

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE FEBRUARY 17, 2021
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, February 17, 2021, via Zoom Virtual Meeting, Reno, Nevada. Chair Hartung called the meeting to order at 10:17 a.m.

1. ROLL CALL

Members Present: Paul Anderson, Jenny Brekhus, *Kristopher Dahir, Naomi Duerr, Vaughn Hartung, and Alexis Hill.

Member Absent: Neoma Jardon

A quorum was present by telephonic appearance.

**Vice Chair Dahir left the meeting at 11:30 a.m.*

Chair Hartung noted Michael Pagni, TMWA General Counsel, was absent and Paul Lipparelli was present as alternate legal counsel.

2. PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Member Brekhus.

3. PUBLIC COMMENT

Valerie Cook, Reno Resident, expressed her gratitude of having such a great trail along the Steamboat Ditch Trail within city limits and her concern about the Steamboat Ditch trail project which may negatively affect future generations from enjoying.

4. POSSIBLE BOARD COMMENTS OR ACKNOWLEDGEMENTS*

There were no Board comments.

5. APPROVAL OF THE AGENDA

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

6. APPROVAL OF THE MINUTES OF THE JANUARY 20, 2021 MEETING

Upon motion by Member Hill, second by Member Anderson, which motion duly carried by unanimous consent of the members present, the Board approved the January 20, 2021 minutes.

7. NATIONAL WEATHER SERVICE (NWS) WINTER OUTLOOK

Chris Smallcomb and Tim Bardsley, NWS, presented on the meteorology for the next few weeks and months. Mr. Smallcomb stated snowfall monitored at the Reno-Tahoe International Airport is at 15 inches, where it is normally 17 inches for this time of year, which is just below normal; the region is drier than normal and there will be a few storms over the next couple of weeks, but temperatures will be fairly warm and will see some snowbelt sooner than expected; the last five Marches were at or above normal precipitation, but this year indicates a below average precipitation; and there is a 30% odds of recovering to normal snow water equivalent (SWE). Mr. Bardsley added that the 30% statistical odds factor in February's precipitation that is below average.

8. WATER SUPPLY UPDATE

Bill Hauck, TMWA Water Supply Administrator, informed the Board that conditions have improved since January where the snowpack (SWE) conditions were 57% of normal in both the Truckee and Lake Tahoe Basins and the Mt. Rose snotel site had approximately 10 inches of water equivalent in the snowpack now both basins are roughly 80% of normal and the Mt. Rose snotel site has approximately 20 inches of water equivalent in the snowpack; so conditions have significantly improved, but unless there are at least a couple of big atmospheric river (AR) type of precipitation events around the corner, the snowpack season will very likely end up below average once again; despite the latest NRCS projections for below average run-off, (~70% of normal); upstream storage on the Truckee River system is still in decent shape, currently at 42% of capacity; and this will help to provide normal river flows through the end of this year and into the next; and Lake Tahoe is still about 2.6 feet above the rim;. John Enloe, TMWA Director of Natural Resources, added that staff have been in discussions to expand the recharge program, which were identified in the 2020-40 Water Resource Plan, to increase to 9,000 acre feet per year throughout all the basins; and staff will return to the Board in April with a project concept for their consideration.

Vice Chair Dahir inquired under what circumstance would trigger for TMWA to ask the public to do something differently. Mr. Hauck replied that runoff forecasts consider multiple variables to determine drought conditions, but it is the Truckee River Operating Agreement (TROA) which determines whether or not the region is coming into a drought based on pre-determined thresholds for projected upstream storage and/or river flows; once a drought is determined a TROA, TMWA follows its own internal protocols for water conservation measures based on the severity of the drought ; all of which can be found in the 2020-40 Water Resource Plan.

Chair Hartung inquired about the study with the Bureau of Reclamation and Army Corps of Engineers for the potential to store water sooner than is allowed now. Mr. Hauck replied staff is working with both agencies evaluating the reoperation of upstream reservoirs to maintain flood control requirements and improve overall water supply conditions under different hydrologic scenarios.

Public Comment

Jerry Wager, Reno Resident, asked Mr. Hauck if it was possible to compare the level of variation in snowpack over the last 10-20 years compared to TMWA's historical record.

9. DISCUSSION AND POSSIBLE ACTION AND DIRECTION TO STAFF REGARDING 2021 LEGISLATIVE ACTIVITIES, CURRENT BILLS, AND TMWA RECOMMENDED POSITIONS ON LEGISLATIVE PROPOSALS

John Zimmerman, TMWA Water Resources Manager, and Leo Drozdoff, TMWA Lobbyist, informed the Board that the Legislative Session began February 1 and TMWA's Legislative Subcommittee (LSC), which consists of Members Dahir, Duerr, Hill and Anderson (as Alternate), have had two meetings to date. The bills listed in the packet provide details on the ones the LSC is tracking and the LSC-approved staff recommended positions; not all bills have yet to be introduced and only 287 bills have been introduced to date and over 1000 bill draft requests (BDRs) have yet to be introduced; and two water related BDRs yet to be released.

Member Brekhus inquired when a new lobbyist was obtained and if there was a contract brought to the Board for approval. Mr. Zimmerman replied that TMWA engaged Mr. Drozdoff, who is the former director of Conservation and Natural Resources and administrator of Nevada Department of Environmental Protection (NDEP), half-way through the last session and fully since the 2020 Interim Session, and no contract was brought forth to the Board, the General Manager authorized it.

Staff provided an update on key legislation: AB3 (allows parcel maps and documents be sent electronically), support; AB5 (attempts to clarify what actions State Engineer can be judicially reviewed), monitor, and AB6 (does not require a hearing on a temporary application), support; AB39 (revises provision related to public records), monitor; AB87 (proposes to streamline the process by which certain easements of cities and counties can be vacated and abandoned without a hearing), oppose since the law includes public utility and staff wants to ensure TMWA is involved in the process; AB90 (requires counties to pay impact fees to certain local governments for projects of inner county significance), monitor, staff would like to speak with the bill sponsor to ensure they understand the bill; AB97 (revises provisions governing toxic chemicals), monitor, but it is not an issue in Nevada and TMWA does not monitor it annually, but when staff has sampled in the past the results were "non detect"; AJR2 (recognizes that forest health is directly related to water quality), support; and SB67 (increases the threshold that an agency can self-perform a public work from 100k to 250k), support since TMWA has a state certified apprenticeship program and it would allow more opportunity for on-the-job training, where appropriate, if it is increased.

The Board discussed the importance of monitoring AB97 in relation to chemicals used in firefighting foams and aerial suppression as it relates to the potential of contamination of our water supply in the region, despite there not being any evidence of it here now. Andy Gebhardt, TMWA Director of Operations and Water Quality, stated Will Raymond, TMWA Operations Manager, has been monitoring this for quite some time, long before it became a bill.

Upon motion by Member Duerr, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board accepted the report and TMWA Legislative Subcommittee recommendations.

10. PRESENTATION ON THE STATUS OF THE DIGITAL PLAN REVIEW PROCESS

Danny Rotter, TMWA Engineering Manager, updated the Board on the status of the digital plan review process and the progress made internally and with local and state agencies. At the outset of the pandemic in March 2020, TMWA staff quickly stood up the temporary ability to allow scanned copies of plans to be electronically submitted to TMWA for approval and the transition to the permanent solution has been going extremely well.

Vice Chair Dahir congratulated staff on their progress, especially during the pandemic, which will be beneficial for the region as a whole.

Chair Hartung recessed at 11:50 a.m.

Chair Hartung resumed the meeting at 12:00 p.m.

11. PRESENTATION OF FISCAL YEAR 2021 Q2 YEAR TO DATE FINANCIAL RESULTS

Matt Bowman, TMWA Financial Controller, presented the actuals vs. budget as of December 31, 2020. Mr. Bowman said staff does its best to budget for what will happen throughout the year: change in net position \$9m (34%) over budget which was driven by higher water sales in the first quarter of FY2021; operating revenue water sales are ahead of budget by about \$3.4m (5%) due to high temperatures and drier season; operating expenses were under budget about \$3.2m (6%) due to services and supplies which is \$1.9m under budget, but expect it to catch up by the end of the year; non-operating expenses was \$1.3m (31%) higher than budgeted, which includes investment income and is less due to falling interest rates; capital contributions spent to date is \$19.3m; cash position was \$218.3m or \$12.5m higher than budgeted (\$161m unrestricted and \$58.1m restricted to pay for scheduled bond principal and interest payments).

Member Duerr asked what were “contributions from others”. Mr. Bowman replied it refers to direct developer payments, if TMWA has constructed a facility or asset and those payments are coming directly from the developer versus through area fees.

Member Brekhus asked if there is a rate increase scheduled for May. Mr. Bowman replied yes, the Board approved it in August 2020 after two deferrals. Michele Sullivan, TMWA CFO, added that the debt service coverage ratio is getting tight where they are projecting it to be 1.6 or 1.7x and the Board requirement is 1.5x. If the 2.5% rate increase (about \$1/month average) does not occur in May, they may be looking at a 5% increase, which is not something they want to implement.

Member Hill clarified the debt service coverage ratio was a percentage of bonds. Ms. Sullivan replied no, it is the amount remaining after operating expenses and it should be 1.5x for the year per Board policy. TMWA's covenants would be violated if it went below 1.25x, but if it fell below 1.5x that would put TMWA's gradings with the rating agencies in jeopardy.

Vice Chair Dahir appreciated TMWA staff having been patient with customers during the pandemic by delaying the rate increase. However, it is imperative now to be fiscally responsible and cognizant of our debt ratio to ensure there are no negative side effects to TMWA's ratings by delaying it further.

12 INFORMATIONAL REPORT REGARDING TMWA INVOLVEMENT WITH THE STEAMBOAT CANAL PROJECT AND STEAMBOAT CANAL & IRRIGATION COMPANY

Mr. Zimmerman noted the Board, at their last meeting, had questions about the project and TMWA's involvement in the Steamboat Canal & Irrigation Company (Steamboat) where TMWA's shares represent 13% (biggest shareholder) of active shares. He added that the Natural Resources Conservation Service (NRCS) decided to halt the project based on public comment. The NRCS asked TMWA to be a cooperating agency, which phrase is used under the Nevada Environmental Protection Agency (NEPA) regulations and gives an agency a greater participation in a project as opposed to a member of the public providing comments; the cooperating agency has an interest in the project or some expertise to offer the lead agency. NRCS asked TMWA if we wanted to be a cooperating agency and staff intended to bring that to the Board. However, the project is now on hold, but if NRCS takes it up, and approaches TMWA, again, staff will bring it to the Board for consideration and direction.

Member Brekhus inquired if TMWA pays an assessment equal to the number of shares or above. Mr. Zimmerman replied proportionate. Mark Foree, TMWA General Manager, added TMWA pays the same amount as other uses where TMWA paid \$46k (228 of 1,700 shares) and TMWA uses the water from the ditch at Hunter Creek ponds and it is not for municipal use. Under Sierra Pacific, Hunter Creek was an old chemical treatment plant which took a lot of water from the ditch, but it closed down in 1994 when Chalk Bluff Water Treatment Plant went online.

Member Brekhus said Reno has agreements with Steamboat for stormwater conveyance and the City of Reno has the oldest infrastructure which has been neglected, and many of her constituents brought their concerns to her regarding TMWA's General Counsel working for both TMWA and Steamboat, and potential conflict of interest, as well as Mr. Foree's sitting on the Steamboat Board and Mr. Hauck sitting on the Conservation District; it is imperative to clarify roles and responsibilities of TMWA and legal counsel with regards to inter-governmental issues.

Member Duerr confirmed the shares are for maintenance of the ditch, but inquired about water rights. Mr. Zimmerman replied that nearly all of TMWA's water rights to Steamboat Ditch have been converted to municipal use and that the only water rights still on the ditch are used for the Hunter Creek ponds and are a wildlife use.

Chair Hartung cautioned the Board since TMWA is a shareholder of, and does not have any water rights in, Steamboat. He stated Washoe County (the "County") also uses Steamboat for stormwater conveyance and the County has been involved in claims when the water has flooded the banks and damaged properties; TMWA was never involved.

Member Duerr continued that since TMWA is the largest shareholder in Steamboat, then they have the most potential benefit for the NRCS project, which was designed to take on maintenance responsibilities, prevent floods and to reduce liability to Steamboat. Also, there is a chance that Steamboat can increase payment and/or double the price of shares to pay for damages or repairs that are needed; that would negatively impact TMWA.

Mr. Foree added staff did provide comments to the NRCS regarding how the project affects or may affect water supply, which is appropriate for TMWA to be commenting on and going forward if it is resurrected, we will continue that if the Board directs as such.

Chair Hartung agreed that may be necessary if the project is resurrected and the Board may need a third party legal opinion or feedback, such as Mr. Lipparelli, on what TMWA's role is in this project.

Mr. Lipparelli said he is familiar with Steamboat and other ditch companies as well as their relationship with local governments. He said it is a highly complex system, built many years ago under outdated laws. If Steamboat decides to bring it back for consideration and it is understood what is being proposed, that may be the time for TMWA, and other shareholders, to get a briefing from Steamboat about what TMWA's involvement would entail.

Public Comment

Allison Boles, Reno resident, submitted a public comment via email expressing her opposition to the Steamboat Ditch Trail project and requested alternative options to maintain the integrity of the trail.

Beth Dory, Reno resident, submitted a public comment via voicemail expressing her opposition to the Steamboat Ditch Trail project and potential conflict of interest with TMWA's General Counsel representing the interests of both TMWA and the Steamboat Ditch & Irrigation Canal Co.

Mr. Wager said the lack of transparency from the agencies involved is extremely disappointing and that it took months for this to be agendaized to allow public comment. He asked if the ditches were piped and conservation realized, who would the water rights accrue to.

End of Public Comment

At this time the Board discussed waiting for a future meeting to further review TMWA's role in the Steamboat ditch project should it be resurrected, and to consider engaging conflict counsel in regard to the Steamboat Canal issues as well as possibly enhancing internal counsel's role and responsibilities in

regard to potential conflicts. Mr. Lipparelli cautioned the Board that engaging alternate counsel is not on the current agenda and therefore should not be deliberated at this meeting.

13. GENERAL MANAGER'S REPORT

Mr. Foree updated the Board on TMWA's a new CIS system set to go live next month. Ms. Sullivan added that all facets of customer service (expanded payment options, data management system, dispatch, etc.) will be new after the go-live date March 9th, and payments will no longer go to Arizona, which is one of the customer feedback suggestions we received.

Members of the Board inquired if the processing of mail-in payments were carried out in state or elsewhere. Ms. Sullivan replied that payments will be picked up by armored truck every day, but they are driven over the hill to California to be processed and deposited.

14. PUBLIC COMMENT

There was no public comment.

15. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Chair Hartung requested Mr. Foree to have Mr. Enloe reach out to Mr. Wager to answer his question.

Member Duerr asked for a future agenda item to discuss the possibility of hiring an attorney to do research on Steamboat Ditch Canal and overlapping jurisdictional responsibilities, interests, and liabilities.

16. ADJOURNMENT

With no further discussion, Chair Hartung adjourned the meeting at 1:08 p.m.

Approved by the TMWA Board of Directors in session on March 17, 2021.

Sonia Folsom, Board Clerk.

**Vice Chair Dahir was present for agenda items 1 thru 12 only.*