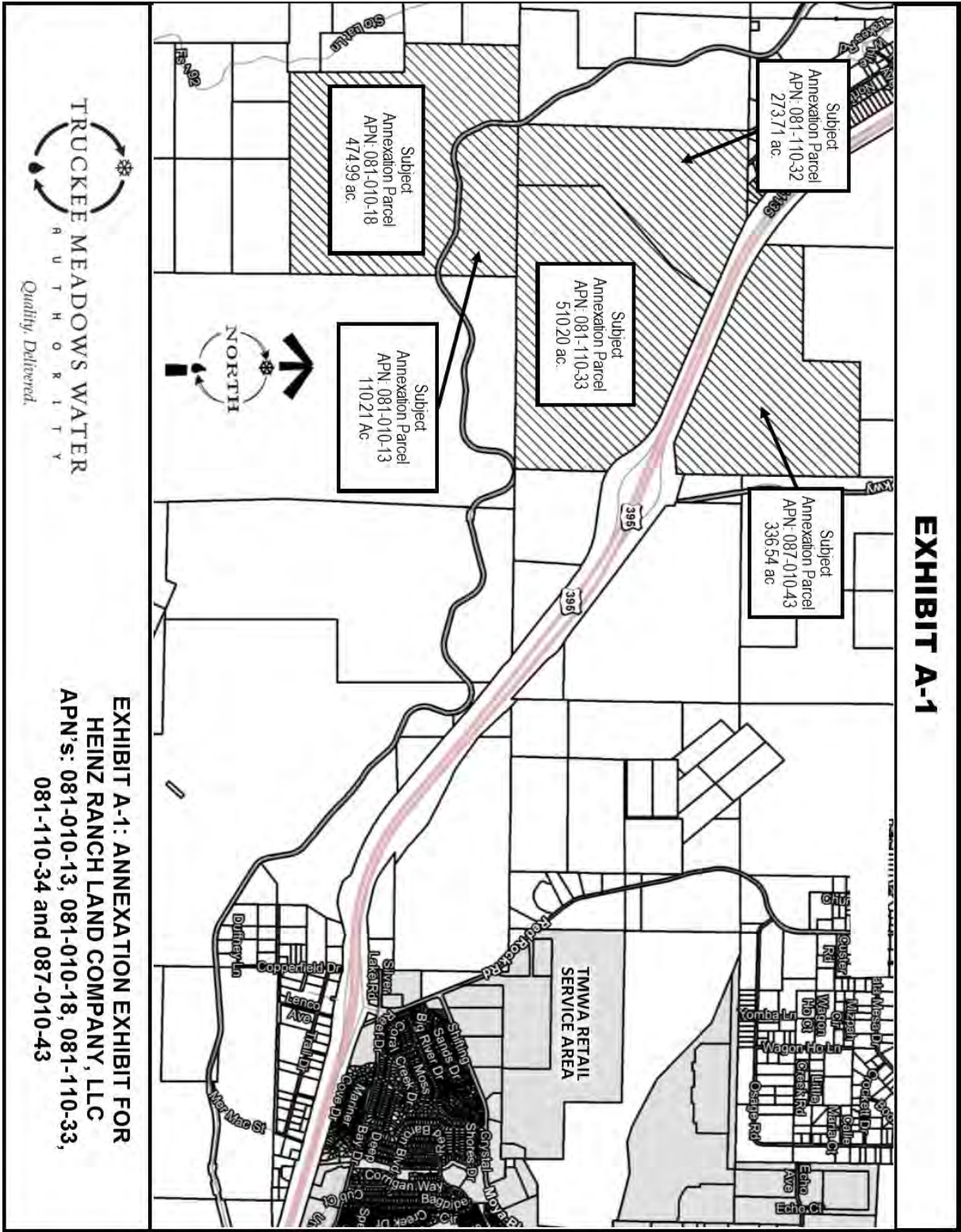


EXHIBIT B
ANNEXATION AGREEMENT FOR HEINZ RANCH LAND CO., LLC
SUMMARY OF OFF SITE & MAJOR FACILITY REQUIREMENTS AND
APPROXIMATE COSTS PAID OR TO BE PAID BY OWNER/DEVELOPER

Exhibit "B"
Description of Conditions of Annexation
(if applicable)

<u>Major Offsite Facilities</u>					
<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Cost</u>	<u>Cost Opinion</u>	<u>Comments</u>
<u>Initial</u>					
BPS with Standby Generator	1	EA	\$1,500,000	\$1,500,000	
16" Main in N Virginia	20,500	LF	\$320	\$6,560,000	From 9550 N Virginia to Stonegate
Equalization/Surge Tank	100,000	Gal	\$3	\$300,000	At high point of pipeline, site TBD
12" Eq/Surge Tank piping	350	LF	\$240	\$84,000	From N Virginia to the Eq/Surge Tank
Eq/Surge Tank Bore & Jack RR ROW	100	LF	\$1,000	\$100,000	RR ROW= 100'
12" Eq/Surge Tank Valve Box	1	EA	\$150,000	\$150,000	Check valve and Reg Valve
8" Bypass Valve at Silver Lake Xfer BPS	1	EA	\$200,000	\$200,000	Flow Control Valve to facilitate recovery of Silver Lake Tank level
<u>Initial Subtotal</u>				<u>\$8,894,000</u>	
<u>Buildout</u>					
<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Cost</u>	<u>Cost Opinion</u>	<u>Comments</u>
Buildout, 16" main	12,700	LF	\$320	\$4,064,000	From Lemmon Dr to 9950 N Virginia Street
BPS1 Upgrade	1	EA	\$500,000.0	\$500,000	Additional pumps and Surge Tank
<u>Buildout Subtotal</u>				<u>\$4,564,000</u>	-

TOTAL OFF-SITE **\$13,458,000** Does Not Include Area 10 Fees

<u>Backbone Onsite Facilities (through Phase 2)</u>					
<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Cost</u>	<u>Cost Opinion</u>	<u>Comments</u>
16" main	7,800	LF	\$256	\$1,996,800	Onsite backbone mains for Ph 1 and Ph 2
Pressure Reducing Station	1	EA	\$150,000	\$150,000	PRS controlled to fill tank 1
Pressure Reducing Station	1	EA	\$150,000	\$150,000	PRS to maintain the level of the high point Eq tank. SCADA controlled

Well Equipping including a Standby Generator	2	EA	\$1,250,000	\$2,500,000	Onsite wells capable of supplying 1 ADD each. Cost does not include the well drilling and construction.
Lower Tanks	2,100,000	GAL	\$1	\$2,100,000	Total volume of both tanks Phase 1 and 2 Storage Volume.
Area 10 Fee	1533	GPM	\$5,057 per GPM	\$7,752,381	
Subtotal				\$14,649,181	-
Backbone Onsite Facilities (Phase 3 through Phase 5)					
Description	Quantity	Unit	Unit Cost	Cost Opinion	Comments
16" main	5,700	LF	\$320	\$1,824,000	Onsite, Phase 3 Main
Middle Tank A	350,000	GAL	\$1.5	\$525,000	-
Middle Tank B	350,000	GAL	\$1.5	\$525,000	-
BPS 2 with Standby Generator	1	EA	\$1,250,000	\$1,250,000	Design Point of 400 gpm at 400' TDH
Upper Tank A	300,000	GAL	\$1.50	\$450,000	-
Upper Tank B	300,000	GAL	\$1.50	\$450,000	-
Area 10 Fee	1394	GPM	\$5,057 per GPM	\$7,049,458	
Subtotal				\$12,073,458	-
Total On-Site Backbone				\$26,722,639	

Notes to Exhibit B:

1. If Owner elects to phase construction of backbone water mains, Owner will be required to post a bond for 100 percent of the estimated cost of the future pipelines.
2. The Owner will be responsible for design-build-dedication of water storage tanks and appurtenances including, but not limited to tank site geotechnical investigation; tank site parceling, property acquisition and transfer; permitting, design, pad excavation, tank erection and coating, feeder main, drain line, electric and telecom, landscaping, access road, fencing, easements, etc.
3. The Owner will be responsible for developing at least two on-site groundwater wells as described in the Annexation Agreement including, but not limited to hydrogeological investigations, testing and sampling of test wells, construction and testing of production wells, site geotechnical investigation; well site parceling, property acquisition and transfer; and extension of electric and telecom to the sites.
4. A preliminary water facility plan (including the major facilities listed above) was developed based on conceptual development plans and service elevations furnished by the Owner. Changes in the development plan including, but not limited to type of development, location, elevation, densities and required fire flows can significantly alter the water facility plan and the facilities required to provide water service to the property. The facilities listed above do not include on-site "subdivision" water facilities.
5. Pumping facilities (wells and booster pumps) and storage tanks must be constructed and placed into service prior to Authority setting any water meters and/or providing water service to any

portions of the development to be served by new pumping stations. This includes extending facilities (phone, electric, pipelines) to remote tank and well sites. Pumping facilities will be designed, bid and constructed by Authority at the sole cost of the Owner.

6. Supply-Treatment Facility Charges and Area 10 Fees (currently \$4,163 per GPM and \$5,057 per GPM, respectively) are determined based on the maximum day demand (MDD) of the development. The actual MDD will be determined at the time final development plans are submitted with a formal application for water service. All facilities listed above are preliminary and are subject to change during the final planning/design process. The water facility plan must be reviewed and approved by the health authority. If Fish Springs (Vidler) resources are dedicated for the project, the Supply-Treatment Facility Charge is zero (0).
7. Facility Charges and Area Fees are subject to change. The actual charges and fees will be based on the charges and fees in effect when the Applicant executes the Authority's Water Service Agreement, which requires, amongst other things, a final subdivision map and a final approved water system design, including all major facilities required to provide the water service such as pump stations, tanks and regulating stations.

EXHIBIT C

Real Property Rights Required for Extension of Service

1. Ownership and all rights in the production wells including drainage, access and utility easements necessary to operate and maintain the well facilities.
2. Property suitable for construction, operation and maintenance of booster pump station buildings and appurtenances including access and utilities.
3. Property suitable for construction, operation and maintenance of well pumping facilities buildings and appurtenances including access and utilities.
4. Property suitable for the operation and maintenance of all tank sites including pipeline, drainage, access and utilities.
5. Minimum 20-foot wide pipeline and access easements for water mains and water facilities constructed outside of the public right-of-way.
6. Any other easement(s) necessary for installation of TMWA facilities (meters, vaults, pipelines, etc.) extended to the Project site.



STAFF REPORT

TO: Chairman and Board Members
FROM: Mark Foree, General Manager
DATE: October 8, 2018
SUBJECT: Presentation of TMWA Goals and Objectives Results for Fiscal Year 2018

Discussion of Results

Please find attached an at-a-glance summary as well as the detailed measurement results for TMWA's corporate and departmental goals for the 2018 fiscal year. Where appropriate, TMWA uses the American Water Works Association (AWWA) Benchmarking Survey Results or the American Metropolitan Water Association (AMWA) for some of the goals to measure against. Below is a summary highlighting the results for specific organizational and departmental goals that required more detail.

Organization Goals

Natural Resources: *Goal 1:* At the start of FY 2018 all reservoirs (including Lake Tahoe) on the Truckee River system were completely full after the record-breaking winter of 2017. So, opportunities for storing additional water under TROA were limited most of the year. Despite this, and to the extent physically possible we ended up carrying over 33,000 acre-feet of upstream storage at the start of 2018. Both Donner and Independence lakes filled. Summer and fall reservoir releases were coordinated with several state and federal agencies to achieve multiple objectives for water supply, fisheries and recreation. *Goal 2:* TMWA is focusing its efforts on passive recharge while we work through added permitting and water quality requirements associated with active recharge. TMWA employs a total of 27 fully permitted recharge wells in the system and 545 AF was recharged in FY18. TMWA is working with the Nevada Division of Water Resources for permit coverage on 27 additional wells. Through conjunctive use, groundwater pumping was reduced by over 2,200 AF in the Mt. Rose, Spanish Springs, Lemmon Valley and former STMGID areas.

Efficiency: *Goal 1:* We are close to the top quartile of at least 564 customer accounts per employee (AWWA benchmark) with a result of 541 customer accounts per employee. *Goal 2:* We are in the top quartile of MGD delivered per employee with a result of 0.30 compared to the AWWA benchmark of 0.29.

Safety: *Goal 1:* "Safety Incident Rate", had a result of 3.0 average incident rate, which was significantly lower than the benchmark measure of 5.6 for Water Supply & Irrigation Systems; the good news is most injuries were minor and employees were able to make their next scheduled

shift. *Goal 2:* The preventable vehicle accidents had a result of 5.2 accidents per 1,000,000 miles driven, which is lower than the industry average of 6.28; all vehicle accidents were also minor, with no injuries and all accidents did not involve a third party. TMWA staff continues to implement the vehicle safety protocol; the 360° walk-around.

Financial: *Goal 3:* We reaffirmed TMWA's Moody's rating of Aa2 and S&P rating to AA+ stable. *Goal 4:* The goal to maintain a low debt ratio result was 43% putting us between the median and bottom quartile. We improved the result by 2% compared to last fiscal year. *Goal 8:* TMWA successfully replaced its letter of credit and the Tax Exempt Commercial Paper (TECP) program with Wells Fargo in May 2018. Staff successfully completed a bond refinancing of TMWA's Tax Exempt Commercial Paper replacing \$74.2 million outstanding in Commercial Paper with \$38.8 million in Series 2018 Refunding Bonds and \$30 million of Commercial Paper to fix out a portion of this debt based on low longer term interest rates.

Department Goals

Treatment: *Goal 1:* Despite the dry winter, but due to the extreme wet weather experienced in March, staff was able to meet the target of treatment cost per million gallons. Also, treatment staff continued to challenge itself by meeting the effluent turbidity total of 0.10 NTU's 100% of the time, which is an "outstanding" rating.

Distribution: *Goal 5:* Hydro generation produced a record breaking \$3.8 million in revenue; surpassing the previous maximum generation year by 211 megawatt hours and almost \$200,000 in revenue.

Business Information Systems (BIS): BIS far exceeded their results for all goals except two: *Goal 3:* Based on considerable feedback from OPS Maintenance, Distribution Maintenance and the Lands department, the GIS/CMMS team endeavored to develop and implement the workflow necessary to track various departments' tasks and record critical data necessary for asset management as required for Capital Projects. Although some progress has been made, completing this project has become increasingly difficult due to supporting existing technologies and workflows. Prioritizing this project while delaying others will be necessary to complete this project. *Goal 5:* The IT strategic plan draft was completed. However, it had not been reviewed and accepted by the IT Executive Management Committee by the end of FY18. This is scheduled to be completed by our next meeting.

Natural Resources: *Goal 2:* Due to final design and NDEP / District Health permitting requirements, the completion date for the MRWTP has been pushed back to the spring of 2020.

Goal 6: TMWA staff continues to collaborate with UNR's Nevada Water Innovation Institute projects. Most notably, analyzing the feasibility of indirect potable reuse.

Human Resources: *Goal 1:* Staff completed a system to track continuous training for full-time employees and will begin officially tracking in FY19. *Goal 3:* Over the next 5-years, TMWA will see approximately 61 employees retire, hence the result of 26%, which is below the median of 22.4%. Staff is working diligently on establishing an efficient succession plan to mitigate any gaps in experience and institutional knowledge with future retirements.

Finance: *Goal 4:* Staff continues to work toward the AMWA benchmark of \$552 for TMWA's debt per capita. Despite our result of \$941, it is a significant improvement of 6% from FY18.

Engineering and New Business: *Goal 2:* Continue to reflect major capital projects completed generally on time and approximately 7.3 million below budget. *Goal 3:* For new business turnaround time goals, TMWA's results improved on average 94% versus 75% for meeting the 30-day turnaround goal and were on average 100% versus 100% for meeting the 60-day turnaround goal.




***Truckee Meadows Water Authority
FY 2018
Goals & Objectives
Results***


**TMWA BOARD OF DIRECTORS
MARK FOREE, GENERAL MANAGER**

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LEGEND:










Completed/On Target: 











In progress: 

Not met: 

GOALS & OBJECTIVES: AT-A-GLANCE














ORGANIZATION

OBJECTIVES		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
CUSTOMER SATISFACTION					
1	Residential Customers Totally or Mostly Satisfied.	71%-81% = Good 82%-86% = Excellent 86%+ = Outstanding	% of residential customer's satisfaction	At least 86% residential customer satisfaction	91.5% 
2	Commercial Customers Totally or Mostly Satisfied.	77%-87% = Good 88%-90% = Excellent 90%+ = Outstanding	% of commercial customer satisfaction	At least 90% commercial customer satisfaction	90% 
3	Meet the Faneuil contract requirement of 80% of calls answered within 35 seconds.		% of calls answered within 35 seconds	80%	81%; Average 22.2sec 
NATURAL RESOURCES					
1	Maximize benefit of TROA implementation.		Maximize upstream storage under TROA within hydrological and operational constraints. Continue to cooperate with TROA stakeholders to develop opportunities to improve reservoir operations and efficient use of water resources.	100%	100% 
2	Manage aquifer storage and recovery (ASR) and passive recharge capabilities and operations.		Analyze effectiveness of ASR and passive recharge on a well-by-well basis within each basin. Complete semi-annual report describing ASR and passive recharge goals and results	100%	75% 
3	NEW: Work with stakeholders to develop draft return flow management agreement.		Update Board on status of return flow management agreement negotiations and present draft agreement to the Board.	100%	100% 
4	NEW: Perform cost-benefit analysis for converting remaining flat rate customers to meters and develop options for future of meter retrofit fee.		Report findings to the Board and follow Board direction regarding same.	100%	100% 
EFFICIENCY					
1	Track customer accounts per employee and compare to national benchmark.	Top Quartile = 564 Median = 427 Bottom Quartile = 306	# of accounts per employee	Top quartile	541 
2	Track average MGD delivered per employee and compare to national benchmark.	Top Quartile = 0.29 Median = 0.19 Bottom Quartile = 0.13	Average MGD delivered per employee	Top quartile	0.30 

OBJECTIVES		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
SAFETY					
1	Maintain a safety incident rate below the Industry Standard Bureau of Labor Statistics, 2015.	5.6 Average Incident Rate for Water Supply & Irrigation Systems – Local Government	Incident rate	Less than 5.6	3.0 
2	Track Collisions Per Million Miles (CPMM) and compare against Network of Employers for Traffic Safety Fleet Safety Benchmark Report (Reporting for North America Only, All Vehicles), 2015.	6.28 per 1,000,000 miles driven.	# of collisions per 1,000,000 miles driven	Less than 6.28	5.2 
FINANCIAL					
1	Meet all bond covenants.		# of bond covenants met	100%	100% 
2	Update the 5-year funding plan.		Update completed	100%	100% 
3	Preserve or improve TMWA's excellent credit ratings by the two major credit rating bureaus S&P (AA+ stable) and Moody's (Aa2 stable)		Maintain or improve credit ratings	AA+ /Aa2 - stable or better	AA+ and Aa2 
4	Maintain a low debt ratio.	Top Quartile = 26% Median = 35% Bottom = 58%		Median	43% 
5	Sustain a minimum of 718 days of cash reserve.	Top Quartile = 718 Median = 238 Bottom = 134		Top quartile	1,034 
6	Maintain a debt-service coverage ratio of 1.5.	Top Quartile = 3.20 Median = 1.75 Bottom Quartile = 1.00		1.5 or better	3.3 
7	NEW: Maintain high level of utility's financial effectiveness	Top Quartile: 3.6% Median: 1.7% Bottom Quartile: 1.0%		Median	2.7% 
8	NEW: Successfully renew or replace TMWA's liquidity facility that supports Tax Exempt Commercial Paper (TECP) by May 2018.		% complete	100%	100% 











DEPARTMENT

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD		MEASURE	TARGET	RESULTS
TREATMENT						
1	Meet the treatment costs set according to anticipated production.	If production is at or near: <ul style="list-style-type: none">• 24,000 MG• 25,000 MG• 26,000 MG	TMWA cost: <ul style="list-style-type: none">• \$494.79/MG• \$475.00/MG• \$456.73/MG	Achieve \$/MG in the respective production category	24kMG=\$494.79/MG 25kMG=\$475.00/MG 26kMG=\$456.73/MG	26,119MG \$454.65 <div></div>
2	Meet the benchmark of 0 (Zero) MCL violations.	0 (Zero) MCL violations		# of MCL violations	0	0 <div></div>
3	Maintain effluent turbidity 95% of the time.	At less than: <ul style="list-style-type: none">• 0.30 NTU = EPA Standard• 0.20 NTU = Good;• 0.15 NTU = Excellent;• 0.10 NTU is Outstanding		# of NTU’s	≤ 0.10 NTU	≤ 0.10 NTU 100% <div></div>
DISTRIBUTION						
1	Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top = 0.30 Median = 0.92 Bottom = 2.16		# of unplanned outages/1,000 customers	Median or better	0.024 <div></div>
2	Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top = 0.01 Median = 0.17 Bottom = 0.86		# of unplanned outages/1,000 customers	Median or better	0.063 <div></div>
3	Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top = 0.33 Median = 0.52 Bottom = 1.75		# of planned outages/1,000 customers	Median or better	0.31 <div></div>
4	Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top = 0.04 Median = 0.25 Bottom = 1.01		# of planned outages/1,000 customers	Median or better	0.094 <div></div>
5	Maintain 95% Hydro Plant Generation availability when river flow is available for generation (excluding planned maintenance and rehab, weather limitations and catastrophic failures).			% hydro generation availability	95%	99.7% <div></div>










GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
CUSTOMER SERVICE					
1	Customer Call Center will have an average call handle time of 4 minutes, 30 seconds or less per call.		Average handle time per call	4 min, 30 seconds or less	4 min, 22 seconds 
2	Achieve a monthly average of 4 non-weather estimates on all meter reads.		Monthly average of non-weather estimates	4/month or less	3 
3	The fiscal year average for disconnect for non-payment service orders to active accounts will be 0.30% or less.		% average of disconnects for non-payment	0.30% or less	0.22% 
4	The write off to revenue will be 0.25% or less at fiscal year-end.		% of write off to revenue	0.25% or less	0.13% 
*5	Hold a minimum of 20 public workshops and/or tours with a primary focus on responsible water use and education, including Water Leadership workshops and open houses.		# of public workshops and/or tours	20 or more	22 tours; 10 workshops 
6	Achieve 100% backflow testing compliance for all new construction and TMWA-owned devices, as well as 100% continued notification for backflow testing compliance for all existing customers.			100%	100% 
7	Perform 175 backflow retrofits.		# of backflow retrofits	175 or more	203 
8	Maintain a high level of billing accuracy.	Top Quartile = 2.9 Median = 8.6 Bottom Quartile = 30.0		Median	0.30% 
BUSINESS INFORMATION SERVICES					
**1	Complete the mapping of New Business 'as-built' drawings within 7 days or less.		# of days mapping of 'as-built' drawings of 'redline' drawing submittal.	7 days or less	5 days 
2	Close helpdesk tickets within 48 hours or less.		Average # of hours between the creation and closing of Helpdesk tickets.	48 hrs or less	29.5 hours 
3	Complete development of a Capital Project tracking workflow.		% implementation of the workflow necessary to track various departments' tasks as required for Capital Projects.	100%	50% 
4	NEW: Initiate BIS Steering Committee Program to begin by 6/30/2018.		Institute cross-departmental steering committee project management program to increase coordination and to ensure successful execution of BIS/IT initiatives.	100%	100% 
5	NEW: Development of TMWA IT Strategic Plan to be accepted by Directors/Managers.		% complete	100%	50% 

*Increased the number of public workshops/tours from 18 to 20.

**Reduced the # of 'as-built' drawings of redline drawing submittal from 10 days to 7 days or less.

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
NATURAL RESOURCES					
1	Increase community awareness and understanding of TROA and its benefit to our area's municipal water supply.		Continue giving presentations to customer/industry groups regarding the benefits of TROA to the area's municipal water supply. Participate in TMWA's Smart About Water Day.	At least 10 presentations	20 
2	Continue permitting process for Mt. Rose Water Treatment Plant (WTP) with goal to be fully-operational by the winter of 2018/19.		Seek approval from Army Corps of Engineers for stream diversion construction. Participate in final design and construction of Mt. Rose WTP.	100%	50% 
3	Review, monitor, and advise the Board regarding issues and activities of the 2017-2018 interim legislative session that may affect TMWA. Continue monitoring and stay updated on statewide water law issues.		As necessary, advise the Board regarding issues or activities that may affect TMWA.	100%	100% 
4	Continue active role in maintaining sufficient water rights inventory, analyze purchase opportunities.		Maintain sufficient water rights inventory.	Monthly Board report	100% 
*5	Turn around new business application water rights work within 5 business days.		# of days turnaround new business application	5 days or less	3 days average 
6	NEW: Remain actively involved with UNR's Nevada Water Innovation Campus projects		Report activities to the Board	100%	100% 
7	NEW: Respond to customer water usage audit requests within 2 business days and provide monthly conservation report to the Board		# of days between receiving request and completing a water audit	2 days or less	1.1 days 
HUMAN RESOURCES					
1	NEW: Develop system to track continuous training for full-time equivalents (FTEs) employees to ensure AWWA benchmarking can be met in FY19.		% completed	100%	100% 
2	NEW: Track the number of annual employee FTEs departures per year.	Top Quartile: 5.8% Median: 6.8% Bottom Quartile: 9.6%	# of FTEs departed per year	Median or better	3% 
3	NEW: Track the number of FTEs eligible for retirement	Top Quartile: 12.8% Median: 22.4% Bottom Quartile: 35.5%	#of FTEs eligible for retirement	Median or better	26% 




*Reduced the number of days turnaround from 10 days to 5 days or less.

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
FINANCE					
1	Meet or underspend Capital Commitments as approved by the Board		\$ spent	Met or underspent	\$10.3m (24%) under-spent 
2	Meet or underspend O&M Budget Commitments		\$ spent	Met or underspent	\$4.4m (8%) under-spent 
3	NEW: Maintain a lean operating ratio	Top Quartile: 46% Median: 56% Bottom Quartile: 80%	% operating ratio	Median	51% 
4	NEW: Reduce TMWA's debt per capita based on the American Metropolitan Water Association (AMWA) 2016 Survey.	AMWA Benchmark: \$552 median		Work toward median	\$941 
5	NEW: Maintain ratio of capital cost to total budgeted costs based on the American Metropolitan Water Association (AMWA) 2016 Survey.	AMWA Benchmark: 25% - 50%	% of capital cost to total budgeted costs	25%	26% 
ENGINEERING & NEW BUSINESS					
1	Continue cooperative coordination with Agencies and complete projects on schedule. Survey agency satisfaction with utility coordination effort.	1 = Unacceptable 2 = Needs Improvement 3 = Good 4 = Commendable 5 = Outstanding	Average response rate	4 or higher	Average 3.8 
2	Deliver required in-service dates for major capital projects on/under budget.	<ul style="list-style-type: none"> Corporate Building Expansion Mt Rose WTP Paloma PRS Peavine Tank Replacement 	\$11,300,000	Met or underspent	\$7,336,637 Underspent 
3	<u>Project Category</u> Commercial with Main (CwM) Commercial Service (CS) Subdivision (Sub)	Number of Projects and turnaround times: 75% ≤ 30 days 100% ≤ 60 days	% turnaround in ≤ 30 days	75%	CwM: 90% CS: 100% Sub: 92% 
			% turnaround in ≤ 60 days	100%	CwM: 100% CS: 100% Sub: 100% 





GOALS & OBJECTIVES: DETAIL

ORGANIZATION



CUSTOMER SATISFACTION

	OBJECTIVES	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1	Residential Customers Totally or Mostly Satisfied.	71%-81% = Good 82%-86% = Excellent 86% + = Outstanding	% of residential customer's satisfaction	At least 86% residential customer satisfaction	91.5% 
2	Commercial Customers Totally or Mostly Satisfied.	77%-87% = Good 88%-90% = Excellent 90% + = Outstanding	% of commercial customer satisfaction	At least 90% commercial customer satisfaction	90% 
3	Meet the Faneuil contract requirement of 80% of calls answered within 35 seconds.		% of calls answered within 35 seconds	80%	81%; Average 22.2sec 

NATURAL RESOURCES

	OBJECTIVES	MEASURE	TARGET	RESULTS
1	Maximize benefit of TROA implementation.	Maximize upstream storage under TROA within hydrological and operational constraints. Continue to cooperate with TROA stakeholders to develop opportunities to improve reservoir operations and efficient use of water resources.	100%	100% 
2	Manage aquifer storage and recovery (ASR) and passive recharge capabilities and operations.	Analyze effectiveness of ASR and passive recharge on a well-by-well basis within each basin. Complete semi-annual report describing ASR and passive recharge goals and results	100%	75% 
3	NEW: Work with stakeholders to develop draft return flow management agreement.	Update Board on status of return flow management agreement negotiations and present draft agreement to the Board.	100%	100% 
4	NEW: Perform cost-benefit analysis for converting remaining flat rate customers to meters and develop options for future of meter retrofit fee.	Report findings to the Board and follow Board direction regarding same.	100%	100% 

EFFICIENCY



	OBJECTIVES	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1	Track customer accounts per employee and compare to national benchmark.	Top Quartile = 564 Median = 427 Bottom Quartile = 306	# of accounts per employee	Top quartile	541 
2	Track average MGD delivered per employee and compare to national benchmark.	Top Quartile = 0.29 Median = 0.19 Bottom Quartile = 0.13	Average MGD delivered per employee	Top quartile	0.30 

Calculations:

Goal 1: $\frac{127,123 \text{ (Customer Accounts)}}{235 \text{ (Total \# of FTEs)}}$

Goal 2: $\frac{70.5 \text{ (Average MGD)}}{235 \text{ (Total \# of FTEs)}}$

SAFETY









	OBJECTIVES	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1	Maintain a safety incident rate below the Industry Standard Bureau of Labor Statistics, 2015.	5.6 Average Incident Rate for Water Supply & Irrigation Systems – Local Government	Incident rate	Less than 5.6	3.0 
2	Track Collisions Per Million Miles (CPMM) and compare against Network of Employers for Traffic Safety Fleet Safety Benchmark Report (Reporting for North America Only, All Vehicles), 2015.	6.28 per 1,000,000 miles driven.	# of collisions per 1,000,000 miles driven	Less than 6.28	5.2 

Calculations:

Goal 1: $\frac{6 \text{ (accidents)} \times 200,000 \text{ (manhours)}}{390,361.01 \text{ (Total manhours)}}$

Goal 2: $\frac{7 \text{ (collisions)} \times 1,000,000 \text{ miles}}{1,347,099 \text{ (Total mileage)}}$

FINANCIAL

	OBJECTIVES	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1	Meet all bond covenants.		# of bond covenants met	100%	100% 
2	Update the 5-year funding plan.		Update completed	100%	100% 
3	Preserve or improve TMWA's excellent credit ratings by the two major credit rating bureaus S&P (AA+ stable) and Moody's (Aa2 stable)		Maintain or improve credit ratings	AA+ /Aa2 - stable or better	AA+ and Aa2 
4	Maintain a low debt ratio.	Top Quartile = 26% Median = 35% Bottom = 58%		Median	43% 
5	Sustain a minimum of 718 days of cash reserve.	Top Quartile = 718 Median = 238 Bottom = 134		Top quartile	1,034 
6	Maintain a debt-service coverage ratio of 1.5.	Top Quartile = 3.20 Median = 1.75 Bottom Quartile = 1.00		1.5 or better	3.3 
7	NEW: Maintain high level of utility's financial effectiveness	Top Quartile: 3.6% Median: 1.7% Bottom Quartile: 1.0%		Median	2.7% 
8	NEW: Successfully renew or replace TMWA's liquidity facility that supports Tax Exempt Commercial Paper (TECP) by May 2018.		% complete	100%	100% 

Calculations:

Goal 4: $\frac{\$504,159,411 \text{ (Total liabilities)}}{\$1,166,258,771 \text{ (Total assets)}}$

Goal 5: $\frac{\$147,956,221 \text{ (Undesignated cash reserves)}}{\$52,220,723 \text{ (Total annual operations \& maintenance costs)} / 365 \text{ days}}$

Goal 6: $\frac{\$104,125,605 \text{ (Total operating revenue*)} - \$52,220,723 \text{ (Total O\&M costs)}}{\$15,696,200 \text{ (Senior Lien debt service)}}$

Goal 7: $\frac{\$31,444,987 \text{ (Net income)}}{\$1,166,258,771 \text{ (Total assets)}}$

*Total operating revenue includes investment earnings such as required per TMWA's senior lien debt covenants.

DEPARTMENT

TREATMENT

GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1 Meet the treatment costs set according to anticipated production.	If production is at or near: • 24,000 MG • 25,000 MG • 26,000 MG	TMWA cost: • \$494.79/MG • \$475.00/MG • \$456.73/MG	Achieve \$/MG in the respective production category 24k MG = \$494.79/MG 25k MG = \$475.00/MG 26k MG = \$456.73/MG	26,119MG \$454.65
2 Meet the benchmark of 0 (Zero) MCL violations.	0 (Zero) MCL violations	# of MCL violations	0	0
3 Maintain effluent turbidity 95% of the time.	At less than: • 0.30 NTU = EPA Standard • 0.20 NTU = Good; • 0.15 NTU = Excellent; • 0.10 NTU is Outstanding	# of NTU's	≤ 0.10 NTU	≤ 0.10 NTU 100%

Calculation:

Goal 1: $\frac{\$11,875,003.35 \text{ (Treatment cost)}}{26,119 \text{ (MG produced)}}$

DISTRIBUTION

GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1 Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top = 0.30 Median = 0.92 Bottom = 2.16	# of unplanned outages/1,000 customers	Median or better	0.024
2 Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top = 0.01 Median = 0.17 Bottom = 0.86	# of unplanned outages/1,000 customers	Median or better	0.063
3 Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top = 0.33 Median = 0.52 Bottom = 1.75	# of planned outages/1,000 customers	Median or better	0.31
4 Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top = 0.04 Median = 0.25 Bottom = 1.01	# of planned outages/1,000 customers	Median or better	0.094
5 Maintain 95% Hydro Plant Generation availability when river flow is available for generation (excluding planned maintenance and rehab, weather limitations and catastrophic failures).		% hydro generation availability	95%	99.7%

Calculations:









Goal 1: $\frac{(1,000) 3 \text{ Total outages}}{127,123 \text{ (Customer Accounts)}}$

Goal 2: $\frac{(1,000) 8 \text{ Total outages}}{127,123 \text{ (Customer Accounts)}}$

Goal 3: $\frac{(1,000) 39 \text{ Total outages}}{127,123 \text{ (Customer Accounts)}}$






Goal 4: $\frac{(1,000) 12 \text{ Total outages}}{127,123 \text{ (Customer Accounts)}}$

CUSTOMER SERVICE








	GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1	Customer Call Center will have an average call handle time of 4 minutes, 30 seconds or less per call.		Average handle time per call	4 min, 30 seconds or less	4 min, 22 seconds 
2	Achieve a monthly average of 4 non-weather estimates on all meter reads.		Monthly average of non-weather estimates	4/month or less	3/month 
3	The fiscal year average for disconnect for non-payment service orders to active accounts will be 0.30% or less.		% average of disconnects for non-payment	0.30% or less	0.22% 
4	The write off to revenue will be 0.25% or less at fiscal year-end.		% of write off to revenue	0.25% or less	0.13% 
5	Hold a minimum of 20 public workshops and/or tours with a primary focus on responsible water use and education, including Water Leadership workshops and open houses.		# of public workshops and/or tours	20 or more	20 tours 10 workshops 
6	Achieve 100% backflow testing compliance for all new construction and TMWA-owned devices, as well as 100% continued notification for backflow testing compliance for all existing customers.			100%	100% 
7	Perform 175 backflow retrofits.		# of backflow retrofits	175 or more	203 
8	Maintain a high level of billing accuracy.	Top Quartile = 2.9 Median = 8.6 Bottom Quartile = 30.0		Top quartile	0.30% 

Calculation:**Goal 8:** $388 \text{ (\# of error-driven billing adjustments)} \times 10,000$ $127,089 \text{ (\# of bills generated)}$




BUSINESS INFORMATION SERVICES

	GOALS	MEASURE	TARGET	RESULTS
1	Complete the mapping of New Business 'as-built' drawings within 7 days or less.	# of days mapping of 'as-built' drawings of 'redline' drawing submittal.	7 days or less	5 days 
2	Close helpdesk tickets within 48 hours or less.	Average # of hours between the creation and closing of Helpdesk tickets.	48 hours or less	29.5 hours 
3	Complete development of a Capital Project tracking workflow.	% implementation of the workflow necessary to track various departments' tasks as required for Capital Projects.	100%	50% 
4	NEW: Initiate BIS Steering Committee Program to begin by 6/30/2018.	Institute cross-departmental steering committee project management program to increase coordination and to ensure successful execution of BIS/IT initiatives.	100%	100% 
5	NEW: Development of TMWA IT Strategic Plan to be accepted by Directors/Managers.	% complete	100%	50% 

NATURAL RESOURCES

	GOALS	MEASURE	TARGET	RESULTS
1	Increase community awareness and understanding of TROA and its benefit to our area's municipal water supply.	Continue giving presentations to customer/industry groups regarding the benefits of TROA to the area's municipal water supply. Participate in TMWA's Smart About Water Day.	At least 10 presentations	20 
2	Continue permitting process for Mt. Rose Water Treatment Plant (WTP) with goal to be fully-operational by the winter of 2018/19.	Seek approval from Army Corps of Engineers for stream diversion construction. Participate in final design and construction of Mt. Rose WTP.	100%	50% 
3	Review, monitor, and advise the Board regarding issues and activities of the 2017-2018 interim legislative session that may affect TMWA. Continue monitoring and stay updated on statewide water law issues.	As necessary, advise the Board regarding issues or activities that may affect TMWA.	100%	100% 
4	Continue active role in maintaining sufficient water rights inventory, analyze purchase opportunities.	Maintain sufficient water rights inventory.	Monthly Board report	100% 
5	Turn around new business application water rights work within 5 business days.	# of days turnaround new business application	5 days or less	3 days 
6	NEW: Remain actively involved with UNR's Nevada Water Innovation Campus projects.	Report activities to the Board	100%	100% 
7	NEW: Respond to customer water usage audit requests within 2 business days and provide monthly conservation report to the Board.	# of days between receiving request and completing a water audit	2 days or less	1.1 days 

HUMAN RESOURCES






	GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1	NEW: Develop system to track continuous training for full-time equivalents (FTEs) employees to ensure AWWA benchmarking can be met in FY19.		% completed	100%	100% 
2	NEW: Track the number of annual employee FTEs departures per year.	Top Quartile: 5.8% Median: 6.8% Bottom Quartile: 9.6%	# of FTEs departed per year	Median or better	3% 
3	NEW: Track the number of FTEs eligible for retirement	Top Quartile: 12.8% Median: 22.4% Bottom Quartile: 35.5%	# of FTEs eligible for retirement	Median or better	26% 

Calculations:

Goal 2: $\frac{7 \text{ (# of FTEs departed)}}{235 \text{ (Total # of FTEs)}}$

Goal 3: $\frac{61 \text{ (# of FTEs eligible for retirement in the next 5 years)}}{235 \text{ (Total # of FTEs)}}$

FINANCE

	GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1	Meet or underspend Capital Commitments as approved by the Board		\$ spent	Met or underspent	\$10.3m (24%) under-spent 
2	Meet or underspend O&M Budget Commitments		\$ spent	Met or underspent	\$4.4m (8%) under-spent 
3	NEW: Maintain a lean operating ratio	Top Quartile: 46% Median: 56% Bottom Quartile: 80%	% operating ratio	Median	51% 
4	NEW: Reduce TMWA's debt per capita based on the American Metropolitan Water Association (AMWA) 2016 Survey.	AMWA Benchmark: \$552 median		Work toward median	\$941 
5	NEW: Maintain ratio of capital cost to total budgeted costs based on the American Metropolitan Water Association (AMWA) 2016 Survey.	AMWA Benchmark: 25% - 50%	% of capital cost to total budgeted costs	25%	26% 





Calculation:

Goal 3: $\frac{\$52,220,723 \text{ (Total O\&M costs)}}{\$101,812,092 \text{ (Total operating revenue)}}$

Goal 4: $\frac{\$389,912,922 \text{ (Total debt)}}{414,574 \text{ (Population served)}}$

Goal 5: $\frac{\$24,205,307 \text{ (Capital spend)}}{\$93,300,334 \text{ (Cost of service)}}$

ENGINEERING & NEW BUSINESS

GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET	RESULTS
1 Continue cooperative coordination with Agencies and complete projects on schedule. Survey agency satisfaction with utility coordination effort.	1 = Unacceptable 2 = Needs Improvement 3 = Good 4 = Commendable 5 = Outstanding	Average response rate	4 or higher	3.8 
2 Deliver required in-service dates for major capital projects on/under budget.	<ul style="list-style-type: none"> Corporate Building Expansion Mt Rose WTP Paloma PRS Peavine Tank Replacement 	\$11,300,000	Met or underspent	\$7,336,637 Underspent 
3 <u>Project Category</u> Commercial with Main (CwM) Commercial Service (CS) Subdivision (Sub)	Number of Projects and turnaround times: 75% ≤ 30 days 100% ≤ 60 days	% turnaround in ≤ 30 days	75%	CwM: 90% CS: 100% Sub: 92% 
		% turnaround in ≤ 60 days	100%	CwM: 100% CS: 100% Sub: 100% 

Notes:

Goal 1: Survey the satisfaction of the appropriate coordinators at the City of Reno, City of Sparks, Regional Transportation Commission, NV Energy, NDOT and Washoe County with TMWA's Street & Highway Program.

- Two responses received.

Goal 2:

PROJECT	SCHEDULE	BUDGET	EXPENDED
Peavine Tank Replacement	In-service delayed by weather and availability of steel plate	\$2,500,000	\$1,230,966
Paloma Zone Conversion	Construction extended into FY19	\$1,000,000	\$244,377
Corporate Expansion	In-Service 3-30-18	\$1,800,000	\$1,827,733
Mt Rose WTP	Permitting delayed construction into FY19	\$6,000,000	\$659,987
TOTAL:		\$11,300,000	\$3,963,363

Goal 3: # of calendar days from application to first red-line review complete.

- No new business project took more than 60 days to turn around.
- The average turnaround times for FY18 are:
 - Commercial Service 10.6 days
 - Commercial w/Main 16.4 days
 - Subdivision 22.8 days



STAFF REPORT

TO: Chairman and Board Members
FROM: Mark Foree, General Manager
DATE: October 8, 2018
SUBJECT: Discussion and action, and possible direction to staff on the proposed TMWA Goals and Objectives for Fiscal Year 2019

RECOMMENDATION

Staff recommends that the Board adopt the Goals and Objectives for Fiscal Year 2018 as recommended and presented in this report. Where appropriate, TMWA uses the American Water Works Association (AWWA) Benchmarking Survey Results, 2017 Edition, and the 2016 Association of Metropolitan Water Agencies (AMWA) 2016 Financial Survey Results, for some of the goals to measure against, or other published industry standards, if available.

DISCUSSION OF PROPOSED GOALS

For discussion, attached are TMWA's proposed organization and departmental goals and objectives for this fiscal year. Updated goals are noted in yellow, new goals are noted in red, and benchmarks are updated when a new edition of the AWWA Benchmarking Survey Results, as well as industry standards, are available.



Truckee Meadows Water Authority

FY 2019

Goals & Objectives

TMWA BOARD OF DIRECTORS
MARK FOREE, GENERAL MANAGER

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GOALS & OBJECTIVES: AT-A-GLANCE

ORGANIZATION

OBJECTIVES		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
CUSTOMER SATISFACTION				
1	Residential Customers Totally or Mostly Satisfied.	71%-81% = Good 82%-86% = Excellent 86% + = Outstanding	% of residential customer's satisfaction	At least 86% residential customer satisfaction
2	Commercial Customers Totally or Mostly Satisfied.	77%-87% = Good 88%-90% = Excellent 90% + = Outstanding	% of commercial customer satisfaction	At least 90% commercial customer satisfaction
3	Meet the Faneuil contract requirement of 80% of calls answered within 35 seconds.		% of calls answered within 35 seconds	80%
NATURAL RESOURCES				
1	Maximize benefit of TROA implementation.		Maximize upstream storage under TROA within hydrological and operational constraints. Continue to cooperate with TROA stakeholders to develop opportunities to improve reservoir operations and efficient use of water resources.	100%
2	Manage aquifer storage and recovery (ASR) and passive recharge capabilities and operations.		Analyze effectiveness of ASR and passive recharge on a well-by-well basis within each basin. Complete semi-annual report describing ASR and passive recharge goals and results	100%
3	Work with stakeholders to implement return flow management agreement.		Update Board on progress of implementation	100%
4	NEW: Change purpose of meter retrofit fee to allow funds to be used for water resource sustainability and drought resiliency projects.		Amend Rule 7 to change fee purpose	100%
EFFICIENCY				
1	Track customer accounts per employee and compare to national benchmark.	Top Quartile = 480 Median = 374 Bottom Quartile = 269	# of accounts per employee	Top quartile
2	Track average MGD delivered per employee and compare to national benchmark.	Top Quartile = 0.33 Median = 0.20 Bottom Quartile = 0.16	Average MGD delivered per employee	Top quartile

OBJECTIVES		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
SAFETY				
1	Maintain a safety incident rate below the Industry Standard Bureau of Labor Statistics, 2016.	5.0 Average Incident Rate for Water Supply & Irrigation Systems – Local Government	Incident rate	Less than 5.0
2	Track Collisions Per Million Miles (CPMM) and compare against Network of Employers for Traffic Safety Fleet Safety Benchmark Report (Reporting for North America Only, All Vehicles), 2017.	5.45 per 1,000,000 miles driven	# of collisions per 1,000,000 miles driven	Less than 5.45
FINANCIAL				
1	Meet all bond covenants.		# of bond covenants met	100%
2	Update the 5-year funding plan.		Update completed	100%
3	Preserve or improve TMWA's excellent credit ratings by the two major credit rating bureaus S&P (AA+ stable) and Moody's (Aa2 stable)		Maintain or improve credit ratings	AA+ /Aa2 - stable or better
4	Maintain a low debt ratio.	Top Quartile = 27% Median = 39% Bottom = 58%	Debt ratio	Median
5	Sustain a minimum of 485 days of cash reserve.	Top Quartile = 485 Median = 292 Bottom = 191	# of days of cash reserve	Top quartile
6	Maintain a debt-service coverage ratio of 1.5.	Top Quartile = 3.01 Median = 1.84 Bottom Quartile = 1.23	Debt-service coverage ratio	1.5 or better
7	Maintain high level of utility's financial effectiveness.	Top Quartile: 3.4% Median: 2.6% Bottom Quartile: 1.6%	% return on assets	Median

DEPARTMENT

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD		MEASURE	TARGET
TREATMENT					
1	Meet the treatment costs set according to anticipated production.	If production is at or near: <ul style="list-style-type: none">• 24,000 MG• 25,000 MG• 26,000 MG	TMWA cost: <ul style="list-style-type: none">• \$518.76/MG• \$498.01/MG• \$478.85/MG	Achieve \$/MG in the respective production category	24kMG=\$518.76/MG 25kMG=\$498.01/MG 26kMG=\$478.85/MG
2	Meet the benchmark of 0 (Zero) MCL violations.	0 (Zero) MCL violations		# of MCL violations	0
3	Maintain effluent turbidity 95% of the time.	At less than: <ul style="list-style-type: none">• 0.30 NTU = EPA Standard• 0.20 NTU = Good;• 0.15 NTU = Excellent;• 0.10 NTU is Outstanding		# of NTU’s	≤ 0.10 NTU
DISTRIBUTION					
1	Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top Quartile = 0.04 Median = 0.62 Bottom Quartile = 1.64		# of unplanned outages/1,000 customers	Median or better
2	Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top Quartile = 0.01 Median = 0.10 Bottom Quartile = 0.57		# of unplanned outages/1,000 customers	Median or better
3	Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top Quartile = 0.04 Median = 0.41 Bottom Quartile = 1.18		# of planned outages/1,000 customers	Median or better
4	Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top Quartile = 0.00 Median = 0.09 Bottom Quartile = 0.59		# of planned outages/1,000 customers	Median or better
5	Maintain 95% Hydro Plant Generation availability when river flow is available for generation (excluding planned maintenance and rehab, weather limitations and catastrophic failures).			% hydro generation availability	95%
6	NEW: Track the percent rate of fire hydrants out-of-service.	Top Quartile: 0.0% Median: 1.2% Bottom Quartile: 2.6%		Median or better	Median

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
CUSTOMER SERVICE				
1	Customer Call Center will have an average call handle time of 4 minutes, 30 seconds or less per call.		Average handle time per call	4 min, 30 seconds or less
2	Achieve a monthly average of 4 non-weather estimates on all meter reads.		Monthly average of non-weather estimates	4/month or less
3	The fiscal year average for disconnect for non-payment service orders to active accounts will be 0.30% or less.		% average of disconnects for non-payment	0.30% or less
4	The write off to revenue will be 0.25% or less at fiscal year-end.		% of write off to revenue	0.25% or less
5	Hold a minimum of 30 public workshops, tours and/or presentations with a primary focus on responsible water use and education, including Water Leadership workshops and open houses.		# of public workshops and/or tours	30 or more
6	Achieve 100% backflow testing compliance for all new construction and TMWA-owned devices, as well as 100% continued notification for backflow testing compliance for all existing customers.		# of public workshops and/or tours	100%
7	Perform 175 backflow retrofits.		# of backflow retrofits	175 or more
8	Maintain a high level of billing accuracy.	Top Quartile = 2.5 Median = 14.4 Bottom Quartile = 46.6	Billing accuracy rate	Median
9	NEW: Track percentage of total accounts delinquent in FY 2019	75 th Percentile: 1.5% Median: 5.0% 25 th Percentile: 13.0%	% of delinquent accounts	Median
10	NEW: Maintain high level of stakeholder outreach activities.	Top Quartile: 91.7% Median: 66.7% Bottom Quartile: 41.7%	Stakeholder outreach engagement	Top quartile
BUSINESS INFORMATION SERVICES				
*1	Complete the mapping of New Business 'as-built' drawings within 7 days or less.		# of days mapping of 'as-built' drawings of 'redline' drawing submittal.	7 days or less
2	Close helpdesk tickets within 48 hours or less.		Average # of hours between the creation and closing of Helpdesk tickets.	48 hours or less
3	Complete development of a Capital Project tracking workflow.		% implementation of the workflow necessary to track various departments' tasks as required for Capital Projects.	100%
4	Complete development of TMWA IT Strategic Plan to be accepted by Directors/Managers.		% complete	100%

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
NATURAL RESOURCES				
1	Increase community awareness and understanding of TROA and its benefit to our area's municipal water supply.		Continue giving presentations to customer/industry groups regarding the benefits of TROA to the area's municipal water supply. Participate in TMWA's Smart About Water Day.	At least 10 presentations
2	Construct Mt. Rose Water Treatment Plant (WTP) with goal to be fully-operational by spring of 2020.		Meet in-service date.	100%
3	Review, monitor, and advise the Board regarding issues and activities of the 2019 legislative session that may affect TMWA. Continue monitoring and stay updated on statewide water law issues.		As necessary, advise the Board regarding issues or activities that may affect TMWA.	100%
4	Continue active role in maintaining sufficient water rights inventory, analyze purchase opportunities.		Maintain sufficient water rights inventory.	Monthly Board report
*5	Turn around new business application water rights work within 5 business days.		# of days turnaround new business application	5 days or less
6	Remain actively involved with UNR's Nevada Water Innovation Institute projects		Report activities to the Board	100%
7	Respond to customer water usage audit requests within 2 business days and provide monthly conservation report to the Board		# of days between receiving request and completing a water audit	2 days or less
HUMAN RESOURCES				
1	NEW: Track continuous training for full-time equivalents (FTEs) employees.	Top Quartile: 24.6 Median: 17.9 Bottom Quartile: 13.6	# of continuous training hours per employee	Median or better
2	Track the number of annual employee FTEs departures per year.	Top Quartile: 2.1% Median: 7.1% Bottom Quartile: 11.3%	# of FTEs departed per year	Median or better
3	Track the number of FTEs eligible for retirement	Top Quartile: 15.6% Median: 21.7% Bottom Quartile: 35.0%	#of FTEs eligible for retirement	Median or better

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
FINANCE				
1	Meet or underspend Capital Commitments as approved by the Board		\$ spent	Met or underspent
2	Meet or underspend O&M Budget Commitments		\$ spent	Met or underspent
3	Maintain a lean operating ratio	Top Quartile: 53% Median: 62% Bottom Quartile: 78%	% operating ratio	Median
4	Reduce TMWA's debt per capita based on the American Metropolitan Water Association (AMWA) 2016 Survey.	AMWA Benchmark: \$552 median	TMWA's debt per capita	Work toward median
5	Maintain ratio of capital cost to total budgeted costs based on the AMWA 2016 Survey.	AMWA Benchmark: 25% - 50%	% of capital cost to total budgeted costs	25%
ENGINEERING & NEW BUSINESS				
1	Continue cooperative coordination with Agencies and complete projects on schedule. Survey agency satisfaction with utility coordination effort.	1 = Unacceptable 2 = Needs Improvement 3 = Good 4 = Commendable 5 = Outstanding	Average response rate	4 or higher
2	Deliver required in-service dates for major capital projects on/under budget.	<ul style="list-style-type: none"> Mt Rose WTP S. Virginia Main (Midtown) Verdi Main Fleish Overflow & Rehab 	\$22,000,000	Met or underspent
3	<u>Project Category</u> Commercial with Main Commercial Service Subdivision	Number of Projects and turnaround times: 75% ≤ 30 days 100% ≤ 60 days	% turnaround in ≤ 30 days	75%
			% turnaround in ≤ 60 days	100%
4	NEW: Complete Water Facility Plan in FY19.		% complete	100%
5	NEW: Update and revise Developer Fees in F19.		% complete	100%

GOALS & OBJECTIVES: DETAIL

ORGANIZATION

CUSTOMER SATISFACTION

OBJECTIVES		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Residential Customers Totally or Mostly Satisfied.	71%-81% = Good 82%-86% = Excellent 86% + = Outstanding	% of residential customer's satisfaction	At least 86% residential customer satisfaction
2	Commercial Customers Totally or Mostly Satisfied.	77%-87% = Good 88%-90% = Excellent 90% + = Outstanding	% of commercial customer satisfaction	At least 90% commercial customer satisfaction
3	Meet the Faneuil contract requirement of 80% of calls answered within 35 seconds.		% of calls answered within 35 seconds	80%

NATURAL RESOURCES

OBJECTIVES		MEASURE	TARGET
1	Maximize benefit of TROA implementation.	Maximize upstream storage under TROA within hydrological and operational constraints. Continue to cooperate with TROA stakeholders to develop opportunities to improve reservoir operations and efficient use of water resources.	100%
2	Manage aquifer storage and recovery (ASR) and passive recharge capabilities and operations.	Analyze effectiveness of ASR and passive recharge on a well-by-well basis within each basin. Complete semi-annual report describing ASR and passive recharge goals and results	100%
3	Work with stakeholders to implement return flow management agreement.	Update Board on progress of implementation.	100%
4	NEW: Change purpose of meter retrofit fee to allow funds to be used for water resource sustainability and drought resiliency projects.	Amend Rule 7 to change fee purpose	100%

EFFICIENCY

	OBJECTIVES	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Track customer accounts per employee and compare to national benchmark.	Top Quartile = 480 Median = 374 Bottom Quartile = 269	# of accounts per employee	Top quartile
2	Track average MGD delivered per employee and compare to national benchmark.	Top Quartile = 0.33 Median = 0.20 Bottom Quartile = 0.16	Average MGD delivered per employee	Top quartile

Calculations:**Goal 1: # of Customer Accounts**

$$\frac{\text{# of Customer Accounts}}{\text{# of Employees}}$$
Goal 2: Average MGD

$$\frac{\text{Average MGD}}{\text{# of Employees}}$$

SAFETY

	OBJECTIVES	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Maintain a safety incident rate below the Industry Standard Bureau of Labor Statistics, 2016.	5.0 Average Incident Rate for Water Supply & Irrigation Systems – Local Government	Incident rate	Less than 5.0
2	Track Collisions Per Million Miles (CPMM) and compare against Network of Employers for Traffic Safety Fleet Safety Benchmark Report (Reporting for North America Only, All Vehicles), 2017.	5.45 per 1,000,000 miles driven.	# of collisions per 1,000,000 miles driven	Less than 5.45

Calculations:**Goal 1: # of accidents x 200,000 manhours**

$$\frac{\text{# of accidents} \times 200,000 \text{ manhours}}{\text{Total manhours}}$$
Goal 2: # of collisions x 1,000,000 miles

$$\frac{\text{# of collisions} \times 1,000,000 \text{ miles}}{\text{Total mileage}}$$

FINANCIAL

OBJECTIVES		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Meet all bond covenants.		# of bond covenants met	100%
2	Update the 5-year funding plan.		Update completed	100%
3	Preserve or improve TMWA's excellent credit ratings by the two major credit rating bureaus S&P (AA+ stable) and Moody's (Aa2 stable)		Maintain or improve credit ratings	AA+ /Aa2 - stable or better
4	Maintain a low debt ratio.	Top Quartile = 27% Median = 39% Bottom = 58%	Debt ratio	Median
5	Sustain a minimum of 485 days of cash reserve.	Top Quartile = 485 Median = 292 Bottom = 191	# of days of cash reserve	Top quartile
6	Maintain a debt-service coverage ratio of 1.5.	Top Quartile = 3.01 Median = 1.84 Bottom Quartile = 1.23	Debt-service coverage ratio	1.5 or better
7	Maintain high level of utility's financial effectiveness	Top Quartile: 3.4% Median: 2.6% Bottom Quartile: 1.6%	% return on assets	Median

Calculations:**Goal 4:** $\frac{\text{Total liabilities}}{\text{Total assets}}$

Goal 5: $\frac{\text{Undesignated cash reserves}}{\text{Total annual operations \& maintenance costs / 365 days}}$

Goal 6: $\frac{\text{Total operating revenue} - \text{Total O\&M costs}}{\text{Total debt service}}$

Goal 7: $\frac{\text{Net income}}{\text{Total assets}}$

DEPARTMENT

TREATMENT

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD		MEASURE	TARGET
1	Meet the treatment costs set according to anticipated production.	If production is at or near: • 24,000 MG • 25,000 MG • 26,000 MG	TMWA cost: • \$518.76/MG • \$498.01/MG • \$478.85/MG	Achieve \$/MG in the respective production category	24kMG=\$518.76/MG 25kMG=\$498.01/MG 26kMG=\$478.85/MG
2	Meet the benchmark of 0 (Zero) MCL violations.	0 (Zero) MCL violations		# of MCL violations	0
3	Maintain effluent turbidity 95% of the time.	At less than: • 0.30 NTU = EPA Standard • 0.20 NTU = Good; • 0.15 NTU = Excellent; • 0.10 NTU is Outstanding		# of NTU's	≤ 0.10 NTU

Calculation:

Goal 1: # of MG produced at a cost of \$/MG

DISTRIBUTION

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top Quartile = 0.04 Median = 0.62 Bottom Quartile = 1.64	# of unplanned outages/1,000 customers	Median or better
2	Track system reliability by calculating the number of unplanned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top Quartile = 0.01 Median = 0.10 Bottom Quartile = 0.57	# of unplanned outages/1,000 customers	Median or better
3	Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. < 4 hours	Top Quartile = 0.04 Median = 0.41 Bottom Quartile = 1.18	# of planned outages/1,000 customers	Median or better
4	Track system reliability by calculating the number of planned outages per 1,000 customers and compare to national benchmarks. 4 – 12 hours	Top Quartile = 0.00 Median = 0.09 Bottom Quartile = 0.59	# of planned outages/1,000 customers	Median or better
5	Maintain 95% Hydro Plant Generation availability when river flow is available for generation (excluding planned maintenance and rehab, weather limitations and catastrophic failures).		% hydro generation availability	95%
6	NEW: Track the percent rate of fire hydrants out-of-service.	75 th Percentile: 0.0% Median: 1.2% 25 th Percentile: 2.6%	Median or better	Median

Calculations:

Goals 1 – 4:
$$\frac{(1,000) \text{ Total outages}}{\text{Total customers}}$$

Goal 6:
$$\frac{\# \text{ of hydrants out of service in FY19}}{\text{Total \# of hydrants}}$$

CUSTOMER SERVICE

	GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Customer Call Center will have an average call handle time of 4 minutes, 30 seconds or less per call.		Average handle time per call	4 min, 30 seconds or less
2	Achieve a monthly average of 4 non-weather estimates on all meter reads.		Monthly average of non-weather estimates	4/month or less
3	The fiscal year average for disconnect for non-payment service orders to active accounts will be 0.30% or less.		% average of disconnects for non-payment	0.30% or less
4	The write off to revenue will be 0.25% or less at fiscal year-end.		% of write off to revenue	0.25% or less
5	Hold a minimum of 30 public workshops, tours and/or presentations with a primary focus on responsible water use and education, including Water Leadership workshops and open houses.		# of public workshops and/or tours	30 or more
6	Achieve 100% backflow testing compliance for all new construction and TMWA-owned devices, as well as 100% continued notification for backflow testing compliance for all existing customers.		# of public workshops and/or tours	100%
7	Perform 175 backflow retrofits.		# of backflow retrofits	175 or more
8	Maintain a high level of billing accuracy.	Top Quartile: 2.5 Median: 14.4 Bottom Quartile: 46.6	Billing accuracy rate	Top quartile
9	NEW: Maintain a low percent of delinquency rate of accounts in FY19	Top Quartile: 1.5% Median: 5.0% Bottom Quartile: 13.0%	% of accounts delinquent	Median
10	NEW: Maintain a high level of stakeholder outreach activities	Top Quartile: 91.7% Median: 66.7% Bottom Quartile: 41.7%	Stakeholder outreach engagement	Top quartile

Calculation:

Goal 8:
$$\frac{\text{\# error-driven billing adjustments} \times 10,000}{\text{\# of bills generated}}$$

Goal 9: % of Total accounts delinquent in FY19

BUSINESS INFORMATION SERVICES

	GOALS	MEASURE	TARGET
1	Complete the mapping of New Business 'as-built' drawings within 7 days or less.	# of days mapping of 'as-built' drawings of 'redline' drawing submittal.	7 days or less
2	Close helpdesk tickets within 48 hours or less.	Average # of hours between the creation and closing of Helpdesk tickets.	48 hours or less
3	Complete development of a Capital Project tracking workflow.	% implementation of the workflow necessary to track various departments' tasks as required for Capital Projects.	100%
4	Complete development of TMWA IT Strategic Plan to be accepted by Directors/Managers.	% complete	100%

NATURAL RESOURCES

	GOALS	MEASURE	TARGET
1	Increase community awareness and understanding of TROA and its benefit to our area's municipal water supply.	Continue giving presentations to customer/industry groups regarding the benefits of TROA to the area's municipal water supply. Participate in TMWA's Smart About Water Day.	At least 10 presentations
2	Construct Mt. Rose Water Treatment Plant (WTP) with goal to be fully-operational by spring of 2020.	Meet in-service date.	100%
3	Review, monitor, and advise the Board regarding issues and activities of the 2017-2018 interim legislative session that may affect TMWA. Continue monitoring and stay updated on statewide water law issues.	As necessary, advise the Board regarding issues or activities that may affect TMWA.	100%
4	Continue active role in maintaining sufficient water rights inventory, analyze purchase opportunities.	Maintain sufficient water rights inventory.	Monthly Board report
5	Turn around new business application water rights work within 5 business days.	# of days turnaround new business application	5 days or less
6	Remain actively involved with UNR's Nevada Water Innovation Institute projects.	Report activities to the Board	100%
7	Respond to customer water usage audit requests within 2 business days and provide monthly conservation report to the Board.	# of days between receiving request and completing a water audit	2 days or less

HUMAN RESOURCES

	GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	NEW: Track continuous training for full-time (FTEs) employees.	Top Quartile: 24.6 Median: 17.9 Bottom Quartile: 13.6	# of continuous training hours per employee	Median or better
2	Track the number of annual employee FTEs departures per year.	Top Quartile: 2.1% Median: 7.1% Bottom Quartile: 11.3%	# of FTEs departed per year	Median or better
3	Track the number of FTEs eligible for retirement	Top Quartile: 15.6% Median: 21.7% Bottom Quartile: 35.0%	#of FTEs eligible for retirement	Median or better

Calculations:**Goal 1:** Total training hours by all employees

Total # of FTEs

Goal 2: # of FTEs departed

Total # of FTEs

Goal 3: # of FTEs eligible for retirement in the next 5 years

Total # of FTEs

FINANCE

	GOALS	AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Meet or underspend Capital Commitments as approved by the Board		\$ spent	Met or underspent
2	Meet or underspend O&M Budget Commitments		\$ spent	Met or underspent
3	Maintain a lean operating ratio	Top Quartile: 53% Median: 62% Bottom Quartile: 78%	% operating ratio	Median
4	Reduce TMWA's debt per capita based on the American Metropolitan Water Association (AMWA) 2016 Survey.	AMWA Benchmark: \$552 median	TMWA's debt per capita	Work toward median
5	Maintain ratio of capital cost to total budgeted costs based on the AMWA 2016 Survey.	AMWA Benchmark: 25% - 50%	% of capital cost to total budgeted costs	25%

Calculation:**Goal 3:** Total O&M costs

Total operating revenue

Goal 4: Total debt

Population served

Goal 5: CIP budget

Cost of service

ENGINEERING & NEW BUSINESS

GOALS		AWWA BENCHMARK/ INDUSTRY STANDARD	MEASURE	TARGET
1	Continue cooperative coordination with Agencies and complete projects on schedule. Survey agency satisfaction with utility coordination effort.	1 = Unacceptable 2 = Needs Improvement 3 = Good 4 = Commendable 5 = Outstanding	Average response rate	4 or higher
2	Deliver required in-service dates for major capital projects on/under budget.	<ul style="list-style-type: none"> Mt Rose WTP S. Virginia Main (Midtown) Verdi Main Fleish Overflow & Rehab 	\$22,000,000	Met or underspent
3	<u>Project Category</u> Commercial with Main Commercial Service Subdivision	Number of Projects and turnaround times: 75% ≤ 30 days 100% ≤ 60 days	% turnaround in ≤ 30 days	75%
			% turnaround in ≤ 60 days	100%
4	NEW: Complete Water Facility Plan in FY19.		% complete	100%
5	NEW: Update and revise Developer Fees in FY19.		% complete	100%

Notes:

Goal 1: Survey the satisfaction of the appropriate coordinators at the City of Reno, City of Sparks, Regional Transportation Commission, NV Energy, NDOT and Washoe County with TMWA's Street & Highway Program.

Goal 3: # of calendar days from application to first red-line review complete.



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
Sandra Tozi, Senior Accountant
DATE: October 8, 2018
SUBJECT: **Required Communication from Eide Bailly in regards to TMWA's Annual Financial Audit**

Summary

The attached written communication from TMWA's external auditors, Eide Bailly, sets forth expectations for conducting and completing the audit of TMWA's financial statements and related disclosures for the fiscal year ended June 30, 2018. The Eide Bailly communication also defines the roles and responsibilities of TMWA's management, Eide Bailly, and the TMWA Board of Directors.

October 3, 2018

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

This letter is provided in connection with our engagement to audit the financial statements of Truckee Meadows Water Authority as of and for the year ended June 30, 2018. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit.

Our Responsibilities

As stated in our engagement letter dated March 8, 2018, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America and, in accordance with *Government Auditing Standards*, for the purpose of forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Planned Scope of the Audit

Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, but not absolute, assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

Our audit will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and as a basis for designing the nature, timing, and extent of further audit procedures. Our audit is not designed to express an opinion or provide assurance on internal control over financial reporting. However, we will communicate to you at the conclusion of our audit, significant matters that are relevant to your responsibilities in overseeing the financial reporting process, including any material weaknesses, significant deficiencies, and violation of laws or regulations that come to our attention.

We began our audit in May 2018 and expect to issue our report by November 30, 2018.

This information is intended solely for the information and use of the Board of Directors and management of Truckee Meadows Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads "Eric Sallie LLP". The signature is written in a cursive, flowing style.

Reno, Nevada



STAFF REPORT

TO: TMWA Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer/Treasurer
DATE: October 5, 2018
SUBJECT: **Presentation of preliminary funding plan for Fiscal Years 2019 through 2023, discussion and possible recommendation to the Board**

Recommendation

Recommendation to defer the next rate increase scheduled for May, 2019 until May, 2020 and maintain the possibility of three rate increases in May of 2020, 2021, and 2022 at a maximum of 2.5% each. Continue to monitor the closing of the funding gap between recurring revenues and the cost of servicing TMWA customers, based on the Funding Plan annually.

Summary

At the April, 2017 TMWA Board meeting, the TMWA Board of Directors (BOD) approved Resolution No. 250 which included rate increases of 3% in May, 2017 and May, 2018 with additional rate increases of 2.5% in May, 2019 through 2021 to be brought for reconsideration to the SAC and BOD before they are implemented, so that they can be thoroughly vetted. Principal payments on Senior Lien debt were deferred in the 2016 Bond Refunding to give TMWA time to bring rates in line with cost of service. Annual principal payments averaging \$11 million annually will resume in 2020, and should be covered by recurring revenue, which is mainly water sales. Increases of 3% in May of 2017 and 2018 have been implemented, and it is interesting to note that water sales revenue for FY2018 is now close to the same level as before the drought and the consolidation of the three water utilities Washoe, STMGID and TMWA.

The 2019-2023 Draft Funding Plan shows that rate adjustments are still necessary to close the funding gap between recurring revenues and the cost of servicing the customer base; However, increases in water sales revenues, hydroelectric and other operating revenues, and investment earnings have helped to close some of the funding gap. Unseasonably warm summers in the last three years have resulted in increased water sales which affects future water sales projection models. Water flows in the Truckee River are projected to be sufficient to operate hydroelectric plants at near capacity levels. Increases in interest rates, and higher than anticipated cash balances resulted in higher than originally anticipated investment earnings. Some of these trends and assumptions could change, and at this point the Board could elect to defer the 2.5% rate increases out to May, 2020 through 2022 for reconsideration. Closing the funding gap still needs to occur at some point to ensure TMWA can maintain critical financial goals which are essential

to maintain adequate cash balances and investment grade credit ratings. Because TMWA has sufficient cash balances at this time, a wait and see approach can be taken.

Discussion

The Draft Funding Plans analyzes the ability of TMWA to fund operating expenses, principal and interest payments on all currently outstanding debt, and all capital improvements presented in the TMWA 2019-2023 Capital Improvement Plan (CIP). This high-level presentation is based upon very detailed financial projections. Assumptions used in these financial projections can be found in ***Attachment C***.

Critical financial goals for TMWA that need to be considered in these funding plans are as follows:

- Maintain recurring revenues sufficient to cover the cost to serve customers.
- Maintain a senior lien coverage (DSC) ratio that not only meets bond covenants (1.25x) but also meets the board designated goal of 1.5x.
- Maintain sufficient cash balances to facilitate the payment for rehabilitative capital projects on a pay-go basis.
- Maintain high investment grade credit ratings to effectively access the credit markets.

Recurring revenues are comprised of water sales, hydroelectric revenues, other miscellaneous operating revenues and investment income with water sales making up anywhere from 90 to 95% of recurring revenues. The cost to serve customers is defined as annual cash operating expenses, principal and interest payments on all outstanding debt as well as rehabilitative capital projects and outlays. If recurring revenues are less than the cost to serve customers this is referred to as a funding gap.

Over the last three years, revenue has rebounded somewhat from drought levels. Three summers with record dry spells and heat have helped contribute to increased water sales. Compared to original projections in 2017, when the rate increase was adopted, water sales revenue for FY2018 was \$2.6 million or 2.76% higher than the funding plan projection used at that time. It is uncertain whether this trend will continue. Hydroelectric revenues are expected to remain solid for several years due to sufficient Truckee River flows, but this could also change later in the funding plan period. TMWA had several one-time cash infusions from insurance proceeds for the Farad Hydro diversion, and settlements on release of forward delivery agreements totaling over \$30 million. This additional cash and the current assumptions related to a rising interest rate environment are projected to offset some of the funding gap with additional interest income. All of these increases to revenue could change, and deferring the rate increases will give time to see if these conditions continue to present as predicted.

The Draft Funding Plan found in ***Attachment A-1, A-2, and A-3*** present the financial metrics and disparity between recurring revenues and the cost to serve customers. ***Attachment A-1*** projects financial performance metrics with no future rate increases. ***Attachment A-2*** projects financial performance metrics with deferred rate increases. ***Attachment A-3*** projects financial performance metrics with rate increases as originally approved.

Critical metrics for TMWA are projected as follows related to ***Attachment A-1***:

- TMWA's revenue deficiency as a combined utility increases to \$4.3 million and 3.7% in 2020 when principal payments on Senior Lien debt resume.
- Unrestricted cash balances decline significantly beginning in 2020 and fall below required levels to maintain investment grade credit ratings by 2022.

In ***Attachment A-2*** the funding plan from ***Attachment A-1*** is shown with projected rate increases sufficient to increase recurring revenues to cover the projected cost of service by 2022, which strengthens TMWA's DSC calculations and preserves cash balances. Rate increases are estimated at 2.5% in each May 2020 – 2021.

Critical metrics for TMWA are projected as follows:

- Recurring revenue is sufficient to cover projected cost of service by 2022.
- TMWA maintains an adequate DSC ratio.
- Unrestricted cash balances are maintained at levels sufficient to maintain investment grade credit ratings.

In ***Attachment A-3*** the funding plan from ***Attachment A-1*** is shown with projected rate increases sufficient to increase recurring revenues to cover the projected cost of service by 2021, which strengthens TMWA's DSC calculations and maintains additional cash balances as compared to the assumptions in ***Attachment A-2***. Rate increases are estimated at 2.5% in each May 2020 – 2021 as originally projected, with no increase in 2022.

Critical metrics for TMWA are projected as follows:

- Recurring revenue is sufficient to cover projected cost of service by 2021.
- TMWA maintains a strong DSC ratio.
- Unrestricted cash balances are maintained at excellent levels sufficient to maintain investment grade credit ratings.

In both rate increase scenarios there are only two years of 2.5% increases. There are many assumptions that can change in these projections, and deferring all three 2.5% increases at this time is advised. This will provide the time to discern if the current growth environment sustains itself and if projections are in line with future results.

TMWA management will continue with strong cost control measures, as demonstrated over past years. The 3% increases approved by the board in May of 2017 and 2018 have put TMWA in a better position to address increased principal payments on debt in 2020. At this time, it is advised to wait one year before the next rate increase, and defer all three 2.5% increases to May, 2020-2022 for reevaluation.

Truckee Meadows Water Authority
2019-2023 Funding Plan with No Rate Increases

TMWA's Revenue Sufficiency and Cost of Service	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Projected Rate Increases	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Expenses	\$ 57,763,158	\$ 60,333,221	\$ 61,332,838	\$ 62,029,403	\$ 63,239,091
Principal and Interest on all outstanding debt	18,654,573	29,220,681	28,761,983	29,092,143	28,960,846
Rehabilitative Capital Spending	26,136,000	26,136,000	26,136,000	26,136,000	26,136,000
Total Projected Cost of Service	\$ 102,553,731	\$ 115,689,902	\$ 116,230,821	\$ 117,257,546	\$ 118,335,937
Recurring Revenues	\$ 109,667,673	\$ 111,425,202	\$ 111,988,504	\$ 112,861,415	\$ 113,746,795
Surplus (Deficiency)	\$ 7,113,942	\$ (4,264,700)	\$ (4,242,317)	\$ (4,396,131)	\$ (4,589,142)
Surplus (Deficiency) as a % of Cost of Service	6.9%	-3.7%	-3.6%	-3.7%	-3.9%
Debt Service Coverage Ratios	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Water Sales Revenues	100,626,513	101,794,124	103,303,189	104,124,970	105,001,972
Hydroelectric Sales	2,812,568	2,884,754	2,474,599	2,423,808	2,448,046
Other Operating Sales	3,404,500	3,164,500	2,741,645	2,769,061	2,796,752
Investment Income	2,824,092	3,581,824	3,469,071	3,543,576	3,500,025
Total Revenues	109,667,673	111,425,202	111,988,504	112,861,415	113,746,795
Operating Expenses	(59,463,158)	(61,533,221)	(61,332,838)	(62,029,403)	(63,239,091)
Net Revenues	50,204,515	49,891,981	50,655,666	50,832,012	50,507,704
Senior Lien Debt Service	15,700,800	26,243,800	25,888,000	26,333,500	26,332,750
Senior Lien DSC	3.20	1.90	1.96	1.93	1.92
Total Sr. Lien and SRF Debt Service	18,121,521	28,664,521	28,308,721	28,754,221	28,753,471
Total Sr. Lien and SRF DSC	2.77	1.74	1.79	1.77	1.76
Total Annual Debt Service incl. TECP Interest	18,654,573	29,220,681	28,761,983	29,092,143	28,960,846
Total Subordinate DSC	2.69	1.71	1.76	1.75	1.74
TMWA's Cash Position	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Unrestricted Cash and Investments (End of Year)	\$ 132,324,594	\$ 112,202,986	\$ 110,010,882	\$ 105,873,000	\$ 100,920,279
Funds Received for Fleish Hydroelectric	21,410,910	21,410,910	21,410,910	21,410,910	21,410,910
Unrestricted Cash Excluding Hydro Funds	\$ 110,913,684	\$ 90,792,076	\$ 88,599,972	\$ 84,462,090	\$ 79,509,369
Unrestricted Cash Reserves Policy Requirement	\$ 86,494,663	\$ 87,184,685	\$ 87,117,891	\$ 87,350,079	\$ 87,753,309

Truckee Meadows Water Authority
2019-2023 Funding Plan with Delayed Rate Increases

TMWA's Revenue Sufficiency and Cost of Service	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Projected Rate Increases	0.0%	2.5%	2.5%	0.0%	0.0%
Operating Expenses	\$ 57,763,158	\$ 60,333,221	\$ 61,332,838	\$ 62,029,403	\$ 63,239,091
Principal and Interest on all outstanding debt	18,654,573	29,220,681	28,761,983	29,092,143	28,960,846
Rehabilitative Capital Spending	26,136,000	26,136,000	26,136,000	26,136,000	26,136,000
Total Projected Cost of Service	\$ 102,553,731	\$ 115,689,902	\$ 116,230,821	\$ 117,257,546	\$ 118,335,937
Recurring Revenues	\$ 109,667,673	\$ 111,899,085	\$ 115,217,860	\$ 118,506,828	\$ 119,636,647
Surplus (Deficiency)	\$ 7,113,942	\$ (3,790,817)	\$ (1,012,961)	\$ 1,249,282	\$ 1,300,710
Surplus (Deficiency) as a % of Cost of Service	6.9%	-3.3%	-0.9%	1.1%	1.1%
Debt Service Coverage Ratios	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Water Sales Revenues	100,626,513	102,268,007	106,402,590	109,471,882	110,394,124
Hydroelectric Sales	2,812,568	2,884,754	2,474,599	2,423,808	2,448,046
Other Operating Sales	3,404,500	3,164,500	2,741,645	2,769,061	2,796,752
Investment Income	2,824,092	3,581,824	3,599,026	3,842,077	3,997,725
Total Revenues	109,667,673	111,899,085	115,217,860	118,506,828	119,636,647
Operating Expenses	(59,463,158)	(61,533,221)	(61,332,838)	(62,029,403)	(63,239,091)
Net Revenues	50,204,515	50,365,864	53,885,022	56,477,425	56,397,556
Senior Lien Debt Service	15,700,800	26,243,800	25,888,000	26,333,500	26,332,750
Senior Lien DSC	3.20	1.92	2.08	2.14	2.14
Total Sr. Lien and SRF Debt Service	18,121,521	28,664,521	28,308,721	28,754,221	28,753,471
Total Sr. Lien and SRF DSC	2.77	1.76	1.90	1.96	1.96
Total Annual Debt Service incl. TECP Interest	18,654,573	29,220,681	28,761,983	29,092,143	28,960,846
Total Subordinate DSC	2.69	1.72	1.87	1.94	1.95
TMWA's Asset/Liability Matching	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Unrestricted Cash and Investments (End of Year)	\$ 132,324,594	\$ 112,409,263	\$ 113,298,967	\$ 114,736,599	\$ 115,670,145
Funds Received for Fleish Hydroelectric	21,410,910	21,410,910	21,410,910	21,410,910	21,410,910
Unrestricted Cash Excluding Hydro Funds	\$ 110,913,684	\$ 90,998,353	\$ 91,888,057	\$ 93,325,689	\$ 94,259,235
Unrestricted Cash Reserves Policy Requirement	\$ 86,494,663	\$ 87,184,685	\$ 87,117,891	\$ 87,350,079	\$ 87,753,309

Truckee Meadows Water Authority
2019-2023 Funding Plan with Original Rate Increases

TMWA's Revenue Sufficiency and Cost of Service	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Projected Rate Increases	2.5%	2.5%	0.0%	0.0%	0.0%
Operating Expenses	\$ 57,763,158	\$ 60,333,221	\$ 61,332,838	\$ 62,029,403	\$ 63,239,091
Principal and Interest on all outstanding debt	18,654,573	29,220,681	28,761,983	29,092,143	28,960,846
Rehabilitative Capital Spending	26,136,000	26,136,000	26,136,000	26,136,000	26,136,000
Total Projected Cost of Service	\$ 102,553,731	\$ 115,689,902	\$ 116,230,821	\$ 117,257,546	\$ 118,335,937
Recurring Revenues	\$ 109,667,673	\$ 114,553,917	\$ 117,578,988	\$ 118,696,784	\$ 119,774,897
Surplus (Deficiency)	\$ 7,113,942	\$ (1,135,985)	\$ 1,348,167	\$ 1,439,238	\$ 1,438,960
Surplus (Deficiency) as a % of Cost of Service	6.9%	-1.0%	1.2%	1.2%	1.2%
Debt Service Coverage Ratios	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Water Sales Revenues	100,626,513	104,848,659	108,607,772	109,471,882	110,394,124
Hydroelectric Sales	2,812,568	2,884,754	2,474,599	2,423,808	2,448,046
Other Operating Sales	3,404,500	3,164,500	2,741,645	2,769,061	2,796,752
Investment Income	2,824,092	3,656,004	3,754,972	4,032,033	4,135,975
Total Revenues	109,667,673	114,553,917	117,578,988	118,696,784	119,774,897
Operating Expenses	(59,463,158)	(61,533,221)	(61,332,838)	(62,029,403)	(63,239,091)
Net Revenues	50,204,515	53,020,696	56,246,150	56,667,381	56,535,806
Senior Lien Debt Service	15,700,800	26,243,800	25,888,000	26,333,500	26,332,750
Senior Lien DSC	3.20	2.02	2.17	2.15	2.15
Total Sr. Lien and SRF Debt Service	18,121,521	28,664,521	28,308,721	28,754,221	28,753,471
Total Sr. Lien and SRF DSC	2.77	1.85	1.99	1.97	1.97
Total Annual Debt Service incl. TECP Interest	18,654,573	29,220,681	28,761,983	29,092,143	28,960,846
Total Subordinate DSC	2.69	1.81	1.96	1.95	1.95
TMWA's Cash Position	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Unrestricted Cash and Investments (End of Year)	\$ 132,324,594	\$ 114,920,520	\$ 118,248,772	\$ 119,942,515	\$ 121,014,311
Funds Received for Fleish Hydroelectric	21,410,910	21,410,910	21,410,910	21,410,910	21,410,910
Unrestricted Cash Excluding Hydro Funds	\$ 110,913,684	\$ 93,509,610	\$ 96,837,862	\$ 98,531,605	\$ 99,603,401
Unrestricted Cash Reserves Policy Requirement	\$ 86,494,663	\$ 87,184,685	\$ 87,117,891	\$ 87,350,079	\$ 87,753,309

2019-2023 Draft Funding Plan Assumptions

Operational Assumptions

- 1) Greater reliance on surface water in fiscal year 2019-2020 due to improved weather patterns with groundwater supplies augmenting the surface water treatment plants. Both surface water treatment plants to operate.
- 2) Fish Springs Ranch (Vidler) groundwater will be made available to the North Valleys reducing reliance on groundwater in the Lemmon Valley Basin. Water flow maintained to optimize water quality.
- 3) The Mt. Rose/Galena Surface Water Treatment Plant operational in fiscal year 2021 with operating costs assumed to be \$1000 per mgal.

Revenue/Capital Contribution Assumptions

- 1) Projected water sale revenues for FY2019-FY2023 are based upon an average of the last three years of usage so that the effects on water sales from the drought are diluted.
- 2) Hydroelectric sales projections are based on higher river flows in 2019 and 2020, and median river flows in 2021 through 2023. Downtime for construction and maintenance of hydro plants is considered.
- 3) The Draft Funding Plan anticipates an additional 7,952 service connections over the five-year period. Growth in service connections is slightly lower than growth projections presented in the Draft 2016-2035 Water Resource Plan and the prior year's funding plan. Growth percentage goes from 2.1% in 2019, decreasing to 0.8% in 2023.
- 4) Weighted average yield on investable cash is estimated to be 1.95% in fiscal year 2019 rising to 2.77% in fiscal year 2023. These yields are slightly higher than the prior year's funding plan.
- 5) Will serve sales are expected to be approximately \$20.3 million over the ensuing period, and will be used to pay down commercial paper balances.
- 6) Other developer contributions are projected to be \$38.5 million over the ensuing period. This does not include any significant funding to expand a water main to Verdi or other currently unserved areas.
- 7) Collection of Water Meter Retrofit fees are assumed to be suspended in fiscal year 2019 and repurposed as a water sustainability fee at a lower rate of \$1500 per acre foot.

Operating Expense Assumptions

- 1) Wages and salaries increase for IBEW workers are based on the latest contract with the union or 3% in 2019, 2020, and 2021. Thereafter, IBEW increases are budget at 2.0%. MPAT employees increase by 2.75% annually in 2019, 2020, and 2021 and 2.0% in 2022 and 2023.
- 2) Headcount was increased by 15 in the 2019 budget and will increase by two in 2020, and one in 2021, with no increase in 2022. Headcount will decrease by four in 2022 and by another two in 2023 as retirements occur. Overtime also decreases by \$0.3 million by FY 2021 when water operators are fully staffed and trained.

- 3) Public Employee contribution rates are assumed to increase to 28.5% in fiscal year 2020 through 2022, and increase to 29% in fiscal year 2023.
- 4) Health care premiums are assumed to increase 5% annually. No change to employer/employee allocation of costs.
- 5) Life and disability premiums assumed to increase 4% annually. Workmen's compensation premiums assumed to increase 2.5% annually due to favorable loss modification factors to premium calculations.
- 6) Funding for the Truckee River Fund is returned to \$850k in 2019-2023 and DRI cloud seeding funding is \$75k annually for the same period.
- 7) TMWA's anticipated share of TROA administration expenses is approximately \$300k annually beginning in 2019.
- 8) General annual inflation of 2.0% is assumed on most service and supplies, with the exception of power and fuel, and ditch and storage fees which are assumed to increase 3% annually, and property, liability and other insurance which is assumed to increase by 5%.

Debt Management Assumptions

- 1) Tax-exempt commercial paper interest rates are assumed to be 2.95% in fiscal year 2019 increasing to 3.77% in fiscal year 2023. Payments of \$34.0 million are assumed based on will-serve sales and other revenue to reduce commercial paper to a zero balance at the end of the five-year period.
- 2) No new debt is assumed to be issued during the 2019-2023 period.

Treasury Assumptions

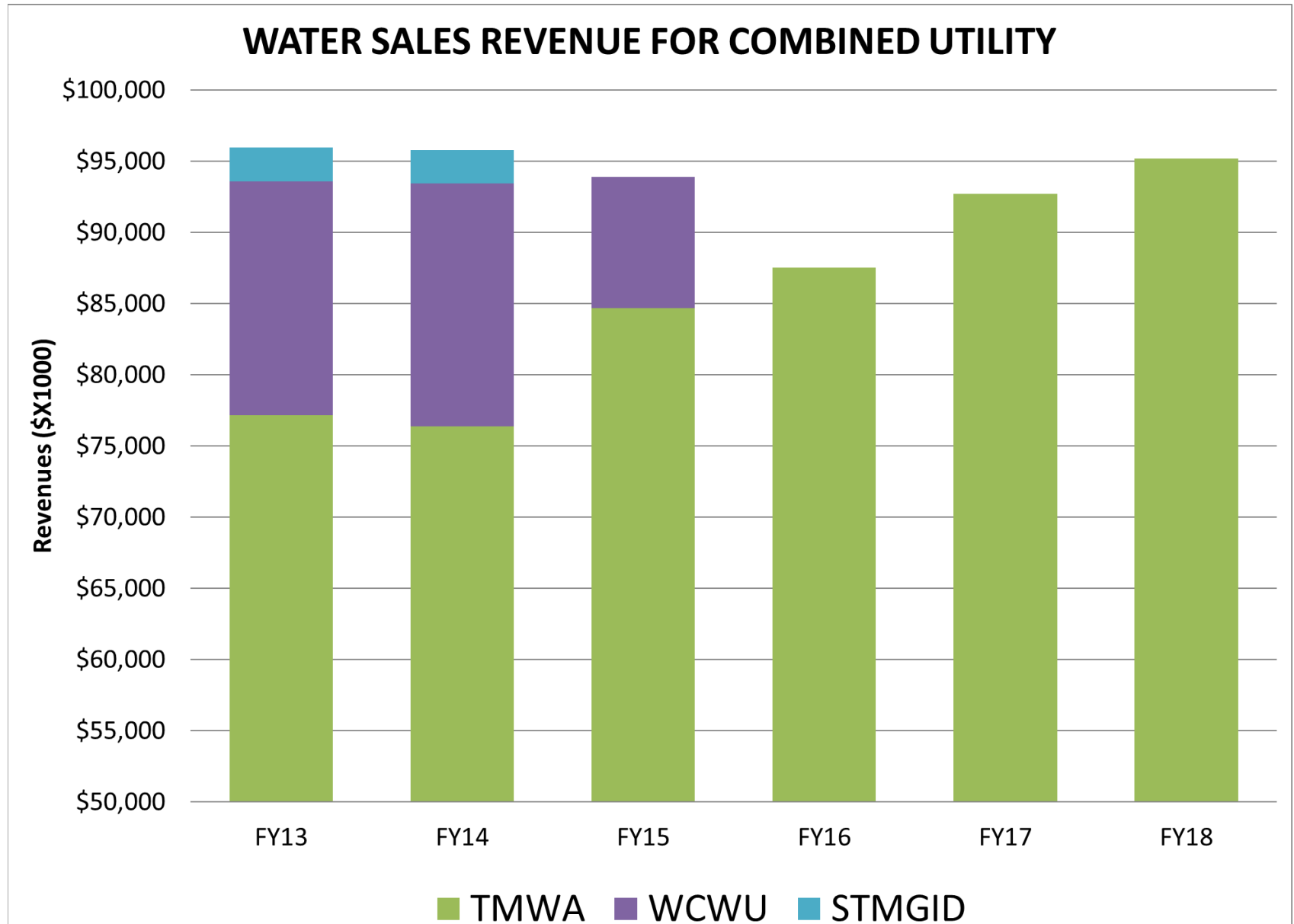
- 1) Total cash and investments at the beginning of fiscal year 2019 are \$193.4 million. Of this total \$132.2 million is unrestricted.
- 2) Restricted reserves that were transferred from the South Truckee Meadows General Improvement District (STMGID) are sufficient to fund all capital improvements in this former service area through 2023.
- 3) Insurance proceeds received of \$21.4 million related to the Farad hydro facility will be used to rehabilitate the Farad property, and expand hydroelectric facilities. These expenses and construction plans are not currently included in TMWA's projections, but these cash balances are assumed to be restricted for this use.
- 4) Customer funded capital spending from the five year CIP plan is spread evenly over the five year period to avoid fluctuations in the funding gap.

TMWA

Draft Funding Plan 2019-2023 Financial Metrics 2013-2023

October 17, 2018

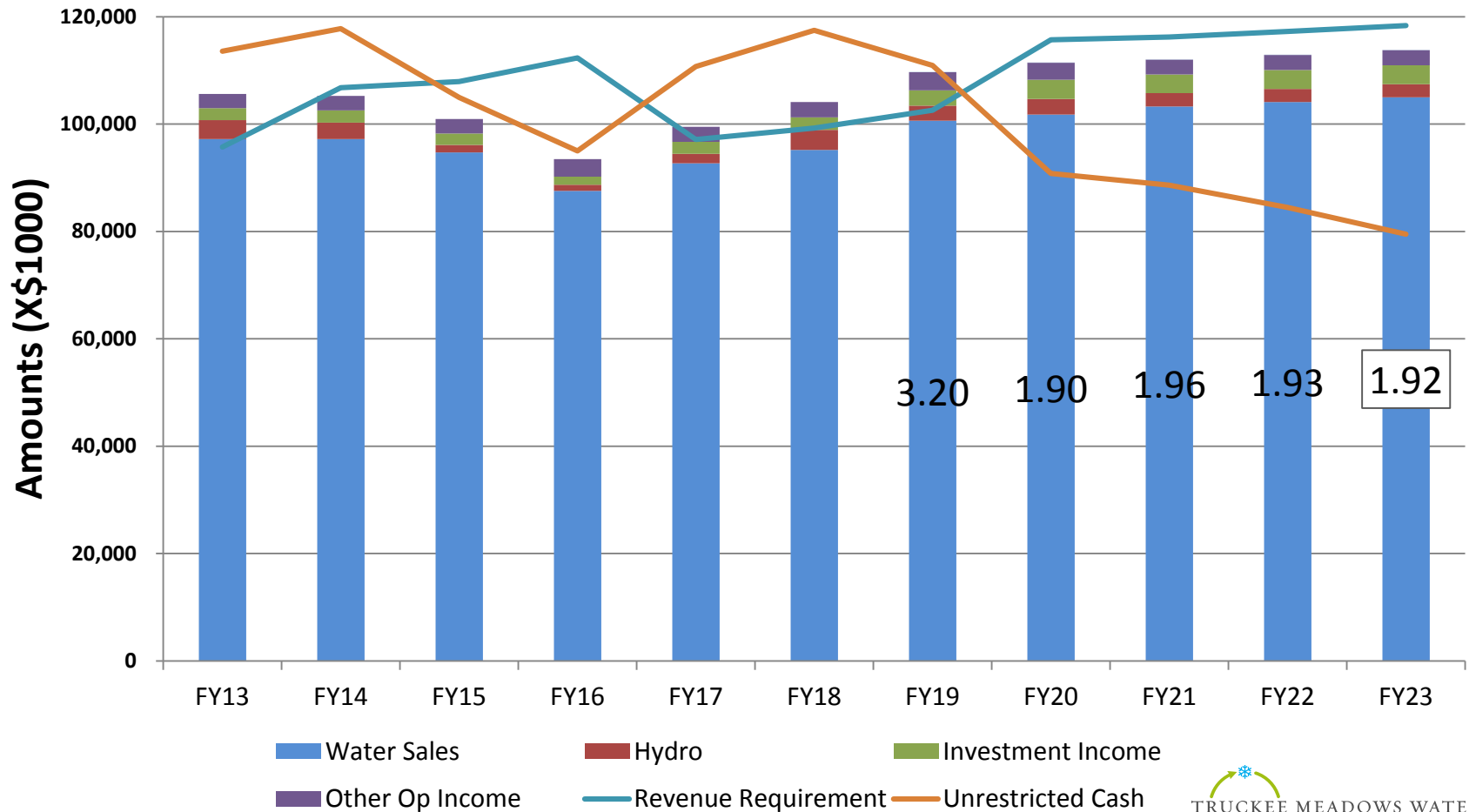




Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2023 (Attachment A-1)

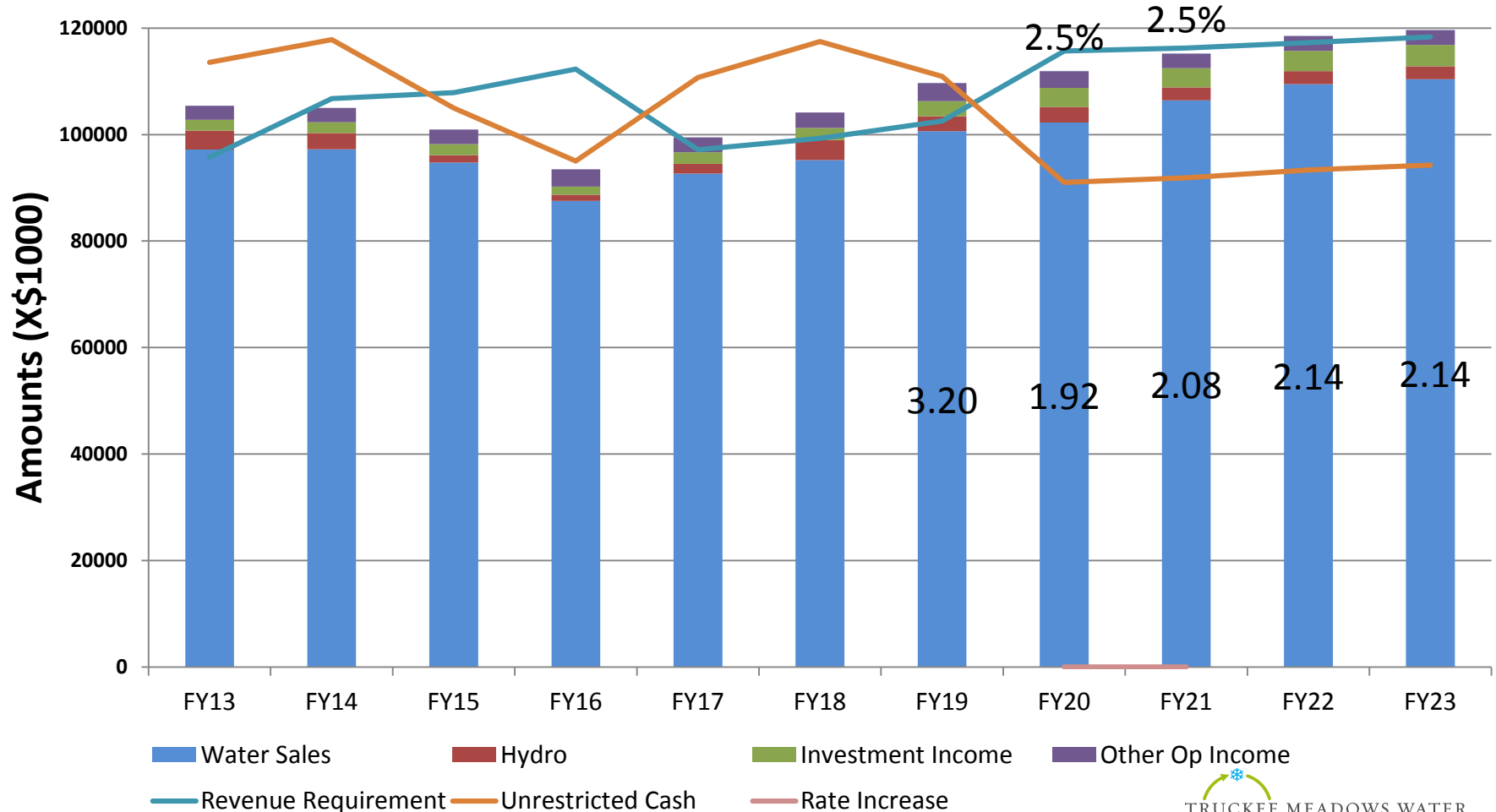
2019 Funding Plan - No Rate Increase



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2023 (Attachment A-2)

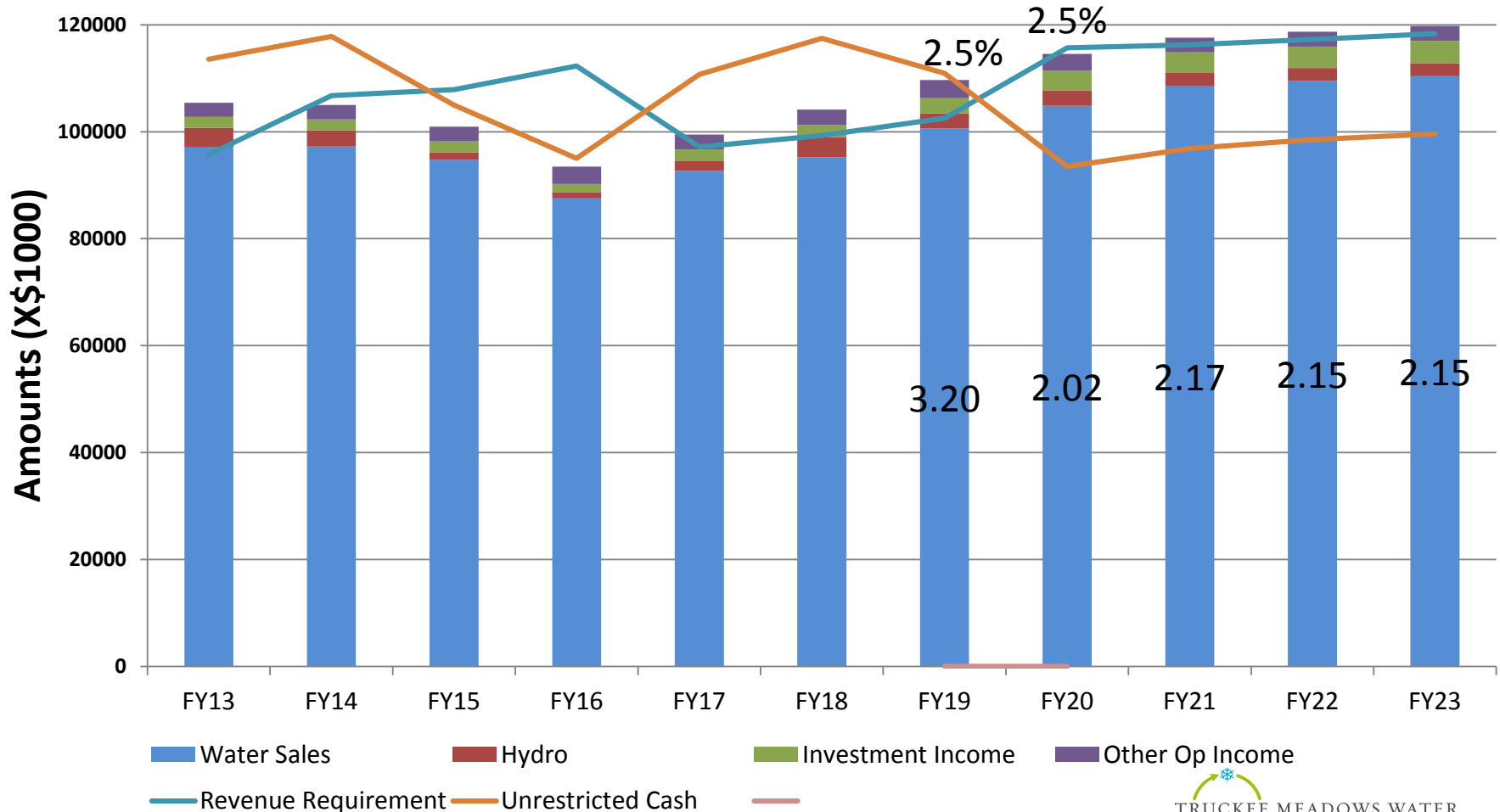
2019 Funding Plan - Defer Rate Increases



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2023 (Attachment A-3)

2019 Funding Plan - Impliment Rate Increase of 2.5%



Thank you!
Questions?

Michele Sullivan, CFO
Email: msullivan@tmwa.com



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
DATE: October 8, 2018
SUBJECT: Discussion and action, and possible direction to staff regarding the possible closure of the §501-c-9 Post Retirement Medical and Life Insurance plan and Trust to future employees

RECOMMENDATION

Staff recommends that the Board of Directors of the Truckee Meadows Water Authority (TMWA) consider the cost of keeping the §501-c-9 Post Retirement Medical and Life Insurance Plan and Trust (PRMPT) open to all new and/or future employees of TMWA, and make recommendations to staff.

SUMMARY

As of the last actuarial valuation dated December 31, 2017 the PRMPT was funded at 102.2%. An actuarial valuation can be greatly affected by changes in health care costs, and return on investments. Currently, TMWA valuations are based on a 6.0% return on investments, with an estimated 6.25% inflation in annual medical costs through 2023, and 5.0% thereafter. A 1.0% fluctuation in either of these assumptions can result in \$1.0-\$1.4 million in overages or shortfalls for the trust. Also, actuarial valuations are performed on a closed group basis, meaning that only employees and retirees present as of the valuation date are considered. There is no assumption made for increases in headcount. TMWA contributes to the trust annually based on the Actuarially Determined Contribution. This amount is comprised of the present value of future benefits earned by active employees during the current year plus amortization of any unfunded actuarial accrued liability.

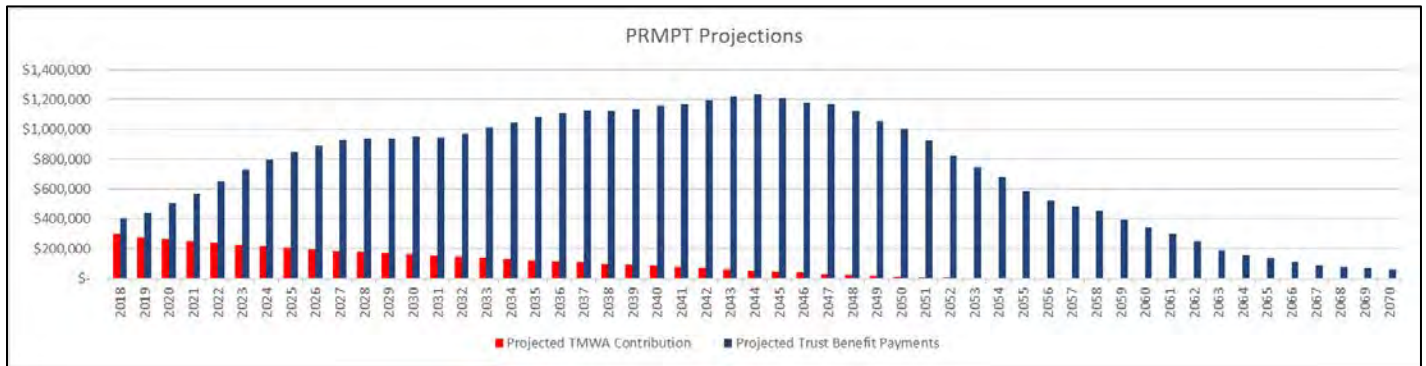
DESCRIPTION

The cost to TMWA of funding the PRMPT is calculated biannually by an actuary. There are several components that are calculated for disclosure purposes, and many assumptions go into this calculation. The actuary determines the present value of projected future benefits, how much of those benefits have been earned to date which is the Actuarial Accrued Liability (AAL) that is recorded in TMWA's balance sheet, and the Actuarially Determined Contribution (ADC) which is the amount TMWA must fund the trust annually. As of December 31, 2017 an actuarial analysis was performed and provided the following calculations:

Actuarial Accrued Liability	\$10,694,671
Future Costs (Unearned)	<u>2,714,109</u>
PV of Projected Benefits	\$13,408,780

TMWA had assets in the trust valued at \$10,926,894 as of the valuation date which was higher than the AAL, so the funded status of the plan is 102.2%. The ADC for the plan was calculated at \$284,882 for FY2018 and \$298,076 for FY2019.

The actuaries also provided estimated amounts for future annual ADC's. These estimates are as of December 31, 2017. With the employees as of that date, TMWA will be paying a cost of close to \$300,000 annually, declining to about \$100,000 in 20 years and dropping below \$1000 in about 40 years (see the red bars below). The blue bars depict the projected benefit payments to be made from the trust, which is fully funded at this time. This graph shows the exposure to TMWA especially if investments do not earn the 6% planned, or if health care costs rise quicker than anticipated. If more money is needed to fund the trust, TMWA would have to amortize any shortfalls into the ADC and fund the trust accordingly.



Currently the trust is fully funded, but as new employees are added, this will change the annual required contributions to the trust (the ADC). Under current benefit levels, retirees accrue \$40-\$76 thousand dollars in accrued benefits, depending on years of service, life expectancy, and other assumptions. The benefits available to retirees were decreased significantly in 1998. Retirees that started before this change have between \$80-\$200 thousand of accrued benefits at retirement.

Closing the PRMPT to future employees of TMWA would limit the exposure that is inherent in the plan. No current employees of TMWA would be affected, as they were offered the benefit when they were hired. Future employees would not be offered this retirement benefit. Many plans have been closed to new employees in the area, so it isn't expected that closing this plan will have any negative recruitment impact for TMWA.

Should the Board decide to close the PRMPT to future employees, staff will bring forth to the Board (at a future meeting) a resolution that modifies Resolution No. 6 (A Resolution Adopting Employee Wages and Benefits Provided to Management, Professional, Administrative and Technical Employees). Based on Title 22.2(3) of the Collective Bargaining Agreement (CBA) between TMWA and IBEW Local 1245, such modification would also apply to employees covered under the CBA.



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Danny Rotter, Engineering Manager
 Scott Estes, Director of Engineering
DATE: October 5, 2018
SUBJECT: Discussion and action, and request to authorize the General Manager to execute an Interlocal Cooperative Agreement by and between the State of Nevada Department of Environmental Protection, the Washoe County District Board of Health and Truckee Meadows Water Authority for engineering design review of certain public water system infrastructure

RECOMMENDATION

Staff recommends the Board authorize the General Manager to execute the Interlocal Agreement between the Nevada Department of Environmental Protection (NDEP), the Washoe County District Board of Health (the District) and TMWA and authorize the General Manager and Legal Counsel to make non-substantive revisions as required to complete the final agreement.

BACKGROUND

With the growth in the Reno/Sparks area increasing from very minimal to almost pre-recession rates, stakeholders in the Truckee Meadows have been seeking a more efficient regulatory process regarding water infrastructure approval for new business projects. In December of 2017, TMWA received a waiver for water project submittal to the District for distribution projects less than 500' in length. After discussions about further streamlining efforts, the stakeholders began to review Nevada Administrative Code in preparation to modify the code to match historical interpretations or to clarify certain requirements. That effort led to many workshops and meetings to revise NAC 445A, a chapter that had not seen substantial revisions in almost 20 years. After multiple agency, commission and legislative approvals, the NAC revisions went into effect in August 2018.

During the same time in early 2018, TMWA staff began discussions with NDEP and the District to move towards a system that has been in place in Southern Nevada for over 20 years. After reviewing the Las Vegas Valley Water District's (LVVWD) use of NRS 445A.920(2) (*A public water system is not required to submit any plans and specifications if the addition or alteration complies with standards previously approved by the Division or the appropriate district board of health.*), TMWA staff requested to utilize the same process because TWMA's standards were reviewed and approved by NDEP and the District in 2011 with subsequent revisions and review/approval in 2014. Another subsequent revision was approved by the District in 2016.

After further discussions with NDEP and the District, the parties agreed that an Interlocal Agreement (ILA) to govern roles and responsibilities would be the mechanism to move towards

that process. Staff has been in negotiations regarding the ILA's provisions since spring of 2018. LVVWD has also been in discussions with NDEP about an Interlocal Agreement that would be very similar to TMWA's. Staff has continued to endeavor to match the current process that occurs for a project in LVVWD's service area.

SUMMARY

The draft agreement is attached, and certain aspects will be discussed herein.

The intent of the agreement is to delegate engineering plan review to TMWA with audit and oversight functions by NDEP and the District. The primary regulatory framework that allows this process is NRS 445A.920 and NAC 445A.6669.

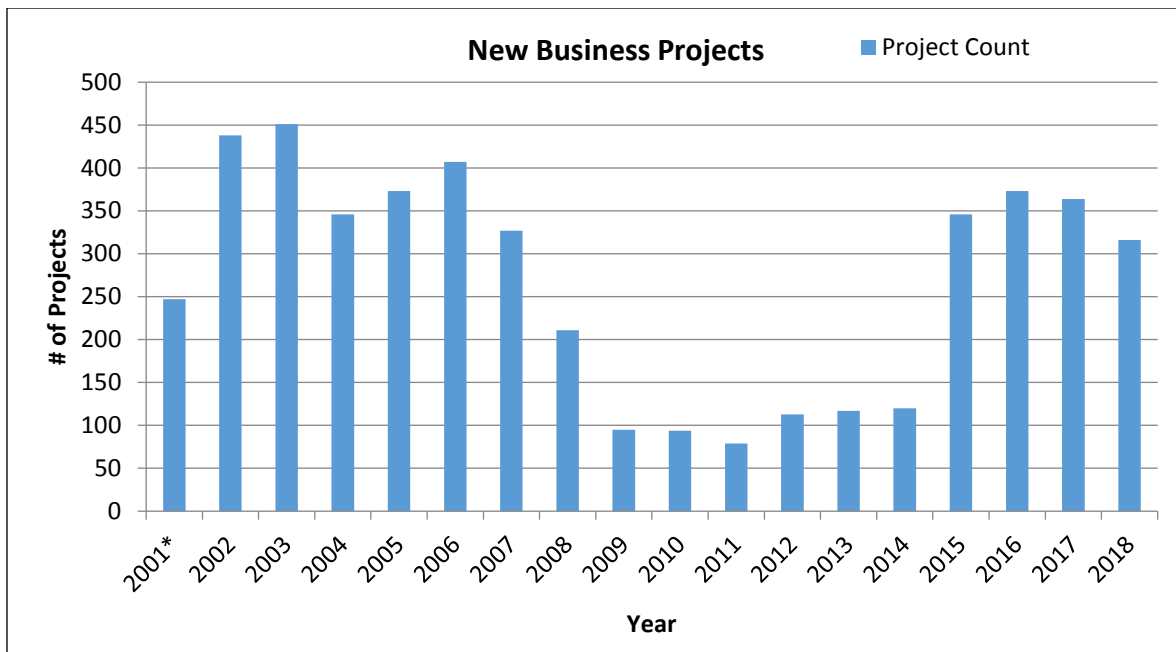
TMWA will have authority for comprehensive review and approval of distribution infrastructure that falls under the scope of TMWA's Design and Construction Standards. For the purposes of this agreement the definition of distribution is pipelines 18" and less in diameter. Pressure Regulating Stations are included in distribution and TMWA's standards. TMWA will continue to submit water projects for transmission, booster pump stations, tanks, wells or treatment systems to the District for review.

The agreement requires a quarterly audit of not more than 15% of the projects approved by TMWA in the previous quarter. After the first year, the frequency or quantity of the audit can be reduced with concurrence by the NDEP and the District, but it will not be less than annually. There will be an annual update of current professional engineers, organization chart, O&M manual and cross connection control plan. There will also be a process for review of current planning processes, modeling and capacity analyses. NDEP and the District will meet after this annual update to review the effectiveness of the agreement. All Parties will meet with LVVWD and the Southern Nevada Health District twice annually to coordinate all aspects of plan review and current industry challenges and opportunities.

The District will invoice TMWA quarterly for reimbursement for the staff time required to perform the audit. Quantities of New Business Projects are shown below for reference. For the last 4 quarters (Oct. 2017-Sept. 2018), the water projects received were 85, 90, 90 and 123 respectively. If those projects were approved in the same quarter, the audit would be for approximately 12, 13, 13 and 18 projects respectively.

Yearly Projects

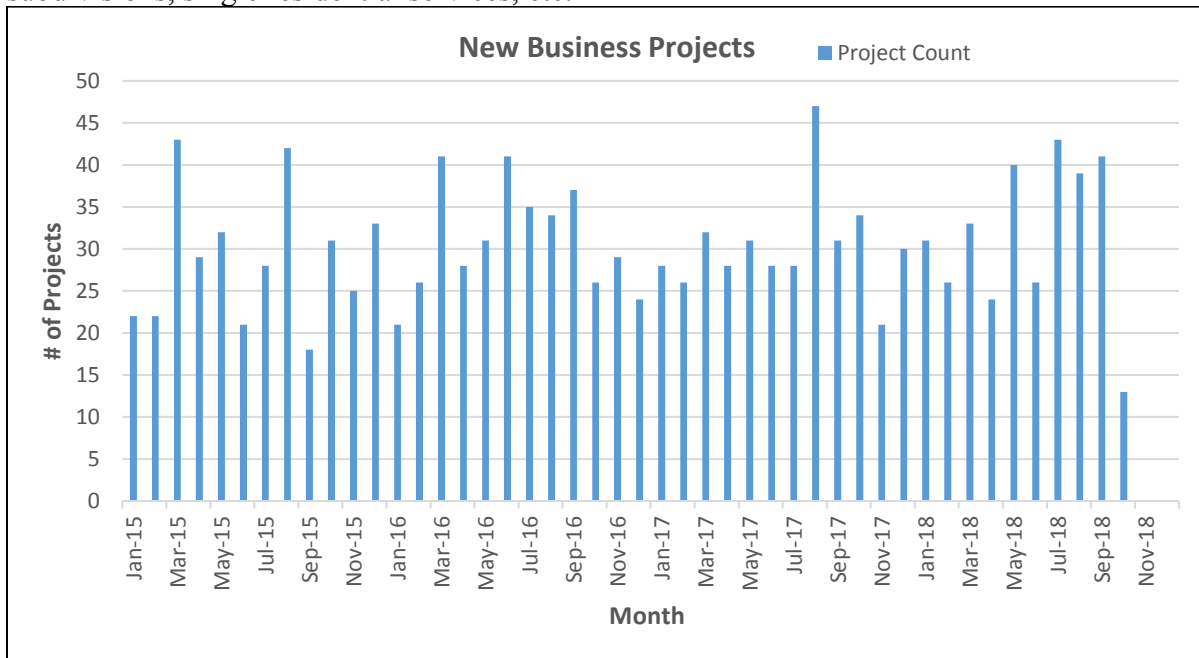
Project counts have been up since 2015 and are similar to the numbers from 2004-2007. The chart below shows TMWA New Business Projects through 10/8/18. These are indicative of all project types including commercial services, commercial main extensions, subdivisions, single residential services, etc.



*TMWA was formed on 6/11/2001, project counts are for the 6 months that TMWA existed.

Monthly Projects

Project counts have been fairly consistent with a small uptrend over the last 3.5 years. The chart below shows TMWA New Business Projects from 1/1/2015 through 10/8/18. These are indicative of all project types including commercial services, commercial main extensions, subdivisions, single residential services, etc.



The agreement has been reviewed by TMWA's legal counsel and NDEP's legal counsel with concurrence to the most recent version. However, the District's legal counsel has not provided concurrence to date. The next Washoe County District Board of Health meeting is planned to be held October 25th, 2018. Staff anticipates minor legal revisions may be necessary to provide concurrence amongst the Parties' counsel. Staff is Board authorization for the General Manager and Legal Counsel to make those revisions as required prior to the District Board of Health meeting and for the General Manager to execute the completed agreement.

INTERLOCAL COOPERATIVE AGREEMENT
BY AND BETWEEN

State of Nevada, Division of Environmental Protection
and
Washoe County District Board of Health
and
Truckee Meadows Water Authority
for
Engineering Design Review of Certain Public Water System Infrastructure

WHEREAS, NRS 277.110(2) provides that any two or more public agencies may enter into agreements with one another for joint or cooperative action under the provisions of NRS 277.080 to 277.170, inclusive;

WHEREAS, the Parties hereto are public agencies as defined in NRS 277.100(1)(a);

WHEREAS, it is the policy of this State to provide for water which is safe for drinking and other domestic purposes and thereby promote the public health and welfare. (NRS 445A.800)

WHEREAS, the Nevada Division of Environmental Protection (NDEP) is responsible for implementation of Nevada Revised Statutes (NRS) 445A.800 – 445A.955, inclusive, known as the Public Water Systems Law, and the regulations adopted by the State Environmental Commission pursuant thereto;

WHEREAS, the NDEP has been granted Primary Enforcement Responsibility (a.k.a. “Primacy”) by the United States Environmental Protection Agency (US EPA) for the Federal Safe Drinking Water Act at 42 U.S.C. §§300f et.seq., and federal regulations promulgated pursuant thereto;

WHEREAS, the NDEP has an obligation under Federal Primacy to show, “the establishment and maintenance of an activity to assure that the design and construction of new or substantially modified public water system facilities will be capable of compliance with the State primary drinking water regulations” (40 CFR §142.10(b)(5));

WHEREAS, the Washoe County District Board of Health (District) is responsible for enforcing the provisions of NRS 445A.800-445A.955, inclusive, per NRS 445A.925, and regulations adopted pursuant thereto;

WHEREAS, the District role under the Public Water Systems Law is set forth in NRS 445A; consequently, the District is a partner with NDEP in ensuring compliance with Nevada’s Primacy delegation from the US EPA. The District is obligated to perform certain activities for public water system compliance under a separate Interlocal Cooperative Agreement between NDEP and the District, including engineering plan review activities;

WHEREAS, the Truckee Meadows Water Authority (TMWA) is created pursuant to NRS 277 as a separate political subdivision of the State of Nevada to exercise the powers, privileges and authority of Reno, Sparks and Washoe County to own and operate a municipal water system. Among the powers conferred upon TMWA under the Cooperative Agreement is the express power to enter into Interlocal agreements.

WHEREAS, TMWA's municipal water system is also a Public Water System as defined by NRS 445A.235 and subject to compliance with the statutes and regulations applicable to Public Water Systems identified herein;

WHEREAS, the NDEP, the District and TMWA have additional responsibilities related to the Subdivision of Land in NRS 278.010 – NRS 278.4965, inclusive, and Nevada Administrative Code (NAC) 278.010 – 278.530, inclusive;

WHEREAS, TMWA has a team of engineers, managers and support staff for reviewing engineering designs submitted by others for construction and dedication of water facilities into TMWA infrastructure;

WHEREAS, TMWA has design standards for plans and specifications known as the Truckee Meadows Water Authority Design and Construction Standards (NRS 445A.920.2), approved by the NDEP, addressing additions and alterations to TMWA's public water system. Any modifications to the standards are required to be reviewed and approved by the NDEP. The standards cannot be less stringent than State law;

WHEREAS, various statutes and regulations exist in the Public Water Systems Law and the Design, Construction, Operation and Maintenance regulations that provide for waivers from engineering design review and approval by the NDEP or the District, including but not limited to NRS 445A.920 and NAC 445A.6669;

WHEREAS, the Parties agree to work together in good faith using a collaborative approach to implement engineering design review of TMWA's public water system;

WHEREAS, this Agreement provides certain financial obligations between TMWA and the District; however, it does not provide for any financial obligation between NDEP and the District or NDEP and TMWA;

WHEREAS, this Agreement supersedes the December 4, 2017 letter, from the District to TMWA, waiving the requirement for submittal of a water project which involve the installation of 500 feet or less of the distribution system.

NOW, THEREFORE, in consideration of the foregoing recitals, which are fully incorporated into this agreement by this reference, the Parties mutually agree to the following terms and conditions contained within this Interlocal Agreement (Agreement).

I. BACKGROUND AND INTENT

The intent of the Agreement is to provide a more efficient process for engineering design review and approval by defining a project review management system that protects public health through design and construction of infrastructure that meets current federal, state and local design standards, while clearly delegating certain functions to TMWA.

The intent of this new process is to move away from current processes under which NDEP or the District review every water distribution infrastructure project approved by TMWA, to a system under which NDEP and the District have an oversight and audit function. Such an oversight structure will include certain reporting requirements, periodic co-review, periodic NDEP/ District audit of the TMWA program, meetings, and establishment of program improvement plans, should they be needed.

II. PURPOSE

The purpose of this Agreement is to formally establish a commitment by each signatory Party to make a collective effort to implement the review and approval of engineering design plans and specifications consistent with the authority provided in NRS 445A.920 and NAC 445A.6669 and delegate certain responsibilities to TMWA using the cited authority in NRS and NAC to make those delegations/waivers. In identifying the actions and responsibilities of each Party, this Agreement provides the framework for the successful implementation of Nevada's Design, Construction, Operation and Maintenance regulations (NAC 445A.65505 – 445A.6731), and the Subdivision of Land statutes (NRS 278.010 – 278.4965, inclusive) and regulations (NAC 278.010 - 278.530, inclusive). This Agreement outlines goals, commitments and actions which the Parties agree to pursue in good faith. Inherent in the use of this agreement-based approach is the acknowledgement that implementation success is, in part, dependent upon the establishment of a process that cultivates trust, collaboration and cooperation among the Parties.

III. PARTIES & ROLES

- A. The *Parties* to this Agreement are the Nevada Division of Environmental Protection (NDEP), the Washoe County District Board of Health (District) and the Truckee Meadows Water Authority (TMWA). Herein, these entities in sum shall be collectively referred to as the *Parties*. Any singular entity may be referred to as a *Party*.
- B. The NDEP will maintain regulatory oversight responsibility under Nevada's federal Primary Enforcement Responsibility delegation (a.k.a. "Primacy") as the lead entity for implementation of NRS 445A.800-445A.955, inclusive. The NDEP will communicate, coordinate, and cooperate with the Parties when regulatory interpretations are made which affect the District's and TMWA's ability to perform engineering plan review, consistent with the State.
- C. The District will continue to fulfill its role under NRS 445A.925 as a partner with NDEP in implementing and enforcing the Public Water Systems Law under NDEP's Primacy delegation from the US EPA.

- D. TMWA shall have authority for comprehensive review and approval of engineering designs created by or for TMWA and by others, and other infrastructure related activities as referenced in item IV.B of this Agreement. TMWA will exercise this authority in accordance with NAC 445A.65505 to 445A.6731, inclusive, or the Truckee Meadows Water Authority Design and Construction Standards (TMWA Standards) and Backflow Prevention and Cross Connection Control Requirements, whichever is more stringent, and as they exist on the execution date of this Agreement subject to modifications in accordance with section V.A.1 of this Agreement, and as amended from time to time. TMWA will provide all inspection and testing of the construction of water facilities in accordance with approved plans and specifications.
- E. The District will continue to review engineering designs created by or for TMWA for water projects consisting of transmission system components, pumping stations, reservoirs, wells, tanks, or treatment systems. For the purposes of this agreement, transmission system components are defined as pipelines greater than 18" in diameter and greater than 2,000 feet in length. TMWA will provide all inspection and testing of the construction of water facilities in accordance with approved plans and specifications.
- F. The Parties commit to cooperate in development and adaptive management of transparent programs, guidance and protocols necessary to track, report, evaluate and demonstrate compliance with NAC 445A.66615, which currently states:

The purposes of NAC 445A.65505 to 445A.6731, [the Design, Construction, Operation and Maintenance Regulations] inclusive, are to:

- 1. Provide the public with reasonable assurance that its water is satisfactory for consumption and for ablutionary and culinary purposes;*
- 2. Protect the public health and welfare by ensuring that water is developed, treated, stored and distributed in a safe manner;*
- 3. Ensure a reliable supply of water;*
- 4. Prevent the potential pollution or contamination of a public water system as a result of backpressure or backsiphonage;*
- 5. Provide for the use of components in a public water system that are designed and constructed in accordance with accepted engineering principles, standards and practices; and*
- 6. Protect the public investment in its infrastructure for the provision of water by public utilities.*

- G. The NDEP and the District retain all duties specifically assigned in the Subdivision of Land laws contained in NRS 278.010 – NRS 278.4965, inclusive, and NAC 278.010 – 278.530, inclusive, including:
1. Tentative Map review and approval responsibilities, including the requirement for the District to report quarterly to NDEP which tentative subdivisions have been certified by the District (NRS 278.335);
 2. Assessment of the Tentative Map for the availability of water which meets applicable health standards and is sufficient in quantity for the reasonably foreseeable needs of the subdivision. (NRS 278.349) Such information, such as a letter of acknowledgement of water service, may be obtained from TMWA.
 3. TMWA shall ensure that appropriate easements for public utilities that provide water are included in approved Final Maps, except as otherwise provided by law. (NRS 278.372)

4. The NDEP or the District shall retain responsibility for certification of a Final Map indicating that it is approved concerning water quality and water supply facilities. (NRS 278.377 and NAC 278.310-278.320, inclusive)
 5. The NDEP or the District (NAC 278.290) shall retain responsibility for review of a developer's plan for improvements for the purpose of determining adequacy of the plan with respect to sewage disposal for the area to be developed.
 6. TMWA shall provide the District with access to Water Project plans so that the District can refer to them when reviewing subdivision maps. In correspondence related to the access of Water Project plans, TMWA must reference the appropriate regional permitting number, if one exists.
- H. Subdivision Plan for Improvements:
1. The plan for improvements submitted by the developer showing systems of water supply shall be reviewed and approved by TMWA in accordance with Section III.D. of this Agreement and within the timeframe dictated by NAC 278.330.
 2. If any changes are made to an approved plan for improvements, requirements of NAC 278.290 apply and shall be conducted by TMWA.
 3. TMWA shall communicate with the NDEP and the District regarding approval of a plan for improvement, in order to permit those agencies to fulfill responsibilities for approval of a Final Map within the timeframe dictated by NAC 278.330.
- I. Administrative review of action taken by TMWA (NAC 445A.66645):
- In the event that a person (excluding NDEP or the District) who has reason to believe that an action taken by TMWA (pursuant to NAC 445A.65506 to 445A.6731, inclusive, as such authorities have been provided to TMWA herein), is incorrect or based on inadequate knowledge, they can initiate an administrative review. If a person requests administrative review of an action taken by TMWA, TMWA shall work with the aggrieved person to conduct an informal discussion with the TMWA employee responsible for the action and the immediate supervisor of the employee (NAC 445A.66645.2). If the informal discussion does not resolve the problem, TMWA shall advise the aggrieved person of their right to request an informal conference to review the matter by submitting a letter, within 10 days of the TMWA meeting, to the NDEP Bureau of Safe Drinking Water requesting a conference (NAC 445A.66645.3).

IV. COMMITMENTS & ACTIONS

The Parties hereby commit to implement the following actions, and abide by the following conditions:

- A. NSF/ANSI Standards Review – NAC 445A.65825
- TMWA will maintain a list of approved products for use in the TMWA distribution system that comply with NAC 445A.65825. If a product is not available, or is not the best choice for a particular design, and TMWA has received a request and demonstration for an alternate product that requires an engineering demonstration in accordance with State regulation, then, prior to approval by TMWA, review of the demonstration shall be coordinated with NDEP for concurrence. Upon concurrence, TMWA may approve the product.

B. Other Provisions and Authorities

1. Various provisions of approval by NDEP or the District exist within NAC 445A.65505 – 445A.6731. In order to be consistent with the intent of this Agreement, and in addition to other authority otherwise delegated in this Agreement, the following authorities of “the Division or the appropriate district board of health” are hereby delegated to TMWA.
 - a. 445A.66695 Application for approval of a water project
 - b. 445A.6671 Approval of a water project: Prerequisites; effective period; revocation
 - c. 445A.66715 Performance and inspection of work on water project; certification of substantial compliance with approved plans and specifications
 - d. 445A.6672 Existing systems: Minimum capacities; minimum pressure and velocity of water
 - e. 445A.66725 Existing systems: Determination of total capacity preparation, maintenance and dissemination of certain information, analyses, plans and reports
 - f. 445A.6674 Storage capacity
 - g. 445A.66745 Operating storage
 - h. 445A.6675 Emergency reserve
 - i. 445A.67115 Distribution system: Design; diameter of water mains, connection to fire hydrant
 - j. 445A.6712 Distribution system: Dead ends
 - k. 445A.67145 Distribution system: Construction
(excluding water mains proposed to be constructed “under structures or in or under bodies of water” which remain subject to approval by the NDEP or the District.)

C. Special Exceptions and Mitigations for Areas of Special Construction

1. TMWA shall review water projects which require the issuance and approval of a Special Exception as outlined in NAC 445A.6665 Special exceptions. Prior to approval by TMWA, Special Exceptions shall be coordinated with NDEP for concurrence, in order for NDEP to ensure statewide consistency. Upon concurrence, TMWA may issue the Special Exception.
2. NDEP will communicate approved Special Exceptions to local health districts with public water system oversight responsibility pursuant to NRS 445A.925.
3. TMWA may approve water projects that propose mitigation measures to comply with minimum requirements in NAC 445A.6715 - 445A.6718 (Separations and Crossings) based on the most current version of “Guidance for Areas Requiring Mitigation for Water and Sewer Separation” published on the NDEP website by the BSDW and any additional clarifying interpretations provided by NDEP.
 - a. Guidance location: <https://ndep.nv.gov/water/drinking-water/engineering-reviews>

D. Consolidation of Systems:

System consolidation plans and engineering designs shall be reviewed and approved by the District or NDEP. Following the consolidation of any water system into the TMWA Public Water System ID# NV0000190, TMWA will ensure the new addition to the TMWA Public Water System is managed consistent with conditions under the Agreement. TMWA will coordinate with NDEP to ensure the consolidated system is integrated correctly into PWS ID# NV0000190 in the Safe Drinking Water Information System (SDWIS). The Parties agree that in the event TMWA acquires the West Reno Water Company System (PWS ID # NV0000709), such system shall be subject to this Agreement upon

acquisition, and shall be considered a consolidation into the TMWA Public Water System upon physical connection to the TMWA Public Water System.

E. Exclusions:

1. NDEP and the District will not require TMWA to submit plans and specifications for projects of a maintenance or replacement nature. If the project modifies the pipeline replacement diameter by less than 50%, TMWA shall have the authority to make modifications in sizing. A modified pipeline diameter shall not exceed 18" without concurrence from the District or NDEP that the project can proceed as maintenance. If the project modifies the pipeline replacement diameter by more than 50%, TMWA shall request concurrence from the District or NDEP that the project can proceed as maintenance. TMWA must obtain approval from the District prior to relining or recoating of reservoirs or storage tanks.
2. This Agreement applies to the Truckee Meadows Water Authority PWS ID #NV0000190. The Agreement does not apply to the following list of stand-alone water systems, for which a complete water project submittal will continue to be required for any proposed construction:
 - a. Stampmill Estates PWS ID# NV0000801
 - b. Truckee Canyon PWS ID# NV0000978
 - c. Lightning W PWS ID# NV0000865
 - d. Old Washoe Estates PWS ID# NV0002526
 - e. Sunrise Estates PWS ID# NV0002525

This agreement may be amended to include a stand-alone water system after District review and approval of a Water Facility Plan for the system.

- F. TWMA will continue to provide the project applicant the approved TMWA water sheets, no water rights required letters and will serve letters for commercial plan review by the District.
- G. The Parties will meet twice per calendar year to discuss plan review challenges, solutions and related topics. These meetings shall be organized by NDEP with agenda items proposed by any Party. One of the meetings shall appropriately follow the Annual Program Audit after receipt of the TMWA information submitted by April 1st in section V.E below. Unless otherwise agreed to by the Parties, the meetings shall be held in coordination with the Las Vegas Valley Water District and the Southern Nevada Health District. Additional ad hoc meetings among the Parties can be called as necessary.

V. EVALUATION & CONTINGENCY

- A. Within the first 3 months of the Agreement TMWA will:
1. Provide NDEP and the District with updates to the Truckee Meadows Water Authority Design and Construction Standards for review, approval and incorporation into engineering plan review program implementation.
 2. Work with NDEP and District staff to schedule a joint review of two engineering project(s) containing distribution projects covered by this Agreement to ensure consistency in review.

3. Provide documentation on internal TMWA QC procedure(s) to ensure that the review is, at a minimum, consistent with NAC 445A requirements for Public Water Systems construction, NAC/NRS 278, as applicable, or the Truckee Meadows Water Authority Design and Construction Standards, whichever is more stringent.
- B. Within 30 days of the end of each quarter that this Agreement is in place, TMWA will provide the District with a list of projects approved by TMWA, from the previous quarter. District staff may randomly select not more than 15% of the applicable project(s) for audit. The quantity of reviews shall be representative of the different types of projects having been approved. TMWA will supply the District and NDEP with project documents for review and discussion to ensure ongoing consistency in review. After one year, NDEP and the District may choose to reduce the frequency or quantity of reviews, but in no case will it be less than annual.
1. Upon completion of the review, the District and NDEP will provide a joint letter that may include: concurrence with TMWA review of projects; comments on minor issues regarding TMWA review of projects for future reference; or comments on significant issues regarding TMWA review of projects that require a meeting with the District and NDEP to discuss discrepancies identified regarding such projects.
- C. In the event that a TMWA water project review is found to have not met the minimum standards as established by applicable portions of NAC 445A or NRS/NAC 278, TMWA will provide a plan within 30 days to the District and NDEP identifying strategies for program improvement to ensure compliance with regulatory standards within an appropriate timeline.
- D. In the event that a project that has been approved by TMWA under this Agreement, is constructed, and is found to be in violation of applicable portions of NAC 445A and/or NRS/NAC 278, and the construction deficiency has the potential to adversely impact public health, TMWA shall, as soon as practicable, consult with the District and NDEP regarding a proposed remedy. In no case shall the timeframe for consultation exceed 5 working days.
- E. Annual Program Audit by NDEP and the District
1. Each year, by or before April 1st, TMWA will provide (for NV0000190), or make available to NDEP and the District for review at TMWA's office, the following information with respect to TMWA Public Water System NV0000190:
 - a. A programmatic update identifying the professional engineers, and/or organization chart of TMWA staff, responsible for carrying out provisions in NAC 445A.65505 to NAC 445A.6731 and as required under NAC 445A.66705.
 - b. Copies of updated manuals of operations and maintenance and backflow/cross-connection control for the public water system (NAC 445A.6667 and NAC 445A.66105), as applicable, or notice that no updates were required.

- c. A detailed summary of all water projects approved, completed or under construction for the previous calendar year, with an accounting of the quantity of new connections, as of December 31st of the previous calendar year.
 - i. The annual reporting shall include detailed maps/GIS data depicting additions to the distribution system dedicated to TMWA as infrastructure of PWS ID#0000190;
 - ii. Maps/GIS data of water facilities in subdivisions approved, but not yet dedicated, to TMWA;
 - iii. The Parties will work on a records system compliant with NRS 239 and 239C. TMWA will maintain a record of as-builts drawings for all water projects completed including approval of alternate construction, showing compliance with NAC 445A.6715 - 445A.6718 (Separations and Crossings), or other applicable regulations;
 - iv. A list of extensions of time to construct allowed by NAC 445A.6671;
 - v. Maps/GIS data on consolidated infrastructure into PWS ID#0000190;
 - d. TMWA will make staff available to meet with NDEP and District staff and run hydraulic models of interest to demonstrate the system's adequate flows and pressures, ensuring capacity by zone.
- F. NDEP and the District will evaluate the performance of TMWA to make sure that the commitments set forth in this Agreement are in good faith being met, or whether there exist other causes preventing their performance. Evaluation will occur, at a minimum annually, but can be conducted more frequently. Upon completion of the evaluation, NDEP and the District will meet with TMWA and discuss the findings of the evaluation, including any issues that need to be addressed going forward to meet the goals set forth in the Agreement.
- G. NDEP and the District will annually, during the 4th quarter of each calendar year, evaluate the effectiveness of this Agreement. If the Agreement is determined to be ineffective at achieving its intended purpose, NDEP and the District will consult with TMWA to determine the reasons for its ineffectiveness and develop recommendations for subsequent revisions to this Agreement. NDEP and/or the District may suspend or terminate the Agreement as provided in Section XIV.

VI. FUNDING

- A. The District will invoice TMWA, on a quarterly basis, an amount to recover the cost of staff time required to audit the TMWA processes as outlined in this agreement.
- B. This Agreement provides no financial obligation between NDEP and the District or NDEP and TMWA.

VII. DISPUTE RESOLUTION

- A. The Parties agree to work together in good faith to address and resolve any issues or dispute.
- B. The NDEP Administrator is the final decision-making authority for any dispute that is elevated to that level.

VIII. SEVERABILITY

If any provision of this Agreement or any provision of any document incorporated by reference shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of the Agreement, and to that end the provisions of this Agreement are declared to be severable.

IX. RESERVATION OF RIGHTS

- A. Except with respect to authority lawfully delegated to TMWA herein, nothing in this Agreement is intended to restrict the authority of any Party to act as provided by law, statute or regulation.
- B. This Agreement is not intended to, and does not create any right, benefit or trust responsibility by any party against the Parties to this Agreement, their respective agencies, officers, or any person.
- C. This Agreement is an internal agreement between the Parties and does not confer any right or benefit on any third person or party, private or public.

X. LIMITATIONS

Nothing in this Agreement shall be construed to require actions by the Parties which are inconsistent with local, State, or Federal laws and regulations or any court order.

XI. EXECUTION IN COUNTERPARTS

The Parties may execute this Agreement in counterparts, each of which is deemed an original and all of which constitute only one agreement.

XII. ALL WRITINGS CONTAINED HEREIN

This Agreement contains all the terms and conditions agreed upon by the Parties. No other understandings, oral or otherwise, regarding the subject matter of the Agreement shall be deemed to exist or to bind the Parties hereto.

XIII. TERM & UPDATE

This Agreement shall expire on December 31, 2023. It is anticipated that the Parties will review this Agreement no less than 180 days prior to expiration, and either: (1) amend and reissue; or (2) renew without changes for an additional period. If the Parties fail to approve and execute a renewal of this Agreement, with or without any amendments prior to the expiration date, then the Parties agree to adhere to the terms and conditions of this Agreement until a subsequent agreement is approved and executed by the Parties. If the Parties fail to approve and execute a subsequent agreement within 6 months of the expiration date, this Agreement will terminate.

XIV. MODIFICATION, SUSPENSION OR TERMINATION

At any point during this term, the Agreement may be modified with the consent in writing of all signatory Parties. Modifications to the Agreement will not result in a change to or extension of the initial term (Section XIII) of this Agreement unless specifically agreed by the Parties.

If an audit of the TMWA program reveals a material deficiency in the engineering plan review program, or if discovered by other means, NDEP and/or the District can temporarily suspend TMWA's authority to independently review water distribution infrastructure projects pursuant to this Agreement. The suspension shall require written notification by the NDEP Administrator and/or the District Health Officer. Such suspension will include specific items for TMWA to address in order to reinstate the authorities provided in this Agreement.

This Interlocal Cooperative Agreement will be effective until modified with the consent of all Parties, or until expiration (See Section XIII. Term & Update) unless terminated earlier by any party. Any Party may terminate the Agreement at any time, with or without cause by giving 30 days written notice of termination to the other Parties. Termination of this Agreement initiated by the District will require action by the District Board of Health. Termination of this Agreement initiated by TMWA will require action by the TMWA Board.

XV. INDEMNIFICATION/LIMITATION OF LIABILITY

TMWA shall indemnify, hold harmless and defend, not excluding the others' right to participate, the other parties from and against all liability, claims, actions, damages, losses, and expenses, including but not limited to reasonable attorneys' fees and costs, arising out of any alleged negligent or willful acts or omissions of the indemnifying party, its officers, employees and agents. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity, which would otherwise exist as to any party or person, described in this paragraph.

The parties will not waive and intend to assert available NRS chapter 41 liability limitations in all cases.

XVI. SIGNATORIES

Each undersigned representative to this Agreement certifies that he or she is fully authorized by the Party whom he or she represents to enter into the terms and conditions of this Agreement and to execute and legally bind such Party to this document.

For the Nevada Division of Environmental Protection:

Greg Lovato
Administrator

Date

Katie Armstrong
Deputy Attorney General
Approved as to Form Only

Date

For the Washoe County District Board of Health:

Kitty Jung
Chair

Date

For the Truckee Meadows Water Authority:

Mark Foree
General Manager

Date



STAFF REPORT

TO: Chairman and Board Members
FROM: Mark Foree, General Manager
DATE: September 10, 2018
SUBJECT: Discussion and action on request for Board input and acceptance of General Manager performance objectives for contract year 2018/2019 (*Continued from September Meeting*)

RECOMMENDATION

The TMWA Board review the objectives proposed herein, provide input to the proposed objectives and approve the objectives as amended by the Board discussion.

DISCUSSION

As in the past the Board has requested an opportunity to discuss and approve specific objectives and criteria that the General Manager would be working to accomplish during the current fiscal year. These objectives and criteria would be used to evaluate the performance of the General Manager at the end of the contract year. Below are suggestions for the Board's discussion and input:

General Objectives

FY 2018/19 GENERAL MANAGER	
GENERAL OBJECTIVES	
A	Direct the preparation of and propose financial plans, investment strategies, funding plans and adjustments to rates and charges that will continue to keep TMWA in long term financial stability; including preparation of budgets and Capital Improvement Plans and financial reporting that comply with Nevada Revised Statutes and the Securities and Exchange Commission (SEC).
B	Develop proactive communications plans to address upcoming issues (e.g., topics affecting water supply, drought planning, regional water issues, utility water system consolidation and rate changes) and to keep all stakeholders including the Board, the employees, and the customers informed through a variety of mediums. Respond to media inquiries and provide informational interviews.

FY 2018/19 GENERAL MANAGER

GENERAL OBJECTIVES

C	Continue having and improve on a community presence for TMWA through the Water Leadership program and participation in community committees, boards, and networking organizations and by providing presentations and information to these groups; offer Truckee River, Chalk Bluff Plant and/or other informational Tours to the community.
D	Continue to create a highly productive work environment and a highly motivated employee team by developing, training, retaining and recruiting the highest quality employees.
E	Strive for continuous improvements in processes and operations targeting initiatives that will enhance revenues and/or reduce operating costs thus keeping customer rates as low as possible.

ONGOING OPERATIONAL OBJECTIVES

a	Monitor federal legislation for opportunities to obtain funding for a variety of TMWA projects.
b	Carefully analyze opportunities to acquire water rights and resources in the market in consideration of current inventory and financial constraints. Insure adequate resources are available through TMWA's Rule 7.
c	Provide staff support to the SAC, Truckee Meadows Community Forestry Coalition and the Truckee River Fund (TRF) Advisors and ensure communications regarding TRF projects.
d	Manage and direct activities relative to legal issues, keeping the Board informed on all such matters.
e	Update TMWA Administrative Instructions as required to ensure they are compliant with applicable laws and current practices. Deliver updates to the Board and employees, and implement the changes.
f	Minimize cost impacts to customers by maximizing investment and hydroelectric income, pursuing revenue enhancement and collection opportunities, pursuing process improvements and projects that drive savings in TMWA expenses, and actively pursuing grant/low-interest loan funding for projects.

SPECIFIC OBJECTIVES

1	Develop customer conservation communications plan for the 2019 irrigation season, including water supply planning, and detailed public/customer communications/outreach plan - present to the SAC for their recommendation and Board for approval no later than the April Board Meeting.
2	Continue working with city and county staff regarding regional water issues (including wastewater, effluent management stormwater, etc.), regional economic development initiatives, etc. including pilot testing and analysis related to infiltrating or injecting highly treated wastewater into the ground for later use, analysis related to possible construction of an effluent pipeline connection between TMWRF and STMWRF, etc.
3	Conclude due diligence related to the possible acquisition of the West Reno (Boomtown) water system and if appropriate and as directed by the Board, complete the acquisition. Continue analyzing water supply options related to fringe area development where private systems exist, make recommendations to Board and follow Board direction regarding same.

FY 2018/19 GENERAL MANAGER

SPECIFIC OBJECTIVES

4	Monitor and participate in Legislative activities during the 2019 legislative session, prepare and deliver presentations to Legislative Committees as requested, keep the Board updated and informed regarding legislative matters, and pursue Board direction regarding Legislative issues. Facilitate open communications between legislators and the TMWA Board.
5	Update the 5-year Funding Plan and present to the SAC and the Board. Propose Board actions based on the results of the planning cycle updates. Implement Board direction with regard to funding plan outcomes.
6	Analyze TMWA's financial position in regard to the implementation of the third phase of rate adjustment (scheduled to go into effect in May, 2019 – approved by the Board in April, 2017) and provide a report to the Board prior to the scheduled implementation date.
7	Complete Water Facility Plan and analyze the need for any necessary water facility charge adjustments, report results of analysis to the SAC and Board of Directors and follow Board direction regarding same.
8	Continue to develop/refine strategies to optimize conjunctive use of surface water and groundwater resources; further develop/refine drought supply operational strategies; and implement plans.
9	Continue to develop, refine and implement strategies to mitigate pre-merger groundwater conditions on the Mt. Rose fan including commencing construction of the Mt. Rose Water Treatment Plant.
10	Conduct the public process regarding the proposal to broaden the meter retrofit fee purpose for drought resiliency and water resources sustainability and present to the SAC and the Board the final recommendation. Based on Board discretion, conduct public/stakeholder workshops prior to bringing a rule change to the Board for approval.
11	Obtain an appraisal for the Farad property and facilities and continue discussions with the Truckee Donner Land Trust and possibly other parties regarding the property related to possible conservation, recreation, education, etc. uses, and return a recommendation to the Board.
12	Continue to analyze and estimate feasibility and cost of using existing TMWA water rights to A) increase the generation output at the Fleish hydro and B) to install a hydro generation facility at the Highland Canal at Chalk Bluff and provide a report and recommendation to the Board.
13	Develop succession plan related to retirements that are expected to occur within the next five years and begin implementation of the plan. Focus on leadership team retirements.



STAFF REPORT

TO: Board of Directors
FROM: Mark Foree, General Manager
DATE: October 8, 2018
SUBJECT: General Manager's Report

Attached please find the written reports from the Management team including the Operations Report (*Attachment A*), the Water Resource and the Annexation Activity Report (*Attachment B*), the Customer Services Report (*Attachment C*), and the Monthly Conservation Report (*Attachment D*).

Also, included in your agenda packet are press clippings from September 13, 2018 through October 10, 2018.



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
BY: Bill Hauck, Senior Hydrologist
DATE: October 5, 2018
SUBJECT: October 2018 Operations Report

Summary

- TMWA's customer demand continues to decline as winter approaches
- Lake Tahoe is 71% of maximum storage capacity
- Combined upstream reservoir storage is still in great shape at 73% overall
- Truckee River flows are normal for this time of the year
- Hydro revenue for September 2018 was an estimated \$297,754

(A) Water Supply

- **River Flows** - Truckee River flows at the CA/NV state line are normal for this time of year and were approximately 400 cubic feet per second (CFS) this morning. The median flow for October 5th based on 109 years of record is 395 CFS.
- **Reservoir Storage** - The elevation of Lake Tahoe is currently 6227.35 feet. This is 1.75 feet below its legal maximum storage elevation of 6229.10 feet. Overall, Truckee River reservoir system storage is in very good shape at 73% of capacity. Storage values for each reservoir as of 10/5/18 are as follows:

Reservoir	Current Storage (Acre-Feet)	% of Capacity (Percent)
Tahoe	529,700	71%
Boca	18,755	46%
Donner	3,050	32%
Independence	14,850	85%
Prosser	13,360	45%
Stampede	203,300	90%

Besides the 17,900 acre-feet of storage in Donner and Independence reservoirs, TMWA has 18,240 acre-feet of water stored between Boca and Stampede reservoirs under the terms of TROA. TMWA's combined upstream reservoir storage is approximately 36,150 acre-feet.

(B) Water Production

Demand - Customer demand continues to decline which is typical for this time of year, averaging 105 MGD last week. Surface water between the Chalk Bluff and Glendale treatment plants made up approximately 80% of TMWA's raw water supply, and groundwater the other 20% from production wells located throughout TMWA's service territory.

(C) Hydro Production

Generation - Average Truckee River flow at Farad (CA/NV state line) for the month of September averaged 507 cubic feet per second (CFS). All three of TMWA's plants were on-line every day last month. Statistics as follows:

Hydro Plant	Days On-Line	Generation (Megawatt hours)	Revenue (Dollars)	Revenue (Dollars/Day)
Fleish	30	1,628	\$ 117,997	\$ 3,933
Verdi	30	1,665	\$ 119,580	\$ 3,986
Washoe	30	829	\$ 60,177	\$ 2,006
Totals	90	4,122	\$ 297,754	\$ 9,925



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Zimmerman, Manager, Water Resources
DATE: 8 October 2018
SUBJECT: **Report Water Resources and Annexation Activity**

RULE 7

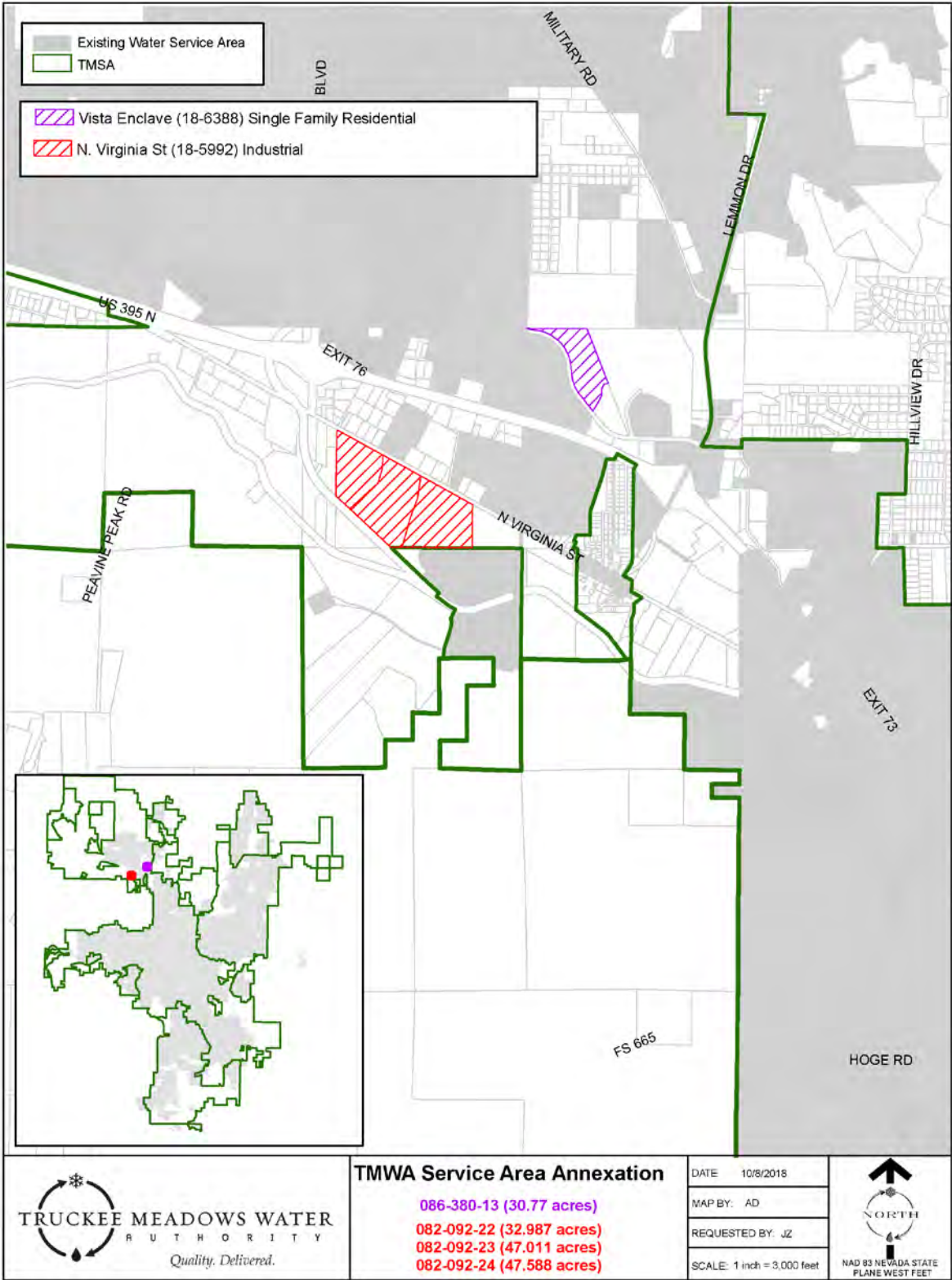
Rule 7 water resource purchases and will-serve commitment sales against purchased water resources through this reporting period:

Beginning Balance	4,867.81 AF
Purchases of water rights	0.00 AF
Refunds	0.00 AF
Sales	– 201.50 AF
Adjustments	0.00 AF
Ending Balance	4,666.31 AF

Price per acre foot at report date: \$7,600

WATER SERVICE AREA ANNEXATIONS

There have been two annexations since the date of the last report. See attached map (a 127-acre industrial development and a 30-acre single-family residential development).





STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Marci Westlake, Manager Customer Service
DATE: October 17, 2018
SUBJECT: September Customer Service Report

The following is a summary of Customer Service activity for September 2018.

Ombudsman

- Customer called and wanted a call back, Ombudsman called two times and customer never called back.
- Five calls this month with no messages left.

Communications

Customer outreach in September included:

- Will Raymond had a public tour at Chalk Bluff for Water Treatment and 10 people attended.
- James Bryant had a presentation for Western Environmental Testing Laboratory at Chalk Bluff discussing Water Treatment and 5 people attended.
- Will Raymond had a public tour at Chalk Bluff for Water Treatment and 18 people attended.
- Brent Eisert, Gage Kabsich and Lee Good had a public tour at Verdi for Hydroelectric and 28 people attended.
- Will Raymond and Eric Mothershead had a public tour at Chalk Bluff for Water Treatment and 13 people attended.
- Will Raymond had a public tour at Chalk Bluff for Water Treatment and 8 people attended.
- Will Raymond had a public tour at Chalk Bluff for Water Treatment and 14 people attended.
- Eric Mothershead and James Weingart had a Water Treatment presentation at Chalk Bluff for Pleasant Valley Elementary School and 225 people attended.

- Eric Mothershead and James Weingart had a Water Treatment presentation at Chalk Bluff for Pleasant Valley Elementary School and 220 people attended.
- Chuck Swegles and Tom Stille had a walking tour at The River School Farm and 6 people attended.

Conservation (January 1 – September 30)

- 5,994 Water Watcher Contacts
- 1,790 Water Usage Reviews

Customer Calls – September

- 8,999 phone calls handled
- Average handling time – 4 minutes, 21 seconds per call
- Average speed of answer – 18 seconds per call

Billing – September

- 129,742 bills issued
- 4 (<.1%) corrected bills
- 17,524 customers (14.0%) have signed up for paperless billing to date.

Service Orders –September (% is rounded)

- 7,604 service orders taken
- 3,563 (47%) move-ins / move-outs
- 966 (13%) cut-out-for-non-payment and cut-in after receiving payments, including deposits and checks for tamper
- 559 (8%) zero consumption meter checks
- 470 (6%) re-read meters
- 907 (12%) new meter sets and meter/register/ERT exchanges and equipment checks
- 405 (5%) problems / emergencies, including cut-out for customer repairs, dirty water, no water, leaks, pressure complaints, safety issues, installing water meter blankets, etc.
- 396 (5%) high-bill complaints / audit and water usage review requests
- 338 (4%) various other service orders

Remittance – September

- 25,745 mailed-in payments
- 23,390 electronic payments
- 25,076 payments via RapidPay (EFT)

- 15,763 one-time bank account payments
- 6,296 credit card payments
- 1,301 store payments
- 1,987 payments via drop box or at front desk

Collections –September

- 12,502 accounts received a late charge
- Mailed 7,836 10-day delinquent notices, 6.1% of accounts
- Mailed 2,344 48-hour delinquent notices, 1.8% of accounts
- 401 accounts eligible for disconnect
- 370 accounts actually disconnected (including accounts that had been disconnected-for-non-payment that presented NSF checks for their reconnection)
- 0.10% write-off to revenue

Meter Statistics – Fiscal Year to September 30, 2018

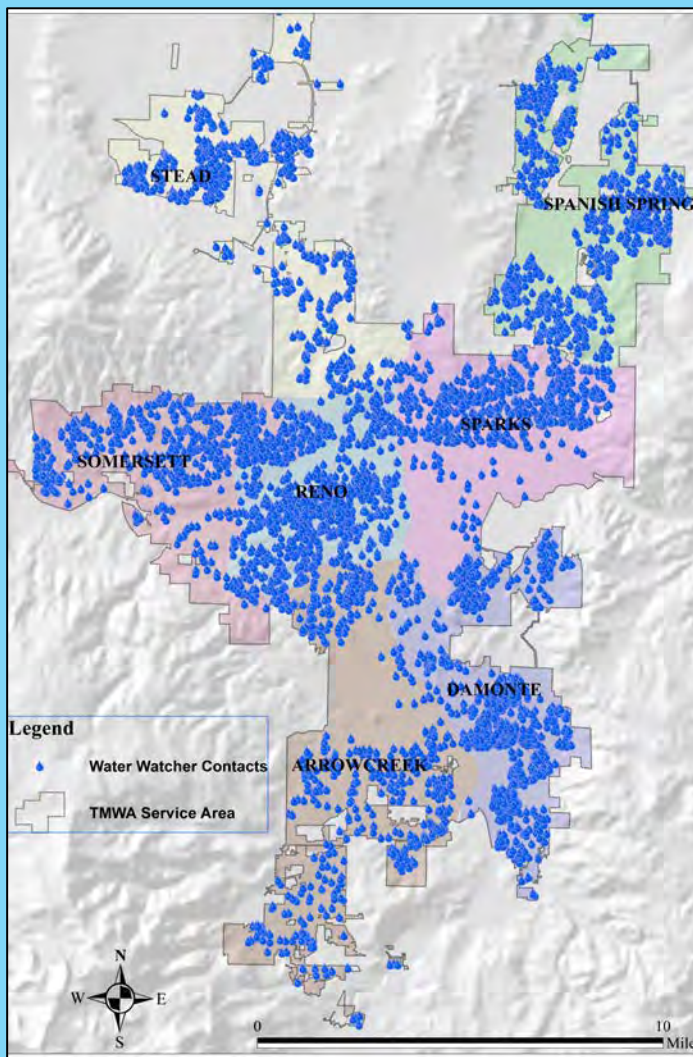
- 0 Meter retrofits completed
- 196 Meter exchanges completed
- 414 New business meter sets completed
- 125,388 Meters currently installed



MONTHLY CONSERVATION REPORT – SEPTEMBER 2018

SUMMARY – With a robust cold front on the way, we say goodbye to another irrigation season. This year, we made thousands of educational interactions with customers and even exceeded last year's water watcher numbers! Similarly, water usage reviews and tree care assessments saw a rise in 2018. All in all, we consider this year's efforts fruitful and look forward to 2019. Thanks for reading! - Conservation Dept.

CONSERVATION CONTACT LOCATION MAP



Water Watcher Contact Initiation Type

Drive-bys	5283
Deliveries	50
Hotline Reports	342
Email Reports	320
Total	5995

Watering Violations Observed

Waste	1689
Wrong Day	3843
Wrong Time	455
Total	5987

Water Watcher Actions Taken

Educational Visits	2673
A.M. Letters	2943
Courtesy Calls	278
No Actions	99
Total	5993

Efficiency Devices Supplied

Faucet Aerators	0
Hose Timers	23
Nozzles	97
Low-flow Shower heads	12
Tree Root Feeder	20
Total	152

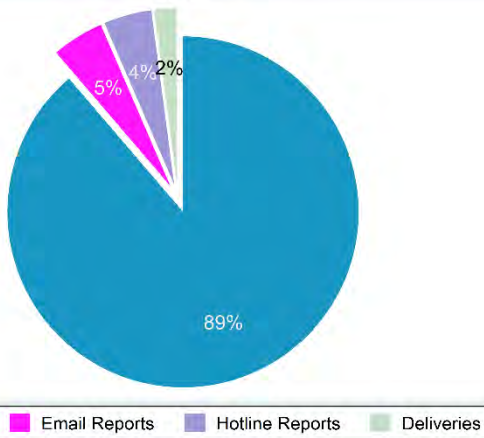
Other Conservation Actions

Water Usage Reviews	1884
Tree Care Visits	150
Total	2034

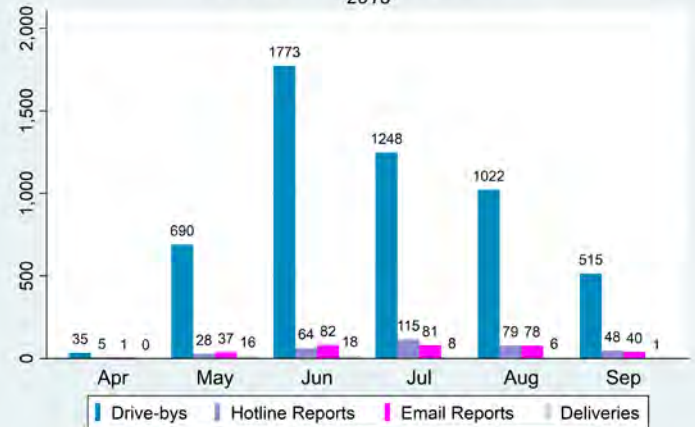
Attendees at Workshops /Tours

Irrigation System Start-up Workshop #1	8
Irrigation System Start-up Workshop #2	5
Landscape Planning & Design Workshop	30
Tree Care Workshop	18
Drip System Maintenance Workshop	18
Sprinkler System Maintenance Workshop	7
Walking Tour - Valley Wood Park #1	9
Walking Tour - River School Farm	27
Walking Tour, Part 2 - Valley Wood Park #2	6
Winterize Your Irrigation System Workshop #1	17
Winterize Your Irrigation System Workshop #2	5
Winterize Your Irrigation System Workshop #3	5
Winterize Your Irrigation System Workshop #4	2
Total	157

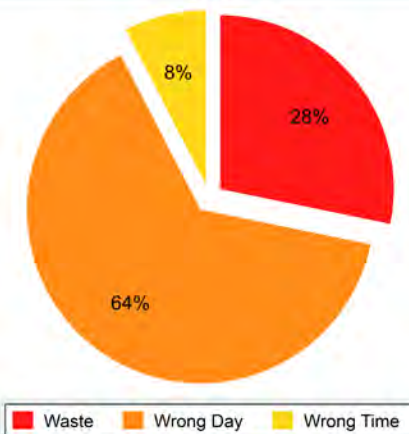
Water Watcher Contact Initiation
2018



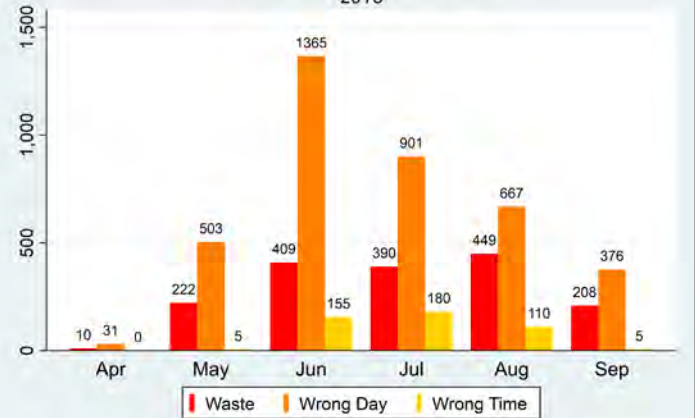
Water Watcher Contact Initiation
2018



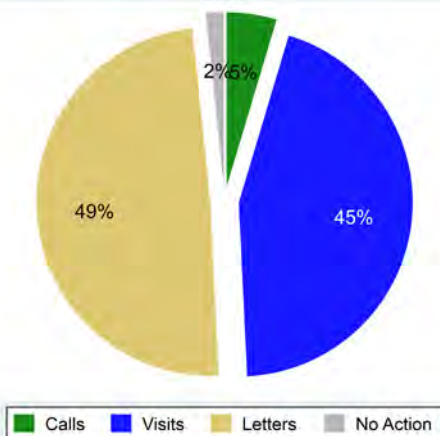
Water Violations Observed
2018



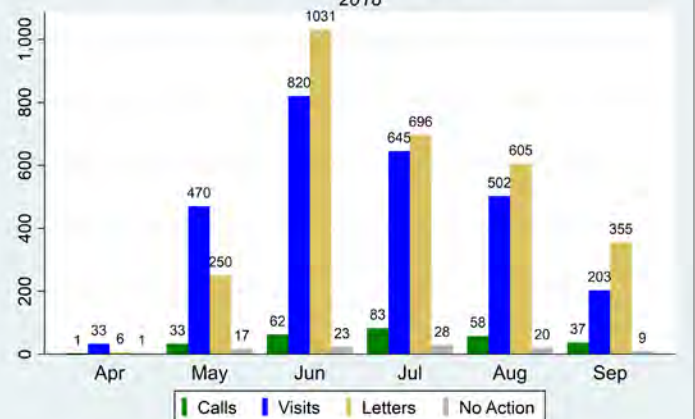
Water Violations Observed
2018



Water Watcher Actions Taken
2018



Water Watcher Actions Taken
2018





TMWA Board Meeting

Wednesday, October 17, 2018

Press Clippings

September 14, 2018 – October 10, 2018



Glendale Water Treatment Plant

CA Tahoe Conservancy receives \$1.7 million from CDFW to restore the Upper Truckee Marsh

By
California Tahoe Conservancy

September 14, 2018, 06:58:55 AM

SOUTH LAKE TAHOE, Calif. Sept. 13, 2018 – The California Department of Fish and Wildlife has awarded \$1,700,066 to the California Tahoe Conservancy (Conservancy) to help fund the restoration of the Upper Truckee Marsh, the largest remaining wetland in the Sierra Nevada.

"This is exciting news for one of the most important environmental restoration projects in the Basin's history," said Conservancy Board Chair and City of South Lake Tahoe representative Brooke Laine. "This week's award will help keep the Conservancy's plans on schedule to restore the Upper Truckee Marsh's functions as Lake Tahoe's most effective natural pollution filter."

Development in the last century destroyed half of the Upper Truckee Marsh and left the Upper Truckee River channelized near its mouth at Lake Tahoe. Today, the river delivers more fine sediment to Lake Tahoe than any other tributary in the Basin, jeopardizing the Lake's famed clarity.

Through the Upper Truckee Marsh Restoration project, the Conservancy will redirect the Upper Truckee River to its historic network of channels through the Marsh. Water flowing through the Marsh will slow down, allowing sediment to settle instead of reaching Lake Tahoe.

The Conservancy will begin construction on the \$9 million Upper Truckee Marsh restoration project in 2019. Additional benefits from the restoration project include better pedestrian access to Lake Tahoe and improved habitat for a diverse range of wildlife. The restoration effort will also make the Marsh and surrounding communities more resilient to droughts and floods, which scientists expect to become more frequent and intense because of climate change.

The Marsh's restoration will anchor a larger restoration strategy for the Upper Truckee River watershed, which the Conservancy has begun planning with partners. The partners' goals include restoring the ecological integrity of the river, wetlands, and forests, while reducing wildfire risk and improving recreation access.

Established in 1984, the mission of the California Tahoe Conservancy is to lead California's efforts to restore and enhance the extraordinary natural and recreational resources of the Lake Tahoe Basin. For more information, visit <http://tahoe.ca.gov>.

[Sandoval: Invasive species one of the biggest environmental issues in the West](#)

September 18th, 2018 - 2:10am

Gov. Brian Sandoval talks about invasive species at a workshop for the Western Governors Association on Monday, Sept. 17 in Lake Tahoe. (James Glover /Western Governors Association)
Sandoval: Invasive species one of the biggest environmental issues in the West



[Daniel Rothberg](#)

September 18th, 2018 - 2:10am

During a speech for the Western Governors Association on Monday, Gov. Brian Sandoval called invasive species “one of the most persistent, challenging environmental issues in the West.”

Sandoval, a former chair of the association, opened a [two-day workshop](#) focused on combating non-native species that transform ecosystems and threaten habitat in lakes and on the range across the West. The workshop is [part of the association’s initiative](#) to study an issue that can have potentially negative consequences for the environment, agriculture, tourism and fighting wildfires.

“The impacts of invasive species in the West are as pervasive as they are underreported,” said Jim Ogsbury, the association’s executive director. “Agriculture. Forestry. Tourism. All of these industries are struggling to eradicate and mitigate the insidious impacts of these species.”

Within walking distance of Lake Tahoe, the workshop was focused on aquatic invasive species, a huge problem for Lake Tahoe and Lake Mead. Yet after two massive wildfires in Nevada this summer, several speakers brought up problems around cheatgrass, a highly-flammable and durable invasive weed that fuels more extreme blazes and grows back in scorched land.

“Just recently, we had the largest fire in Nevada history, almost half-a-million acres. That’s 686 square-miles, almost half the size of Rhode Island,” Sandoval said. “The fire was not only fueled partly by invasive cheatgrass, but it will now be an area where invasives flourish.”

[The Martin Fire](#), which ripped through dry vegetation outside Winnemucca in the morning hours after July 4th, devastated grazing allotments and habitat for the Greater sage-grouse, an imperiled bird that Sandoval, industry and environmental groups have been working to manage collaboratively. Their goal is to keep the bird from being listed under the Endangered Species Act. A listing could slow, if not halt, development across the West and hurt local economies.

Other invasive species push out native species by out-competing for water or land, a change to an ecosystem that can have major ripple effects. Land managers at Lake Mead, the Colorado River reservoir impounded by the Hoover Dam, routinely deal with invasive Zebra and [Quagga mussels](#), which clog motorboat engines and pose a threat to the ecosystem.

And as with cheatgrass, they spread rapidly. To make that point at the workshop, Laura Megill, the aquatic invasive species coordinator at the Nevada Department of Wildlife, held up a glass case with a shoe in it. The shoe, left in Lake Mead for 12 months, was encrusted with mussels.

Megill said it was a demonstration of how quickly and how entirely invasive Zebra or Quagga mussels, the tiny shells on the shoe, will overtake an object. For her, the shoe underlines the importance of cleaning and inspecting boats to avoid spreading invasive species to other lakes.

Right now, the goal is to keep these mussels out of the Lake Tahoe Basin.

“I can’t think of a more fitting place to begin this conversation than Lake Tahoe,” Sandoval said during remarks at the MontBleu Resort in Stateline. “Every day, Lake Tahoe is threatened by aquatic invasive species, which can cloud the lake’s famous clear blue waters.”

The governor highlighted some of the state’s efforts in eradicating invasive crayfish, and he noted that other organizations at the lake have paid divers to pull out invasive plants.

In recent years, biologists have made progress curbing the introduction of new invasive species in Tahoe. At last month’s Tahoe Summit, [an annual bi-state forum](#), lawmakers highlighted the fact that no new invasive species have been introduced there since a boat inspection program went into place 10 years ago, though existing invasive species remain an issue.

Sandoval said [the association’s initiative](#), which focuses on an issue that normally gets very little attention, is timely. Monday’s workshop was the first of several that the association plans to hold this year. In the next three months, it will host workshops in Wyoming, Montana and Hawaii.

“The collaboration we see at Lake Tahoe is possible because the control and management of invasive species is truly a bipartisan issue,” Sandoval said, noting the federal government’s role in the issue. “These invaders ignore all boundaries, borders and political parties.”

The U.S. government, which controls almost half the land in the West and more than 80 percent of the land in Nevada, has a significant amount of leverage in how land is managed. This fact is particularly true when it comes to wildfires and cheatgrass. After his speech Monday, Sandoval told reporters that he would like to see the federal government focus more on preventing fires.

“We shouldn’t just be spending all of our money on fighting fires,” Sandoval said. “We should be spending our money on preventing fires. And a big piece of that is working on removing invasive species and when there is a wildfire, [planting] the seeds for native grasses instead of allowing that cheatgrass to come in because again, it makes a bad problem worse.”

Ranchers have called on the Bureau of Land Management, the agency that controls most of their land, to allow more grazing on public land as a way to thin out fields of cheatgrass. The BLM has [started several pilot projects](#) to make its grazing rules more flexible, though projects have [faced criticism](#) from some environmental groups opposed to grazing on public land.

Sandoval said he supports the agency’s efforts.

“If there are ways to do that — to let our rancher’s expand their grazing opportunities — I think that is a good thing,” Sandoval said. “To have our ranchers join as partners on fighting these wildfires — that’s a way they make a living — that could be very beneficial.”

WC-1 Ballot Question looks to mitigate Truckee River flooding

By [Terri Russell](#) |

Posted: Tue 5:42 PM, Sep 18, 2018 |

Updated: Tue 10:07 PM, Sep 18, 2018



RENO, Nev (KOLO) Supporters of [WC 1 on the November ballot](#) like to point to pictures of the 1997 flood to prove their point. Runways at the Reno Tahoe Airport covered in water. Neighborhood streets practically unrecognizable.



While we haven't seen flood waters from the Truckee River that bad lately, those who back the measure say it's only a matter of time. Unless we act now.

"This will protect us against the 100-year flood. It adds levies. It straightens out narrows. It takes portions of lands that are currently underwater and adjusts it, or modifies, it straightens out the river. It's just there's a whole series, a whole list which specifically identifies and would be addressed with that \$400,000,000," says Mike Kazmierski, President of the Economic Development Authority of Western Nevada (EDAWN).

WC 1 asks the voter: "Shall Washoe County be authorized to levy an additional property tax rate for the purpose of paying for the cost of designing, acquiring, constructing, improving and equipping a flood protection project by the Truckee River Flood Management Authority for the Truckee River?"

Kazmierski says on average its means \$30 more a year in property taxes in assessed valuation for a \$350,000 home in Washoe County. And would allow the authority to issue \$89,000,000 in general obligation bonds for Truckee River mitigation.

"Number one, we already pay flood tax. We pay a special flood tax since 1998. Since the flood of '97. It is working. We don't need more taxes. It's just tax, tax, tax. It never ends," says Jeff Church, with the "No on WC1" campaign.

Church says floods of 2005 and 2017 show improvements in place are working. He says our community is planning better in anticipation of flood events. The Virginia Street Bridge he points to as an example, where the new bridge was lifted and crews pulled debris from flood waters, all meant fewer problems downstream.

But Kazmierski says there's a window of matching federal funds that may soon close.

"The federal matching dollars are guaranteed. For now. If we cannot do our part of the flood project it is pretty much, the experts say that that funding will go away," says Kazmierki.

"When property tax goes up, rent goes up. I am a landlord. I pass it on to my tenants. And we are already the worst in the nation for unaffordable housing," says Church.

The money will be for the projects along the Truckee River only.

Communities like Lemmon Valley would see none of the money generated by WC 1. That's because the federal matching funds apply solely to river projects.

This is not the WC 1 ballot question concerning school funding from 2 years ago. While ballot question numbers tend to run from one to ten or beyond, generally the content of those ballot questions and their impact change every election year.

TMWA GM Gets Raise, Contract Extension from Performance Evaluation

September 19, 2018 Bob Conrad _Website_Facebook_TwitterLinkedIn

The Truckee Meadows Water Authority's General Manager Mark Foree received today a positive evaluation from TMWA's board of directors.

Citing Foree's effectiveness as a leader, the board awarded Foree a new salary of \$215,000 effective July 1, 2018.

TMWA, under Foree, has a 93 percent approval rating by customers, said board chair Vaughn Hartung.

Foree credited TMWA's talented and skilled employees for TMWA's high ratings.

"We feel strongly about our company and we're proud of what we do thanks to Mark," said Andy Gebhardt, TMWA's director of operations and water quality.

The board voted unanimously for Foree's raise.

Dozens of reasons to oppose WC1 tax increase: Church

Jeff Church Published 12:30 p.m. PT Sept. 20, 2018

It takes about 10 seconds to steal a bike at the University of Nevada, Reno according to security footage of a recent theft. There have been 29 bike thefts at UNR in 2018, including two so far this semester. Wochit



(Photo: Provided to the RGJ)
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Once again, voters will be faced with another in a never-ending series of tax increase ballot measures: WC1 would raise property taxes above the 3 percent cap for flood control strictly along the Truckee River.

Voters can get the facts at www.TaxYourselfNotMe.com.

The bottom line is there are dozens of reasons to say no to this tax increase.

Truckee Meadows Water Authority, our water purveyor, [came out Aug. 15 with a joint study](#) saying, "Up to 800,000 [acre feet] of new storage (equivalent to four Stampede Reservoirs) would be needed to achieve baseline-level shortages ..."

The point is that capturing flood water upstream is a better option before it reaches Reno. Water used for drinking, farming and recreation can be done via water user fees and costs, spread among all downstream users (including Fallon, Washoe, tribal authorities, and state and federal entities).

The pro-tax folks deceptively use photos 21 years old from the 1997 flood. This implies that we have sat on our hands since. In fact, that was "a 117-year event" that resulted in a 1998 special sales tax dedicated to flood control and creating the Flood Authority — it worked!

In the non-flood of 2017, thanks to those tax improvements, we were prepared, and major flooding was avoided. The Virginia Street Bridge was replaced and funding sources already exist to replace other bridges.

Since 1998 your flood taxes funded projects such as the Reno-Sparks Indian Colony Floodwall, at a cost of \$5.8 million.

The North Truckee Drain Relocation reduces flooding in the Sparks industrial area. Phases I-II have been completed at a cost of \$9.2 million.

Why should we pay for those who choose to build in a floodplain? Not a cent for flooded North Valleys. How would you like to be one of those flood victims forced to pay taxes solely for those along the Truckee?

More: [Another tax increase? Truckee River flood project needs funding](#)

Opposing view: [Vote yes on WC1 to protect community from flooding: Kazmierski](#)

Have your say: [How to submit an opinion column or letter to the editor](#)

The tax exceeds the previous 3 percent cap on property tax increases detailed in [NRS 361.4724](#).

Plans are in the works for [\\$23 to \\$25 million going to paybacks to local government](#), not to flood control.

There is absolutely no guarantee that the federal government will approve the alleged \$186 million dollar contribution touted by the proposed tax's backers.

Gas is 40-plus cents cheaper in Carson and Fernley because we already pay large extra road taxes. That RTC money legally can be used for bridges and related flood alleviation.

All this can be done in increments using existing flood taxes, general fund, grants, RTC funds and floodplain fees. The proposed Vista Narrows project (the No. 1 contributor to local flooding) can be done without this tax increase.

Property taxes will be passed on to renters, with rents already out of control, exceeding fair market standards!

The current land swap bill would allow land transfers to offer those in the floodplain an alternative. And nothing stops those in the floodplain from their personal responsibility in self-mitigating or getting FEMA insurance.

Have you ever seen a government project come in on budget? After we passed the 2016 sales tax, the cost of schools literally doubled. In the next election, a new tax increase is waiting to take its place. It never ends.

Jeff Church runs www.RenoTaxRevolt.com. He is on the WC1 Opposition Committee.

IndyBlog | Water & Land

UNR receives \$4.97 million grant to study snowpack, water availability

By

UNR receives \$4.97 million grant to study snowpack, water availability



[Daniel Rothberg](#)

September 25th, 2018 - 1:55am

UNR announced a \$4.97 million grant from the U.S. Department of Agriculture last week to study how new snowpack patterns affect how much water is available for farms and ranchers across the West.

Snowpack is a critical part of the water supply. When it melts in the spring, snowpack runs off into rivers, which rural and urban economies tap for water. With changing weather, researchers have observed changes to how snow is falling and when it is melting. That changing dynamic has affected assumptions about when and how much water will be available to use for irrigation or store in reservoirs.

“Agriculture in the arid West has historically benefitted from natural storage and predictable melt rates of mountain snowpacks; but, existing built water storage and delivery infrastructure no longer represent our snowpacks,” Adrian Harpold, assistant professor in the University of Nevada, Reno College of Agriculture, Biotechnology and Natural Resources, [said in a press release](#). “Earlier melting of mountain snowpack alters the timing of runoff, putting additional pressure on reservoirs to meet the needs of agricultural water rights holders.”

The grant will also look at the ability of water users to adapt to changes in snowpack under the current system of Western water law.

UNR will lead a team from across the region, working with other research institutions, including the Desert Research Institute, Colorado State University and Arizona State University.

From the Editor

Volunteers needed for KTMB river cleanup October 13



Keep Truckee Meadows Beautiful Great Community Cleanup

By Staff |

Posted: Tue 5:04 PM, Sep 25, 2018 |

Updated: Tue 5:05 PM, Sep 25, 2018



RENO, Nev. (KOLO) - [Keep Truckee Meadows Beautiful](#) (KTMB) is seeking volunteers for its biggest event of the year – KTMB's [Truckee River Cleanup Day](#) - set for Saturday, October 13, from 9 am to noon. Hundreds of volunteers are needed for this massive cleanup and beautification effort throughout the Truckee River watershed.

Volunteer signups for KTMB's Truckee River Cleanup Day can be [found here](#).

The cleanup is made possible thanks to 2018 sponsors: Truckee River Fund, UPS, REI, The North Face Explore Fund, City of Reno, City of Sparks, Washoe County, The Nature Conservancy, Pepsi, Save Mart Supermarkets, RT Donovan, Reno-Sparks Indian Colony, Nevada Department of Wildlife, 509 Creative, and Great Basin Brewery.

Water efficient landscape training and certification offered through new program

Cooperative Extension class prepares landscapers for Qualified Water Efficient Landscaper certification



9/25/2018 | By: Tiffany Kozsan [Print](#)

Qualified Water Efficient Landscaper training participants will learn how to conduct a water audit for overhead irrigation using the catch cup test. Photo by Leilani Konyshyev, Cooperative Extension.

[The training will prepare participants to become some of the first QWEL-certified professionals in northern Nevada](#)

[University of Nevada Cooperative Extension](#) invites local green-industry professionals, including landscapers and nursery workers, to attend Extension's first-ever [Qualified Water Efficient Landscaper \(QWEL\) training](#) Oct. 15-16. The training will prepare participants to take the certification exam on Oct. 17, becoming some of the first ever QWEL-certified professionals in northern Nevada.

The training is part of Extension's new [Qualified Water Efficient Landscaper Certification \(QWEL\) Program](#). Professionals certified by the program, which was designed by the Sonoma-Marín Saving Water Partnership and is recognized by the Environmental Protection Agency, will be listed on the [QWEL.net website](#), where local landowners can find them for hire. In addition, certified QWEL professionals can use the QWEL logo on their trucks and business cards as a means of marketing their qualifications with their customers.

The training will be 8 a.m. to 5 p.m. on both Oct. 15 and 16, with the water audit 9:30 a.m. to noon, Oct. 17. Classes are taught by Cooperative Extension and Truckee Meadows Water Authority faculty and staff, and industry professionals. Participants will be provided with local water, soil and plant information; basic and advanced irrigation principles; and hands-on water audit skills they can use in the field.

Cost for the training is \$100 and includes the water audit, class supplies, lunches for Oct. 15 and 16, and refreshments. The certification exam is 1-4 p.m., Oct. 17, and the cost is \$50. Both the training and the certification exam are at the Washoe County Cooperative Extension office, 4955 Energy Way in Reno.

Registration is a two-step process, beginning at the [QWEL-Reno webpage](#). For more information on classes or certification, contact Jenn Fisher at fisherj@unce.unr.edu or 775-336-0249. Persons in need of special accommodations or assistance should call at least three days prior to the class they intend to attend.

\$3 billion Hoover Dam project hopes to bring power plant into 21st century

[Hoover Dam](#) is one of the greatest engineering feats of the 20th century. Built during the Great Depression, it was the biggest public works project in the country. Now, as California and the West expand into renewable energy, there's a \$3 billion plan to bring the power plant into the 21st century.

Close to a million people come each year to the Arizona-Nevada border to be awed by the mighty dam, a 726-foot high wall of concrete housing 17 power generators, reports CBS News' Jamie Yuccas.

"3.25 million cubic yards of concrete. Basically you could pave a road from San Francisco to New York with the concrete in the dam," Len Schilling said. He manages the Hoover Dam, which provides power to three states and water to more than 20 million people, producing enough power to support more than a million homes.

The generators take in water from Lake Mead. The water is funneled through spinning turbines to create electricity. Then the water is released to flow down stream. Los Angeles is its largest customer. "Fifty-five percent to California, 25 percent to Nevada, and then 20 percent to Arizona customers," Schilling said.

The dam was built to tame the Colorado River after devastating floods. Now the Los Angeles Department of Water and Power is looking to turn it into a giant energy storage system, similar to the job a battery performs.

"In fact it's one of the simplest technologies: pump water up hill when there's too much energy and let it run down hill when there's not enough energy," said David Wright, general manager of the Department of Water and Power. They have already implemented the plan that works on a much smaller scale in Castaic, California.

"This isn't something we're looking at lightly. This is something that has been thought about and now it's, let's look at the engineering, let's look at the feasibility," Wright said.

The project calls for a wind- and solar-powered pump station to be built 20 miles downstream. Water would be pumped back up to Lake Mead through underground pipes and sent back down during periods of higher demand.

Los Angeles Mayor Eric Garcetti, a proponent of green energy, is also behind the plan.

"You're talking about a price tag of \$3 billion. That's a lot of money," Yuccas said.

"The cost of inaction is more," Garcetti responded. "We've got drought and fires **in the West... We're going to be talking about 100 billions, trillions of dollars of costs** if we don't confront climate change now."

California has a mandate of zero carbon emissions by 2045, and stands to gain the most from the plan. Some of the businesses down river are concerned there may not be enough water for recreation.

"So how do you sell people down river that this is going to be a good thing, especially during a drought when water levels are low?" Yuccas asked.

"You have to listen to stake-holders that are there. We can't just do this, and **mandate it and say, 'It's our dam... and we're gonna do whatever,'"** Garcetti said.

The project is in its infancy. It requires an environmental impact study along with a debate over how the cost will be divided between all of the energy users.

"The western United States might be divided by state borders but we really have the same electricity lines, the same water. We realize that our fates are tied together," Garcetti said.

It's a visionary project that some hope will stem the flow of climate change before it's too late.

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Word on the street Business owners talk shop amid construction

By [Jeri Chadwell](#)

This article was published on [09.27.18](#).

Reno's midtown district runs along a stretch of Virginia Street that was transformed by the construction of outlying malls and other routes to those malls. By the early '80s, Virginia Street was no longer a highway through town, which sapped business along the street. It was a surface street, bypassed by most through traffic. Some longtime businesses remained, but, over the years, parts of the street became neglected. Since the mid-2000s, however, there have been efforts to rebrand the neighborhood and revitalize business there.

These days, midtown is teeming with restaurants, bars and retail shops. And aside from a few, they're relatively new, many established during the post-recession rebranding effort. Now, they're preparing to keep their doors open throughout a two-year street re-construction project.

The \$80 million Virginia Street Bus RAPID Transit Extension project is intended to better connect the midtown district to the University of Nevada, Reno with increased bus traffic. It's also planned to add landscaping—including some 300 trees—and roundabouts, widen sidewalks to bring them into compliance with the Americans with Disabilities Act and upgrade utility infrastructure in the area.

The latter is what's underway now, and according to the Regional Transportation Commission's website, upgrading storm drains and utilities for AT&T, Charter, NV Energy, Verizon and the [Truckee Meadows Water Authority](#) will keep a 13-block stretch of Virginia Street (between Plumb Lane and Liberty Street) closed in one direction, seven days a week, for the next five months.

During this phase of construction, northbound travelers will have the options of Plumas and Center Streets and Holcomb and Wells Avenues to get where they're going. Southbound traffic on Virginia Street will remain open between now and February, and many drivers already know they have the options of Forrest and Plumas Streets to travel south—options they're taking. A recent Friday afternoon walk down Forrest Street revealed heavy traffic, which several residents walking in the neighborhood stopped to say has become the norm.

Also on these residential streets, the RTC has put up signage. It goes a bit further than the "businesses open during construction" signs placed along the route of the similar Fourth Street/Prater Way Project, though the efficacy of the signs for the Virginia Street project is arguable. Drivers headed northbound on Plumas will see them, but the signs—each of which lists about a dozen businesses with an arrow pointing east down a side street—are printed in small enough lettering that it would be difficult, and probably unwise, to try reading them from a moving vehicle.

The RTC's website lists other measures it's taking to encourage "the community to support local businesses during construction," including a partnership with the rideshare company Lyft.

On its website, the commission announced that beginning on Sept. 7, Lyft would provide 50 percent discounts (up to \$10 off) on rides from anywhere in the community outside of midtown to anywhere in the current Virginia Street construction zone. (Use the code RAPID in the promos section of the app.) According to RTC public information officer Lauren Ball, the project contractor, Sierra Nevada Construction, worked with Lyft to help subsidize midtown-bound rides.

Another company also attempted briefly to "alleviate" midtown traffic during construction. Independent of the RTC—and apparently without notice to other government entities—the bikeshare company Lime launched 100 of its electric scooters in midtown on Sept. 18. This was met swiftly with a cease and desist order from the City of Reno, which also released a statement saying officials were "stunned and disappointed at the recent actions of Lime" and calling said actions "disingenuous and irresponsible."



Construction on Virginia Street will keep traffic closed in one direction through February 2019.

PHOTO/JERI CHADWELL

Is midtown established enough yet to survive?

Advertisement

In addition to the signage on Plumb and its Lyft partnership, the RTC is encouraging midtown shops to participate in an incentive program to generate commerce along Virginia, with a variety of strategies being considered. One has RTC itself purchasing gift cards from businesses along Virginia and distributing them to road work crews.

Good news needed

It's been just over three weeks since construction began. Two-way traffic is scheduled to resume on Virginia Street in February, but the project will not wrap up until 2020. Conversations with employees and owners on Sept. 21 revealed that, in addition to taking advantage of the RTC's efforts and incentives, midtown businesses are making strategies of their own to survive years of construction. And while some reported faring fine so far, others said they're already feeling the effects.



Signs on Plumas Street point toward midtown businesses to the east.
PHOTO/JERI CHADWELL

At Craft Wine and Beer on Martin Street, owner Ty Martin said construction has so far "made no difference at all" in his day-to-day, despite the fact that his business has yet to be listed on the Plumas Street construction signs.

"I was going to make an issue of that because I noticed there are a bunch, and then, like, one or two blocks before my street, there isn't one. They just haven't done one. ... I assume that when I ask, they will produce one. It's probably because it's only me and Junkee currently, unless you include the check cashing place."

At Shea's Tavern, bartenders joked that the construction schedule was designed to leave plenty of vacant storefronts "for Starbucks when construction's over," and co-owner Jerry Shea was annoyed that road work that day had resulted in a broken water main that left his bar without water for several hours. But, in the end, he expects things will be fine with his business.

"Our customers would skateboard down here, if they had to," he said.

However, just a few doors south at Crystal Cove—a shop that sells crystals, stones and minerals—manager Zack Burnside said it's a different story.

"This is the epitome of who's going to go under—a fucking crystal shop," Burnside said.

He's been with the company since it opened two-and-a-half years ago but worries it's not established enough to survive.

"Objectively, you can get around it and find a parking space, but people don't have that kind of time," he said. "I feel like we're getting fucked. If this is how it's going to be for a while ... say goodbye to midtown. I've been staying positive about it, but today's kind of a breaking point."

Business has also been slower a few blocks south at the Chocolate Walrus—an adult store and costume shop. But owner Tammy Borde said it's not a problem that can be blamed entirely on construction.

"People are not aware that there is more parking than normal," she said, referring to temporary diagonal parking spots painted near her business and additional parking behind it on Holcomb Avenue.

Borde said one of her concerns is that the media will only tell "negative" construction stories which will scare customers away.

"Hopefully they'll still come," she said. "If you print the good stuff and let people know, they'll still come."

Süp co-owner Kasey Christensen echoed Borde's concerns.

"The most impactful thing, I think, for most of our businesses is that we don't want people to think it's so difficult for people to get down here or that construction is so horrible," she said. "We've really been trying to get the media on our side, to share it in a positive way. ... We need a new hashtag—'It's not that bad.'"



Evaluating Artificial Storage and Recovery Potential of Bedell Flat, Washoe County, Nevada

Truckee Meadows Water Authority (TMWA) is a public water purveyor in northwest Nevada with responsibility for providing water to approximately 385,000 people in the Reno/Sparks metropolitan area and suburban communities north of Reno. TMWA has a conjunctive use strategy, which includes aquifer storage and recovery (ASR), to both maintain the health of local aquifers and supplement limited water resources during drought when traditional river, reservoir, and aquifer systems are being stressed. With this in mind, TMWA is considering expanding its ASR program to suitable locations.

The Bedell Flat Basin in southern Washoe County is one such location. Bedell Flat appears to have favorable hydrogeologic characteristics for an ASR implementation. The USGS Nevada Water Science Center (NVWSC) is providing technical assistance to TMWA by evaluating existing data and installing equipment for monitoring discharge and temperature of opportunistic natural flows that occur in the ephemeral Bird Springs drainage at Bedell Flat.

As populations in the western United States continue to grow, and the frequency and duration of droughts become more common, public water providers are looking to broaden their options for effective management of limited water resources. Aquifer storage and recovery (ASR) programs provide just such an option. Available surface water, imported groundwater or highly-treated reclaimed water can be stored in a suitable aquifer and recovered years later for public use during times of need, such as exceptional droughts. The NVWSC is providing technical assistance to TMWA to evaluate the feasibility for a successful ASR program in the Bedell Flat Basin.



Location of Bedell Flat, southern Washoe County, Nevada.

Location of Bedell Flat, southern Washoe County, Nevada

Bedell Flat is a relatively small basin (51 mi²) with depths to water ranging from less than 5 feet in the northwest, where surface drainage exits the basin, to at least 140 feet near the middle of the basin. The alluvial materials appear favorable for ASR implementation as the basin is well-drained and nearly-impermeable playa sediments are notably absent. Although the hydrogeologic framework (thickness of basin fill, reconnaissance level groundwater recharge estimates, and estimated water budgets) has been coarsely characterized, Bedell Flat remains largely undeveloped and little is known about the groundwater system or aquifer properties.

TMWA is considering several ASR options within Bedell Flat to infiltrate recharge water, including:

1. Along a natural drainage (Bird Spring Wash),
2. Along an engineered infiltration gallery (Rapid Infiltration Basin), and
3. Injection of potable water using injection wells.

However, before TMWA begins to make major investments in the infrastructure required for an ASR program, an understanding of the feasibility of ASR in Bedell Flat is necessary. The feasibility of artificially recharging aquifer systems by spreading water at the surface or by injection using a well depends on both geologic and hydraulic characteristics of the aquifer and should consider several factors:

1. Availability and quality of water being recharged.
2. Availability of adequate storage in the aquifer.
3. Recoverability of stored water.

Artificial recharge programs must consider the capability of unsaturated material to accept the additional source of water. Additionally, aquifer storage and recovery efficiency can be affected by possible degradation of aquifer properties due to chemical reactions between recharged and native waters. Other common water quality concerns with ASR projects are elevated concentrations of dissolved solids and major ions.



Installation of a temperature probe (TROD) in Bird Springs drainage. (Public domain.)

Data Collection

The first step in evaluating the feasibility of this ASR program is to identify and evaluate existing data and install equipment to monitor the discharge and temperature of any opportunistic natural flows that may occur in the ephemeral Bird Springs drainage.

Temperature and Pressure Sensors and Engineered Flumes

NVWSC has installed temperature probes and Parshall flumes with pressure transducers along Bird Springs drainage to take advantage of any opportunistic ephemeral flow that may occur in the natural channel from precipitation events during calendar year 2016 and 2018. Any flow events would provide some of the information needed to evaluate infiltration rates along the natural drainage. Temperature and pressure data collected from transects along the Bird Springs drainage will be used to calibrate an unsaturated flow model for estimating infiltration rates and moisture content below the channel. However, long-term monitoring of these transects may also serve to identify later reductions in seepage rates due to sediment clogging.

Monitoring Wells and Borehole Geophysical Logs

Installation of monitoring wells near existing wells that can be pumped are needed to evaluate transmissivity and storage properties derived from aquifer tests. Additional wells near areas of recharge would greatly contribute to evaluating ASR potential. Monitoring wells would also be used for identifying subsurface lithology, water-level and water quality monitoring, and would be instrumented with pressure transducers. Geophysical logs should be collected with any drilled boreholes and wells. Details on number, design, and location of observation wells will be determined in consultation with TMWA as well as borehole geophysical parameters, and water quality parameters that should be collected.

Contacts

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SNWA Water-Smart Programs Help Businesses Reduce Operating Costs, Prepare for Shortage

October 1, 2018 By Nevada Business Mag [Comments](#)

With the first declared shortage in the Colorado River's history expected in 2020, the Southern Nevada Water Authority (SNWA) is offering greater financial incentives to businesses that implement water-efficiency measures.

The not-for-profit water agency recently increased both the incentive amount for replacing turf with drip-irrigated plants and the number of square feet eligible for the higher incentive. The Water Smart Landscapes program now pays businesses and residents \$3 per square foot to convert water-guzzling grass to more appropriate landscaping up to 10,000 square feet; beyond that amount, the incentive is \$1.50 per square foot up to \$300,000 per year. Based upon the typical 15,000-square-foot commercial conversion size—nearly 6,000 businesses have received incentives for removing grass so far—the incentive would be \$37,500. That does not even account for the potentially significant cost savings associated with reduced water use and the lower cost of maintaining desert landscaping.



“With shortage coming, there is no justification for a commercial property to have purely ornamental grass landscaping,” said SNWA General Manager John Entsminger. “Customers aren’t choosing a particular dentist or gas station because they like the lawn. If business owners want this community to continue to thrive—which allows their businesses to thrive—they need to step up and do their part to save water. Our goal in increasing the incentive amount was to reduce the up-front costs associated with making the change to water efficiency so there are no more excuses.”

Studies have demonstrated that converting grass landscaping to a water-smart landscape decreases water use by 55 gallons—a 75 percent reduction—per square foot. This equates to a savings of 825,000 gallons annually for the typical conversion. Business owners have also seen cost savings by eliminating water-related damage to stucco and concrete, which reduces maintenance expenditures and liability risk for the business and property owners. Research has shown that residents overwhelmingly support water conservation efforts, so converting turfgrass areas to more appropriate landscaping also demonstrates businesses' commitment to the community.

Even businesses without grass landscapes have an opportunity to save money and demonstrate leadership through the SNWA's Water Efficient Technologies (WET) program, which allows businesses to create customized water-saving solutions for indoor and outdoor water use. For instance, many restaurants have installed water-efficient faucets in their kitchens and replaced older dishwashers and ice machines with high-efficiency units, while businesses in larger buildings save millions of gallons annually by retrofitting standard air conditioning cooling towers with newer water-efficient models. SNWA incentives for WET projects are based upon the quantity of water saved, up to 50 percent of the cost of the new product or equipment. All told, Southern Nevada businesses have saved 14 billion gallons and counting through WET projects.



“We recognize the up-front costs associated with converting grass landscapes and replacing old, inefficient equipment, but increased incentives from the SNWA significantly improve the return on investment,” Entsminger said. “More importantly, businesses that voluntarily take these steps are demonstrating that they are as committed to this community’s prosperity as the customers they serve.”

Businesses interested in learning more about the Water Smart Landscapes and Water Efficient Technologies incentive programs can visit snwa.com or call 702-862-3736.

Filed Under: [Sponsored Feature](#) Tagged With: [Southern Nevada Water Authority \(SNWA\)](#)

New research on Tahoe's shallow shoreline waters

By [JEFF DELONG](#) |

PUBLISHED: November 10, 2013 at 12:00 am | UPDATED: August 30, 2018 at 12:00 am

INCLINE VILLAGE, Nev. — For more than 40 years, scientists have carefully scrutinized the cobalt waters in the middle of Lake Tahoe, documenting a steady and disturbing decline in the lake's famed clarity.

Discoveries made through those detailed studies led to multimillion-dollar efforts to, among other things, control the discharge of fine sediments from Tahoe's roads and urban centers into the lake — changes that have now apparently arrested the decline in water clarity in what many are cautiously calling a success story.

ADVERTISING

Now, researchers insist, it's time to focus the scientific spotlight on parts of the lake closest to shore. It's that part of Tahoe — the place most commonly experienced by visitors and residents — that now appears to be in the most trouble.

A new report focuses on the "apparent deterioration" of Tahoe's so-called near-shore environment, a band of water ringing the lake's shoreline extending about 350 feet out and to depths of about 69 feet in mid-summer.

It is here where water grows murky in the summer, where slippery green algae is increasingly found attached to submerged rocks. It is here where invading aquatic weeds are spreading, as are non-native clams that threaten to alter a sensitive ecology. Bass and other warm-water fish are spreading as well, while populations of native minnows are crashing.

Tahoe's near-shore is the place where pollutants flowing from land are most concentrated. It is also the place that stands to be most affected by warming temperatures from a changing climate.

"Things are changing quickly," said Alan Heyvaert, a scientist from Reno's Desert Research Institute and principal investigator for a study that also involved researchers from the University of Nevada, Reno and UC Davis among others.

"This is the area of the lake that has become a focus," Heyvaert recently told governors of the Tahoe Regional Planning Agency. "We know what's been happening in the deep part of the lake. That's what has driven a lot of the action here over the last several decades. As conditions improved, focus has shifted to the near shore."

Funded primarily by sale of federal land in southern Nevada, the \$225,000 study was designed to establish a baseline of data and begin to improve on what Heyvaert describes as sporadic monitoring of near-shore conditions in the past.

Much more aggressive monitoring is needed in future years to drive research and provide information needed for land management decisions by groups like the TRPA, Heyvaert said.

"We really need to know where the changes are and how they are happening," said Dan Sussman, an environmental scientist with California's Lahontan Regional Water Quality Control Board, also involved in the study.

The minimum level of monitoring scientists say is necessary to shed light on near-shore conditions at Tahoe would involve sampling various areas around the lake at least four times a year. Areas of focus would include turbidity, light transmission, attached algae, the status of insects, fish and crayfish. Tests would be conducted for the presence of toxins and pathogens.

The cost of such a program is estimated at between \$350,000 and \$400,000 annually, though Heyvaert acknowledges monitoring at truly desired levels would cost more.

"We're not getting the Cadillac. We're going to be lucky to get the Yugo," Heyvaert said.

Scientists are in the process of lining up needed funding for the proposed near-shore monitoring program. No action was taken by TRPA but some officials cited a sense of growing urgency.

"The amount of degradation I've seen in my lifetime is so incredible," said Hal Cole, South Lake Tahoe's appointee to the agency's governing board. "Time is of the essence."

While substantial progress is being made in protecting many key areas of Tahoe's environment, conditions at the near-shore are a concern, agreed Joanne Marchetta, the agency's executive director.

"Declining near-shore conditions have become a major priority because it is where most of us form our first connection with Lake Tahoe," Marchetta said.

Learn about new 'smart meters' coming to all Ventura Water customers

[Arlene Martinez](#), **Ventura County Star** Published 2:05 p.m. PT Oct. 1, 2018

Watch how water gets from the Ventura River to Lake Casitas. Cheri Carlson



(Photo: JUAN CARLO/THE STAR)
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Water savings, the ability to track usage, a reduction in greenhouse gas emissions: Those are the some of the benefits the city of Ventura says its new water meters will offer customers.

The work to install the Advanced Metering Infrastructure, better known as "smart meters," will begin this week. It will continue over the next three years until all 32,000 customers have them, a release from the city says.

Representatives from the city's water department will have more information on the meters and will answer questions Wednesday during the monthly meeting of the College Area Community Council. The meeting happens at the Wright Event Center at 57 Day Road.

The new meters will give customers the ability to track usage in real time time and get notifications of leaks through Home Connect, an online tracker.

"Ventura Water relies heavily on accurate and timely data," Ventura Water General Manager Kevin Brown in a news release. "The meter upgrade project will modernize our system and equip both customers and staff to better manage our water resources through real time water usage data and greatly improved leak detection."

The work started Monday and will take place weekdays from 8 a.m. to 4 p.m. Customers will get a notice in the mail one to two weeks before their scheduled upgrade. Residents don't need to be home when the work happens, city officials said.

[Professional Meters Inc.](#) is doing the work. Workers will knock on doors to notify households that their water will be turned off for up to half an hour. They will be wearing clothes and badges identifying themselves and driving company vehicles. The workers will leave a hanger on the front door letting people know the work has been complete, the news release states. The hangers will also have contact information.

Call Professional Meters at 866-965-0657 or Ventura Water at 805-667-6500 if your meter is behind a locked gate or is otherwise not accessible to workers.

Also at the meeting, representatives from Ventura College and the city's police department will give updates and answer questions, and the Ventura County chapter of the Surfrider Foundation will talk about its [Ocean Friendly Gardens program](#).

Wednesday's meeting starts at 7 p.m. Free parking is available adjacent to the Event Center. Call 805-644-8695 for more information.

Find out more about the city's meter project at cityofventura.ca.gov/water.

Forest restoration at the Spooner Lake

by News 4 & Fox 11 Digital Team



RENO, Nev. (News 4 & Fox 11) — Nevada Division of Forestry and other agencies have teamed up to protect wooded areas at Spooner Lake on Thursday, October 4.

According to NDC, the Forest Health Resilience Project is designed to improve the forest's health and vitality so it can better fend off dangers like wildfires, bark beetles and drought.

Ads by ZINC

The project includes the selective removal of trees, which will be flown by helicopter using a 200-foot log line to a landing near the Spooner Lake dam.

Trees are processed by a de-limber and transported to a sawmill outside the Tahoe Basin.

The project will be completed in a 6 to 8 week time frame.

Nevada Water Innovation Campus finds success in water preservation

NWIC, a collaborative effort between the College of Engineering and local agencies, creates water research programs to help Northern Nevada.



10/2/2018 | By: Nikki Moylan

Attendees of the Nevada Water Forum included Gov. Brian Sandoval, Dean Manos Maragakis, Rick Warner, Krishna Pagilla and area water leaders and researchers.

Nevada Water Innovation Campus has accomplished a lot in its first year.

"NWIC fits the idea of educational research and engagement for its students and faculty to learn," Krishna Pagilla, NWIC Director, said.

By gaining real-world experience students are able to understand that what they do for the project is mutually beneficial because it helps the community. Pagilla, also a professor of [environmental engineering](#) at the University, is a key connection as he emphasizes involving local agencies from outside the College of Engineering while developing innovation strategies.

Pagilla's colleague, Rick Warner, is a University alum, senior engineer for Washoe County, past President of Water Environment Federation, and the 2018 recipient of the [James G. Scrugham Medal](#).

The mission of NWIC is to create methods that preserve water in the most efficient way for future generations. The official program states that its innovation will help Washoe County practice sustainable water management, which helps economic growth and enriches the region's drinking water.

Related Links

- [New multi-agency water partnership to address regional challenges](#)
- [Nevada Water Innovation Campus hosts Nevada Water Forum](#)

Advanced water purification is already in effect in Arizona, California, Texas and Virginia. For the past 40 years, the treatments have replenished underground aquifers and surface reservoirs all while showing no adverse health effects from using recycled water. Many regions across the United States need to meet long-term demands for water, and advanced water purification helps ensure that water stays clean and sustainable.

New program enhances drinking water, environment

One program that NWIC has added to its portfolio is OneWater Nevada, which evaluates treatment technologies and determines if advanced purified water can offer long-term benefits to the region. The project has many positives, such as a safe, reliable water supply for customers, less reliance on fresh water from the Truckee River, and finding a way to sustain water without being energy intensive.

It also ensures that there is more water during periods of drought, changes in snowpack and longer seasons. One study that the program is doing will focus on feasibility of advanced purified water for groundwater enhancement and natural purification processes. The study will occur over the next two or three years and takes aspects like technology and public engagement into consideration.



OneWater Nevada also has multiple demonstration trailers to inform the public about the treatment technology. The process involves filtration, removal of organic matter and chemicals, exposure to ultraviolet light, and polishing by granular activated carbon. After a field demonstration, the purified water will be put into local groundwater for an extended period of time, allowing the environment to naturally filter the water.

In Washoe County, project sites are actively working in places like Stead, Cold Springs and South Truckee Meadows. With these project sites, the NWIC website envisions "national and international recognition for solving real-world problems in the water sector, all while providing economic growth and water resiliency."

Warner's role in NWIC is crucial because he connects with water agencies, cities, counties and utilities. Serving on the civil engineering advisory board, Warner is a passionate and recognized international leader for water.

"Regional agencies always saw [the University of Nevada, Reno] as a way to innovate," Warner said. When Warner connected with Pagilla, the idea of having a visionary research hub involving water was born. "Krishna and I are well-traveled. We speak at a lot of [water] conferences," Warner said. He has also noticed that other counties are beginning to follow the precedent that NWIC began.

"The more people engaging, the better," Warner said. "Agencies and citizens can connect, stay informed, and if people try and reach out with these agencies about water and water delivery, then it really gets people talking about water and what they can do."

Students in NWIC also learn valuable workforce skills

Nevada's natural water environment relies on research from programs like NWIC. The program needs to educate our future workforce and community on water issues, and how to sustain water for use and reuse for generations to come. The Nevada Water Innovation Campus is now officially recognized by the College of Engineering, and it connects students that are interested in environmental engineering or student research opportunities for undergrads and graduate students.

Eric Marchand is a civil and environmental engineering professor also involved with NWIC. "Students are working in research labs and other facilities at the utilities," he said. Students also helped plan and partner with the Partnering For Impact Nevada Water Forum that NWIC hosted in April.

"The conference was a great experience for students because not only did they help with logistics, but also did meet and greet events, while working hand in hand with stakeholders in utilities. They had direct exposure and met potential contacts."

Students also who are tech savvy learn interpersonal skills, which Marchand says are skills students don't always learn in a classroom. Students are able to work out in the fields and gain exposure to research tools, and several are currently taking classes and also working for Washoe County.

"A lot of agencies like to solve problems with their own people and their own ideas," Warner said. "But with collaboration, we involve students and also educate our future workforce. They bring their energy and enthusiasm. All around, it's a win."

The partners of the Nevada Water Innovation Campus include the cities of Reno and Sparks, Washoe County, Western Regional Water Commission, Truckee Meadows Water Authority and the Nevada Department of Transportation, along with the University's College of Engineering.

Water Main Break On Vista Boulevard, Roads Reopened

The Sparks Police Department reports a truck from a warehouse hit a water pipe and caused a water main break on Friday afternoon.

Friday, October 5th 2018, 4:03 PM PDT

Updated:

Friday, October 5th 2018, 4:54 PM PDT

[Play Video](#)

The Sparks Police Department reports a truck from a warehouse hit a water pipe and caused a water main break on Friday afternoon.

They said Sparks Fire and the Truckee Meadows Water Authority also responded.

The break happened in between Vista Boulevard and Prater Way and one southbound lane of Vista was closed for a while.

The scene is now clear and the roads are back open.

Amid push for development, Lemmon Valley residents see flood waters and fear more growth



September 25th, 2018 - 2:10am

[Daniel Rothberg](#)

September 25th, 2018 - 2:10am

Tammy Holt-Still wants you to know she is not pleased.

Nearly two years after a historic flood surrounded homes in Lemmon Valley, a small community of about 5,000 people eight miles outside of Reno, Holt-Still continues to be a fixture at county and city meetings. She leads a group of vocal residents who want Washoe County and the city of Reno to do more to address stagnant water in Swan Lake, a shallow bowl of land that barely fills most winters. The water is still there, she reminds the politicians. There is algae now, she notes. The roads are lined with Hesco barriers, temporary rectangular containers filled with stones and used to control stormwater. Residents must take circuitous detours to their homes.

“We have always been ignored,” Holt-Still said, driving near Swan Lake on a recent afternoon.

Lemmon Valley is a closed hydrological basin with no outlets for water. The water that is there can only leave through evaporation into the air or infiltration into an underground aquifer. Both processes are painfully slow. That is one thing everyone, from the county to the residents, agree on, because the presence of water highlights larger struggles around growth and development.



Washoe County's map for its master plan, which includes the North Valleys. (Washoe County)

As the crow flies, the North Valleys are not far from Reno. But it takes about 30 minutes to get eight miles from the city's downtown to Lemmon Valley, one of [several basins in the North Valleys](#), which includes the Reno-Stead Airport. The area casts itself as a more rural alternative to Washoe County's urban core. Untethered from the region's main water and sewer systems, infrastructure has been an obstacle — and for some, perhaps a bulwark — to growth.

With a new demand for industrial parks and homes, the rural status quo is being challenged by developers looking to build on the fringes, and it has created another layer of tension for some residents. But county and city officials argue it could also present an opportunity: They say there is no way to mitigate flooding without more infrastructure, and they argue there is no way to pay for infrastructure without a tax — few support that idea — or charging developers fees to pay for it. In other words, more growth.

Deny development. Approve development.

Earlier this summer, [a seven-member planning commission unanimously denied tentative maps](#) for a 490-lot development that included some of the floodplain near Swan Lake. After about two hours of public comment from Lemmon Valley residents, multiple planning commissioners said the residential development, Prado North, should wait until the flooding issue was fully resolved.

"We cannot keep building in Lemmon Valley without fixing Lemmon Valley," Sarah Chvilicek, the planning commission's chair, said before casting her vote, [according to archived video](#).

That was not what Washoe County staff had recommended it do. Staff for the county and the city have argued that developers, in closed basins like Lemmon Valley, play a necessary role in building infrastructure and mitigating flood risk. The Prado North plans, for instance, required the developer to elevate part of a road two feet above the elevation that the Federal Emergency Management Agency simulates as the highest-risk flood scenario. The thought is that the road, rather than Hesco barriers, would contain floods on the side of the road with less development.



The Washoe County Commission on Aug. 28, 2018. (David Calvert/The Nevada Independent)

After the denial on July 3, the developer filed an appeal and brought the issue to the County Commission for reconsideration. On Sept. 11, [the commission voted 3-1](#) to reverse the denial.

The dissenting vote came from Commissioner Jeanne Herman, who represents Lemmon Valley and has called for a temporary ban on growth. She said the project will lead to more flooding.

"I think we ought to have a moratorium on building in the North Valleys," she said, a plea to the other commissioners that ultimately fell on deaf ears.



Swan Lake in Lemmon Valley, on Tuesday, Sept. 18, 2018. (Photo by David Calvert/The Nevada Independent)

Commissioner Bob Lucey argued that it would be difficult to fund the infrastructure needed to prevent future floods without collecting fees for it from developers, and that means growth, he said, is essential to fixing the problem. The only other option would be a tax or a special assessment.

“I’ve heard that you want a moratorium. I’ve also heard that you want something done. The point is that you have to do something,” he said. “You have to pick one or the other. And you have to have funding to do it. The county — unless we impose a new tax or a new special assessment district out there in Lemmon Valley — ... can’t afford to pay for a stormwater utility district.”

Flood water and fears of suburbanization

At many meetings, Holt-Still is often the only voice.

But at the Planning Commission and the full County Commission this month, dozens of Lemmon Valley residents showed up to speak. Some residents supported a moratorium on new growth. Others expressed concerns about an issue that goes far beyond flooding. They worry that the encroachment of new subdivisions could splinter their rural lifestyle.

“You are going to be mixing two different mentalities,” one commenter said in July. “You have country people and you have city people. This is going to be like the Hatfields and the McCoys.”

Washoe County Commission Chair Marsha Berkbigler, who offered the motion to overturn the Planning Commission, said the planning board made an “emotional” decision, one that ignored the staff recommendation and did not follow requirements they are supposed to adhere to.

“I think they made a political decision based on the concerns of people who were testifying to them,” she said in an interview with *The Nevada Independent* after the county’s vote.

She also suggested that the concerns about suburbanization are playing a large role in driving the local opposition to projects like Prado North.

“I think that’s the major concern for most of the people,” Berkbigler said in the interview. “But then you have to ask yourself: Where is the growth going to go? Maybe you don’t want any growth at all. That’s very nice for you but that’s not what’s happening in this community right now. We are inundated with growth right now. So what do you do about that?”

As Holt-Still stood near the green Hesco barriers that line Swan Lake, I asked her what she thought of accusations that she was part of the [NIMBY \(Not In My Backyard\)](#) phenomenon.

Stormwater did not make it into her home, but the new subdivision would be in eyesight from her front yard. After the heavy winter storms of 2017, water made it inside three homes and a church, and it blocked more than a dozen residents from accessing their homes. For everyone, the aftereffects are still visible. Access to homes can require detours, still nearly two years later. Some residents have left the Lemmon Valley community, Holt-Still said, moving in with relatives or relocating.

Off to the side of the road, across from the lake, there's a stagnant pool of red water and algae sitting where a road used to be. Not far from where the new development would be, two road signs extend into the water: "Speed Limit 25" and "No Trucks Over 8000 LBS Empty WT."



Water near Lemmon Drive in Lemmon Valley on Tuesday, Sept. 18, 2018. (Photo by David Calvert/The Nevada Independent)

"That's not what I said," Holt-Still said, quick to rebut the NIMBY question. "Appropriate development. In other words, you don't shove 2,000 homes in an area that doesn't match."

The city and county have spent millions on recovery around Lemmon Valley. They have paid for heavy-duty pumps to keep the water in Swan Lake, off of the road and away from residences. Despite these efforts, there is still water outside of the lake. And for many residents, the local governments have not done enough and have been slow to respond. The residents and the commissioners have, at times, had an adversarial relationship.

[According to KOLO Channel 8](#), Commissioner Vaughn Hartung apologized in May after he was heard on a microphone saying "be gone and I hope a house falls on you too" following public comment from Holt-Still. The commissioner's quip was seen as a reference to *The Wizard of Oz*.

In a recent interview for *The Nevada Independent's* podcast, *IndyMatters*, Reno Mayor Hillary Schieve said she recognized these concerns and was frustrated that the city has not always been able to move as quickly as Holt-Still wants. She said it's important to focus now on future flood protection.

"I do think that there are times where I feel like we failed her," Schieve said. "That's upsetting. I don't want to be that person. I want us to do whatever we can to help her. So we've really been pushing for that. But I get very frustrated with the different elements of government red-tape. There is always that government timing that takes forever. I can see the frustration in her when she comes to council and I can really understand why the residents would be so angry."

It could take years for the lake's elevation to equalize again at its normal levels, and winter is coming. Drops in the lake from evaporation during the warm months could be cancelled out during the winter. If it's a particularly wet winter, that means there could be another flood event.

Some have suggested pumping the water out of the lake and sending it elsewhere, a solution that would likely face legal and financial hurdles.

“Where are you going to pump it to,” asked Dwayne Smith, the county’s engineer. “Who is going to accept that water? We can’t just take that water and pump it to the Truckee River. The infrastructure is tens of millions of dollars to do that. Where’s that funding going to come from?”



Dwayne Smith, Washoe County’s engineer, shows how improvements to infrastructure could help prevent future flooding in Lemmon Valley during an interview on Sept. 20. (Daniel Rothberg/The Nevada Independent)

Infrastructure challenges

With Washoe County’s reversal of its planning board, Prado North again has the green light.

“Ultimately, it’s going to get built,” said Paul McKenzie, a Reno councilman who represents the valley. “The question is if it’s going to get built right and if we’re going to mitigate the impacts of it... A lot of people would like us to just quit approving any development in the North Valleys until we have the traffic fixed, the stormwater issues fixed and the sewer fixed.”

“While that seems like a great plan, there’s not enough dollars in the general fund budget to address those issues,” he added. “Without having well-planned development helping to fund the projects that we need to address those issues, we’re not going to address them.”

Prado North is not the only proposed — or disputed — development in the area. Industrial development and many more homes are in the pipeline. If all the development that has been tentatively approved is constructed, more than 2,000 homes could go up in the area. And Lemmon Valley, remote enough to miss the last cycle of growth, could start to rapidly expand.

With little political appetite for a moratorium on growth, the question becomes how to meet that demand. For the North Valleys, one of the biggest challenges with new development is what to do about a sewer system nearing capacity.



A pump on Lemmon Drive used to move flood water back into Swan Lake behind a HESCO barrier in Lemmon Valley, on Tuesday, Sept. 18, 2018. (Photo by David Calvert/The Nevada Independent)

In the area, the county operates a small sewer treatment plant on Swan Lake, and the city of Reno, which has jurisdiction in some parts of the valley, operates a larger plant near Stead.

By next April, the city hopes to have a short-term fix to free up more capacity in the sewage plant for growth by connecting its facility with the region's main pipes and sending about 500,000 gallons per day of sewage to the Truckee Meadows Water Reclamation Facility in Sparks. The Truckee Meadows facility is shared by Sparks, Reno and Washoe County.

John Flansberg, the city's director of public works, said that in the long term, Reno plans to expand its North Valleys sewage plant to more than double the amount of waste it can treat.

"The nuance to that... is that although I might have four million gallons of treatment capacity for the treatment plant, I will not have that much capacity for what we do with the effluent," he said.

Earlier this year, when the city's Planning Commission approved an industrial development in Lemmon Valley, McKenzie appealed the decision, in part, because of uncertainty around what to do with effluent — the reclaimed wastewater that is discharged out of the treatment plant.

On Sept. 12, Flansberg gave a presentation to the City Council that listed some possible options. As with all issues, Swan Lake and the flood recovery efforts loomed over the talk.

Right now, the city and county discharge their effluent into Swan Lake. Each year, these flows put about 1,300 acre-feet in the lake (an acre-foot is the amount of water that can fill one acre of land with one foot of water).

Although it is a fraction of the lake's 10,000 acre-foot capacity, the flows can make a difference during a flood. The same principle is true for the effluent, which is highly treated, as it is for stormwater: the only place for it to go is into the air or into the ground.

"What I'm really looking forward to as we continue this discussion is having things I can do with the effluent during high water years so I don't have to put it back in the lake," Flansberg said.

[Some of the options for effluent storage include](#) building a reservoir or injecting it underground in nearby basins. The city has looked at Bedell Flat as a possible spot for groundwater storage. The county has expressed interest in acquiring Bedell Flat from the Bureau of Land Management as part of its push for a federal public lands bill, [KOLO Channel 8 reported](#).

[The City Council voted on Sept. 12](#) to continue exploring several options.



Bedell Flat north of Reno, Nev., on Tuesday, Sept. 18, 2018. (Photo by David Calvert/The Nevada Independent)

The North Valleys remember

Caught in the middle of all this are the valley's residents.

Council members want staff to study the reservoir option, analyze water rights and send more wastewater to the Sparks facility. McKenzie said he was satisfied with the short-term plan to send sewage to Sparks and could be willing to drop his appeal of the Planning Commission decision.

That appeal is scheduled to go before the City Council on Wednesday.

Residents are still concerned more development will lead to more flooding. Although the plans for Prado North require additional mitigation, such as removing fill from the flood plan to increase the amount of water that it can hold, residents worry the requirements are not stringent enough.

Several residents are participating in a class-action lawsuit against the city of Reno, which controls a main road in Lemmon Valley and has some say in which projects are and aren't approved. The lawsuit cites a 2007 study on flooding in closed basins like Lemmon Valley. Residents allege that the city failed to follow the study's recommendations to build flood mitigation infrastructure, such as retention ponds, at Swan Lake. The mitigation could have cost millions of dollars. [As the Reno Gazette-Journal reported this year](#), little has been done to put such mitigation measures in place.

Smith, the county's engineer, said flood mitigation is a key goal.

"Those recommendations also came with a cost," Smith said of the earlier flood studies. "I wasn't here then... but my understanding is there weren't funding sources to do some of those things... As development is coming, those are the types of things we are incorporating."

The county commissioners, he noted, have directed Washoe County staff to create a flood response plan for basins like Lemmon Valley and use studies to recommend a mitigation plan.

But residents like Danny Cleous, who filed the class-action lawsuit, look at the water in Swan Lake and remain skeptical. At a recent meeting, [Cleous asked commissioners](#) to place a moratorium on growth.

"Stop building please. Stand by the people you represent," Cleous said. "If you look to the right of this development and you look to the left of this development, it's one-plus acre [properties]. We all have animals. What are city folks going to think of that? I've said it before: City of Reno did it. City of Sparks did it. You guys pushed the ranchers out. You pushed the farmers out. This development will do the same to Lemmon Valley. Maybe that's what you want. But I'll tell you what: It's not going to happen because you're going to have one hell of a fight."

Free TMWA Winterization Workshops

The Truckee Meadows Water Authority (TMWA) is offering free winterization workshops this month. The classes are designed to help homeowners prepare their houses for freezing temperatures.

Monday, October 8th 2018, 9:51 PM PDT

[PLAY VIDEO](#)

The Truckee Meadows Water Authority (TMWA) is offering free winterization workshops this month. The classes are designed to help homeowners prepare their houses for freezing temperatures. Participants can learn how to turn off their sprinkler systems and protect water pipes from breaking this winter.

The workshops will be:

Wednesday, October 10

Tuesday, October 16

Tuesday, October 23

and Tuesday, October 30

The hour-long classes will start at 5:30 p.m. located at 1355 Capital Boulevard in Reno.

To RSVP, email rsvp@tmwa.com or call (775) 834-8290.

For more information on winterizing your home, visit www.tmwa.com/winterize.

(The Truckee Meadows Water Authority contributed to this report).