



STANDING ADVISORY COMMITTEE AGENDA

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

NOTES:

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

1. Roll call*
2. Public comment — limited to no more than three minutes per speaker*
3. Approval of the agenda (**For Possible Action**)
4. Approval of the minutes of September 5, 2018 meeting (**For Possible Action**)
5. Recognition of Mike Pidlypchak, SAC Vice Chairman — Neil McGuire*
6. Presentation of recent summer water use trends — John Enloe and Shawn Stoddard*
7. Update on the Funding Policy and Rate Stabilization Fund action by the Board — Michele Sullivan*
8. Presentation of preliminary funding plan for Fiscal Years 2019 through 2023, discussion and possible recommendation to the Board — Michele Sullivan (**For Possible Action**)

9. Update on possible closure of the §501-c-9 Post-Retirement Medical and Life Insurance plan and Trust to future employees — Michele Sullivan **(For Possible Action)**
10. Presentation on TMWA's treatment costs and processes — Will Raymond*
11. Update on the annexation of the Stonegate development into the TMWA retail water service area — Scott Estes*
12. Update on the possible acquisition of the West Reno Water Company water system, and status of due diligence — John Zimmerman*
13. Discussion and recommendation to the Board regarding the proposal to broaden purposes for the meter retrofit fee program — John Zimmerman **(For Possible Action)**
14. Presentation on TMWA service area and existing private water systems — John Enloe*
15. Update on Standing Advisory Committee Membership — Sonia Folsom*
16. Presentation of applications to fill the Commercial Customer Class Alternate vacancy and other possible vacancies and possible recommendation to the Board — Sonia Folsom **(For Possible Action)**
17. Presentation of 2019 meeting schedule — Sonia Folsom **(For Possible Action)**
18. Election of Chair and Vice Chair for 2019 — Debbie Leonard **(For Possible Action)**
19. Discussion and possible direction to staff regarding agenda items for future meetings **(For Possible Action)**
20. Staff Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
21. Committee Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
22. Public Comment — limited to no more than three minutes per speaker*
23. Adjournment **(For Possible Action)**



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

September 4, 2018

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority (TMWA) in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chair McGuire called the meeting to order at 3:01 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Bob Chambers, Harry Culbert, Colin Hayes, *Bill Hughes, Don Kowitz (via phone), Carol Litster, Neil McGuire, Ken McNeil, Mike Pidlypchak, Mike Schulewitch, **Fred Schmidt and Jerry Wager.

Alternates Present: Fred Arndt, Ken Becker, Karl Katt, Dale Sanderson, and Jim Smith.

Primary Members and Alternates Absent: Kevin Haddock, Jordan Hastings, Scot Munns, and Jonnie Pullman.

**Member Hughes arrived at 3:03 p.m.*

***Member Schmidt arrived at 3:05 p.m.*

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

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE JUNE 5, 2018 MEETING

Upon motion duly made by Member McNeil and seconded by Member Culbert, and carried by unanimous consent of the members present, the Committee approved the June 5, 2018 meeting minutes.

Chair McGuire moved up agenda item #6 to be heard before agenda item #5 as Bill Hauck, TMWA Senior Hydrologist had stepped out of the room.

6. PRESENTATION OF PRELIMINARY FISCAL YEAR 2018 UNAUDITED FINANCIAL PERFORMANCE

Matt Bowman, TMWA Financial Controller, presented this item to the Committee. Mr. Bowman reported that change in net position was \$26.4 million more than budgeted (\$38.8 million) due to developer contributed assets, lower operating expenses, higher-non-operating revenue and higher developer contributions. Operating revenues were higher-than-budgeted due to strong water sales revenue in the first half of 2018 and hydroelectric sales revenues that were \$0.8 million or 26% over budget, finishing a record year. Operating expenses were \$4.2 million, or 5%, less than budgeted due to decreases in services and supplies costs and employees' salaries and wages, and lower chemical costs due to improved water quality in the Truckee River. Capital spending was approximately \$10 million below budget due primarily to the delay in the start of construction of the Mt. Rose Water Treatment Plant due to delays in permitting and satisfying regulatory requirements.

Discussion followed regarding the slow rate of water sales revenue increase due to growth (indicates a 15-year trend of customers using less water); the number of new connections averaging 180 per month; the increased amount in the meter retrofit program fund due to dedicating and selling more surface water rights than groundwater rights (the meter retrofit fee is only collected on surface water rights).

5. WATER SUPPLY UPDATE

Mr. Hauck reported that reservoir storage is excellent, only down 7% in overall reservoir storage compared to last year; Lake Tahoe is down a little over one foot below the maximum capacity; and anticipate normal river flows through 2020.

7. DISCUSSION AND RECOMMENDATION TO BOARD REGARDING THE UPDATE TO TMWA FINANCIAL MANAGEMENT AND RESERVE POLICY, AND THE RATE STABILIZATION FUND

Michele Sullivan, TMWA Chief Financial Officer, presented this item, which includes the most current reserve requirements required by current TMWA Senior Lien Debt. Both the Government Financial Officer's Association (GFOA) and the American Water Works Association (AWWA) recommend that a policy related to unrestricted cash should be developed to address the needs of a municipality based on

local conditions. By consistently having solid unrestricted cash balances, TMWA has retained good credit ratings, and a policy related to these balances will ensure continued attention to a solid working capital position. In addition, the Rate Stabilization Fund (RSF) has been requested by board members to act as a type of financial reserve that can cushion the impacts of occasional revenue shortfalls. The current policy allows for a maximum of \$7.5 million for the fund, but a new maximum would be determined by a new metric of three years of projected water sales at 3% for a total of approximately \$9 million for three years of coverage.

Discussion followed regarding the assurance that the funds are discretionary and could be utilized for the purposes of deferring a rate increase when water sales revenues decline for any reason. Ms. Sullivan replied that the RSF purpose is to do just that.

Upon motion duly made by Member Schmidt and seconded by Member McNeil, which motion duly carried eight to one with Chair McGuire dissenting, the Committee approved the rate stabilization fund specifically to avoid a rate increase.

Upon motion duly made by Member Schmidt and seconded by Member Schulewitch and carried unanimously, the Committee approved the proposed changes to TMWA Financial Management and Reserve Policy.

8. UPDATE ON THE ACQUISITION OF THE WEST RENO WATER SYSTEM AND DUE DILIGENCE PROCESS

John Zimmerman, TMWA Water Resources Manager, presented an update on this item. Mr. Zimmerman stated staff has spent a considerable amount of time evaluating the system, assessing the land and corresponding easement requirements, evaluating water quantity (three out of five pumping wells produce sufficient capacity and water quality and there are currently no violations existing), inspecting facilities and collaborating with partner agencies to move the process along and determine additional requirements. The due diligence process is more than half completed, ending in October, but may require an extension beyond that date.

Discussion followed regarding the easement required through the River Oaks Homeowners Association (HOA); seeking assurance that water quality meets TMWA standards; and expressing appreciation for the level of due diligence conducted by staff.

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

November meeting:

1. Presentation on water usage
2. Presentation on the 5-year Funding Plan
3. Update on the acquisition of the West Reno Water System

4. Update on the Stonegate annexation
5. Update on the Funding Policy and Rate Stabilization Fund action by the Board
6. Update on the Other Post-Retirement Employee Benefit (OPEB) program
7. Presentation on TMWA's treatment costs and processes for varying water quality
8. Presentation on TMWA service area and existing private water systems

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

Upon motion duly made by Member Litster and seconded by Member Culbert, and carried by unanimous consent of the members present, the Committee approved to cancel the October 2, 2018 meeting.

10. STAFF ITEMS

Mr. Zimmerman informed the Committee of the Board's direction to staff on the Farad property: to grant an easement to the Tahoe-Pyramid Trail, to obtain an appraisal, and hold discussions with Truckee Donner Land Trust.

John Enloe, TMWA Director of Natural Resources and Planning, informed the Committee of the effluent pipeline from the Truckee Meadows Water Reclamation Facility (TMWRF) to the Tahoe Reno Industrial Center General Improvement District (TRIGID) system, which will be financed through a \$35 million bond issue by Storey County through the State of Nevada Bond Bank and the TRIGID will be responsible for maintaining the pipeline from TMWRF to TRIGID.

Scott Estes, TMWA Director of Engineering, updated the Committee on the Stonegate development. Mr. Estes stated that Stonegate filed for annexation into TMWA's service territory and is making progress. The development is for about 5,000 units, which construction is tied to Nevada Department of Transportation improvements along Highway 395.

11. COMMITTEE ITEMS

Member Pidlypchak informed the committee of his resignation effective December 31, 2018. He thanked the members and staff for a great experience serving on the TMWA Standing Advisory Committee.

12. PUBLIC COMMENT

There was no public comment.

13. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:35 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Secretary

**Member Hughes was present for agenda items 4 thru 13 only.*

***Member Schmidt was present for agenda items 5 thru 13 only.*

DRAFT

Customer Summer Review

Shawn Stoddard
Senior Resource Economist

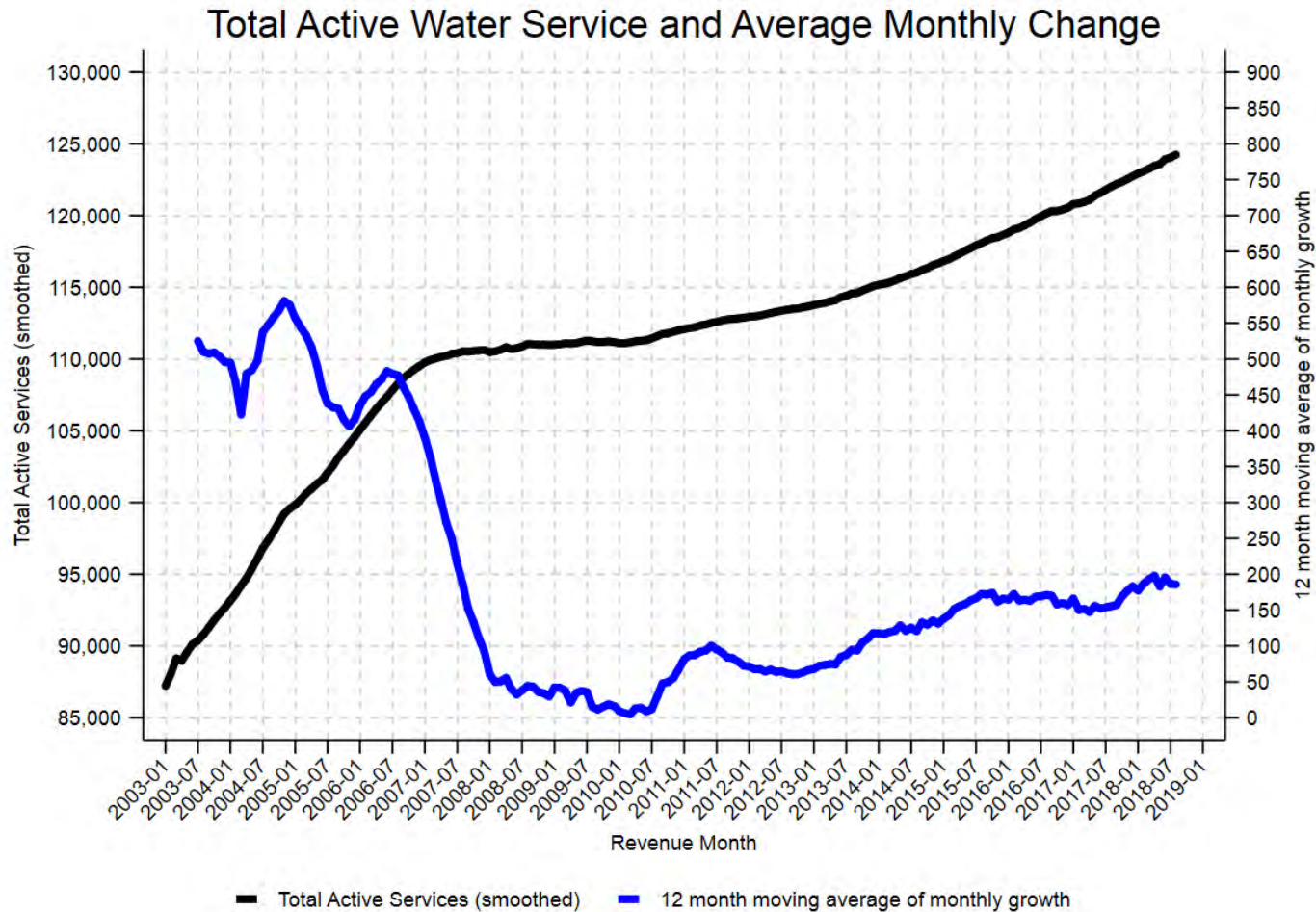
November 6, 2018



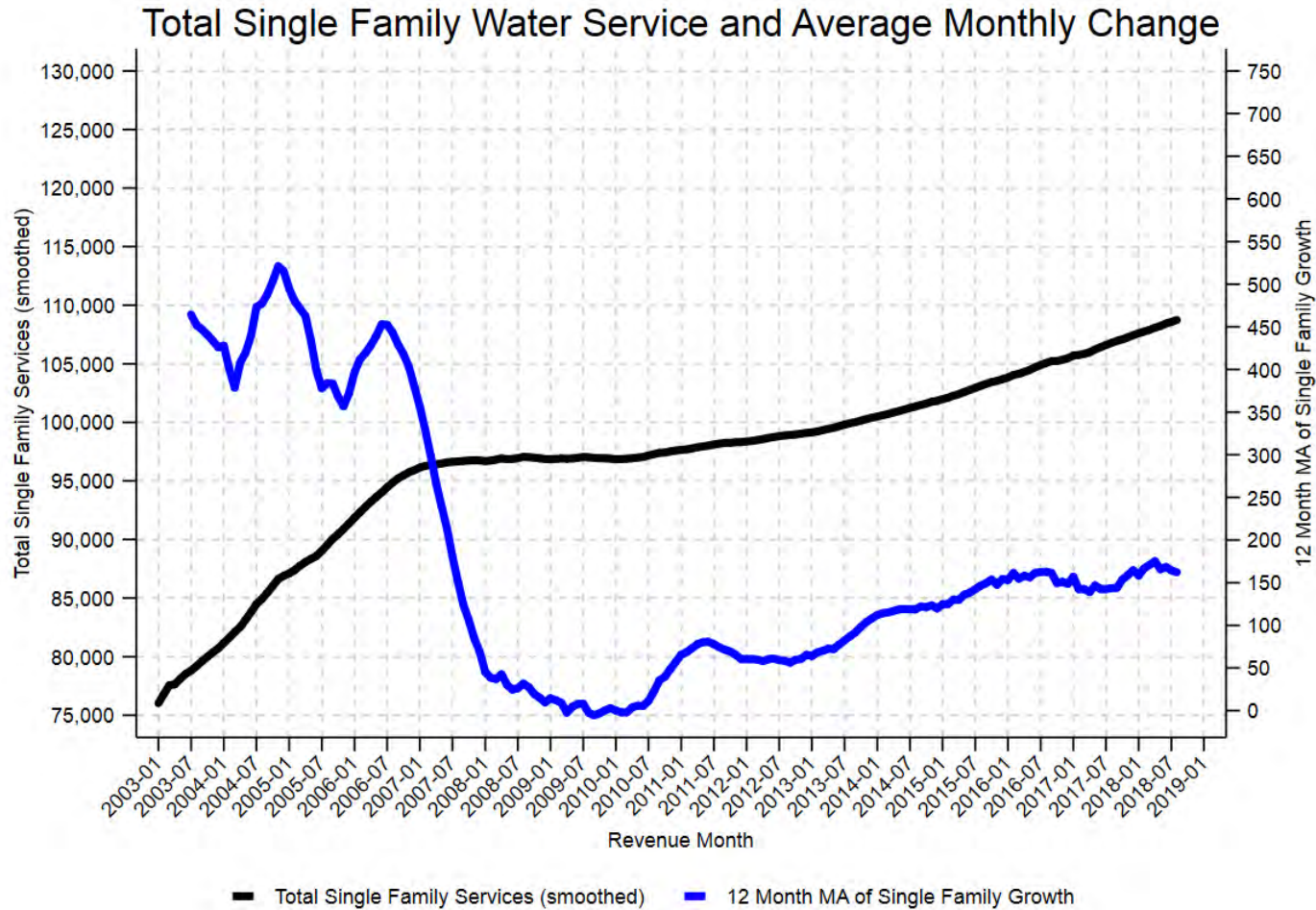
Outline

- Active water service trends.
- Weather observations 2014 to 2018.
- Summer Water use
 - Total retail
 - Single family
 - Commercial
 - Irrigation
- Projected growth in active services.
- Questions?

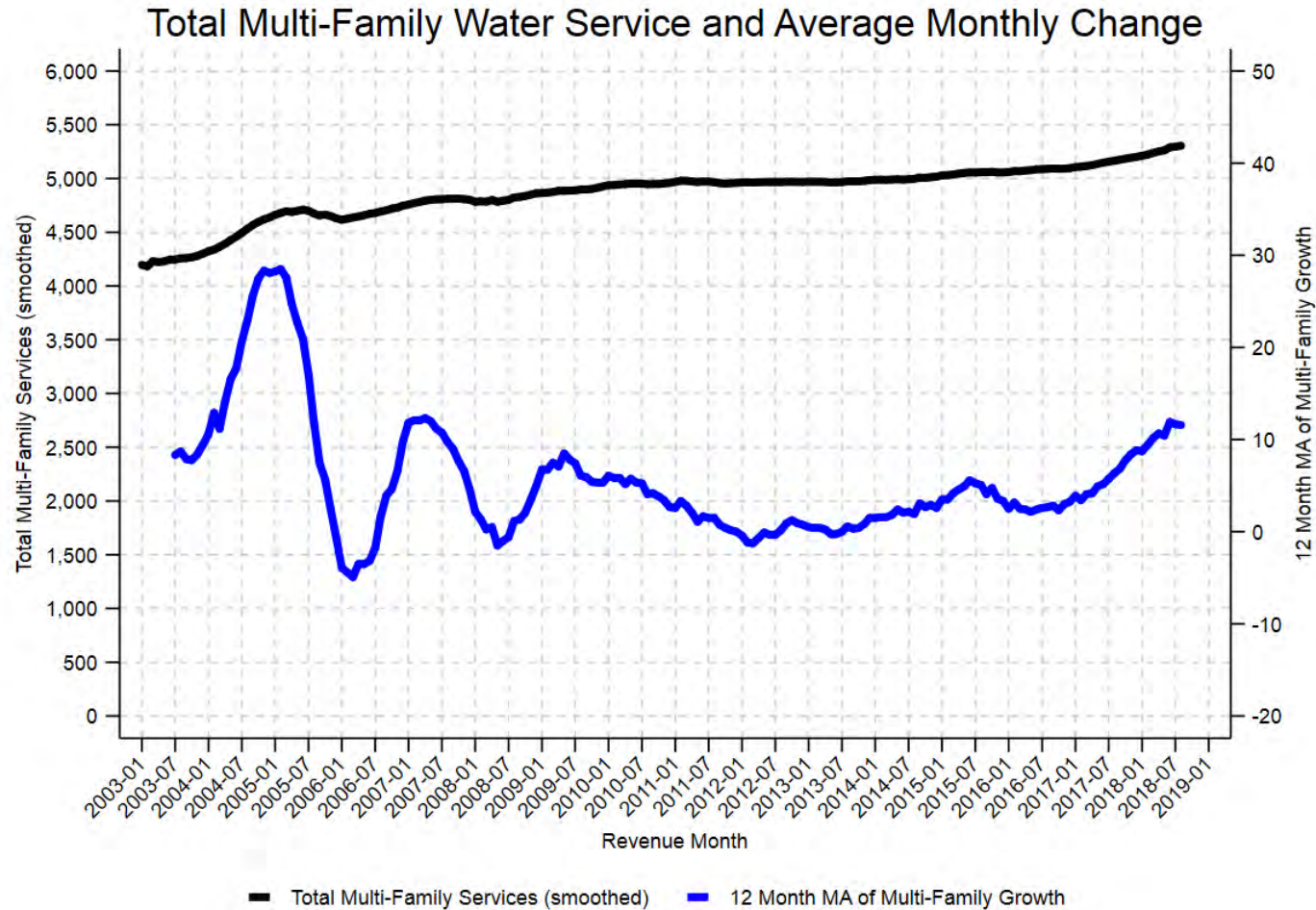
Total Active Water Services



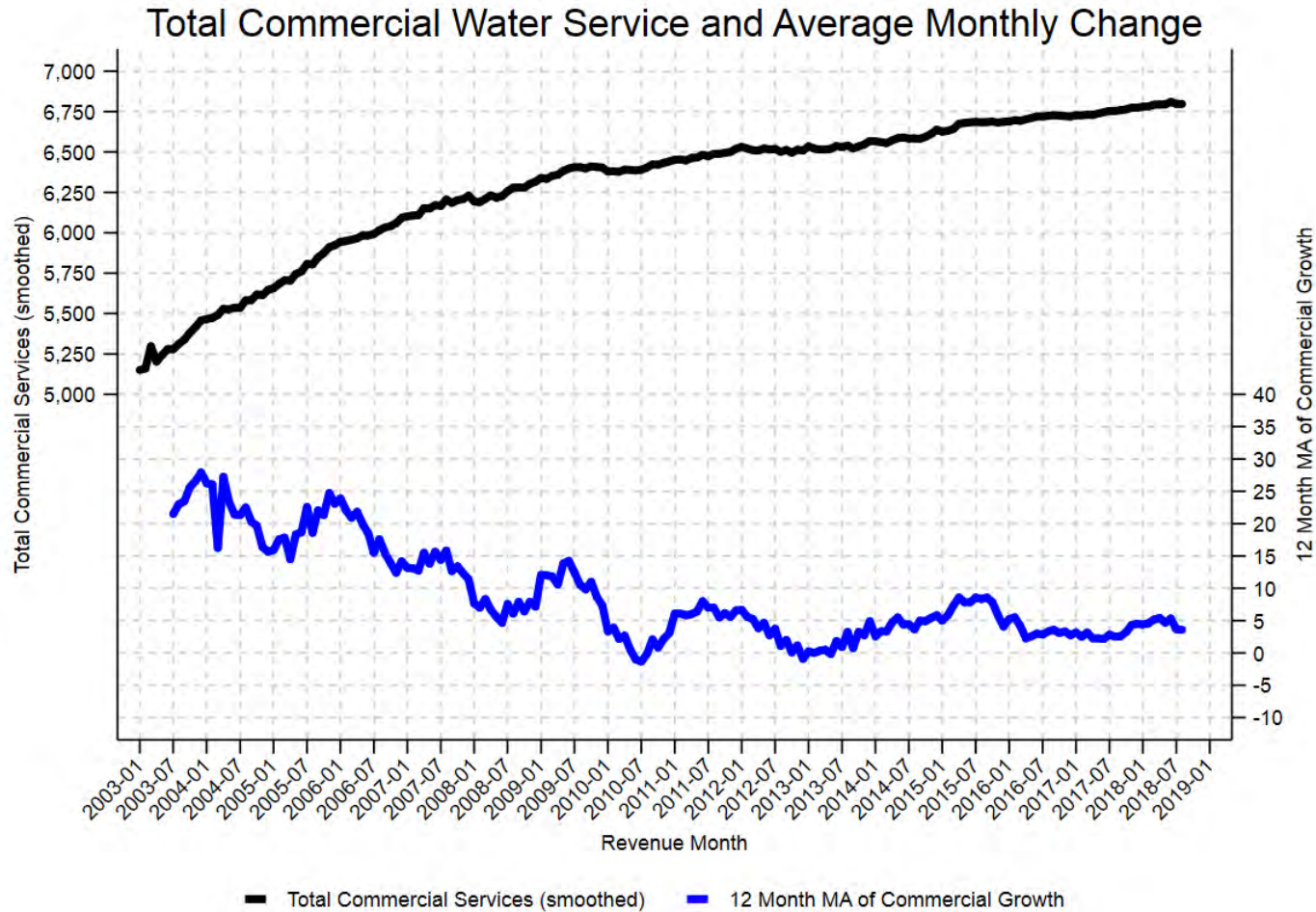
Active Single Family Water Services



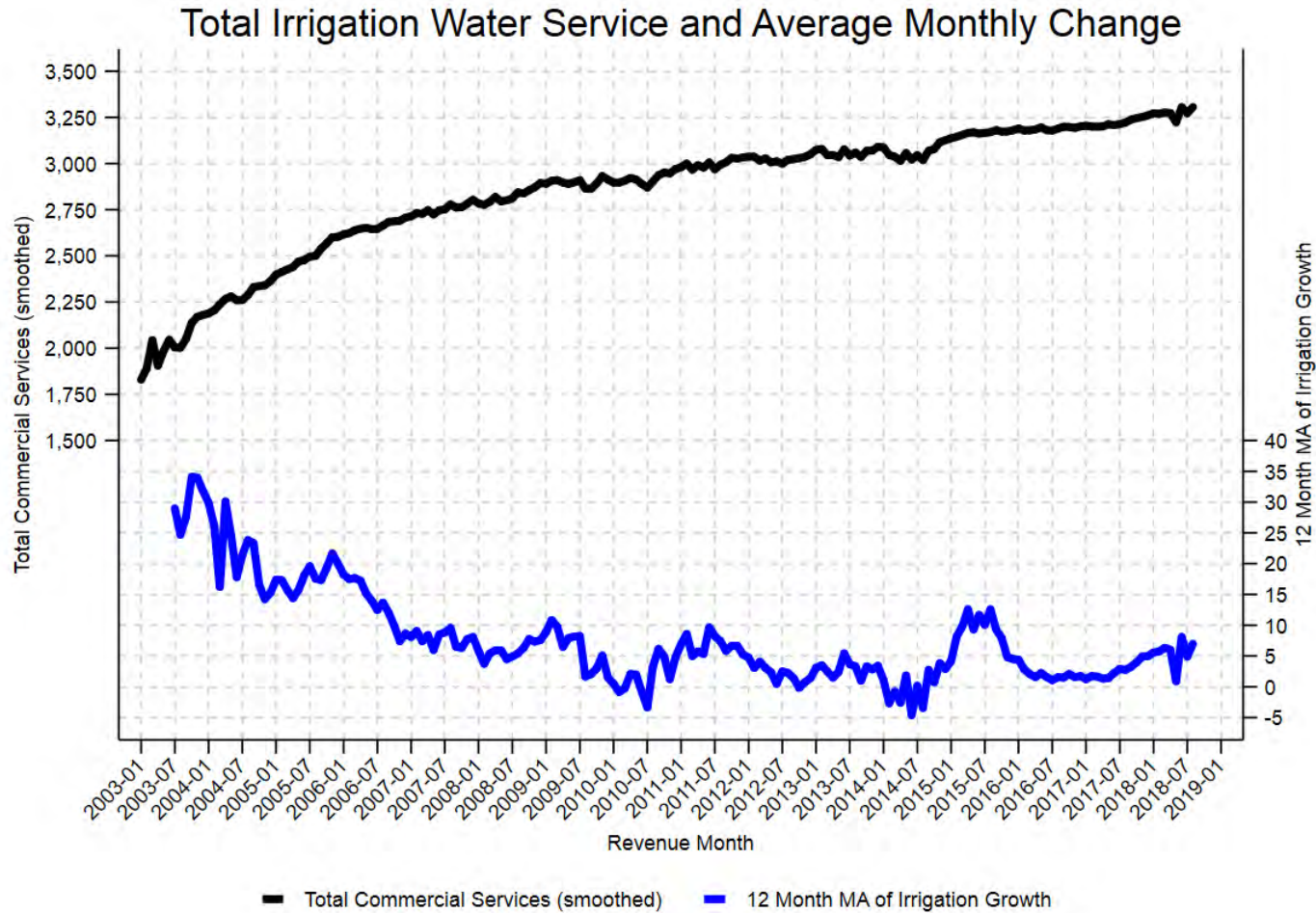
Active Multi-Family Services / Units



Active Commercial Water Services



Active Irrigation Water Services



Summer Weather Observations, 2014 to 2018

- Temperature Observations
- Precipitation
- Growing and Cooling Degree Days
- Key Points
 - Warmest Summers 2017 & 2018
 - Wettest Summers 2015 & 2018
 - Warmest in terms of growing & cooling 2017

Warmest Months – 2014 to 2018

Average Daily Temperature - Warmest Months

	May	June	July	August
2014	62.2	71.9	80.4	73.9
2015	59.4	74.6	74.6	76.3
2016	60.1	73.4	77.2	76.2
2017	62.8	72.5	80.5	78.4
2018	61.1	71.8	81.6	77.6

Average Daily High Temperature - Warmest Months

	May	June	July	August
2014	78.8	89.1	97.7	90.8
2015	74.5	92.0	91.3	94.2
2016	75.7	90.8	94.9	94.5
2017	78.8	90.0	98.2	95.5
2018	76.6	90.0	98.7	96.2

Wettest Months – 2014 to 2018

Days of Precipitation

	May	June	July	August	Summer
2014	5.0	-	3.0	3.0	11.0
2015	11.0	4.0	7.0	3.0	25.0
2016	6.0	-	-	1.0	7.0
2017	2.0	3.0	2.0	4.0	11.0
2018	9.0	1.0	1.0	-	11.0

Total Inches of Precipitation

	May	June	July	August	Summer
2014	0.6	-	0.2	1.1	1.8
2015	1.0	0.4	1.0	0.1	2.6
2016	1.2	-	-	0.0	1.2
2017	0.7	0.1	0.0	0.2	1.0
2018	1.8	0.1	1.0	-	3.0

Growing and Cooling Degree Days

Total Growing Degree Days

	May	June	July	August	Summer
2014	382.3	658.1	943.2	740.6	2,724.2
2015	295.0	736.9	762.4	814.0	2,608.3
2016	315.7	702.7	844.5	812.8	2,675.7
2017	398.9	677.0	946.2	879.5	2,901.6
2018	344.4	653.0	979.1	855.1	2,831.6

Total Cooling Degree Days

	May	June	July	August	Summer
2014	57.1	222.1	478.2	280.4	1,037.8
2015	34.2	295.8	300.5	349.0	979.5
2016	30.4	271.8	379.5	347.8	1,029.5
2017	69.3	278.9	481.2	414.5	1,243.9
2018	24.8	227.2	514.1	390.1	1,156.2

Summer Water Use, 2014 to 2018

- From 2014 to 2018 each class has a reduction in average per service use except for Multi-Family.
- Single Family – Average use down ~14%
- Multi-Family – Flat rate to meter rate conversion created statistical problems.
- Commercial – Average use down ~5%
- Irrigation – Average use down ~ 13%

Single Family Summer Use 2014 to 2018

Total Single Family Active Water Services - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Services	% Change	Services	% Change	Services	% Change	Services	% Change	Services	% Change
2014	100,991		101,070		101,256		101,398		101,179	
2015	102,583	1.60	102,729	1.60	102,965	1.70	103,202	1.80	102,870	1.70
2016	104,502	1.90	104,754	2.00	104,887	1.90	105,077	1.80	104,805	1.90
2017	106,260	1.70	106,458	1.60	106,595	1.60	106,726	1.60	106,510	1.60
2018	108,226	1.90	108,439	1.90	108,583	1.90	108,739	1.90	108,497	1.90
Total Change	7,235	7.16	7,369	7.29	7,327	7.24	7,341	7.24	7,318	7.23

Total Single Family Water Use (1,000x gallons) - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Total Use	% Change	Total Use	% Change	Total Use	% Change	Total Use	% Change	Total Use	% Change
2014	1,619,466		1,872,168		2,233,416		2,171,202		7,896,252	
2015	1,358,030	(16.10)	1,357,357	(27.50)	1,846,027	(17.30)	1,930,266	(11.10)	6,491,680	(17.80)
2016	1,012,134	(25.50)	1,620,567	19.40	2,225,412	20.60	2,205,047	14.20	7,063,160	8.80
2017	1,019,458	0.70	1,857,838	14.60	2,250,719	1.10	2,154,069	(2.30)	7,282,084	3.10
2018	1,172,390	15.00	1,620,622	(12.80)	2,183,005	(3.00)	2,319,759	7.70	7,295,776	0.20
Total Change	(447,076)	(27.61)	(251,546)	(13.44)	(50,411)	(2.26)	148,557	6.84	(600,476)	(7.60)

Average Water Use Per Service (1,000x gallons) - All Single Family Services - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Average	% Change	Average	% Change	Average	% Change	Average	% Change	Average	% Change
2014	16		19		22		21		78	
2015	13	(17.50)	13	(28.60)	18	(19.00)	19	(12.60)	63	(19.10)
2016	10	(26.50)	16	17.40	21	18.40	21	12.30	67	6.81
2017	10	(1.00)	18	12.90	21	(0.50)	20	(3.80)	68	1.48
2018	11	12.50	15	(14.90)	20	(4.70)	21	5.40	67	(1.75)
Total Change	(5)	(32.50)	(4)	(19.46)	(2)	(9.05)	(0)	(0.47)	(11)	(13.85)

Commercial Summer Use 2014 to 2018

Total Commercial Active Water Services - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Services	% Change	Services	% Change	Services	% Change	Services	% Change	Services	% Change
2014	6,555		6,517		6,616		6,624		6,578	
2015	6,672	1.80	6,682	2.50	6,677	0.90	6,702	1.20	6,683	1.60
2016	6,701	0.40	6,723	0.60	6,737	0.90	6,718	0.20	6,720	0.60
2017	6,748	0.70	6,743	0.30	6,750	0.20	6,761	0.60	6,751	0.50
2018	6,794	0.70	6,810	1.00	6,798	0.70	6,797	0.50	6,800	0.70
Total Change	239	3.65	293	4.50	182	2.75	173	2.61	222	3.37

Total Commercial Water Use (1,000x gallons) - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Total Use	% Change	Total Use	% Change	Total Use	% Change	Total Use	% Change	Total Use	% Change
2014	365,497		390,215		513,752		502,952		1,772,416	
2015	360,982	(1.20)	375,533	(3.80)	437,068	(14.90)	451,188	(10.30)	1,624,771	(8.30)
2016	321,875	(10.80)	377,522	0.50	501,611	14.80	464,873	3.00	1,665,881	2.50
2017	330,296	2.60	413,690	9.60	482,040	(3.90)	470,910	1.30	1,696,936	1.90
2018	341,676	3.40	419,796	1.50	482,085	-	497,303	5.60	1,740,860	2.60
Total Change	(23,821)	(6.52)	29,581	7.58	(31,667)	(6.16)	(5,649)	(1.12)	(31,556)	(1.78)

Average Water Use Per Service (1,000x gallons) - All Commercial Services - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Average	% Change	Average	% Change	Average	% Change	Average	% Change	Average	% Change
2014	56		60		78		76		269	
2015	54	(3.00)	56	(6.20)	66	(15.70)	67	(11.30)	243	(9.76)
2016	48	(11.30)	56	-	75	13.70	69	2.80	248	1.97
2017	49	1.90	61	9.30	71	(4.20)	70	0.70	251	1.41
2018	50	2.90	62	0.30	71	(0.70)	73	5.00	256	1.83
Total Change	(6)	(9.86)	2	2.84	(7)	(8.75)	(3)	(3.56)	(13)	(4.97)

Irrigation Use 2014 to 2018

Total Irrigation Active Water Services - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Services	% Change	Services	% Change	Services	% Change	Services	% Change	Services	% Change
2014	2,863		3,037		2,929		3,107		2,984	
2015	3,168	10.70	3,181	4.70	3,174	8.40	3,181	2.40	3,176	6.40
2016	3,111	(1.80)	3,209	0.90	3,209	1.10	3,164	(0.50)	3,173	(0.10)
2017	3,160	1.60	3,224	0.50	3,218	0.30	3,218	1.70	3,205	1.00
2018	3,224	2.00	3,305	2.50	3,273	1.70	3,306	2.70	3,277	2.20
Total Change	361	12.61	268	8.82	344	11.74	199	6.40	293	9.82

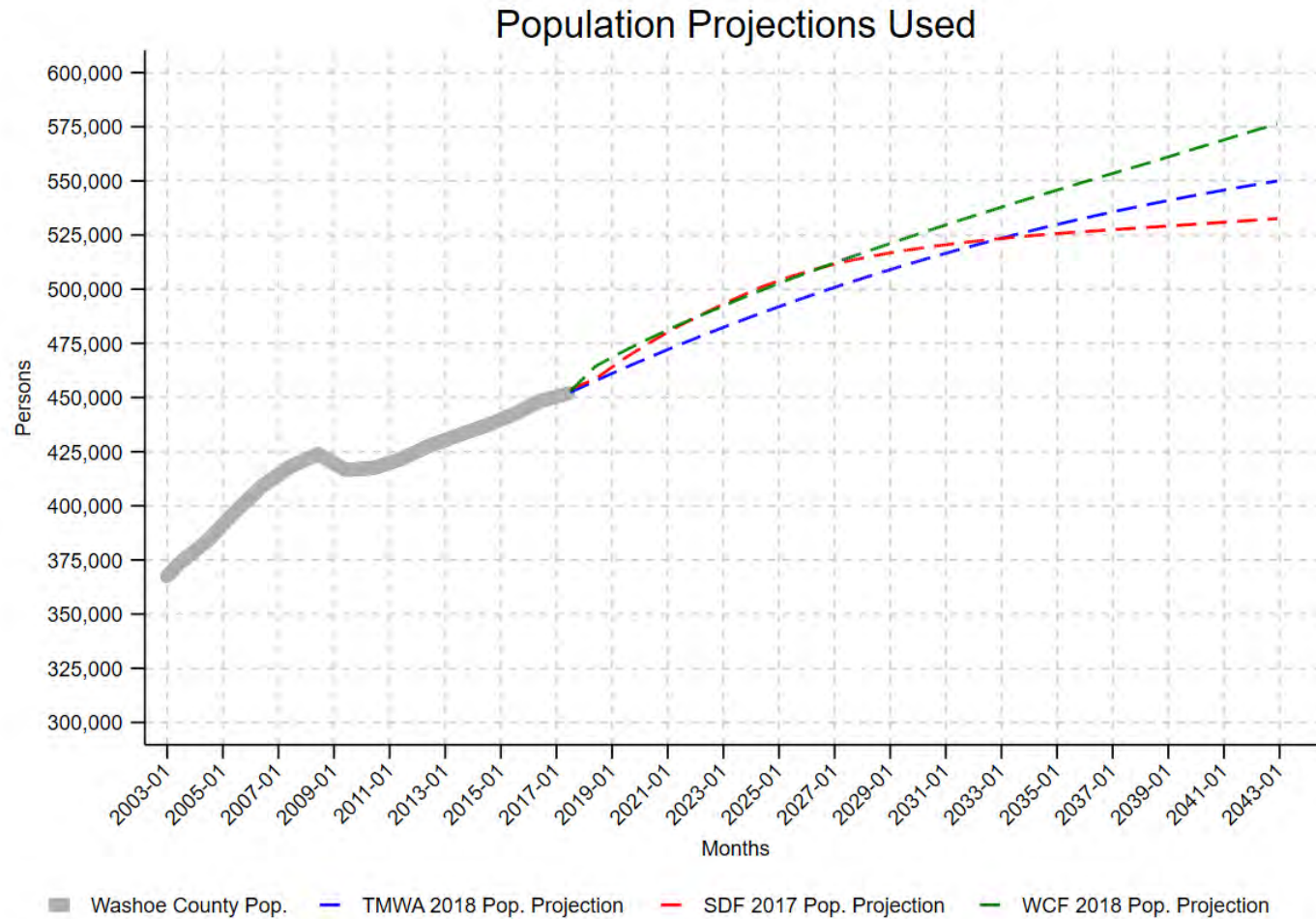
Total Irrigation Water Use (1,000x gallons) - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Total Use	% Change	Total Use	% Change	Total Use	% Change	Total Use	% Change	Total Use	% Change
2014	306,969		393,264		516,902		544,168		1,761,303	
2015	290,773	(5.30)	306,496	(22.10)	428,663	(17.10)	478,242	(12.10)	1,504,174	(14.60)
2016	209,869	(27.80)	351,011	14.50	511,751	19.40	527,695	10.30	1,600,326	6.40
2017	200,856	(4.30)	409,866	16.80	517,131	1.10	509,141	(3.50)	1,636,994	2.30
2018	229,516	14.30	388,074	(5.30)	505,751	(2.20)	563,187	10.60	1,686,528	3.00
Total Change	(77,453)	(25.23)	(5,190)	(1.32)	(11,151)	(2.16)	19,019	3.50	(74,775)	(4.25)

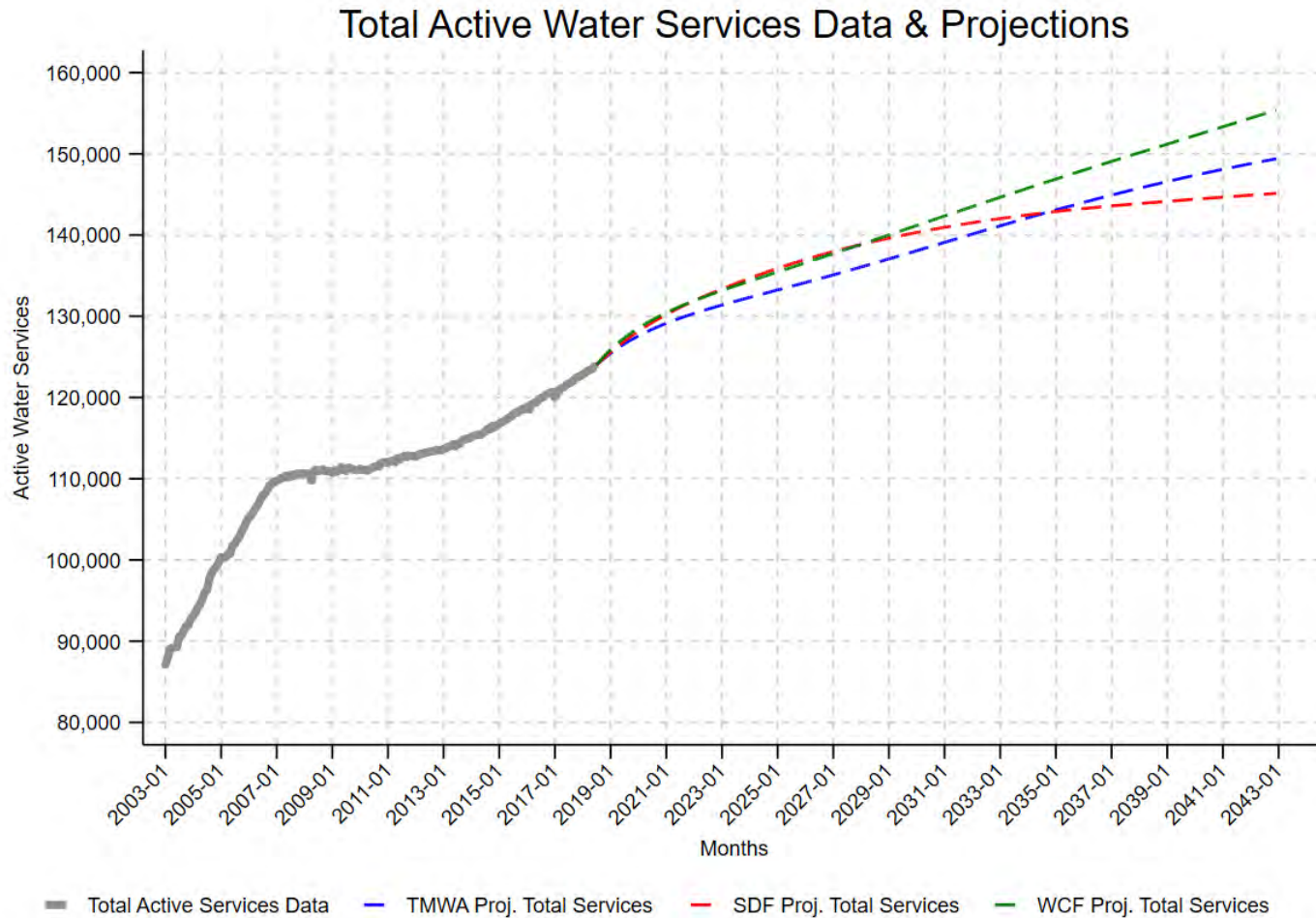
Average Water Use Per Service (1,000x gallons) - All Irrigation Services - Summer 2014 to 2018

Year	May		June		July		August		Summer	
	Average	% Change	Average	% Change	Average	% Change	Average	% Change	Average	% Change
2014	107		130		177		175		590	
2015	92	(14.40)	96	(25.60)	135	(23.50)	150	(14.20)	474	(19.76)
2016	68	(26.50)	109	13.50	160	18.10	167	11.00	504	6.50
2017	64	(5.80)	127	16.20	161	0.80	158	(5.20)	511	1.27
2018	71	11.90	117	(7.60)	155	(3.90)	170	7.70	515	0.76
Total Change	(36)	(33.58)	(12)	(9.34)	(22)	(12.46)	(5)	(2.68)	(76)	(12.79)

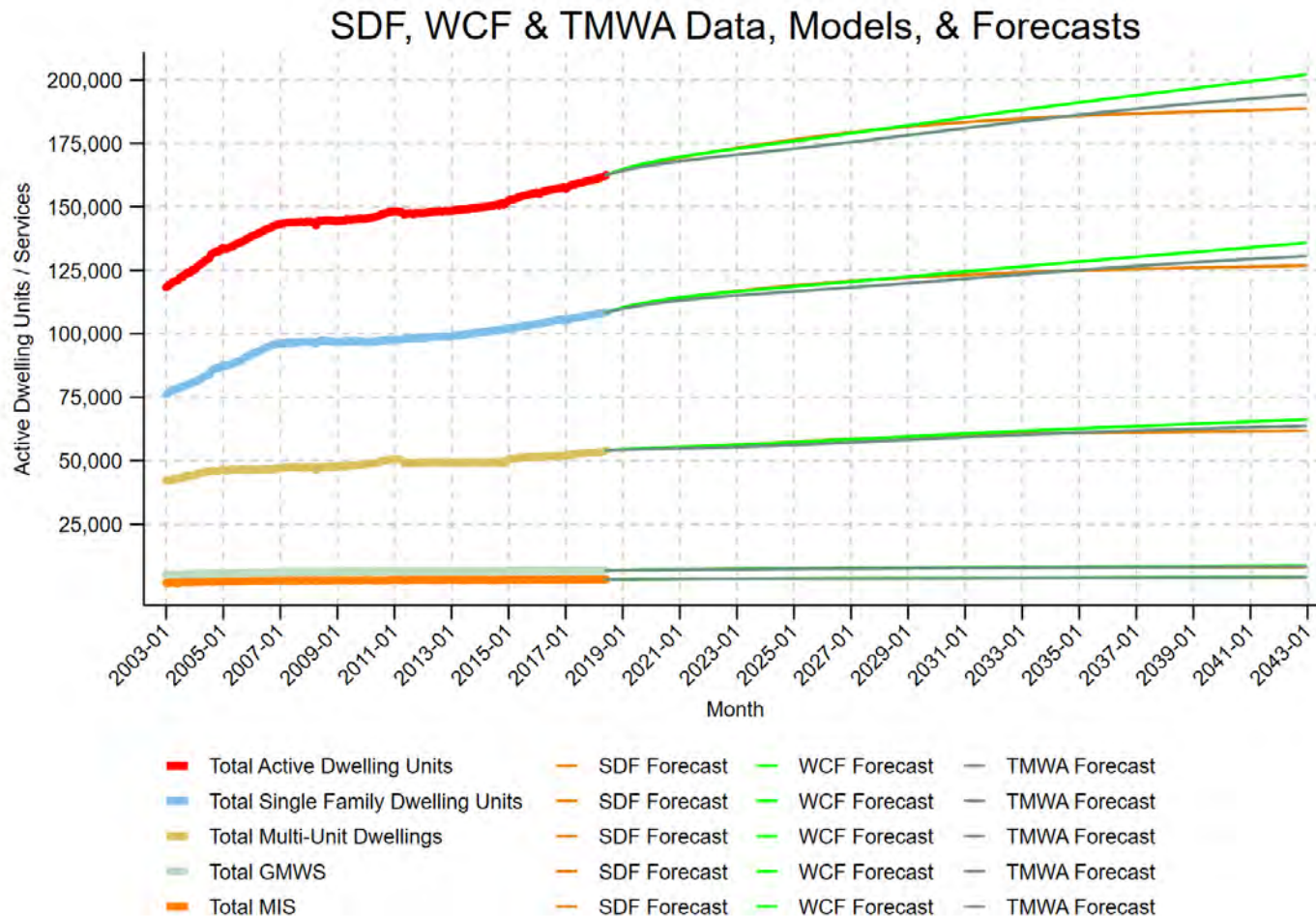
Current Population Projections



Projected Growth in Water Services



Dwellings and Commercial Services Projections



Thank you!

Questions?



STAFF REPORT

TO: TMWA Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
DATE: September 5, 2018
SUBJECT: **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**

Recommendation

The Board approve by resolution the updated Financial Management and Reserves Policy (FMRP) designating TMWA management's financial responsibilities, and outlining a funding priority for restricted, designated and unrestricted reserve balances that complies with TMWA senior lien debt requirements.

Summary

TMWA's FMRP has not been updated for several years and a draft is included that updates the policy to the most current reserve requirements required by current TMWA Senior Lien Debt. Bond Counsel has reviewed the FMRP for compliance with debt provisions. A new unrestricted cash and investment reserve policy was added to the policy which helps to establish minimum cash and investment balances. The Government Financial Officer's Association (GFOA) and the American Water Works Association (AWWA) both recommend that a policy related to unrestricted cash should be developed to address the needs of a municipality based on local conditions. TMWA's strong unrestricted cash balances have helped to retain good credit ratings, and a policy related to these balances will ensure continued attention to a solid working capital position.

Discussion

The FMRP has three main purposes as detailed on page 1 of the document. First, to establish TMWA management's financial responsibilities. There have been no changes made to this first part of the policy. Second, to detail a funding priority for restricted and designated funds as required by TMWA Senior Lien Debt. This section has been updated and reviewed by financial advisor's Hobbs, Ong & Associates, Inc. as well as bond counsel Sherman & Howard for accuracy. A third policy purpose was added to fulfill a recommendation from the GFOA and the

AWWA that unrestricted cash and investment reserves have minimum balance guidelines established through policy. With the new policy, cash balances would be reserved as follows:

Truckee Meadows Water Authority

Cash Reserves

Restricted Cash

Senior Lien Bond Debt Service	\$	9,357,746	
Subordinate Debt Service		3,286,363	
O & M Reserve		9,440,056	
Renewal and Replacement		10,000,000	
Rate Stabilization		500,000	
STMGID		9,180,630	
Water Meter Retrofit		4,717,726	
Total Restricted Cash			46,482,521

Designated Reserves

Rate Stabilization		9,157,915	
Total Designated Reserves			9,157,915

Unrestricted Reserves

O & M Reserve		18,880,112	
Maximum Annual Debt Service		32,629,232	
Capital Related Reserve		22,520,200	
Unforeseen Events Reserve		7,649,358	
Total Unrestricted Reserves			81,678,902

Total Reserves per New Policy		137,319,338
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Actual Cash Balance		193,372,435
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Additional Unrestricted Cash and Investments	\$	56,053,097
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With this new policy, TMWA will have a way to analyze total cash reserves balances based on financial metrics.

Currently, TMWA has additional unrestricted cash and investments mainly due to the deferral of bond principal payments, lower than anticipated capital spending, and several one-time cash infusions from Farad insurance settlement received (\$21.5M) and payments from banks for release of forward delivery agreements (\$9.5M).

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 266

A RESOLUTION TO APPROVE ENTERPRISE FUND MANAGEMENT POLICY

WHEREAS, Truckee Meadows Water Authority is responsible for providing water services for various areas of the Truckee Meadows and whereas to account for the revenues and expenditures an Enterprise fund was established; and

WHEREAS, NRS 354.612, requires a fund policy to be established by resolution that conforms to certain guidelines;

WHEREAS, the Board desires to amend and replace Resolution No. 17 which previously established the policy governing TMWA's enterprise funds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority that the Fund Policy attached hereto as Exhibit A is hereby adopted and approved and shall be the policy governing the management of the Enterprise funds of the Truckee Meadows Water Authority.

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted on September 19, 2018 by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Approved: _____

Vaughn Hartung, Chairman

Truckee Meadows Water Authority
Resolution 266 (continued)

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

On this 19th day of September, 2018, Vaughn Hartung, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.

Notary Public

FINANCIAL POLICIES

Effective Date: September 19, 2018

**TRUCKEE MEADOWS WATER AUTHORITY
FINANCIAL MANAGEMENT AND RESERVE POLICY****TRUCKEE MEADOWS WATER AUTHORITY ENTERPRISE FUND:**

The Truckee Meadows Water Authority ("TMWA" or "Authority") Enterprise Fund was established to account for the operations and maintenance functions and the costs of capital projects associated with the facilities. An enterprise fund is, by definition, established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including capital costs, depreciation and debt service) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, without producing any significant amount of profit in the long run.

POLICY:

To determine the funding level in each of TMWA's reserve accounts and financial accounts. Capital funding needs, financial stress, and critical areas of funding flexibility will all have a bearing on the appropriate balance in each reserve fund and similar accounts.

Resources for the Truckee Meadows Water Operations Fund include user charges and surcharges which are used for the operation and maintenance of the water system necessary to support system users. Resources for the Water Capital Projects Fund include the proceeds of bond issues and charges which are used for expansion and rehabilitation of the water system to support new users of the system or to fund major system improvements. (Initial funding was provided by an allocation of bond proceeds).

PURPOSE:

- A. To establish the financial mechanisms required to support the operation and administration of TMWA.
- B. To provide a financial framework for identifying reserves required by debt provisions and other designated unrestricted reserves related to the operation of TMWA.
- C. Establish a policy related to unrestricted cash and investments to maintain adequate and prudent cash reserves to mitigate the risks of significant and unexpected decreases in sources of funds and/or increases in uses of funds of TMWA.

DEFINITIONS:

- A. The **Truckee Meadows Water Authority Board** is comprised of seven members representing the Cities of Reno and Sparks and Washoe County. The Board establishes policies regarding the operations, maintenance, and capital improvements to the Truckee Meadows Water Authority Facilities as well as the contemplation of future debt requirements.
- B. The **Truckee Meadows Water Authority Facilities** consist of water distribution infrastructure, storage reservoirs, wells, and water treatment facilities which serve the residents of Reno, Sparks, and portions of unincorporated Washoe County. A General Manager hired by the TMWA Board serves as the Chief Administrative Officer of TMWA and generally is responsible for operation of the water system.

TMWA MANAGEMENT FINANCIAL RESPONSIBILITIES:

- A. Oversee the operation and maintenance of the TMWA water system.
- B. Prepare the annual tentative and final budget as required by State law.
- C. Review the costs for operating and maintaining the water system at least annually and adjust rates, fees and other charges, when necessary, to maintain proportionate distribution of costs by user and user class and to meet reserve requirements as established by this policy.
- D. Insure that the revenues collected from rates, fees and other charges are used for purposes including, but not limited to, debt service requirements, and the operation, maintenance, and repair of the water system.
- E. Insure that all funds of TMWA are being reported in accordance with generally accepted accounting principles.
- F. Insure that all necessary revenue accounts are established and shall insure that all receipts are tracked in the appropriate category.
- G. Insure that all necessary expense accounts are established and shall insure that all expenditures are tracked in the appropriate category.

RESTRICTED AND DESIGNATED FUND BALANCE RESERVE POLICY:

- A. So long as any of the Authority's Bonds are outstanding the flow of funds from the Enterprise Fund must be applied in the following order of priority:

1. Operations and Maintenance Expenses Account – Adequate reserves in an amount to fund one month of operation and maintenance expenses. The reserves should be set aside by the last day of each month that is at least one month prior to such expenses being paid.
2. Bond Fund Account – Adequate reserves in amount to fund substantially equal monthly installments - sufficient to pay the next accruing installment of the principal and interest on outstanding senior lien debt. The monies in the bond fund shall be used solely for the purpose of paying the bond requirements of the senior lien bonds and any additional outstanding senior lien securities. This account, held by the bond trustee for the senior lien debt, includes the interest account and the principal account.
3. Bond Reserve Account – Adequate reserves in an amount established by the bond resolution or other instrument in connection with any senior lien securities.
4. Rebate Account – Adequate reserves in an amount that is required by Section 148(f) of the Internal Revenue Code, before the transfer of any net revenues to the payment of subordinate securities, such amounts required to meet the Authority's obligations in accordance with Section 148 (f) of the tax code with respect to the Authority's bonds shall be deposited into the Rebate Account. Amounts in the Rebate Account shall be used for the purpose of making payments to the United States required by such covenant and Section 148(f) of the tax code. Any amounts in the Rebate Account in excess of those required to be on deposit may be withdrawn and used for any lawful purpose.
5. Subordinate Securities Bond Fund/Reserve Account - Adequate reserve in an amount to be used for the payment of bond requirements of subordinate debt, including any reasonable reserves or related rebate requirements.
6. Operation & Maintenance Reserve Account - Adequate reserve in an amount equal to 1/6th of the fiscal year's operation and maintenance budget. If the operation and maintenance budget for a fiscal year is greater than the prior fiscal year (as is likely), additional monthly deposits are required to be made into this reserve to bring it up to the required level in 12 months.
7. Renewal and Replacement Reserve Account - Adequate reserves in the sum of \$166,000 per month, up to a maximum of \$10,000,000. The maximum reserve can be adjusted by the

TMWA Board based upon recommendation by the General Manager based on an analysis by the TMWA engineering staff, but at no event at an amount less than \$2,000,000.

8. Rate Stabilization Account - Adequate reserves in the amount of not less than \$500,000. The TMWA Board has designated that 3% of water sales revenues for 3 years be held as unrestricted reserves in this fund if all other unrestricted cash requirements are met as listed in this policy. This fund will be funded by unrestricted cash and investments in excess of all other restricted and unrestricted reserves set forth in this policy. It will be used at the discretion of the TMWA Board to manage rate increases to customers.
9. General Purpose Account - This account will be funded in the event that revenues remain at the end of each fiscal year. This reserve is to be used for capital costs, major maintenance costs, lawful refunds, bond requirements, lawsuit obligations or any lawful purpose.

UNRESTRICTED CASH AND INVESTMENTS RESERVES POLICY:

- A. After all required restricted and designated reserve balances are funded, remaining cash and investments should be held in unrestricted accounts to fund the following reserves listed by in the following order of priority:
 1. Base Operating Reserve - Adequate reserves to fund 2/6th of operating and maintenance expenses. With the required reserve of 1/6 above, this will bring total reserves to half a year of operating expenses, insulating TMWA and its customers from volatility in operating revenues and expenses, as well as from other factors that could interrupt cash flow or impose unforeseen costs.
 2. Debt Service Reserve – Adequate reserves to fund one year of the maximum annual debt service. For both credit rating considerations and prudent financial practices, TMWA should strive to achieve this level of reserves to maintain or improve credit ratings.
 3. Capital Related Reserve – Adequate reserves to fund a one-year average of mandatory future capital requirements. As a method to determine future capital needs, the capital improvements plan may be used. This will enable TMWA to better react to capital needs as they may arise and to properly address the timing of infrastructure improvements relative to system needs. This reserve will also enable TMWA to continue with uninterrupted

critical capital improvements during times of difficulty.

4. Unforeseen Events Reserve - Adequate reserves to fund one percent of assets subject to depreciation. This is to mitigate one-time, unforeseen infrastructure or major capital equipment failures and other significant non-recurring impacts to operating revenues and expenses.
- B. Should this enterprise fund experience deficiencies in the balance of restricted designated or unrestricted cash and investment reserves or retained earnings, the deficiency will be corrected by increasing rates, fees and other charges.
 - C. This fund is governed by Nevada Revised Statutes (NRS) Chapters 350, 351, 354, and 355; and Nevada Administrative Code (NAC) Chapters 350 and 354.

FINANCIAL POLICIES

Effective Date: September 19, 2018

**TRUCKEE MEADOWS WATER AUTHORITY
FINANCIAL MANAGEMENT AND RESERVE POLICY****TRUCKEE MEADOWS WATER AUTHORITY ENTERPRISE FUND:**

The Truckee Meadows Water Authority ("TMWA" or "Authority") Enterprise Fund was established to account for the operations and maintenance functions and the costs of capital projects associated with the facilities. An enterprise fund is, by definition, established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including capital costs, depreciation and debt service) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, without producing any significant amount of profit in the long run.

POLICY:

To determine the funding level in each of TMWA's reserve accounts and financial accounts. Capital funding needs, financial stress, and critical areas of funding flexibility will all have a bearing on the appropriate balance in each reserve fund and similar accounts.

Resources for the Truckee Meadows Water Operations Fund include user charges and surcharges which are used for the operation and maintenance of the water system necessary to support system users. Resources for the Water Capital Projects Fund include the proceeds of bond issues and charges which are used for expansion and rehabilitation of the water system to support new users of the system or to fund major system improvements. (Initial funding was provided by an allocation of bond proceeds).

PURPOSE:

- A. To establish the financial mechanisms required to support the operation and administration of TMWA.
- B. To provide a financial framework for identifying reserves required by debt provisions and other designated unrestricted reserves related to the operation of TMWA.
- C. Establish a policy related to unrestricted cash and investments to maintain adequate and prudent cash reserves to mitigate the risks of significant and unexpected decreases in sources of funds and/or increases in uses of funds of TMWA.

DEFINITIONS:

- A. The **Truckee Meadows Water Authority Board** is comprised of seven members representing the Cities of Reno and Sparks and Washoe County. The Board establishes policies regarding the operations, maintenance, and capital improvements to the Truckee Meadows Water Authority Facilities as well as the contemplation of future debt requirements.
- B. The **Truckee Meadows Water Authority Facilities** consist of water distribution infrastructure, storage reservoirs, wells, and water treatment facilities which serve the residents of Reno, Sparks, and portions of unincorporated Washoe County. A General Manager hired by the TMWA Board serves as the Chief Administrative Officer of TMWA and generally is responsible for operation of the water system.

TMWA MANAGEMENT FINANCIAL RESPONSIBILITIES:

- A. Oversee the operation and maintenance of the TMWA water system.
- B. Prepare the annual tentative and final budget as required by State law.
- C. Review the costs for operating and maintaining the water system at least annually and adjust rates, fees and other charges, when necessary, to maintain proportionate distribution of costs by user and user class and to meet reserve requirements as established by this policy.
- D. Insure that the revenues collected from rates, fees and other charges are used for purposes including, but not limited to, debt service requirements, and the operation, maintenance, and repair of the water system.
- E. Insure that all funds of TMWA are being reported in accordance with generally accepted accounting principles.
- F. Insure that all necessary revenue accounts are established and shall insure that all receipts are tracked in the appropriate category.
- G. Insure that all necessary expense accounts are established and shall insure that all expenditures are tracked in the appropriate category.

RESTRICTED AND DESIGNATED FUND BALANCE RESERVE POLICY:

- A. So long as any of the Authority's Bonds are outstanding the flow of funds from the Enterprise Fund must be applied in the following order of priority:

1. Operations and Maintenance Expenses Account – Adequate reserves in an amount to fund one month of operation and maintenance expenses. The reserves should be set aside by the last day of each month that is at least one month prior to such expenses being paid.
2. Bond Fund Account – Adequate reserves in amount to fund substantially equal monthly installments - sufficient to pay the next accruing installment of the principal and interest on outstanding senior lien debt. The monies in the bond fund shall be used solely for the purpose of paying the bond requirements of the senior lien bonds and any additional outstanding senior lien securities. This account, held by the bond trustee for the senior lien debt, includes the interest account and the principal account.
3. Bond Reserve Account – Adequate reserves in an amount established by the bond resolution or other instrument in connection with any senior lien securities.
4. Rebate Account – Adequate reserves in an amount that is required by Section 148(f) of the Internal Revenue Code, before the transfer of any net revenues to the payment of subordinate securities, such amounts required to meet the Authority's obligations in accordance with Section 148 (f) of the tax code with respect to the Authority's bonds shall be deposited into the Rebate Account. Amounts in the Rebate Account shall be used for the purpose of making payments to the United States required by such covenant and Section 148(f) of the tax code. Any amounts in the Rebate Account in excess of those required to be on deposit may be withdrawn and used for any lawful purpose.
5. Subordinate Securities Bond Fund/Reserve Account - Adequate reserve in an amount to be used for the payment of bond requirements of subordinate debt, including any reasonable reserves or related rebate requirements.
6. Operation & Maintenance Reserve Account - Adequate reserve in an amount equal to 1/6th of the fiscal year's operation and maintenance budget. If the operation and maintenance budget for a fiscal year is greater than the prior fiscal year (as is likely), additional monthly deposits are required to be made into this reserve to bring it up to the required level in 12 months.
7. Renewal and Replacement Reserve Account - Adequate reserves in the sum of \$166,000 per month, up to a maximum of \$10,000,000. The maximum reserve can be adjusted by the

TMWA Board based upon recommendation by the General Manager based on an analysis by the TMWA engineering staff, but at no event at an amount less than \$2,000,000.

8. Rate Stabilization Account - Adequate reserves in the amount of not less than \$500,000. The TMWA Board has designated ~~an additional \$1,300,000 in unrestricted reserves to the Rate Stabilization account and has approved a maximum of \$7,500,000~~ that 3% of water sales revenues for 3 years be held as unrestricted reserves in this fund if all other unrestricted cash requirements are met as listed in this policy. This fund will be funded by unrestricted cash and investments in excess of all other restricted and unrestricted reserves set forth in this policy. It will be used at the discretion of the TMWA Board to manage rate increases to customers.
9. General Purpose Account - This account will be funded in the event that revenues remain at the end of each fiscal year. This reserve is to be used for capital costs, major maintenance costs, lawful refunds, bond requirements, lawsuit obligations or any lawful purpose.

UNRESTRICTED CASH AND INVESTMENTS RESERVES POLICY:

- A. After all required restricted and designated reserve balances are funded, remaining cash and investments should be held in unrestricted accounts to fund the following reserves listed by in the following order of priority:
 1. Base Operating Reserve - Adequate reserves to fund 2/6th of operating and maintenance expenses. With the required reserve of 1/6 above, this will bring total reserves to half a year of operating expenses, insulating TMWA and its customers from volatility in operating revenues and expenses, as well as from other factors that could interrupt cash flow or impose unforeseen costs.
 2. Debt Service Reserve – Adequate reserves to fund one year of the maximum annual debt service. For both credit rating considerations and prudent financial practices, TMWA should strive to achieve this level of reserves to maintain or improve credit ratings.
 3. Capital Related Reserve – Adequate reserves to fund a one-year average of mandatory future capital requirements. As a method to determine future capital needs, the capital improvements plan may be used. This will enable TMWA to better react to capital needs as they may arise and to properly address the timing of

infrastructure improvements relative to system needs. This reserve will also enable TMWA to continue with uninterrupted critical capital improvements during times of difficulty.

4. Unforeseen Events Reserve - Adequate reserves to fund one percent of assets subject to depreciation. This is to mitigate one-time, unforeseen infrastructure or major capital equipment failures and other significant non-recurring impacts to operating revenues and expenses.
- B. Should this enterprise fund experience deficiencies in the balance of restricted designated or unrestricted cash and investment reserves or retained earnings, the deficiency will be corrected by increasing rates, fees and other charges.
 - C. This fund is governed by Nevada Revised Statutes (NRS) Chapters 350, 351, 354, and 355; and Nevada Administrative Code (NAC) Chapters 350 and 354.



STAFF REPORT

TO: TMWA Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
DATE: September 5, 2018
SUBJECT: 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

Recommendation

That the Board approve by resolution that the water Rate Stabilization Fund (RSF) shall have a maximum amount designated of 3% of annual water sales forecast for the next three years. The RSF will be funded from cash and investments after all restricted and unrestricted cash balances are funded based on the TMWA Financial Management and Reserve Policy (FMRP). Funding the RSF will be at the Board's direction. Currently, cash and investment balances are available to fund the RSF. The RSF will be used at the discretion of the Board to help fund operating costs, capital improvements and other necessary expenses related to serving the current customer base (in years where there is a shortfall in water sales revenue due to drought, weather variations, etc.), as needed to avoid, decrease or defer rate increases to customers. This proposal was endorsed by the Standing Advisory Committee at their September 4, 2018 meeting.

Discussion

Discussion of appropriate balances for the RSF and methods for funding and usage of the RSF were discussed at the August 15, 2018 Board meeting. The Board members suggested that 3% of annual projected water sales for a three-year period would be a sensible financial metric to use in calculating the RSF maximum amount going forward. This would result in a current maximum balance in the RSF of \$9,157,915 as calculated below:

Budget	Funding Plan		Total	RSF
2019	2020	2021	2019-2021	3%
100,626,513	101,564,124	103,073,189	305,263,826	9,157,915

All restricted and unrestricted cash reserves are currently fully funded based on parameters set in the FMRP, so funds can be allocated to the RSF at this time. If it is determined that cash is needed to supplement cash flow for a year due to shortfalls in water sales revenue or higher than anticipated costs, that cash can be used to fund operations or construction and would move out of the RSF at the Board's discretion.

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 267

A RESOLUTION APPROVING INCREASING THE WATER RATE STABILIZATION
ACCOUNT RESERVE TO A MAXIMUM AMOUNT OF 3 PERCENT OF PROJECTED
WATER SALES FOR THREE YEARS

WHEREAS, the Board has previously adopted the bond resolution that established various reserve accounts with funding targets; and

WHEREAS, as of the date of this Resolution, the Water Rate Stabilization Reserve Account has been funded to a level of \$0.5 million in restricted reserves, and \$1.3 million in designated reserves; and

WHEREAS, Board desires to amend and replace Resolution No. 52 and increase the funding level of the Water Rate Stabilization Account to be funded from unrestricted cash and investments in excess of minimum required unrestricted cash and investments pursuant to the Financial Management and Reserve Policy adopted by the Board, as such may be amended from time to time; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority that the Water Rate Stabilization Fund be funded, to the extent available cash exists, to a level such that the amount in the Water Rate Stabilization Fund from time to time is equal to 3 percent of the projected water sales revenues for the ensuing three years. The Water Rate Stabilization Fund shall be funded from unrestricted cash and investments in excess of minimum required unrestricted cash and investments per the Financial Management and Reserve Policy.

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted on September 19, 2018 by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Approved: _____

Vaughn Hartung, Chairman

Truckee Meadows Water Authority
Resolution 267 (continued)

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

On this 19th day of September, 2018, Vaughn Hartung, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.

Notary Public



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.

10-17-18 BOARD Agenda Item 13
11-06-18 SAC Agenda Item 8

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

10-17-18 BOARD Agenda Item 13
11-06-18 SAC Agenda Item 8

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

TMWA

Draft Funding Plan 2019-2023 Financial Metrics 2013-2023

October 17, 2018



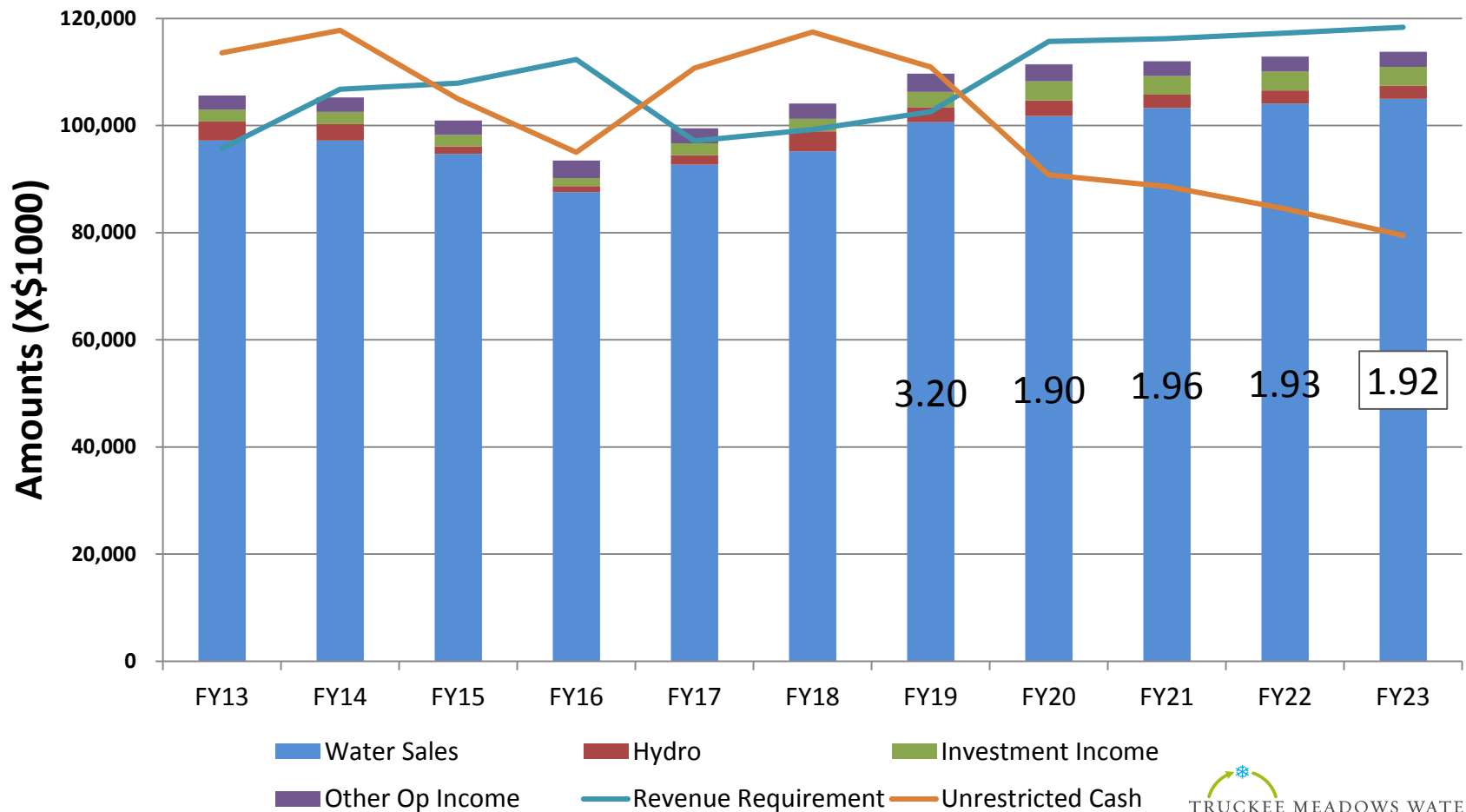
WATER SALES REVENUE FOR COMBINED UTILITY



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2023 (Attachment A-1)

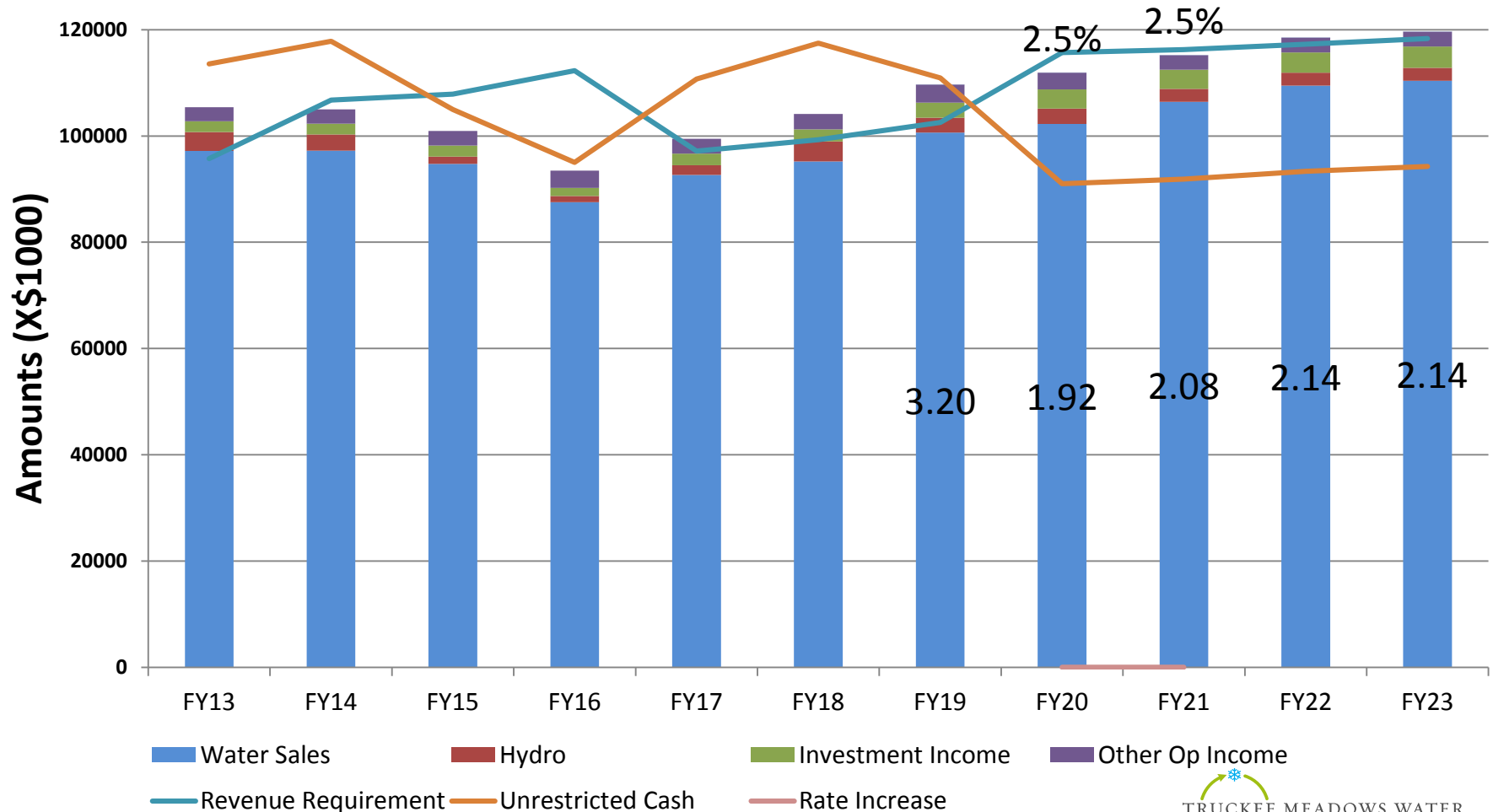
2019 Funding Plan - No Rate Increase



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2023 (Attachment A-2)

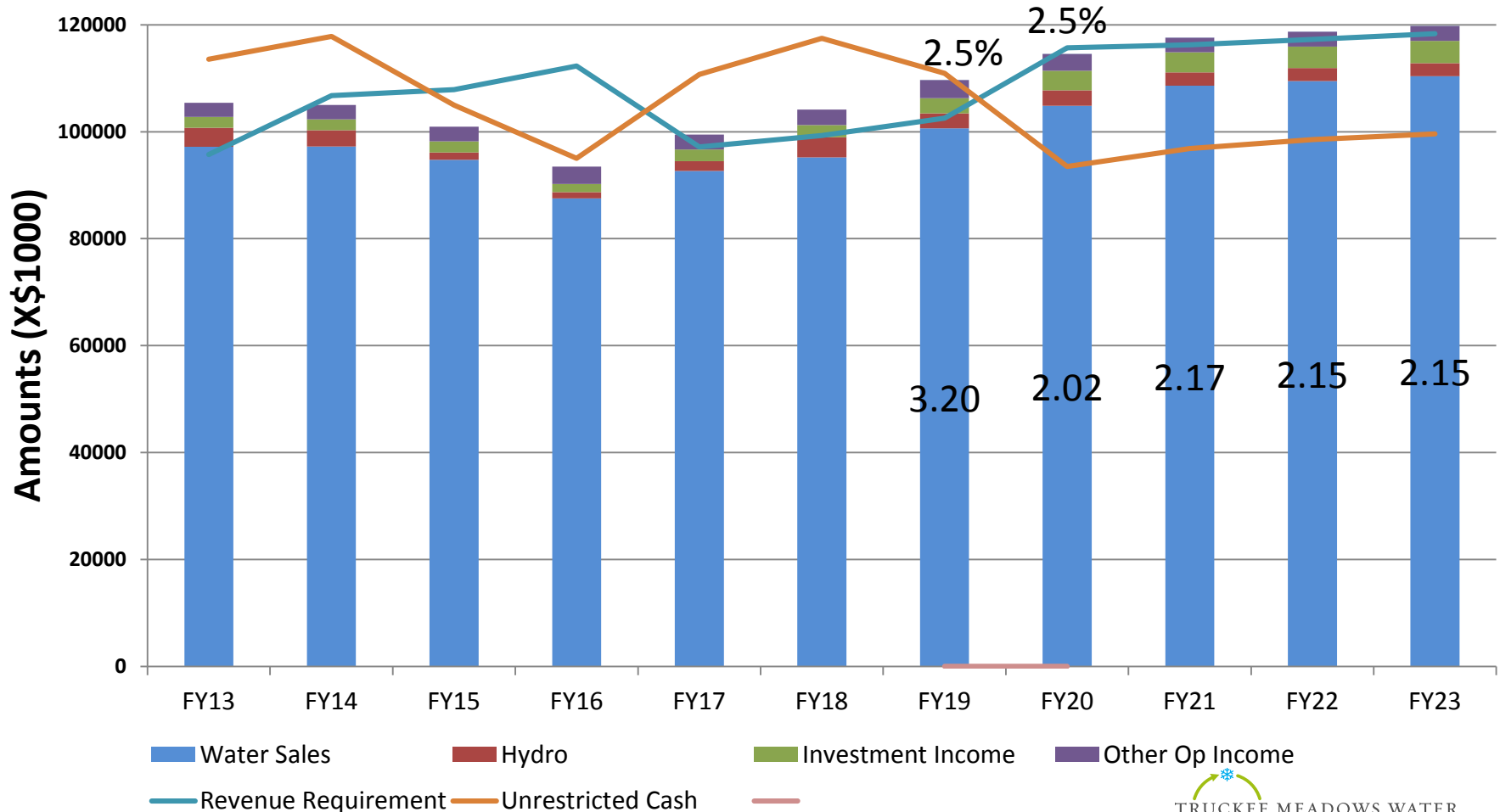
2019 Funding Plan - Defer Rate Increases



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.

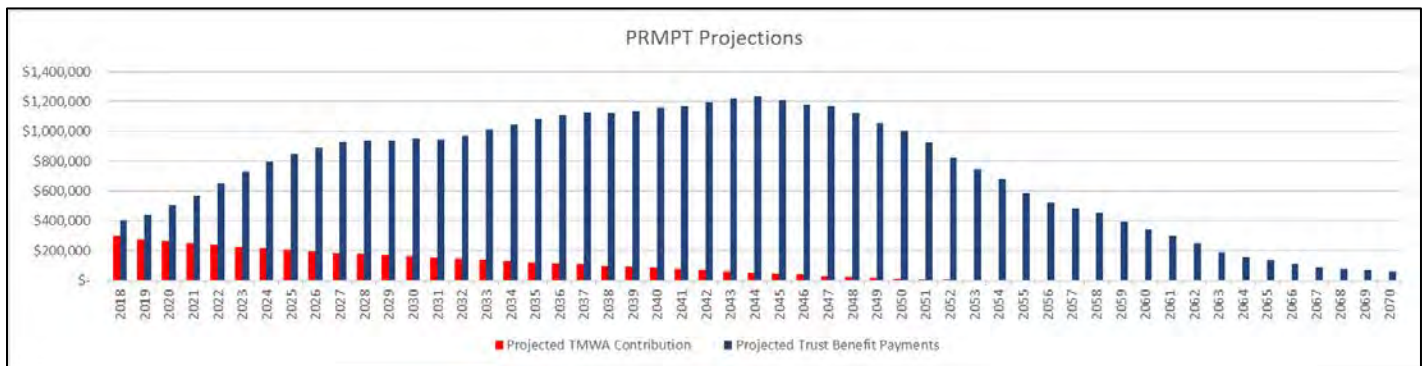
DESCRIPTION

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.

Truckee Meadows Water Authority

Standing Advisory Committee Meeting

November 6, 2018



Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Major cost per mgal components are:

Chalk Bluff

Glendale

Longley

Fish Springs

Wells

Administrative Operations/Maintenance

Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Major cost per mgal components are:

Chalk Bluff

Glendale

Longley

Fish Springs

Wells

Administrative Operations/Maintenance

Each of the categories mentioned have associated breakdowns:

Labor and Benefits

Contract Services

Professional Services

Supplies

Permits/Licenses

Chemicals

Power

Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Major cost per mgal components are:

Chalk Bluff

Glendale

Longley

Fish Springs

Wells

Administrative Operations/Maintenance

Each of the categories mentioned have associated breakdowns:

Labor and Benefits

Contract Services

Professional Services

Supplies

Permits/Licenses

Chemicals

Power

Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Factors that weigh into cost/mgal:

Chemical expenditures - \$1.8M chemical budget

- XL8 proprietary
 - XL8 historically a 3-5% increase, had to renew in 2018 at a 33% increase, possibly more in upcoming years
 - Sodium hypochlorite/disinfection: 10% increase
 - Soda ash, anti-scalant, polymer, carbon dioxide

Dirtier water takes more chemical

Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Factors that weigh into cost/mgal:

Power

Atypical impacts

- Ice fighting

- Chalk bluff maintenance

 - Shut down for the first time in fifteen years

- ODPS \$50k per month at times

- Ditch inspections

Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Factors that weigh into cost/mgal:

Power

\$2.3M per year

Always consider time of use, always monitor kW to stay in lower TOU rate when possible (GS1 vs GS2), pumping water, most cost effective source (water resources/Hauck/Engineering all play a role)

- Atypical events



Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Factors that weigh into cost/mgal:

Power

\$2.3M per year

Always consider time of use, always monitor kW to stay in lower TOU rate when possible (GS1 vs GS2), pumping water, most cost effective source (water resources/Hauck/Engineering all play a role)

- Atypical events

- Ice fighting

- Chalk bluff maintenance

- Shut down for the first time in fifteen years

- ODPS \$50k per month at times

- Ditch inspections

Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Factors that weigh into cost/mgal:

Atmospheric/Environmental

Flooding/high water/high turbidity events

River events due to thunderstorms

Power outages in distribution system

Increased pumping during on-peak periods as a result

Fire protection

Get full-keep volume at all times



Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Factors that weigh into cost/mgal:

- Increased preventative maintenance
 - Some treatment plant processes are 25 years old
 - Media underdrains
 - Media replacement
 - Equipment obsolescence, instrumentation, actuators, clearwells, pumping facilities, chemical feed systems, etc...





Truckee Meadows Water Authority (TMWA)

“HOW DO THE TREATMENT PROCESSES CHANGE
FOR VARYING SOURCE WATER QUALITY?”

Truckee Meadows Water Authority (TMWA)

“HOW DO THE TREATMENT PROCESSES CHANGE FOR VARYING SOURCE WATER QUALITY?”

- Issues that create varying source water quality
 - Snowpack/runoff

Truckee Meadows Water Authority (TMWA)

“HOW DO THE TREATMENT PROCESSES CHANGE FOR VARYING SOURCE WATER QUALITY?”

- Issues that create varying source water quality
 - Snowpack/runoff
 - Point sources into the river (including storm drains)





Truckee Meadows Water Authority (TMWA)

“HOW DO THE TREATMENT PROCESSES CHANGE FOR VARYING SOURCE WATER QUALITY?”

- Issues that create varying source water quality
 - Snowpack/runoff
 - Point sources into the river (storm drains)
 - Thunderstorms

Truckee Meadows Water Authority (TMWA)

“HOW DO THE TREATMENT PROCESSES CHANGE FOR VARYING SOURCE WATER QUALITY?”

- Issues that create varying source water quality
 - Snowpack/runoff
 - Point sources into the river (storm drains)
 - Thunderstorms
 - Ice fighting



Truckee Meadows Water Authority (TMWA)

“HOW DO THE TREATMENT PROCESSES CHANGE FOR VARYING SOURCE WATER QUALITY?”

- Issues that create varying source water quality
 - Snowpack/runoff
 - Point sources into the river (storm drains)
 - Thunderstorms
 - Ice fighting
 - Seasonal source water quality variations

Truckee Meadows Water Authority (TMWA)

“HOW DO THE TREATMENT PROCESSES CHANGE FOR VARYING SOURCE WATER QUALITY?”

- Partnership for Safe Water
- WQ always first priority, compliance sampling, lab, operators, reporting, maintenance, SCADA/CSE critical
- New regulatory requirements
- Investigation of ways to improve water quality



Truckee Meadows Water Authority (TMWA)

“WHAT ASPECTS AFFECT COST/MGAL?”

Factors that weigh into cost/mgal:

- Increased preventative maintenance
 - Some treatment plant processes are 25 years old
 - Media underdrains
 - Media replacement
 - Equipment obsolescence, instrumentation, actuators, clearwells, pumping facilities, chemical feed systems, etc...
- Operating resiliency
 - Pumping philosophy
 - maximize SW or GW
 - both have associated costs
 - maintain off-river reliability
 - Natural Resources and Engineering
 - Cost of service/meter read dates, etc...

Thank you!
Questions?



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:

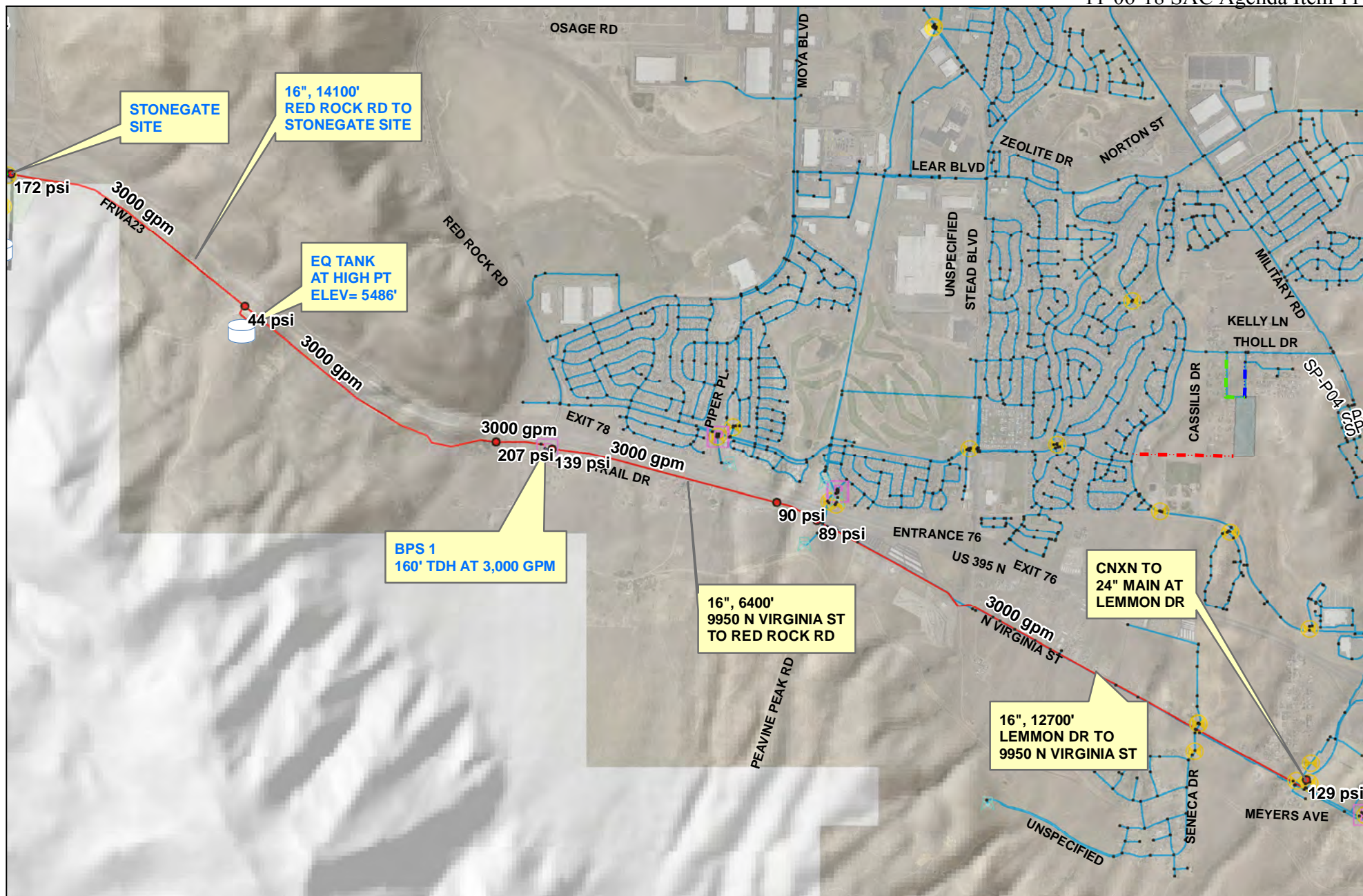
- Stonegate is a Planned Unit Development (PUD) consisting of 3,755 single family residential units, 1,325 multi-family residential units, commercial areas and three schools located on five parcels totaling 1,706 acres in the Cold Springs area.
- The TMWA Board has requested that annexation requests 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.



**EXHIBIT B-1
 STONEGATE
 OFF-SITE IMPROVEMENTS**

DATE	JULY 2018
MAP BY:	BEL
WO#:	
SCALE:	1 inch = 3,000 feet



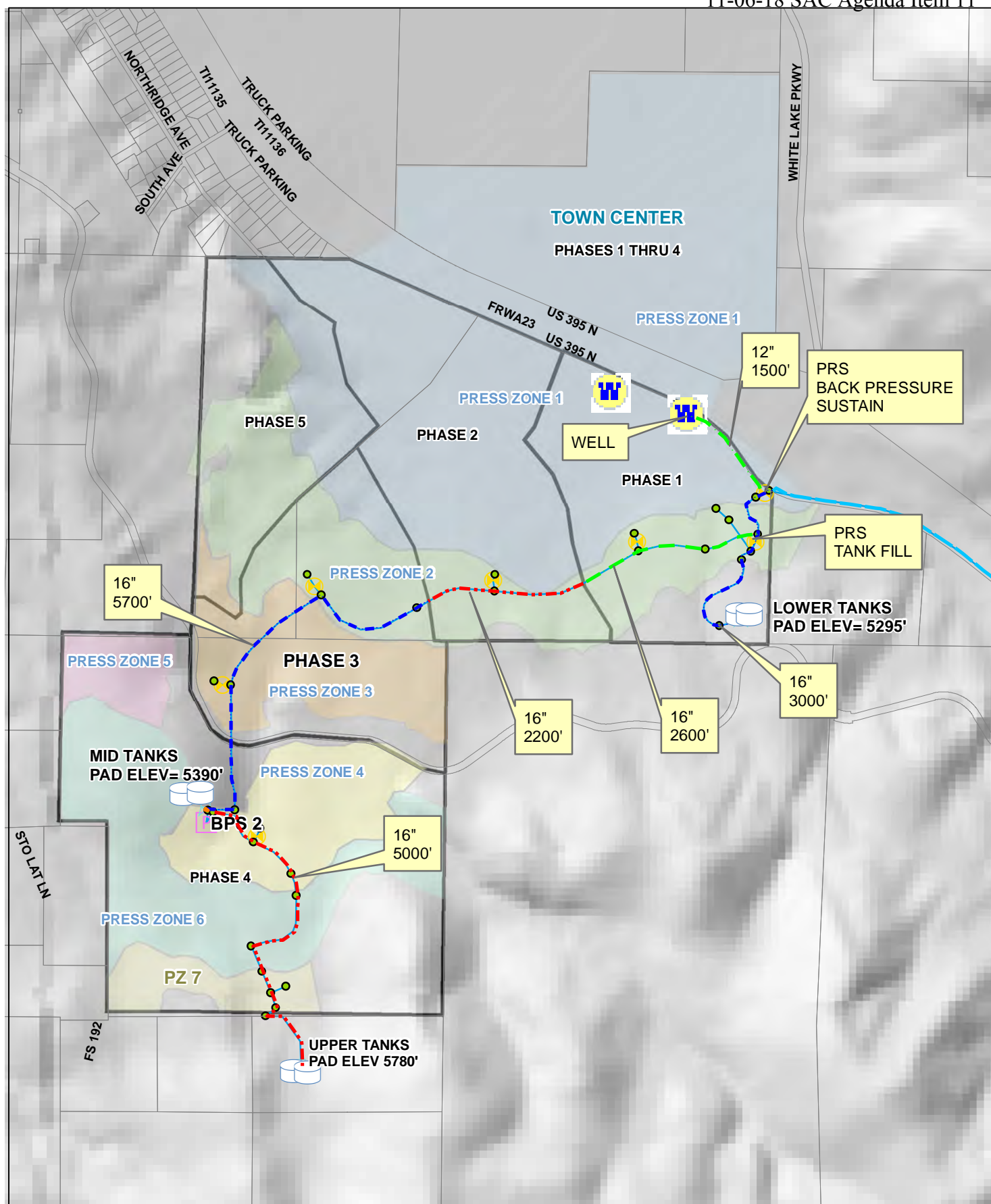


EXHIBIT B-2 STONEGATE MAJOR ONSITE FACILITIES

DATE JULY 2018

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**

By: _____

Name: _____

Title: _____

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

By: _____

Name: _____

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.]

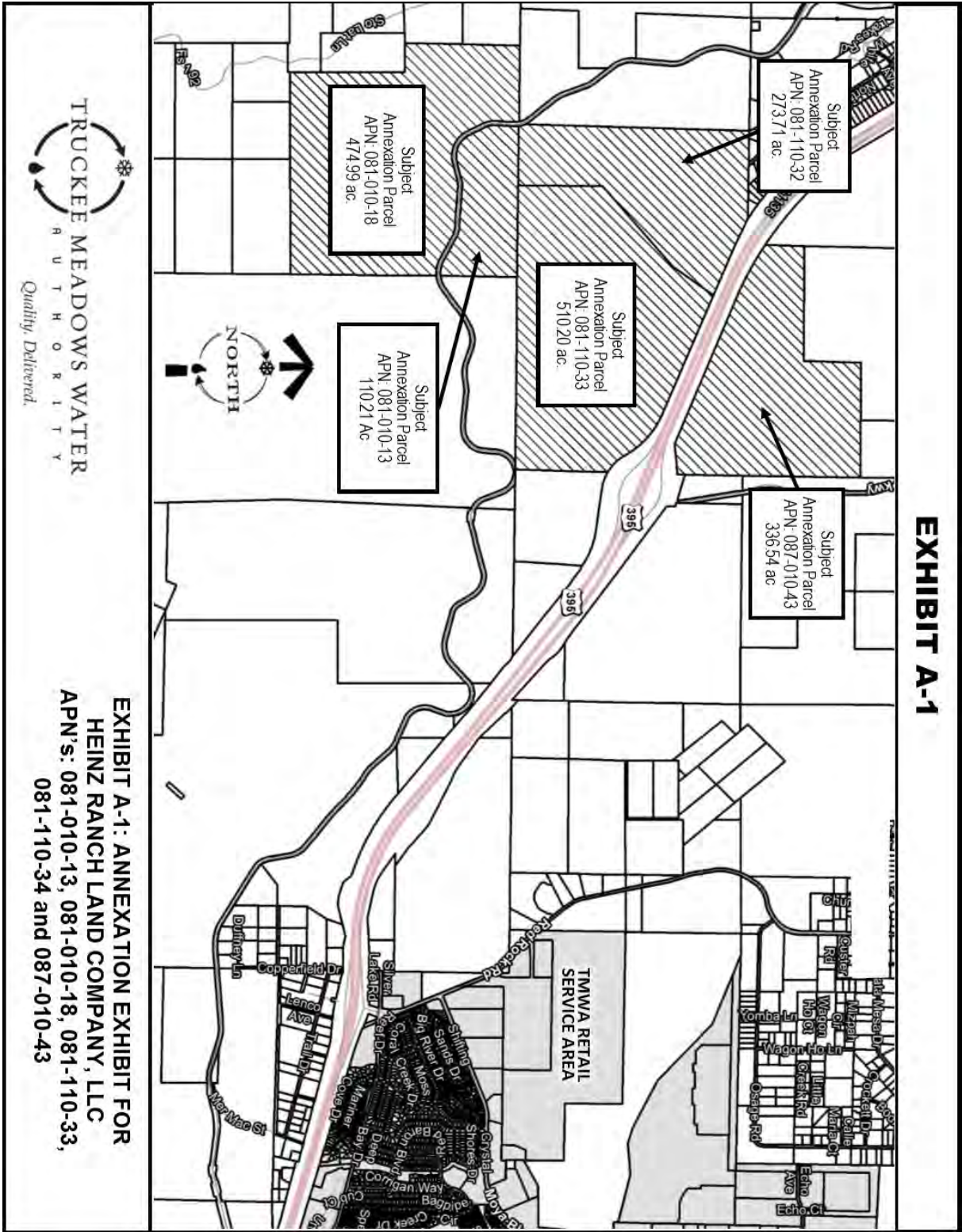


EXHIBIT B
ANNEXATION AGREEMENT FOR HEINZ RANCH LAND CO., LLC
SUMMARY OF OFF SITE & MAJOR FACILITY REQUIREMENTS AND
APPROXIMATE COSTS PAID OR TO BE PAID BY OWNER/DEVELOPER

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

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

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
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: *Closing Doc.West Reno.Termination of CC&Rs - version 3*)

Second Amendment to Acquisition Agreement (Addressing due diligence items)

SJP

Agreement Regarding West Reno Water System Acquisition

(Electronic File Name: *West Reno.Ancillary Agreement with SJP - version 10*)

Grant of Water Facilities Easement

(Electronic File Name: *Closing Doc.West Reno.SJP Water Facilities Easements - version 2*)

Grant of Easement for Water Wells, Access Road and Drainage Facilities

- WELL 9 (Relocatable) and 12 (Non-Relocatable) (with Blanket pump-to-waste easements because interim solutions are not well-defined)

(Electronic File Name: *Closing Doc.West Reno. SJP Easement-Exclusive Well wAccess Drain - version 2*)

Retail Water Service Area Annexation Agreement

(Electronic File Name: *Closing Doc.West Reno.SJP Annexation Agreement - version 5*)

Substitution of Trustee and Deed of Partial Reconveyance

(Electronic File Name: *Closing Doc.West Reno.SJP.MFR and Traders DOT Substitution of Trustee and Deed of Partial Reconveyance - version 1*)

Subordination Agreement

(Electronic File Name: *Closing Doc.West Reno.SJP .MFR and Traders Easement Subordination Agreement-Version 1*)

Subordination Agreement

(Electronic File Name: *Closing Doc.West Reno.SJP.Umqua DOT Substitution of Trustee and Deed of Partial Reconveyance - version 2*)

Substitution of Trustee and Deed of Partial Reconveyance

(Electronic File Name: *Closing Doc.West Reno.SJP .Umqua DOT Substitution of Trustee and Deed of Partial Reconveyance-Version 2*)

General Assignment Agreement and Bill of Sale

- (Any SJP assets required to be conveyed to TMWA)

(Electronic File Name: *Closing Doc.West Reno.SJP General Assignment and Bill of Sale - version 1*)

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: *Closing Doc.West Reno.Termination of CC&Rs - version 3*)

NV Energy Exclusive Easement Consent

PNK (Reno) LLC

Subordination of Option Agreement

(Electronic File Name: *Closing Doc.West Reno.PNK Option Subordination Agreement - version 1*)

Abandonment and Termination of Easement

(Electronic File Name: *Closing Doc.West Reno.Termination of Easement Doc. 3410826 - version 1*)

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



STATE OF NEVADA
Department of Conservation & Natural Resources
Brian Sandoval, Governor
Bradley Crowell, Director
Greg Lovato, Administrator

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 Forcee, P.E., TMWA, General Manager

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 ~~Amendment 3~~ 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 indemnitees 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: _____
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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

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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]

STATE OF NEVADA)

) ss

COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 20____, by
_____ as _____, TRUCKEE
MEADOWS WATER AUTHORITY, on behalf of said Joint Powers Authority therein named.

NOTARY PUBLIC

STATE OF NEVADA)

) ss

COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 20____, by
_____, as _____, of
_____ 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 $01^{\circ}43'19''$ 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 $03^{\circ}37'17''$ an arc length of 252.82 feet;

Thence leaving said line with a non-tangent line South $85^{\circ}23'10''$ 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 $85^{\circ}23'10''$ 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 $61^{\circ}21'39''$ West a distance of 3553.37 feet;

Thence along the easterly line of said Parcel "B" South $41^{\circ}49'03''$ West a distance of 198.38 feet;

Thence continuing along said line South $06^{\circ}29'57''$ 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 $85^{\circ}23'10''$ West a distance of 556.67 feet to the southwest corner of said Parcel "B"

Thence leaving said line and continuing North $85^{\circ}23'10''$ 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 $01^{\circ}53'58''$ East, along a circular curve to the right with a radius of 4000.00 feet and a central angle of $00^{\circ}05'51''$ 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 $25^{\circ}19'00''$ East, along a circular curve to the left with a radius of 462.00 feet and a central angle of $21^{\circ}11'31''$ an arc length of 170.88 feet;

Thence continuing along said line North $04^{\circ}07'29''$ East a distance of 267.21 feet to the northwest corner of said Parcel "B";

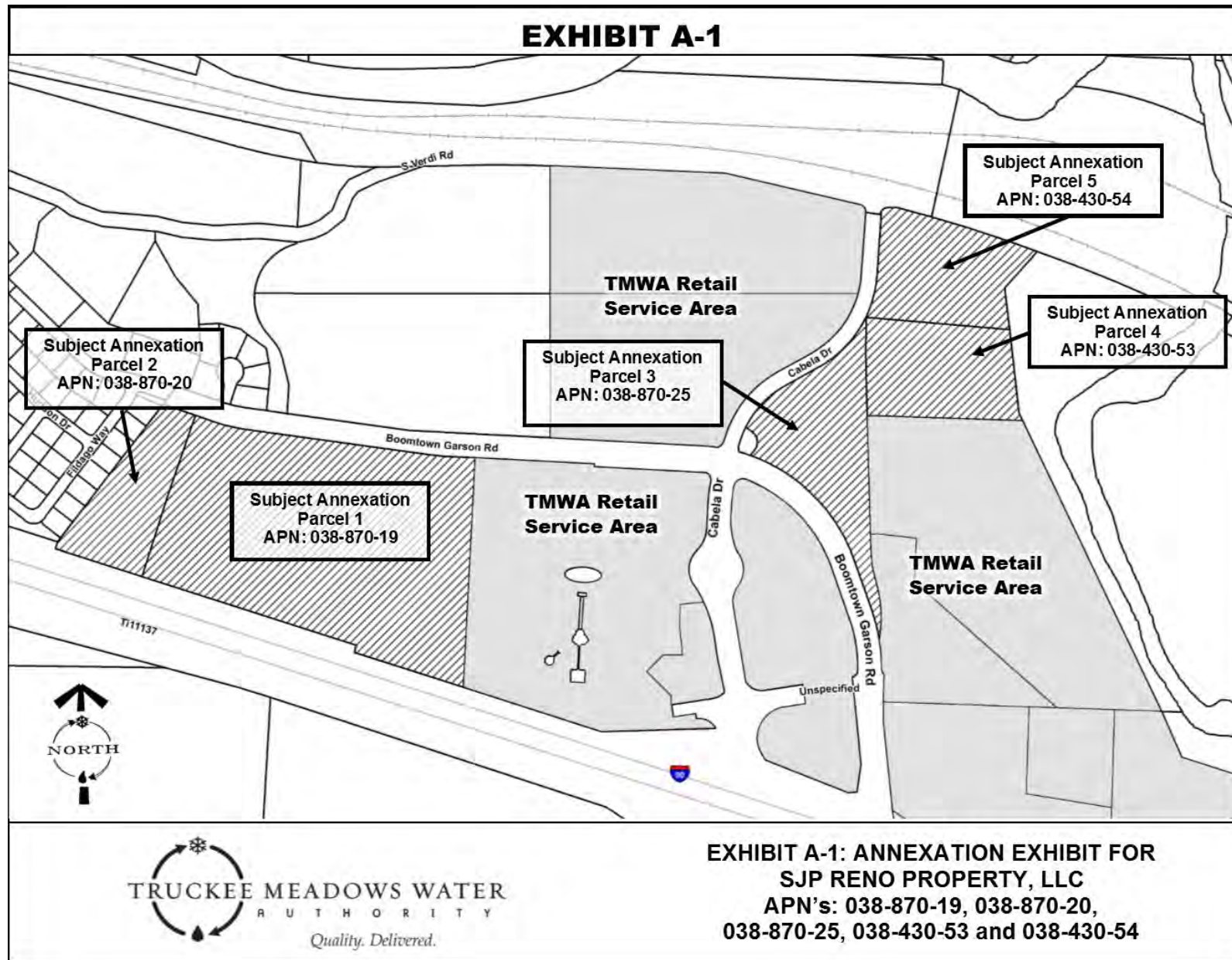
Thence along the northerly line of said Parcel "B" from a tangent which bears North $34^{\circ}03'10''$ East, along a circular curve to the right with a radius of 30.00 feet and a central angle of $54^{\circ}07'56''$ an arc length of 28.34 feet;

Thence continuing along said line North $88^{\circ}11'06''$ 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

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: TMWA Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: John Enloe, Natural Resources Director
 John Zimmerman, Water Resources Manager
DATE: October 31, 2018
SUBJECT: **Discussion and recommendation to the Board regarding the proposal to broaden purposes for the meter retrofit fee program**

Summary

The TMWA Board adopted staff and the Standing Advisory Committee's (SAC) recommendation to change the purpose of the meter retrofit fee to support projects that enhance water resource sustainability and drought resiliency. The Board directed staff to analyze whether the current fee amount (\$1,830/acre-foot) should be changed and to present the proposed rule change to the SAC, Builders Association of Northern Nevada (BANN), and the public through a presentation at TMWA's offices. In addition to the November SAC meeting, staff will present the proposed change to the public at a workshop on November 8 and BANN's Builders Council on November 14. Staff's prior Board report regarding the proposed change to the fee is attached for reference. In summary, TMWA has satisfied the metering requirement set forth in the Preliminary Settlement Agreement because nearly all services have been metered.

Proposed New Use of Fees

The proposed change would broaden the fee purpose to allow the use of funds for projects such as expanded conjunctive use, aquifer storage and recovery, demonstration and validation of exceptional quality reclaimed water uses, future water resource identification and acquisition, and other projects that enhance water resource sustainability and drought resiliency. Similar to metering, these projects promote efficient water use and will lead to increased drought resiliency and water resource sustainability. The following are projects in TMWA's Fiscal Year 2019 – 2023 Capital Improvement Plan (CIP), which are the type of projects that could be eligible for funding: Donner Lake Outlet Improvements (Phase 2), Bedell Flat Water Bank, Indirect Potable Reuse, NDEP Monitoring Wells, Wellhead TTHM mitigation and Spring Creek Well 7 Recharge Main. A substantial portion of these projects is presently funded by Customer Rates; however, it is appropriate to allocate a portion of these project costs to Development, as growth places an added burden and operational stress on the overall water system. Similar to the CIP individual project cost allocation between Customer Rates and Development, the cost allocation to "Drought Resiliency and Water Resource Sustainability" would be determined on a

case-by-case basis. Staff would report to the Board annually regarding the fund balance and the status of projects that have received monies from the fund.

Staff has determined that the fee amount needed to support the above-described projects is \$1,600/acre-foot, which is a reduction of \$230 from the current fee amount. Staff will discuss its analysis regarding the fee amount at the SAC meeting. Attached is a redlined version of TMWA's current Rule 7 that shows the proposed revisions necessary to change the Water Meter Retrofit Fee.

Conclusion

The proposed rule change must be presented to the TMWA Board twice before it may be adopted. Staff intends to present it to the Board in December 2018 and January 2019 for adoption. The SAC has provided positive feedback on broadening the fee purpose and staff welcomes further comment regarding the proposed fee amount, which will then be communicated to the Board along with any comments from the public or BANN.



STAFF REPORT

TO: TMWA Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: John Zimmerman, Water Resources Manager
DATE: May 30, 2018
SUBJECT: **Discussion and possible action regarding changing purpose of Water Meter Retrofit Fee to drought resiliency and water resource sustainability projects.**

Summary

In February, the Standing Advisory Committee (SAC) adopted staff's recommendation to reserve the current amount in the meter retrofit fund for future retrofits and to change the purpose of the fee going forward to projects that enhance and improve TMWA's drought resiliency and water resource sustainability. The TMWA Board adopted staff and the SAC's recommendation to reserve the amount in the meter retrofit fund for future retrofits and directed staff to continue to collect the fee until the purpose of the fund is formally changed through a rule change. The Board also directed staff to describe options for using the fund for drought resiliency and water resource sustainability projects and seek SAC input regarding the same before bringing a formal rule change request to the Board.

Staff seeks input regarding the following purposes of the fee and the proposed public engagement plan and rule change.

Meter Retrofit Fee Background

The meter retrofit fee was created to satisfy Section 29 of the May 23, 1989 Preliminary Settlement Agreement (PSA), which required TMWA to adopt a plan for financing and installing water meters. The purpose of installing meters was to allow the utility and customers to better-track water usage and promote efficient water use. Under TMWA Rule 7(H)(3), applicants for water service (except those relying on domestic well conversion credits issued by the Nevada State Engineer, imported water resources, or groundwater rights for their dedication) must pay \$1,830 per acre-foot of their estimated water demand. TMWA's legal counsel, Gordon DePaoli, has advised staff that TMWA has satisfied the metering requirement set forth in the PSA because nearly all services have been metered. Of the 253 services that are not metered, TMWA staff estimates 82 could feasibly be retrofitted and that 50% of those services are likely to request to be metered in the next 10 years. The total cost to retrofit 41 of the services would be approximately \$3M based on TMWA's preliminary engineering cost estimate. The fund balance as of April 30, 2018 was \$3.9M so there should be enough to retrofit at least 50% of the feasible services if the fee is changed and used for other purposes going forward.

Proposed New Use of Fee

Staff recommends the Board change and broaden the fee purpose to allow the use of funds for projects such as expanded conjunctive use, aquifer storage and recovery, demonstration and validation of exceptional quality reclaimed water uses, and future water resource identification and acquisition and other projects that enhance water resource sustainability and drought resiliency. Similar to metering, these projects promote efficient water use and will lead to increased drought resiliency and water resource sustainability.

TMWA's Fiscal Year 2019 – 2023 Capital Improvement Plan (CIP) includes seven drought resiliency and water resource sustainability projects, including the Mt. Rose Water Treatment Plant, Donner Lake Outlet Improvements (Phase 2), Bedell Flat Water Bank, Indirect Potable Reuse, NDEP Monitoring Wells, Wellhead TTHM mitigation and Spring Creek Well 7 Recharge Main, totaling more than \$24 million over the next five years. A substantial portion of these projects is presently funded by Customer Rates; however, it is appropriate to allocate a portion of these project costs to Development, as growth places an added burden and operational stress on the overall water system. Similar to the CIP individual project cost allocation between Customer Rates and Development, the cost allocation to "Drought Resiliency and Water Resource Sustainability" would be determined on a case-by-case basis. Staff would report to the Board annually regarding the fund balance and the status of projects that have received monies from the fund.

Attached is a redlined version of TMWA's current Rule 7 that shows the proposed revisions necessary to change the Water Meter Retrofit Fee. If the Board directs staff to proceed with the rule change, then staff will conduct the following public outreach before bringing the proposed rule change back to the Board for adoption:

TMWA Standing Advisory Committee

Builders Association of Northern Nevada

Public open house at TMWA's offices

Lastly, if the Board directs staff to proceed with the rule change as described above, then staff will also analyze whether the current fee amount (\$1,830) should be changed. Any proposed fee change will be part of the public outreach process described above and described in the final report when the rule is brought back to the Board for two readings and potential adoption.

Truckee Meadows Water Authority

RULE 7

REQUIREMENTS FOR WILL-SERVE COMMITMENT LETTERS

2. Fees for Issuance of Will-Serve Commitment letter. In addition to any other fees in this Rule, Applicants shall pay fees provided in Rate Schedule BSF to prepare the documents necessary to issue each Will-Serve Commitment letter.
3. Water ~~Resource SustainabilityMeter-Retrofit~~ Fund Fees. Applicants for New or Modified Service within the TMRA relying on any water right other than the conversion of domestic well, imported water sources or groundwater rights for a Will-Serve Commitment letter will pay to the Authority's water ~~resource sustainabilitymeter-retrofit~~ fund the sum of \$1,~~600830~~.00 per AF of Demand related to the new Service or Modified Service and to Deficit Demand prior to the issuance of the Will-Serve Commitment letter. Funds collected under this fee must be used for projects that improve the Authority's drought resiliency and water resource sustainability.
4. The Applicant is responsible for delivery of the Authority-issued Will-Serve Commitment letter and accompanying documentation to appropriate government entities.
5. Banking Water Rights. The Authority may, in its sole discretion, allow any Person to bank water rights with the Authority for future use by any Person. In the event an individual, any joint venture, partnership, corporation or other entity desires to dedicate water rights to the Authority for the Authority to hold or bank for the future use by the Applicant, or Applicant's designated successor, for a Will-Serve Commitment letter, the Applicant, or Applicant's designated successor, will pay applicable fees set forth in this Section and execute a banking agreement with the Authority. The Applicant, or Applicant's designated successor, shall be billed by the Authority for any fees such as Extension of Time associated with maintaining banked water rights in good standing with the Nevada Division of Water Resources.
6. Issuance of Will-Serve Commitment Letter After Dedication of Water Rights. After the Applicant has satisfied the requirements of Section F and paid the fees under Section H, and the Authority has accepted the Dedicated Water Resource, the Authority shall:
 - a. Prepare the necessary documentation to deed the Dedicated Water Resource to the Authority or Local Government;
 - b. Record such deed at the County Recorder; and
 - c. Upon execution of such deed and acceptance of the Dedicated Water Resource by the Authority, issue a Will-Serve Commitment letter to the Applicant for new Service or Modified Service at the location requested by Applicant.



STAFF REPORT

TO: Board of Directors
FROM: Mark Foree, General Manager
DATE: May 26, 2016
SUBJECT: **Report and discussion regarding private, cooperative and general improvement district water systems located near TMWA's service area and possible policy direction from Board regarding general response to development of new systems, expansion of existing systems and owner requests for acquisition by or service from TMWA**

Recommendation

The Board accept the staff report and provide possible direction to staff regarding proposed expansions of existing water systems, creation of new water systems and possible TMWA acquisition of existing water systems in the region.

Summary

There are approximately 70 public water systems in Washoe County that are monitored and regulated by the Washoe County District Health Department – many of these are a single well that serves one or two buildings (like a restaurant) or a distribution system that serves a mobile home park.

Of the 70 systems referenced above, this report contains information on 16 water systems other than TMWA that are currently operating near TMWA's retail service area, plus the Reno Technology Park (Apple Data Center) water system and the Tahoe Reno Industrial Park (Storey County) GID water system located east of Sparks.

There are proposed expansions of some of these systems to serve adjacent planned development.

Owners of some of these systems have approached TMWA in the past regarding possible acquisition by or service from TMWA.

Staff provides this report for informational purposes and to receive possible board direction.

Background

In several prior board meetings including our February 5 strategic planning meeting, there have been discussions and questions related to private water systems in the area. Two maps are attached which show the location of these water systems and other information such as population served. The discussion below describes these water systems and provides information regarding planned expansions, etc.

Discussion

Information about the water systems is shown below in different categories:

GID/Government systems:

- Sun Valley GID (population 17,000) – receives all water from TMWA through a wholesale agreement. Service territory is mostly built out and is confined to the hydrographic basin.
- Tahoe Reno Industrial Center (Storey County) GID – groundwater rights and surface water rights (induction wells) provide the source of supply to this Industrial Center. Also have a wastewater reuse system with reservoir storage. Also seeking effluent from TMWRF (Reno/Sparks) to provide cooling water/process water for industrial use.
- Verdi Elementary School – groundwater well treated for arsenic removal. There is interest in having TMWA serve.

Cooperatives (Users Associations – not for profit)

- Parr-Reno Water Co. (upper North Virginia area) – receives all water from TMWA and has distribution system with supplemental tank and pump for fire protection. The system is built out. Have had prior discussions regarding possible TMWA acquisition but that was several years ago – no recent discussions. Public Utilities Commission of Nevada (PUCN) regulation limited to service territory.
- Verdi Mutual Water Co. – Spring source of supply with distribution and fire system for several industrial users including TMWA's Verdi Hydroelectric Generating Plant. The system is built out. Have had prior discussions regarding possible TMWA acquisition. PUCN regulation limited to service territory.
- Reno Technology Center – groundwater wells, tanks and distribution system for the Apple Data Center complex which has substantial amounts of land available for future development. PUCN regulation limited to service territory.
- Silver Knolls Mutual (west of Stead and about 2 miles from TMWA's system) – groundwater wells, tank and distribution system serving 64 residential properties. Had arsenic problem and the state inquired about possible service from TMWA but on-site treatment was less expensive and that is what was installed.
- Grandview Terrace (off upper North Virginia) – groundwater well, tank and distribution system serving mobile homes

Private (PUCN regulated – for profit)

- Cold Springs Utilities (population 7,962) – groundwater wells, tank and distribution system west of Lemmon Valley/Stead. Planning expansion of service territory and have discussed possible wholesale supply from TMWA using Fish Springs Ranch supply.
- Sky Ranch Utilities (population 2,030) in Spanish Springs Valley – groundwater wells, tanks and distribution system surrounded by TMWA. The system is built out. No discussions related to TMWA acquisition.
- Verdi Meadows (population 510) – groundwater wells, tank and distribution system serving River Oaks subdivision. Prior talks years ago regarding possible TMWA acquisition. Recent talks regarding possible system intertie/wholesale connection with TMWA.
- Steamboat Springs Water Works – wells, tank and distribution system with 265 services with about 40 acres of undeveloped land in its service area.

Private (not PUCN regulated)

- Boomtown – groundwater wells, tank and distribution system serving Casino, gas station, RV park and Cabela's. Prior discussions regarding possible TMWA acquisition including current discussions. Plan to expand service area to include the Meridian 120 subdivision (273 residential units and some industrial), a future truck stop and future multi-family development – which would require application to the PUCN to become a regulated utility.
- River Belle MHP (population 150) – spring (taken off line last year due to contamination) and groundwater well, small storage tank, air stripping process (VOC removal) and distribution system serving mobile home park, grocery store and post office. Interested in service from TMWA.
- Crystal Restaurant and Trailer Park (population 80) – groundwater well serving restaurant and trailer park in Verdi. Interested in service from TMWA.
- Sasquatch Tavern and Grill – groundwater well serving restaurant and a few residences and buildings in Verdi. Interested in service from TMWA.
- Gold Ranch – groundwater wells, tank and distribution system serving casino, RV park and a few other businesses in west Verdi. Some talks with TMWA many years ago.
- River Pines – groundwater well to serve approximately 15 residential lots in Verdi located on former 9-hole golf course adjacent to TMWA's Verdi Hydro Plant. Would be interested in service from TMWA if it were available.

Other - subdivision on domestic wells where TMWA service has been requested

- Riverdale subdivision (58 residential lots on northern edge of Verdi – across bridge and north of river) – domestic wells – some residents have requested service from TMWA due to failing wells.

When a water system requests TMWA to acquire system

As indicated above, several water system owners have inquired about possible acquisition by TMWA. When this occurs, and TMWA staff believes there are potential benefits to a possible acquisition, staff conducts due diligence regarding water system facilities, resources, etc. TMWA staff may then craft proposed terms of an agreement (pending board approval) that avoid placing the cost of acquisition on existing customers. Typically, TMWA requires systems to be improved to TMWA standards prior to acquisition, as was done when TMWA acquired the Verdi Business Park system a few years ago.

When a new water system is proposed or an existing system is planning expansion of their service territory

When this occurs and the system is regulated by the PUCN, TMWA can intervene and participate in the proceeding (i.e. submit data requests, attend hearings, file testimony, etc.). TMWA staff would recommend intervening in some of these cases, i.e. when and if Boomtown makes such an application to the PUCN.

Staff welcomes input and direction from the Board regarding these issues.



STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, SAC Liaison
DATE: October 29, 2018
SUBJECT: Update on Standing Advisory Committee Membership

Please find attached the 2019 Standing Advisory Committee (SAC) membership. Those whose term-limits expire on December 31, 2018 have been notified. The final SAC membership list will be presented to the Board for approval at the December meeting.

TMWA Standing Advisory Committee
Term Appointments
2019 Membership List

Customer Class	Primary Representative	Member Since	Term Ends	Alternate Representative	Member Since	Term Ends
Wholesale (Sun Valley)	Fred Schmidt	2005	12/31/2019	N/A		
Irrigation	Neil McGuire	2005	12/31/2018	Vacant		
Multi-family Residential	Mike Shulewitch	2013	12/31/2018	Jonnie Pullman	2012	12/31/2019
Commercial	Donald Kowitz	2017	12/31/2018	Kevin Haddock	2011	12/31/2018
Senior Citizen	Robert Chambers	2005	12/31/2018	Karl Katt	2013	12/31/2018
At-Large 1	Ken McNeil	2013	12/31/2018	Ken Becker	2017	12/31/2018
At-Large 2	Mike Pidlypchak	2013	12/31/2018	Jordan Hastings	2017	12/31/2018
Residential:						
Representative 1	Carol Litster	2014	12/31/2018	Dale Sanderson	2017	12/31/2018
Representative 2	Harry Culbert	2006	12/31/2018	Fred Arndt	2017	12/31/2018
Representative 3	Jerry Wager	2014	12/31/2018	Scot Munns	2017	12/31/2018
Appointments:						
BANN	Colin Hayes	2010	12/31/2019	Jim Smith	2010	12/31/2019
Reno-Sparks Chamber	Bill Hughes	2016	12/31/2019	Chamber to appoint		12/31/2019



STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, TMWA SAC Liaison
DATE: October 29, 2018
SUBJECT: **Presentation of applications to fill Commercial Customer Class Alternate vacancy and other possible vacancies, and possible recommendation to the Board**

Recommendation

Staff is presenting to the Standing Advisory Committee (SAC) for its review, and possible recommendation to the Board, applications submitted by local residents for the Commercial Customer Class Alternate vacancy and other possible vacancies.

Background

The SAC was created in 2005 to review budgets, rate proposals and other matters as directed by the Board. The committee currently consists of Board-appointed representatives of ten customer classes and two other seats held by representatives of community-interest groups (Attachment 1). Applications to the SAC are accepted on an ongoing basis and when there is a vacancy, present the applicant(s) to the SAC for possible recommendation to the Board.

Discussion

Staff received an application from a former Reno-Sparks Chamber appointee indicating interest in resuming a role on the SAC as a Commercial Customer Class representative. The Commercial Customer Class Alternate position will be vacant as of January 1, 2019. Typically, if there were multiple vacancies, recruitment methods would include use of bill insert, public notices, press releases and social media. However, in this instance, the timing of the application and vacancy coincided without the need to fund such endeavors.

A total of one application was received for the vacant position:

- Commercial Customer Alternate – One (1) Vacancy; 1 applicant

The applicants' experience is summarized in the table below

APPLICANT NAME	CITY	CUSTOMER CLASS	PERTINENT EXPERIENCE
Bruce Gescheider	Reno	Commercial	<ul style="list-style-type: none">• Metered rate residential customer• Former TMWA SAC Reno-Sparks Chamber Customer Class Primary• Owner of Moana Nursery• Education and participation with TMWA provides a solid background

Staff is pleased to have such a skilled applicant who has expressed interest in representing customer issues to the TMWA Board as part of the SAC.

From: [Bruce Gescheider](#)
To: [Folsom, Sonia](#)
Subject: Letter of Interest in TMWA SAC Position
Date: Monday, October 22, 2018 3:37:59 PM

Sonia:

This registers my interest in returning to the TMWA SAC as a Commercial representative. My previous education and participation with TMWA provides a solid background for consideration. I hope to rejoin and contribute.

Thank you.

Bruce Gescheider

Moana Nursery (www.moananursery.com)

bruceg@moananursery.com

(775) 825-0602 ext.112

1100 W. Moana Lane, Reno, NV 89509

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STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, SAC Liaison
DATE: October 29, 2018
SUBJECT: **Presentation of 2019 meeting schedule**

The TMWA Standing Advisory Committee meets the first Tuesday of each month at 3:00 p.m. The schedule of proposed meeting dates for 2019 is:

- Tuesday, January 1 – New Year’s Day Holiday
- Tuesday, February 5
- Tuesday, March 5
- Tuesday, April 2
- Tuesday, May 7
- Tuesday, June 4
- Tuesday, July 2
- Tuesday, August 6
- Tuesday, September 3
- Tuesday, October 1
- Tuesday, November 5
- Tuesday, December 3

Meetings that appear on this schedule may be cancelled or changed due to lack of agenda items or other considerations.