

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE MAY 21, 2020
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Thursday, May 21, 2020, via Zoom Virtual Meeting, Reno, Nevada. Chair Hartung called the meeting to order at 2:07 p.m.

1. ROLL CALL

Members Present: Paul Anderson, Jenny Brekhus, Kristopher Dahir, Naomi Duerr, Neoma Jardon, Vaughn Hartung, and Jeanne Herman.

A quorum was present by telephonic appearance.

2. PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Member Brekhus.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE MINUTES OF THE APRIL 10, 2020 MEETING

Upon motion by Member Dahir, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the April 10, 2020 minutes.

6. PUBLIC HEARING ON RATE AMENDMENT

A. INTRODUCTION AND FIRST READING OF TMWA'S PROPOSED RATE SCHEDULE INTERRUPTIBLE LARGE VOLUME NON-POTABLE SERVICE (ILVNPS)

John Enloe, TMWA Director of Natural Resources, introduced the proposed water rate schedule, which would delivery water, at the sole discretion of TMWA, for non—potable uses of water such as instream water quality, instream return flows, environmental, or other authorized purposes. Service would only be available for direct deliveries on the Truckee River in excess of 15 acre-feet annually. The rate for this water service is \$47/acre foot, which is the same rate in the City of Reno, City of Sparks and TRI General Improvement District (TRIGID) Return Flow Management Agreement (RFMA), which RFMA rates are incorporated into the tariff for customers under the RFMA.

At this time the Board discussed the tariff’s implication to Truckee Meadows Water Reclamation Facility (TMWRF) (the RFMA relates to reclaim service from TMWRF, which would deliver reclaimed water to TRIGID and reduce discharging effluent into the river); the RFMA to deliver water to TRIGID (the construction of the pipeline will begin this year with delivery of reclaimed water in late 2022); and efforts by the City of Sparks has been working with TMWA on this proposed water schedule for some time. Member Brekhus expressed concerns about lack of transparency with this being the first time she has heard of this and would need more technical information for her to reconsider at the second hearing.

B. PUBLIC COMMENT

There was no public comment.

Upon motion by Vice Chair Dahir, second by Member Jardon, which motion duly carried by six to one with Member Brekhus dissenting, the Board moved to refer to a second reading of TMWA’s proposed Rate Schedule Interruptible Large Volume Non-Potable Service (ILVNPS).

CLOSE PUBLIC HEARING

7. PRESENTATION OF THIRD QUARTER FISCAL YEAR 2020 FINANCIAL RESULTS

Matt Bowman, TMWA Financial Controller, provided an overview of the third quarter financial results for fiscal year 2020. Mr. Bowman stated the current financial impact related to the coronavirus pandemic has not been significant at this time, and while there is a reduction in commercial water sales, residential water use has increased. Staff is continuing to monitoring revenue and collections as well as curtailing spending; change in net position is \$7.4m ahead of budget; operating revenue is down about \$3.5m including water sales which are down \$2.7m; hydroelectric sales are up from last year; operating expenses are \$5.4m lower than budget, of that, \$3.6m is directly related to lower services and supplies costs, which includes \$1.2m of true savings related to lower power costs and chemical usage; non-operating expenses are \$3.6m lower than budget due to higher investment income; there is a decreased interest expense year over year related to lower principal balances of debt specifically related to commercial paper, which is down to \$16m principal balance, with an additional payment of \$5m scheduled for next fiscal year; capital contributions are \$1.8m higher due to increased developer contributions; and lastly, capital spend through three quarters is \$30.8m and expect to spend between \$40 and \$45m, which is about 70-75% of total \$58m budget.

Discussion followed regarding the impact of the casino and hotel closures due to the coronavirus pandemic and if revenues mirror the 2016 financials when increased conservation was requested from customers, Michele Sullivan, CFO stated that commercial revenues are down about 20%, but it is compensated by residential water sales which are up, so we are not in the same situation as 2016. Also, it was asked if there would be a call for conservation since models show we are at the onset of a drought, Mark Foree, General Manager replied that our reservoirs are at 80% of maximum capacity, which ensures at least 2-years of normal river flows, so no additional conservation will be requested. Discussion continued as to whether TMWA will be seeking additional grant funding for larger projects in infrastructure due to the pandemic. At this time, there are no federal bills in terms of grant funding related to water infrastructure, but staff is tracking all costs in case an opportunity presents itself to apply to FEMA.

8. PUBLIC HEARING ON ADOPTION OF BUDGET

A. DISCUSSION, AND ACTION ON REQUEST FOR ADOPTION OF RESOLUTION NO. 285: A RESOLUTION TO ADOPT THE FINAL BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2021 AND THE 2021-2025 FIVE-YEAR CAPITAL IMPROVEMENT PLAN (CIP)

Michele Sullivan, TMWA Chief Financial Officer, and Mr. Bowman requested the Board adopt the final budget, which reflects deferring the 2.5% rate increase until September (a \$600k reduction), and took out an additional \$300k in hydroelectric revenue due to expected downtime to repair the Washoe Flume. There were small changes to the CIP, which increased by \$1m in FY 2021, related to the Spanish Springs main replacement project, but reduced additional costs in following years so the total increase to customers is zero.

Member Brekhus asked for an explanation regarding the \$1m in Spanish Springs, if staff had better data to understand older parts of the system, to identify what were new or continuing projects (as best practice), and if the South Truckee Meadows General Improvement District (STMGID) treasury had been spent in its entirety. Danny Rotter, TMWA Engineering Manager, replied the Spanish Springs main replacement project was identified a long time ago since this area has historically experienced more leaks and repairs due to substandard materials. With elevated nitrate levels slowly increasing, it was a better solution to upgrade the current emergency intertie to the Great Basin Water Co., add back flow and have more of a normal emergency connection; there was no capacity or fire flow increases. Also, in the redevelopment of the older parts of town a main replacement is necessary usually due to the inability to deliver current fire flows through an undersized pipe that still has at least 10-15 years of life left, but increased capacity is necessary. Finally, staff has a data report that analyzed main replacement priorities in the system but will be updating it in the next couple of years. Mr. Bowman replied there is about \$5m left in the STMGID treasury and Ms. Sullivan added the funds will probably be depleted in the next three years.

Member Duerr asked if TMWA will be providing payment schedules for people having difficulty making their monthly payments. Ms. Sullivan replied they have suspended shut offs for non-payments and

charging late fees. They have not seen a huge increase in past due payments, but may see an increase in the future and are communicating with customers that they should contact TMWA if they need to discuss their water bills and they can set up a payment plan.

B. PUBLIC COMMENT

There was no public comment.

Upon motion by Member Duerr, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 285: A resolution to adopt the final budget for the Fiscal Year ending June 30, 2021 and the 2021-2025 Five-Year Capital Improvement Plan).

CLOSE PUBLIC HEARING

9. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING THE APPOINTMENT OF KRISTINE BROWN TO THE STANDING ADVISORY COMMITTEE (SAC) TO FILL THE RENO-SPARKS CHAMBER OF COMMERCE CUSTOMER REPRESENTATIVE PRIMARY POSITION FOR TERM ENDING DECEMBER 31, 2021

Sonia Folsom, TMWA SAC Liaison, presented the staff report.

Upon motion by Vice Chair Dahir, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the appointment of Kristine Brown to the Standing Advisory Committee (SAC) to fill the Reno-Sparks Chamber of Commerce customer representative primary position for term ending December 31, 2021.

10. GENERAL MANAGER'S REPORT

Mr. Foree reported we currently have about 80% of maximum storage, which will provide about 2-years of normal river flows and hydro generation, Tahoe is about one foot below its maximum level. No need to discuss or request extreme conservation measures. Washoe Flume failure – we had it slated for replacement in about a year and half when it failed and we are now in the process of getting bids to rebuild.

Member Duerr asked when was the last time that reservoirs filled at 80% maximum. Mr. Foree replied since the 2015 drought, two of the last three years have been great snowpack years, which has ensured normal river flows since.

Pat Nielson, Director of Distribution, Maintenance & Hydro Generation, reported the lower section of the Washoe Hydro Flume that collapsed was scheduled for repair next year and the upper section was slated

for repair this year. Both sections have been designed and are ready to bid with construction to begin as soon as possible on the 90 box section below Boomtown. Unfortunately, some wood debris ended up in the river and TMWA had to hire divers to assist in retrieving the material; fortunately, no one got hurt.

Member Brekhus inquired about the annexation into TMWA inventory through the Fish Springs inventory, if it is the largest one to date, and where will the effluent go. Mr. Zimmerman replied he would have to check, but does not believe that is the case. Mr. Enloe added the majority of the water would sewer to the Stead or Lemmon Valley plants.

Member Brekhus asked if the connection fee to Vidler is higher than Truckee River water rights. Mr. Enloe replied yes, the Vidler cost per acre foot is more than Truckee River water rights, but there are other costs they do not incur, such as the return flow requirement, and the 0.11 drought factor that has to be dedicated. Comparing the total cost of water rights and WSF fees, Fish Springs water is about \$2-\$3,000 more per lot.

Andy Gebhardt, TMWA Director of Operations & Water Quality, reported that TMWA is still operating under Pandemic Level 3 in our plan, which is keeping critical functions operating. Following the governor's plan to ease the shutdown restrictions as the state reopens, TMWA will reopen slowly. Employees will be screened to ensure the environment is safe and employees are healthy. Jessica Atkinson, TMWA Human Resources Manager, added we have been working on TMWA policies to ensure a safe return to work, utmost testing and delivery of safe drinking water as we head into the irrigation season and the need to ensure customers know of their water days.

Vice Chair Dahir inquired about the river and homeless situation and commended TMWA in keeping employees safe and healthy. Mr. Gebhardt replied that everyone has been doing a great job in keeping the river clear, and no employee has tested positive for the virus.

Chair Hartung inquired if TMWA has implemented contact tracing and recommended putting aside any funds available for rapid testing should the need arise. Ms. Atkinson replied yes, each TMWA location is broken into areas or employees to stay in their respective work areas if they have to enter the building and they are keeping the crews together for a duration of time to better identify and limit exposure should any employee fall ill.

11. PUBLIC COMMENT

There was no public comment.

12. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus noted the City of Reno has started work on expanding the Reno-Stead Water Reclamation Facility (Stead) and requested more information about effluent water leaving the plant and how long before it becomes drinking water and TMWA's responsibility; in order to have a better understanding at the Stead facility.

Member Duerr wanted to take a moment to acknowledge the end of the 30-year litigation in Southern Nevada Water Authority withdrawing their application to build the pipeline from Eastern Nevada to Las Vegas and requested an update on the progress of the Portland Loo project.

13. ADJOURNMENT

With no further discussion, Chair Hartung adjourned the meeting at 3:26 p.m.

Approved by the TMWA Board of Directors in session on Wednesday, June 17, 2020.

Sonia Folsom, Board Clerk.