

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE AUGUST 19, 2020
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, August 19, 2020, via Zoom Virtual Meeting, Reno, Nevada. Chair Hartung called the meeting to order at 10: 01 a.m.

1. ROLL CALL

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

Members Absent: Kristopher Dahir

A quorum was present by telephonic appearance.

**Member Jardon arrived at 10:10 a.m.*

2. PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Andy Gebhardt, TMWA Director of Operations & Water Quality.

3. PUBLIC COMMENT

There was no public comment.

13. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Chair Hartung elected to move item 13 to the beginning of the meeting. Chair Hartung expressed his condolences on the passing of Mayor Ron Smith, City of Sparks, and requested staff to send something to his family on behalf of TMWA in honor of Mayor Smith. Also, Chair Hartung acknowledged Lydia Peri, TMWA Engineering Resource Program Administrator, for receiving the graduate studies scholarship from Water Environment Federation (WEF). John Enloe, TMWA Director of Natural Resources, added that it is the only scholarship that WEF gives per year for graduate students, and it is for her work on the advanced purified water initiative.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE MINUTES OF THE JUNE 17, 2020 MEETING

Upon motion by Member Brekhus, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the June 17, 2020 minutes.

6. PRESENTATION ON TMWA'S WATER MAIN REPLACEMENT PROGRAM

Danny Rotter, TMWA Engineering Manager, presented on TMWA's prioritized main replacement program and acknowledged Holly Flores, TMWA Principal Engineer, who finalized the report in 2015 with the support from the GIS Team. The report provides an inventory and analysis of TMWA's infrastructure with short- and long-term plans, which requires coordination with local entities, that are sustainable and reduce risk over time, to ensure a viable system for the community.

At this time, the Board addressed the amount of water volume lost with main breaks and leaks (about 6% in non-revenue water is lost); if any of the water testing conducted indicated any issues with the pipe materials, such as the asbestos cement (no, there have not been any asbestos issues in the water with the transite pipes); how TMWA coordinates with local entities (staff decides whether to follow a street and sewer project if the water line falls into the category of steel or cast iron and how much life is left in the pipe); what is TMWA's preferred material (PVC and ductile liner, and they use both in the system); and the importance of maintaining existing infrastructure in established neighborhoods regardless of where it is as long as it is within TMWA's Service Area (TMWA often follows road projects for cost effective replacements, but will initiate a separate project if the water mains have risen over the threshold to warrant replacement).

Chair Hartung confirmed the water leak at Vista Boulevard in 2019 was a blow-off valve that failed, not the water main, and TMWA requires developers to use materials that are up to TMWA standards. Mr. Rotter replied that is correct.

7. DISCUSSION AND POSSIBLE DIRECTION FROM BOARD REGARDING THE EVALUATION PROCESS FOR CONDUCTING GENERAL MANAGER'S PERFORMANCE REVIEW

Jessica Atkinson, TMWA Human Resources Administrator, presented the staff report and informed the Board they will receive the link to the survey on August 24th and two weeks to complete. The final evaluation will be presented at the September 16 Board meeting.

No action taken.

8. PRESENTATION OF PRELIMINARY FISCAL YEAR 2020 UNAUDITED FINANCIAL PERFORMANCE

Matt Bowman, TMWA Financial Controller, informed the Board that total operating revenues came in at \$1.6m (within 1%) lower than budget; water sales revenue came within \$200k (1%) of budget; TMWA had a strong fourth quarter of FY 2020 due to an increase in residential and irrigation revenues, despite a decrease (about 25%) in commercial water sales, although commercial water sales make up only about 12% of overall revenue; connections increased 2% year over year; overall operating expenses was \$7.6m (8%) lower than budget; salaries and wages were down from budget due vacant positions; services and supplies were lower by about \$3.9m; non-operating expenses were \$4.0m under budget (which is attributed to increased investment earnings); and lower interest expense of \$0.4m which is mostly due to our commercial paper program having lower rates (which is down to \$14.5m and expect to pay it off within the next three years).

Member Brekhus stated she was pleased with the progress made towards paying down the commercial paper debt and inquired how the stock market is impacting TMWA's balance sheet. Michele Sullivan, TMWA Chief Financial Officer, replied the stock market does affect PERS, however doesn't have a substantial impact on TMWA's investments.

Chair Hartung stated TMWA has had strong financial advisors since inception, Ms. Sullivan and Mr. Bowman are doing amazing work, and he is pleased with the steady financial position at TMWA.

9. DISCUSSION AND ACTION, AND POSSIBLE RECONSIDERATION AND MODIFICATION OF IMPLEMENTATION OF PHASE THREE, PHASE FOUR AND/OR PHASE FIVE RATE ADJUSTMENTS IN AMOUNT OF 2.5% EACH CURRENTLY SCHEDULED TO BE IMPLEMENTED ON FIRST BILLING CYCLE IN SEPTEMBER 2020, MAY 2021 AND MAY 2022

Ms. Sullivan, presented the staff report recommending the Board to defer to May 2021 the Phase 3 rate increase that was deferred at the April meeting for implementation to September 2020 and recommended the Board also defer phases four and five to May 2022 and 2023, respectively, as a result of the economic impacts the COVID pandemic has had on customer and the local economy. FY 2020 ended 2% better than planned, but still 5.8% short on costs of service versus operating revenue. She stated they are forecasting quite a large deficit in funding for FY2021. Also, the senior lien coverage target is 1.5x and the delay makes it close to being under that target, so we need to ensure we do not get downgraded by credit rating agencies and implement a rate plan.

Member Duerr inquired if the surplus or deficiency as a percent of cost of service if it is cumulative or annual calculation. Ms. Sullivan replied that they are an annual calculation and the numbers are reflective of implementing the 2.5% rate increases for the next three years.

The Board discussed the need to tie the deferral of the rate increases to COVID-19 and whether to cancel phase three that is currently scheduled to be implemented in September. Discussion occurred regarding the scope of the original Resolution (No. 250) which was adopted in 2017 and the scope of the amendment

(Resolution No.269) and whether a new resolution should be brought before the Board given the passage of time. Legal counsel noted that those resolutions authorized the Board to lower, defer or cancel implementation of the approved phases, and that a decision to defer further would be an implementation of those prior resolutions. The Board discussed that all three phases of the 2.5% rate adjustments are required to minimize the funding gap over the next five years and the need to defer Phase 3, 4 and 5 increases due to economic and COVID factors.

Upon motion by Member Duerr, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved to defer the implementation of the Phase Three, Phase Four and Phase Five rate adjustments in amount of 2.5% each currently scheduled to be implemented on first billing cycle in September 2020, May 2021 and May 2022 respectively, to be implemented on the first billing cycle in May 2021, May 2022, and May 2023, respectively.

10. DISCUSSION AND ACTION, POSSIBLE DIRECTION TO STAFF AND POSSIBLE APPROVAL OF MEMORANDUM OF UNDERSTANDING (MOU) WITH CARSON CITY AND STOREY COUNTY REGARDING IDENTIFICATION AND AVAILABILITY OF SURPLUS WATER RESOURCES IN THE MARLETTE LAKE WATER SYSTEM

John Enloe, TMWA Natural Resources Director, reported that staff has been working with the State of Nevada, Carson City and Storey County and have clarified the initial misconceptions regarding TMWA's intent to utilize the surplus water from the Marlette Lake Water System. Mr. Enloe confirmed that Carson City and Storey County have first priority to the water rights for existing and planned future water uses. Storey County is drafting a master plan for future water service in areas that do not currently have water service now. The MOU provides for a two-year timeframe to work on the details with all three entities and bring back an agreement to the Board identifying the surplus water and under what circumstance it would be available to TMWA.

Member Brekhus said she originally opposed this agreement, but now approves since it will provide Carson City and Storey County the resources to invest in their system and improve their issues. Member Brekhus stated private importation projects are not beneficial to our region and doesn't think they should have a place in TMWA's 2020-40 Water Resource Plan. She inquired if the Marlette Lake agreement was an importation project. Mr. Enloe replied no, this is not an importation project. There are two components to the water supply from the Marlette Lake Water System: water flows directly into Lake Tahoe from Marlette Lake and water flows down into the Truckee River watershed from the east slope through Franktown Creek, much of which is currently not accounted for.

Mr. Enloe introduced Eddy Quaglieri, Carson City Public Works Water Utility Manager, to provide additional information. Mr. Quaglieri stated that they are going through a rate increase that has been deferred from November 2020 to January 2021, which will assist in upgrading the water treatment plant and treat the turbidity issues with Marlette Lake water.

Member Herman stated this was a very wise move and thanked staff for their continuous work.

Upon motion by Member Anderson, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the Memorandum of Understanding (MOU) with Carson City and Storey County regarding identification and availability of surplus water resources in the Marlette Lake water system.

11. GENERAL MANAGER'S REPORT

Mr. Foree reported Lake Tahoe is about 70% maximum capacity, combined reservoir storage is two-thirds which is very good considering it is near the end of summer.

Member Duerr thanked TMWA staff on their efforts in the Portland Loo project installation, which is upstream of the Glendale diversion, and suggested that staff consider newer options, that may be cheaper and easier to maintain, for the next phases of installation.

Chair Hartung agreed and suggested there is a local company that could be partnered with to install future loos in order to keep the funds local.

12. PUBLIC COMMENT

Mr. William Bowden submitted a comment regarding his purchase of a duplex in 2012. Since then, he has built a new duplex on the same property, which does not have water service. Mr. Bowden expressed his frustration that TMWA has not eased their requirement of installing back flow valves and does not understand why since he was informed that by parceling the property, it would waive the back-flow requirements.

13. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Chair Hartung again expressed his condolences on the passing of Mayor Smith and said their thoughts and prayers are with his family. He would like Mr. Foree to send something on behalf of TMWA and the Board to Mayor Smith's family in his honor and contribution over the years. Also, he congratulated City of Reno for appointing their new city manager.

Member Duerr also wanted to note the passing of former chair of the Pyramid Lake Paiute Tribe (PLPT) Norman Harry, who passed unexpectedly. Mr. Harry played a major part in the Truckee River Operating Agreement (TROA) and Member Duerr asked for staff to recognize Mr. Harry's contributions at the next meeting.

14. ADJOURNMENT

With no further discussion, Chair Hartung adjourned the meeting at 12:01 p.m.

Approved by the TMWA Board of Directors in session on September 16, 2020.

Sonia Folsom, Board Clerk.

Member Jardon was present for agenda items 6 thru 13 only.