

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE APRIL 10, 2020
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Friday, April 10, 2020, via Zoom Virtual Meeting, Reno, Nevada. Chair Hartung called the meeting to order at 1:00 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

Chair Hartung elected not to hold the Pledge of Allegiance due to social distancing and technical difficulty in conducting the pledge on the Zoom platform.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE MINUTES OF THE FEBRUARY 19, 2020 MEETING

Upon motion by Member Anderson, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the February 19, 2020 minutes.

6. PRESENTATION ON TMWA'S RESPONSE TO THE COVID-19 CORONAVIRUS PANDEMIC

Andy Gebhardt presented the report and gave special recognition to Ian Dasmann, TMWA Emergency Planning Administrator & Jessica Atkinson, TMWA Human Resources Manager, in drafting the pandemic

response plan. TMWA has been at Level 3, only essential staff have remained onsite, since March 18th after Governor Sisolak declared a state of emergency. Mr. Gebhardt also commended TMWA's communication team for their response in effectively communicating with the community and employees to ensure TMWA's ability to continue to provide safe drinking water. Ms. Atkinson added all TMWA employees are mission critical, adhering to safety guidelines and are being safe with no confirmed cases. TMWA staff also advised they are temporarily suspending shut-offs due to non-payment in response to the emergency declaration and are also assisting in standing up the trailers on Edison Way in preparation for overflow of COVID-19 patients who need a place to quarantine

The Board thanked staff for their efforts, recognizing all TMWA employees are essential to guarantee the efficiency of TMWA operations and delivery of quality safe water to the community. As well as.

7. DISCUSSION AND POSSIBLE ACTION ON REQUEST FOR RATIFICATION OF GENERAL MANAGER'S DECLARATION OF EMERGENCY WITH RESPECT TO PROCUREMENT AND OTHER MATTERS AS A RESULT OF COVID-19 PANDEMIC

Mark Foree, TMWA General Manager, requested the Board ratify the general manager's declaration of emergency for any required equipment, material, service or contract procurements related to COVID-19.

Michael Pagni, TMWA General Counsel, added the declaration applies solely to contracts that are directly related to the emergency; all other contracts follow the regular process under Chapters 332 and 338.

Upon motion by Member Jardon, second by Vice Chair Dahir, which motion duly carried by unanimous consent of the members present, the Board approved the ratification of General Manager's Declaration of Emergency with respect to procurement and other matters as a result of COVID-19 pandemic.

8. PUBLIC HEARING ON RULE AMENDMENT

A. RULE AMENDMENT, SECOND HEARING AND ADOPTION: DISCUSSION AND ACTION ON RESOLUTION NO. 282: A RESOLUTION TO ADOPT AMENDMENTS TO TMWA WHOLESALE WATER RATES, LARGE VOLUME RESALE SERVICE (LVS) RATE TARIFF (CURRENTLY APPLICABLE TO THE SUN VALLEY GENERAL IMPROVEMENT DISTRICT (SVGID) WHOLESALE WATER AGREEMENT)

John Zimmerman, TMWA Water Resources Manager, stated the proposed changes are in line with the amendment to the SVGID wholesale agreement which increases the volume level of Tier 1 and expands the service territory area.

Chair Hartung confirmed the changes do not affect the customer rates themselves. Mr. Zimmerman replied no, just the volume level and service territory.

Member Brekhus inquired about the development project and what would happen if the development disappears or expands. Mr. Zimmerman replied the proposed development is called Five Ridges development, which is a 400 unit subdivision in City of Sparks within the SVGID service territory and if there are any changes to the proposed development, if it was outside the wholesale service territory, it would come back to this Board.

Vice Chair Dahir added that this development is in his ward and they are looking to move forward quickly.

Upon motion by Member Jardon, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 282: A resolution to adopt amendments to TMWA Wholesale Water Rates, Large Volume Resale Service (LVS) rate tariff (currently applicable to the Sun Valley General Improvement District wholesale water agreement).

B. RULE AMENDMENT, SECOND HEARING AND ADOPTION: DISCUSSION AND ACTION ON RESOLUTION NO. 283: A RESOLUTION TO ADOPT AMENDMENTS TO TMWA RULE 2 GENERAL CONDITIONS FOR DELIVERY OF WATER, RULE 3 APPLICATION FOR, AND DISCONTINUANCE, TERMINATION, AND RESTORATION OF THE DELIVERY OF WATER, AND RULE 4 PAYMENT FOR THE DELIVERY OF WATER

Michele Sullivan, TMWA Chief Financial Officer, stated the proposed amendments are relatively minor and are mainly to align a few processes with the new customer information system.

Vice Chair Dahir inquired about why the grace period to pay a bill is automatically cancelled if over \$10. Ms. Sullivan replied that it only applies to customers on the budget payment plan, which also requires customers be on autopay.

Upon motion by Vice Chair Dahir, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 283: A resolution to adopt amendments to TMWA Rule 2 general conditions for delivery of water, Rule 3 application for, and discontinuance, termination, and restoration of the delivery of water, and Rule 4 payment for the delivery of water

C. PUBLIC COMMENT

The Chair asked for public comment prior to action being taken. There was no public comment on either item 8A or 8B.

9. DISCUSSION AND POSSIBLE ACTION, AND DIRECTION TO STAFF REGARDING THE APPROVAL OF AN INTERLOCAL AGREEMENT WITH WASHOE COUNTY FOR IMPLEMENTATION OF THE P25 RADIO SYSTEM

Pat Nielson, TMWA Director of Distribution, Maintenance & Generation, stated TMWA is currently a member of the Regional Public Safety Radio System and the proposed interlocal agreement is for the updated radio system Washoe County is implementing. TMWA has updated our radios and we are electing to pay the up front cost of TMWA's prorated share of the new system rather in one payment rather than financing it over time.

Member Brekhus inquired if TMWA considered joining the State of Nevada system. Mr. Nielson replied we did consider it, but the state did not provide any support and Washoe County does.

Vice Chair Dahir added the City of Sparks also had the opportunity to go with the State of Nevada or Washoe County, and thought it better to go with Washoe County.

Upon motion by Member Anderson, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the Interlocal Agreement with Washoe County for implementation of the P25 Radio System.

10. DISCUSSION AND POSSIBLE ACTION ON RESOLUTION NO. 284: A RESOLUTION TO APPROVE FUNDING FOR ONE OR MORE OF THE PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS (RESOLUTION MAY REFLECT ACTION TAKEN IN ONE OR MORE VOTES ON RECOMMENDED PROJECTS)

John Enloe, TMWA Director of Natural Resources, presented the staff report.

Upon motion by Member Jardon, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 284: A Resolution to approve funding for one or more of the projects recommended by the Truckee River Fund Advisory Committee and an authorization for the Community Foundation to fund such projects from Fund proceeds.

11. PRESENTATION OF FINANCIAL PERFORMANCE FOR THE FISCAL YEAR FIRST HALF ENDED DECEMBER 31, 2019

Matt Bowman, TMWA Financial Controller, presented the staff report. Currently, the fiscal impact related to COVID-19 has resulted in minimal expenses, residential water sales are up but commercial water sales have significantly decreased (estimate approximately \$900,000) since the closure of non-essential businesses. Staff is reviewing TMWA's financials on a daily basis to monitor the financial impacts from the pandemic and will bring any significant findings back to the Board. The financial performance for the first half of fiscal year 2020 have shown water sales are down 3% through March, operating expenses are also lower due to lower chemical and power costs as well as moving two projects from operating expenses to capital costs: Glendale Diversion Dam and the new Customer Information System. Employee benefits

are lower due to pending amortization of Public Employees Retirement Services (PERS) and capital contributions are about 10% higher than budget due to an increase in payments in the first quarter, likely due to the change in fees that occurred on October 1. In the second quarter developer contributions have leveled off.

12. DISCUSSION AND POSSIBLE ACTION ON THE TMWA REVISED-TENTATIVE BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2021 AND DRAFT CAPITAL IMPROVEMENT PLAN (CIP) FOR FISCAL YEARS 2021 THROUGH 2025

Mr. Bowman informed the Board that staff had drafted the tentative budget, but revised it due to the coronavirus pandemic and modeled the revenue changes after the 2008-09 recession. Staff projects an estimated reduction of operating revenue in commercial water sales of about 15% in the first half, and another 10% in the second half, of fiscal year 2021 (totaling about \$3.25 million), with an additional \$0.5 million for non-payment, a total reduction of approximately \$3.8 million; water sales are about \$2.5 million behind through March due to weather; staffing levels will remain the same saving \$0.5 million; also reduced operating expenses by removing a \$1.7 million non-cash PERS related expense, \$1 million out of services and supplies expenses, which includes \$700,000 from usage or demand related chemicals and power expenses, and approximately \$300,000 from other reductions across departments. Also, a projected decrease in developer contributions of about \$5.1 million is also related to economic slowdown related to COVID19. The increase in salaries and wages of about 6% compared to FY20 budget includes 2.0% of which is a reclass in existing salaries that used to be charged to capital. Staff anticipates investment income to be lower by \$0.6 million; interest expenses are expected to decrease by \$0.5 million due to principal reductions in debt; TMWA will be making its first principal payment on its Series 2017 debt of \$10.5 million in FY 2021; and an individual increase in capital contributions is due to two projects for a total of \$3.9 million in contributions from developers. Cash flow statement shows: \$53.7 million reserved for construction of capital assets; \$5 million reserved to pay down commercial paper; the debt service coverage (DSC) ratio is at 1.62 (the DSC required by bank covenants is 1.25 and TMWA has a financial goal of maintaining 1.5), which is lower than it has been in the past, but there is some flexibility; and TMWA's credit ratings remain in good standing.

Ms. Sullivan presented the draft FY2021-25 CIP, which shows that customer funded projects have not increased and remain stable, projected spend in fiscal year 2021 is \$53.7 million, a reduction of \$3.4 million in delaying projects from the original tentative budget, due to delays related to the pandemic and there is a small increase in the overall funding plan. Alternative funding for major projects are the Orr Ditch Hydro project to be funded by the Farad insurance settlement, and the water meter retrofit fund (as well as developer fees) will be used to partially fund the Automated Meter Infrastructure (AMI) project, and the Advanced Purified Water (APW) demonstration facility will be partially funded by the sustainability fund. There is also an increase in water main improvements that coincides with RTC street upgrades, which TMWA has always done to minimize costs. Additional projects to note are the completion of the Mt. Rose Water Treatment Plant in 2020 (\$4 million), Verdi expansion projects (\$4.4 million), Orr Ditch Hydro Facility (\$1.1 million), AMI project (\$2.1 million), the complete replacement

of the Customer Information System (CIS) project which will replace all billing collections, dispatch service orders and customer portal (\$1.0 million) and security upgrades (\$760,000).

Chair Hartung inquired about the possibility of moving \$200,000 aside to address the river issues directly related to water quality, to assisting efforts to relocate some of the homeless population away from the river. Ms. Sullivan replied, yes, they could move some of the money from budgeted funds for the Truckee River Fund (TRF) and fund the TRF at a lower level, if that is what the Board would like to consider.

Member Brekhus inquired about the anticipated drop in development contributions, questioned the efficacy of the CIP projects aligning with RTC projects, and where would the additional funds come from to pay down the commercial paper if the rate increase was deferred. Mr. Bowman replied their estimations on development contributions are conservative based on the 2008 recession. Ms. Sullivan added TMWA is doing better than budget collecting developer contributions to date, but reminded the Board the developer contributions do not go into the calculations for customer rates. Ms. Sullivan also recognized part of the Rate Stabilization Fund (RSF) be used if the Board sees fit in times of economic and climate uncertainty. Danny Rotter, TMWA Engineering Manager, added TMWA has a water main replacement program that goes beyond following street repair projects throughout TMWA's service area, such as evaluating older water main lines that do not meet a financial replacement threshold and can remain in place for an additional 20 or more years; he can provide a more detailed staff report at a future board meeting.

The Board agreed with staff's approach and thanked staff for their conservative approach and recommendations, and approved setting aside \$200,000 to address water quality issues (including homeless encampments) along the Truckee River.

Upon motion by Member Duerr, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the Revised-Tentative Budget for the Fiscal Year ending June 30, 2021, with the amendment to move \$200,000 from the Truckee River Fund budget to address specific river water quality improvements, and Draft Capital Improvement Plan (CIP) for Fiscal Years 2021 through 2025.

13. DISCUSS AND ACTION, DIRECTION TO STAFF, AND POSSIBLE RECONSIDERATION AND MODIFICATION OF IMPLEMENTATION OF THIRD PHASE 2.5% RATE ADJUSTMENT CURRENTLY SCHEDULED TO BE IMPLEMENTED ON FIRST BILLING CYCLE IN MAY 2020

Ms. Sullivan stated given the situation in our community due to the COVID-19 pandemic, and provided TMWA is able to maintain its credit ratings, staff has identified different scenarios for possibly delaying the May 2020 rate increase for Board consideration. However, the longer the rate increase is delayed the bigger the funding gap will be. Ms. Sullivan recognized the Board can decide to utilize up to \$3 million of the Rate Stabilization Fund, as well as the \$5 million intended to pay down the commercial paper, which can be delayed in paying down until a later date, if it believes that is prudent.

The Board discussed the best approach in possibly delaying the rate increase without jeopardizing TMWA's financial situation and DSC ratio any further, and mitigating any negative impact on its customers. The Board decided to capitalize on the RSF and use up to \$3 million, if necessary, delay the May 2020 rate increase to September and have staff return for Board consideration by its August meeting at the latest to evaluate fiscal impacts of deferral and implementation timing.

Upon motion by Member Jardon, second by Vice Chair Dahir, which motion duly carried by unanimous consent of the members present, the Board moved to defer the third phase 2.5% rate increase (currently scheduled to be implemented in May 2020) to be implemented on first billing cycle of September 2020 and directed staff to include use of rate stabilization fund in the final budget as needed to address fiscal impacts of deferral for future consideration during final budget approval and to bring the deferral back to Board prior to implementation in September to evaluate TMWA's fiscal position and implementation timing.

14. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING RESCHEDULING THE MAY BOARD BUDGET MEETING TO MAY 21, 2020 OR SUCH OTHER DATE APPROVED BY THE BOARD

Sonia Folsom, TMWA Board Clerk, stated there was a scheduling conflict with the City of Reno Council on Wednesday, May 20, 2020 and propose moving it to Thursday, May 21st.

Upon motion by Member Duerr, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved rescheduling the May Board Budget meeting to May 21, 2020.

15. GENERAL MANAGER'S REPORT

Mr. Foree reported the snowpack level was at 40% five weeks ago, but it has since improved. On Apr 1st it was 66% and 70% of normal in the Truckee and Tahoe Basins, respectively, and now there are about 80% in both basins.

16. PUBLIC COMMENT

There was no public comment.

17. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Vice Dahir stated he can't wait to see everyone.

Chair Hartung thanked staff and Board members for all their hard work.

18. ADJOURNMENT

With no further discussion, Chair Hartung adjourned the meeting at 2:57 p.m.

Approved by the TMWA Board of Directors in session on May 21, 2020.

Sonia Folsom, Board Clerk.