

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE DECEMBER 13, 2018
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Thursday, December 13, 2018, at Sparks Council Chambers., 745 4th Street, Sparks, Nevada. Chair Hartung called the meeting to order at 10:03 a.m.

1. ROLL CALL

Members Present: *Jenny Brekhus, Kristopher Dahir, Naomi Duerr, Neoma Jardon, Vaughn Hartung, **Bob Lucey, and Alternate Ed Lawson.

Member Absent: Ron Smith

A quorum was present.

**Member Brekhus was present via telephone at 10:04 a.m.*

***Member Lucey left at 10:25 a.m.*

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Alternate Member Lawson.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE MINUTES OF THE OCTOBER 17, 2018 MEETING

Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board approved the October 17, 2018 minutes.

6. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 269: A RESOLUTION TO APPROVE THE IMPLEMENTATION AND/OR POSSIBLE DEFERRAL OF THE 2.5% CUSTOMER RATE INCREASES PREVIOUSLY ADOPTED IN RESOLUTION NO. 250 AND CURRENTLY SCHEDULED FOR IMPLEMENTATION IN 2019, 2020, AND 2021

Michele Sullivan, TMWA Chief Financial Officer, explained the reason for recommending the rate deferral is because TMWA is in a fiscally sound position and water sales are ahead due to the dry fall contributing to TMWA's cash balance. Ms. Sullivan stated this was presented to the TMWA Standing Advisory Committee (SAC) at their November meeting and the SAC endorsed the deferral.

Upon motion by Member Duerr, second by Member Lucey, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 269: A resolution adopting the deferral of the 2.5% customer rate increases previously adopted in Resolution No. 250 and currently scheduled for implementation in 2019, 2020, and 2021.

7. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 270: A RESOLUTION TO APPROVE THE CLOSURE OF THE §501-C-9 POST RETIREMENT MEDICAL AND LIFE INSURANCE PLAN AND TRUST TO FUTURE EMPLOYEES

Ms. Sullivan recommended closing the §501-c-9 Post Retirement Medical and Life Insurance plan and Trust to future employees; all current employees would not be affected. Ms. Sullivan informed the Board that this was presented to the SAC at its November meeting with great discussion; the SAC voted to endorse staff's recommendation with two dissenting votes.

Upon motion by Member Dahir, second by Member Lucey, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 270: A resolution to approve the closure of the §501-c-9 Post Retirement Medical and Life Insurance plan and Trust to future employees.

8. DISCUSSION AND ACTION ON ADOPTION OF RESOLUTION NO. 271: A RESOLUTION TO APPROVE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2018

Matt Bowman, TMWA Financial Controller, presented the Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018. The audit was completed by Eide Bailly, dealt with a few new GASB 75 (OPEB) and 82 (pension), and new disclosures; audit went well with no findings or adjustments.

Chair Hartung noted the higher hydroelectric revenues and lower operating expenses, requesting a feasibility study on a hydrogeneration plant on the Highland Canal.

Upon motion by Member Jardon, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 271: A resolution to approve the Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018.

9. DISCUSSION AND ACTION ON ESTABLISHING A LEGISLATIVE SUBCOMMITTEE FOR THE 2019 LEGISLATIVE SESSION, APPOINTMENT OF BOARD MEMBERS TO SUBCOMMITTEE AND ESTABLISHING THE PROCESS TO REVIEW LEGISLATIVE ACTIVITIES

John Zimmerman, TMWA Water Resources Manager, and Steve Walker, TMWA's Legislative Lobbyist, presented the staff report to set up a Legislative Subcommittee, stating in the past the Chair, Vice Chair and another member have been appointed.

Board Members agreed to appoint Chair Hartung and Vice Chair Smith, but to hold to appoint the third member until January as there may be changes to appointments to the TMWA Board from the City of Reno Council.

Upon motion by Member Jardon, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the appointment of Chair Hartung and Vice Chair Smith to the TMWA Legislative Subcommittee and to defer appointing a third Board Member to the January meeting.

10. UPDATE REGARDING RECOMMENDATION TO BROADEN THE PURPOSE OF THE METER RETROFIT FEE, SUMMARY OF PUBLIC OUTREACH REGARDING THE SAME, AND POSSIBLE DIRECTION TO STAFF

Mr. Zimmerman presented the staff report and recommendation to broaden Rule 7, the Meter Retrofit Fee, and change the amount charged to developers from \$1830 to \$1600 per acre foot of demand.

Discussion followed regarding the remaining properties that could potentially be retrofitted. These are the most difficult to retrofit and TMWA cannot force any one customer to do so, but the funds, \$5.5M, are in reserves for future retrofits.

Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board approved the staff recommendation to broaden the purpose of the Meter Retrofit Fee and to move forward with the First Reading.

11. PUBLIC HEARING ON RATE AMENDMENT

A. PUBLIC COMMENT

There was no public comment.

B. INTRODUCTION AND FIRST READING OF AMENDMENTS TO RULE 7 REGARDING MODIFICATION OF THE PURPOSE AND AMOUNT OF THE METER RETROFIT FEE

Mr. Zimmerman recommended the TMWA Board refer to the proposed amendments to Rule 7 to a second reading to be held at the January 16, 2019 Board meeting.

Upon motion by Member Jardon, second by Alternate Lawson, which motion duly carried by unanimous consent of the members present, the Board approved to refer the amendments to Rule 7 regarding modification of the purpose and amount of the meter retrofit fee to a second reading.

CLOSE PUBLIC HEARING

12. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING THE STATUS OF ACQUISITION OF THE WEST RENO WATER SYSTEM AND DUE DILIGENCE OBJECTIONS AND CURE ACTIVITIES, AND POSSIBLE AUTHORIZATION TO GENERAL MANAGER TO TERMINATE OR AMEND ACQUISITION AGREEMENT AND/OR PROCEED WITH CLOSING

Mr. Zimmerman informed the Board that West Reno Water Co. signed the third amendment to the acquisition agreement today, which was included in the staff report, and recommended the Board approve the third amendment and authorize the GM to sign. He reported on the status of due diligence and closing conditions and requirements to protect TMWA requiring West Reno to: (1) fix their Boomtown Hotel/Casino private water line issues; (2) line the stormwater detention basin next to Well #10 as TMWA is concerned about water quality from stormwater run-off; and (3) ensure they correct the backflow violation issue for which the Health District cited them for so TMWA does not own the violation. The agreement requires West Reno to pay for pre-closing improvements, however, TMWA will pay West Reno \$35k instead of the original \$757k and TMWA will construct the post-closing improvements.

The Board expressed concern with TMWA paying for the improvements upfront with current rate payer funds, but TMWA's standard practice has been to make regional improvements that benefit both existing and future customers, pay for the new improvements and utilize the Water System Facility Charges (Rate Schedule WSF) which are collected from new development as reimbursement for those improvement costs; the WSF charges are evaluated periodically.

Discussion followed regarding risks involved with expanding TMWA's service in the region, but it also being normal business practice to expand service area; it being the Board's charge to manage the regions water resources and WSF charges allow TMWA to build infrastructure without putting undue burden on

current rate-payers; the possibility of moving forward with a special assessment district (SAD); West Reno's request for City of Reno to be provider of last resort and the City of Reno responsibility regarding issuing Certificates of Occupancy; Nevada Department of Environmental Protection (NDEP) requiring West Reno to obtain a community water system permit; and extension of the closing date to January 31, or February 27, 2019; and the potential to collect up to \$100k of legal fees TMWA has incurred in the \$2.7M to be collected from Reno Land Development projects.

Michael Pagni, TMWA General Counsel, pointed out the three items Mr. Zimmerman listed in his summary with respect to closing contingencies are outside of TMWA's control and could possibly extend the scheduled closing date if not timely satisfied.

Public Comment

ML Belli, who lives in Belli Ranch, stated his concern about the water level in his wells decreasing over the years and expressed concern about the new development adding to the problem.

Pam McNeil, Reno resident, read Ms. Adrain Argyris' letter into public comment (please see attached).

Bill Maggiora, Reno resident, expressed his concern regarding the development of Meridian 120 North and asked when would TMWA be ready to service Meridian 120 South.

Alice House, Reno resident, provided public comment (please see attached).

End of Public Comment

Mr. Pagni clarified with respect to public comment regarding past litigation that the 2004 litigation involved disputes between property owners, the City of Reno, Washoe County, and the Regional Government Board over requests to annex Verdi properties into the City of Reno. Part of the result of that litigation was a settlement and ILA between the County and TMWA which involved a compromise on the water service to such properties. Mr. Pagni clarified that the ILA was amended in 2014 as part of the merger between the County and TMWA which eliminated essentially all provisions of the ILA and provided citizens in Verdi an ability to apply to TMWA for service. Mr. Pagni clarified that nothing in the ILA requires TMWA to provide water service, but rather it provides that TMWA may provide service, if requested, in accordance with TMWA Rules.

For the record, Member Duerr requested that TMWA conduct a scientific analysis based on its processes in providing water and provide a memorandum explaining conjunctive use so that the community understands how it operates and to dispel any misunderstandings. Mr. Enloe replied that staff can report on the improvements made on the Mt. Rose-Galena Fan and explain the conjunctive use strategy TMWA has implemented of providing a combination of both groundwater and surface water to customers.

Mark Foree, TMWA General Manager, explained next steps after the close of the agreement, more improvements would be necessary, which would go into connection fees (approximately \$757k (post-closing costs); the improvements could take approximately a year to complete, but will not affect operations. Mr. Foree added TMWA has received bids to extend the main from West Meadows to the Riverbelle Mobile Home Park; TMWA is proceeding with the design of a water main extension under the railroad tracks and a pump station to tie into the Boomtown system; and the Washoe County School District (WCSD) is working on design of the water main extension to the Verdi Elementary School. He

added that it has been a difficult process, but the Board and City of Reno have made it clear the direction they wanted to go, and everyone collaborated to achieve a positive outcome, including Reno Land Development company, because they originally would not have had to pay the \$2.7M in connection fees but are now paying it.

Discussion followed regarding TMWA's plans to recharge the aquifer through conjunctive use in Verdi which will benefit the residents by allowing the wells to rest and improve the groundwater levels (very similar to what is being done on the Mt. Rose-Galena Fan area); how TMWA decides the best course of action to provide water service; clarifying that implementing conjunctive use may mitigate the need for domestic well owners to connect to TMWA's system; the deadline for West Reno to complete the preclosing improvements (January 31, 2019), and outside closing date of February 27, 2019 for all pre-closing items to be satisfied, and if they are not, TMWA can terminate unless staff returns to the Board to negotiate another extension; agreements are in place with River Oak and Riverbelle for TMWA to begin building the surface water connection to the Boomtown system and the timeline is approximately 2 years; the importance of stabilization the water system and managing the asset regionally; and to consider land use, monitoring the growing areas, and plan the community in Verdi for future growth accordingly.

Upon motion by Member Duerr, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board authorized the General Manager to execute the third amendment to West Reno Water System acquisition agreement.

Chair Hartung requested Mr. Pagni to work with the constituents who expressed concerns today.

13. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING THE REAPPOINTMENT OF JOHN ENLOE TO REPRESENT TMWA ON THE CARSON-TRUCKEE WATER CONSERVANCY DISTRICT BOARD

Mr. Foree presented the staff report.

Upon motion by Member Dahir, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board reappointed John Enloe to represent TMWA on the Carson-Truckee Water Conservancy District Board.

14. DISCUSSION AND ACTION, AND POSSIBLE APPROVAL OR DIRECTION TO STAFF REGARDING RENO-SPARKS CHAMBER APPOINTMENT OF ANN SILVER AS PRIMARY REPRESENTATIVE TO THE STANDING ADVISORY COMMITTEE TO FILL THE VACANCY IN THE RENO-SPARKS CHAMBER APPOINTEE POSITION, FOR TERM ENDING DECEMBER 31, 2019

Sonia Folsom, TMWA Standing Advisory Committee Liaison, presented this agenda item.

Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board approved the Reno-Sparks Chamber appointment of Ann Silver as primary representative to the Standing Advisory Committee to fill the vacancy in the Reno-Sparks Chamber appointee position, for term ending December 31, 2019.

15. DISCUSSION AND ACTION, AND POSSIBLE APPROVAL OR DIRECTION TO STAFF REGARDING APPOINTMENTS TO THE STANDING ADVISORY COMMITTEE TO FILL VACANCIES IN EXISTING POSITIONS WHOSE TERMS EXPIRE DECEMBER 31, 2018, SUCH APPOINTMENTS TO BE MADE FOR NEW TERMS FROM JANUARY 1, 2019 TO DECEMBER 31, 2020 FROM THE FOLLOWING LIST OF CANDIDATES: (1) NEIL MCGUIRE, PRIMARY REPRESENTATIVE, IRRIGATION CUSTOMER; (2) MIKE SCHULEWITCH, PRIMARY REPRESENTATIVE, MULTI-FAMILY CUSTOMER; (3) DONALD KOWITZ, PRIMARY REPRESENTATIVE, COMMERCIAL CUSTOMER; (4) BRUCE GESCHIEDER, ALTERNATE REPRESENTATIVE, COMMERCIAL CUSTOMER; (5) ROBERT CHAMBERS, PRIMARY REPRESENTATIVE, SENIOR CITIZEN CUSTOMER; (6) KARL KATT, ALTERNATE REPRESENTATIVE, SENIOR CITIZEN CUSTOMER; (7) KEN MCNEIL, PRIMARY REPRESENTATIVE, AT-LARGE 1 CUSTOMER; (8) KEN BECKER, ALTERNATE REPRESENTATIVE, AT-LARGE 1 CUSTOMER; (9) JORDAN HASTINGS, PRIMARY REPRESENTATIVE, AT-LARGE 2 CUSTOMER; (10) CAROL LITSTER, PRIMARY REPRESENTATIVE, RESIDENTIAL 1 CUSTOMER; (11) DALE SANDERSON, ALTERNATE REPRESENTATIVE, RESIDENTIAL 1 CUSTOMER; (12) HARRY CULBERT, PRIMARY REPRESENTATIVE, RESIDENTIAL 2 CUSTOMER; (13) FRED ARNDT, ALTERNATE REPRESENTATIVE, RESIDENTIAL 2 CUSTOMER; (14) JERRY WAGER, PRIMARY REPRESENTATIVE, RESIDENTIAL 3 CUSTOMER; AND (15) SCOT MUNNS, ALTERNATE REPRESENTATIVE, RESIDENTIAL 3 CUSTOMER

Ms. Folsom presented the list of TMWA's Standing Advisory Committee (SAC) members whose terms are set to expire on December 31, 2018.

Member Brekhus inquired whether the SAC Members had term limits as she saw several of them who have served for over 10 years as she is aware of a number of people who would be interested in participating. Ms. Folsom replied no, there are no term limits, but staff accepts any letters of interest at any time and when there is a vacancy, present it to the Board. Per Member Brekhus, staff will bring back to the Board to discuss the prospect of creating term limits.

Upon motion by Member Dahir, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the appointments of: (1) Neil McGuire, primary representative,

irrigation customer; (2) Mike Schulewitch, primary representative, multi-family customer; (3) Donald Kowitz, primary representative, commercial customer; (4) Bruce Gescheider, alternate representative, commercial customer; (5) Robert Chambers, primary representative, senior citizen customer; (6) Karl Katt, alternate representative, senior citizen customer; (7) Ken McNeil, primary representative, at-large 1 customer; (8) Ken Becker, alternate representative, at-large 1 customer; (9) Jordan Hastings, primary representative, at-large 2 customer; (10) Carol Litster, primary representative, residential 1 customer; (11) Dale Sanderson, alternate representative, residential 1 customer; (12) Harry Culbert, primary representative, residential 2 customer; (13) Fred Arndt, alternate representative, residential 2 customer; (14) Jerry Wager, primary representative, residential 3 customer; and (15) Scot Munns, alternate representative, residential 3 customer to the Standing Advisory Committee to fill vacancies in existing positions whose terms expire December 31, 2018, such appointments to be made for new terms from January 1, 2019 to December 31, 2020.

16. DISCUSSION AND ACTION ON SCHEDULING REGULAR BOARD MEETING DATES AND TIMES FOR THE CALENDAR YEAR 2019

Ms. Folsom presented the TMWA Board of Directors 2019 meeting calendar and noted a few new proposed dates due to scheduling and/or Nevada Revised Statute (NRS) for the budget hearing in May.

Upon motion by Alternate Lawson, seconded by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved the regular board meeting dates and times for the Calendar Year 2019.

17. GENERAL MANAGER'S REPORT

Mr. Foree stated the reservoir storage is at two-thirds capacity and the snowpack is ahead of 100% at this time.

18. PUBLIC COMMENT

There was no public comment.

19. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus, in reference to the annexation update in the General Manager's report, requested a staff report on the StoneGate development.

Member Jardon expressed pleasure in having served on the TMWA Board of Directors these last few years; all the incredible work the board does, provides great service to the community, establishing the reserve fund, and great staff. Chair Hartung thanked Member Jardon for her contribution over the years.

20. ADJOURNMENT

With no further discussion, Chair Hartung adjourned the meeting at 11:50 a.m.

Approved by the TMWA Board of Directors in session on January 16, 2019.

Sonia Folsom, Recording Secretary

****Member Brekhus was present for agenda items 3 thru 21 only.***

*****Member Lucey was present for agenda items 1 thru 10 only.***

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that the developers proposing these high density tracks be held responsible for the infrastructure to support the population. After all they are the ones to make huge profits, they must make sure they community they are proposing is going to be safe and healthy. It is the correct and moral thing to do. Our city and county councils are elected in place to make sure the developers are held accountable, that our lands are developed in a suitable, safe and healthy manner.

The only way for any development to go forward in the Verdi area is if TWMA is 100 percent in place to manage and supply the the water. There are problems already with West Reno Water supplying what is currently being built. There is evidence all over the Reno area that small water companies have tried to supply water to new large developments and have failed horribly.

Drying up existing wells and leaving people in terrible situations.

Our wells in the Verdi area are rapidly degrading with all the construction now, the more new business and homes that are being approved and put in, the more they pump the West Reno Water Co. commercial wells. That water is coming out of our already highly diminished Verdi aquifer. The more land that is covered by homes, business,warehousing,parking lots,roadways etc. the less water can restore and replenish the aquifer. Call it over population or global warming or whatever you like the water is not there. We the residents in Verdi, on wells, are the ones to pay the price. No water in our wells our homes are worth nothing.

I thank you for your time today and want to wish everyone a Merry Christmas and have a Happy and Healthy New Year!

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Good Morning. My name is Alice House. My husband and I live in the Belli Ranch Subdivision. We have resided there for 30 plus years. Some of you already know the history of my 2 wells. I want to go over it once again, it's important to all the new development that is going on in the Verdi area. When we put our first well in it was approximately 340 feet gave us about 30 gpm. We had beautiful landscaping, grass and trees all around the home. After a about 8-10 years that well stopped producing enough water to sustain the landscaping and our house. So we downsized the yard, took out over 50 percent of the lawns, that helped only for a short time. That well stopped producing altogether. It's a terrifying feeling to wake up to find that there is absolutely no water in your home. After a huge process of obtaining permits. We put in our second well at just over 600 feet. It started out with about 28 gpm with a rapid recovery rate. We bought more water rights so that we could put in a cistern to keep our downsized landscape alive and have enough water to maintain the house. That did not last. After a few years the recovery rate was slowing and the well could not keep up, so once again we made the very hard and arduous decision to get rid of almost all of our lawns. We have only one very small lawn remaining. We have now taken out 90 percent of our landscape and replaced it with high desert landscape "rocks and astroturf". The well produces between 8-10 gpm and has a very slow recovery rate. The water quality is very poor. We have 3 different water treatment systems in our house just to make the water useable. I have talked with many of my friends and neighbors they also have very bad water and are experiencing many of my same problems with their wells. Many of my neighbors will not drink their water. I have a lot of friends in lower Verdi with the same poor water quality and are having problems with the production in their wells. My point to all of this is the Verdi aquifer is disappearing there is not enough water remaining to support the growth incroching in our high desert community. The natural artesian springs that watered our beautiful wildlife are now gone. Much of the water has been sold off for profit. We must insure

December 12, 2018

The Truckee Meadows Water Authority's Board meeting, scheduled for December 13, 2018, has a status update on the acquisition of the West Reno Water system at **agenda item #12**,

The use of this system was "approved" by the City of Reno on January 13, 2016 for the Meridian 120 North development.

The water system is a ground- water- only system that has been limited to 100 afa by the Nevada Division of Water Resources (NDWR) because of the uncertainty of its sustainability and the effect on the area's domestic wells.

The approval by the State Engineer's office was granted PRIOR to their knowledge of the RMC for the Mortensen-Garson (MG) properties and the court agreement for TMWA.

The system is not in compliance with RMC for "surface water as the primary source of water" and the requirement to "follow the Plan".

The system is against a court agreement where TMWA is to supply the MG properties.

TMWA's absorption of Washoe County's water system did NOT invalidate the court agreement - which is binding and in effect until the properties are built out.

Of concern in the status update is West Reno Water's pursuit to obtain the necessary authorizations to become a "regulated public utility and community water system."

I have been in contact with Cindi Turiczek at the Public Utilities Commission.

The community will intervene at the time the application for the Certificate of Public Conveyance (CPC) is filed.

I am in the process of contacting Ellen Messinger-Patton at the Washoe County Health Department to see what protest can be filed with the health department.

Discussions with NDWR have revealed no more maps will be signed until there is clarification on the RMC/court agreement.

West Reno Water needs to know the community will fight at every level possible to prevent their becoming a "community water system".

This would be to the detriment of the domestic wells in the area and would go against agreements made through the courts when the MG properties were annexed.

I will also be contacting Bates Construction letting them know of the community's intent to fight at all levels - which will further delay the ARGOS development.

An error was made when the system was approved and it needs to be remedied - not compounded.

It is time for the City of Reno to correct the error.

The City needs to tell Reno Land Development and West Reno Water that the acquisition by TMWA is the only way to remedy the water issue and the only way the ARGOS development can go forward.

I will point out that Reno Land Development, Wood Rogers, and the City's planning staff knew about the RMC for water at the time Meridian 120 North was submitted to the City for approval.

I point this out because Reno Land and the City created a problem and both need to fix it.

I do not know at this time if I will be able to attend tomorrow's TMWA Board meeting to voice my concerns.

Thank you,

Adrian Argyris

775-343-2959