

TRUCKEE MEADOWS WATER AUTHORITY  
MINUTES OF THE MAY 20, 2021  
MEETING OF THE BOARD OF DIRECTORS

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The Board of Directors met on Thursday May 20, 2021, via Zoom Virtual Meeting, Reno, Nevada. Chair Hartung called the meeting to order at 10:02 a.m.

1. ROLL CALL

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

A quorum was present by telephonic appearance.

*\*Member Duerr left at 11:21 a.m.*

*\*\*Member Brekhus left at 11:33 a.m.*

*\*\*\*Member Jardon left at 11:56 a.m.*

2. PLEDGE OF ALLEGIANCE

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

3. PUBLIC COMMENT

Laura Perry, representing Fahnestock Enterprises, and their DBA is Western Turf, stated, in relation to agenda items #11 and #12, they are the second largest water rights holder in Palomino Valley and were not communicated with prior to this board meeting. Ms. Perry said they do not oppose or support the feasibility study, but requested that Western Turf be kept informed going forward.

4. POSSIBLE BOARD COMMENTS OR ACKNOWLEDGEMENTS\*

Member Jardon thanked Mark Foree, TMWA General Manager, and staff for granting the City of Reno temporary access to TMWA's property on East 4<sup>th</sup> Street in assisting with the homeless population.

5. APPROVAL OF THE AGENDA

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

6. APPROVAL OF THE MINUTES OF THE APRIL 21, 2021 MEETING

**Upon motion by Member Hill, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved the April 21, 2021 minutes.**

7. PRESENTATION OF FISCAL YEAR 2021 Q3 YEAR TO DATE FINANCIAL RESULTS

Matt Bowman, TMWA Financial Controller, presented the financial results through three quarters of fiscal year 2021: the change in net position was \$10.9m (42%) higher than budget (due to higher than budgeted water sales, lower operating expenses and higher capital contributions offset by lower investment income); operating revenue was \$2.7m (3%) higher than budget due to increased water sales offset slightly by lower hydroelectric and other operating sales; water sales were up \$3.2m (4%) due to higher water usage in residential and irrigation categories; operating expenses were \$6.1m lower (8%) than budget (due to position vacancies and increased labor charged to capital projects, and slower rates of spend on expensed projects expected to be completed in Q4), but staff still expects to be well under budget by the end of the fiscal year; non-operating expenses were \$3.1m (50%) higher than budgeted (due to lower investment income and a net decrease in value of investments due to lower interest rates on invested cash balances); and capital contributions were \$5.2m (20%) higher than budget (driven by developer facility charges).

8. PUBLIC HEARING ON ADOPTION OF BUDGET

A. DISCUSSION, AND ACTION ON REQUEST FOR ADOPTION OF RESOLUTION NO. 292: A RESOLUTION TO ADOPT THE FINAL BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2022 AND THE 2022-2026 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Mr. Bowman and Sandra Tozi, TMWA Senior Financial Analyst, presented the final budget for FY2022 and the FY2022-2026 five-year Capital Improvement Plan (CIP). Mr. Bowman addressed the sponsorship cost allocation discussion at the March Board meeting and stated the \$950k remained the same and allocated as: \$700k to the Truckee River Fund, \$50k to Desert Research Institute (DRI) for the Cloud Seeding Program and the remaining \$200k to Truckee River Water Quality Projects.

Vice Chair Dahir thanked staff for their work especially during this difficult year; the flexible planning and projecting efforts to do what is best for the community.

Member Brekhus asked whether the projects addressed under agenda items #10 and #11 are in the CIP as well as the option to purchase the land for \$27M. Mr. Bowman stated that the portion to be paid by TMWA for the study would be expensed as a feasibility study, and the potential option price of \$27M was not in the CIP.

Member Duerr noted that since hydro production will be reduced as of August, when would TMWA expect to resume hydro power generation and if the drought continued would it impact revenues in future

years. Mr. Bowman replied hydro generation would resume in spring 2022 when river flows are adequate and yes, multi-year drought would impact hydro revenues.

**Upon motion by Member Duerr, second by Member Dahir, which motion duly carried unanimous consent of the members present, the Board adopted Resolution No. 292: A resolution to adopt the final budget for the Fiscal Year ending June 30, 2022 and the 2022-2026 Five-Year Capital Improvement Plan.**

9. DISCUSSION, AND ACTION ON REQUEST FOR ADOPTION OF RESOLUTION NO. 293: A RESOLUTION DESIGNATED BY THE SHORT TITLE “2021 REFUNDING BOND RESOLUTION” AUTHORIZING THE ISSUANCE BY THE AUTHORITY OF ITS “TRUCKEE MEADOWS WATER AUTHORITY, SUBORDINATE WATER REVENUE REFUNDING BONDS, SERIES 2021,” IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$13,350,000, FOR THE PURPOSE OF DEFRAYING WHOLLY OR IN PART THE COST OF REFUNDING CERTAIN OUTSTANDING COMMERCIAL PAPER NOTES; PROVIDING THE FORM, TERMS, AND CONDITIONS OF THE BONDS AND THE SECURITY THEREFOR; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES DERIVED FROM THE OPERATION OF THE AUTHORITY’S WATER SYSTEM; PLEDGING SUCH REVENUES TO THE PAYMENT OF THE BONDS; APPROVING THE FORM OF A CONTINUING COVENANT AGREEMENT TO BE ENTERED INTO BETWEEN THE INITIAL PURCHASER AND THE AUTHORITY; PROVIDING OTHER COVENANTS, AGREEMENTS, DETAILS AND OTHER MATTERS RELATING THERETO

Michele Sullivan, TMWA Chief Financial Officer, introduced Ryan Henry, Sherman & Howard Bond Counsel, and Thomas Toepfer, PFM Financial Advisor, who were present to answer any questions. Ms. Sullivan provided background information related to the commercial paper program. At the end of fiscal years 2017 and 2018 TMWA had about \$90M in commercial paper at which time they took a large portion out and fixed it as a senior lien debt, leaving about \$30M in commercial paper that was backed by a five-year letter of credit, and was projected to be paid off during FY2018-2023. Staff, along with TMWA’s financial advisors, considered the low interest rates, uncertainties surrounding drought and increasing construction costs, and recommended fixing out the commercial paper for a seven year period. The cash would then be available for longer than if TMWA continued with the plan to pay it off in the next two years. Ms. Sullivan noted they have an offer letter from Wells Fargo bank to fix this out over seven years for about 1.2% and would no longer worry about fluctuations going forward with the commercial paper which is on a variable rate.

Vice Chair Dahir asked if it affects TMWAs credit ratings. Ms. Sullivan replied the new loan would be at the same lien level, third lien level debt, as the commercial paper and it would not affect our debt service coverage ratio. Also, it is not a significant portion of TMWA’s debt, which is about \$350M currently. Mr. Toepfer confirmed they believe it would not have a significant impact on TMWA’s rating since the amount being borrowed is the same, but at a low fixed rate and could be considered as 'de-risking' TMWA’s profile while allowing for a longer period of time to have cash on-hand.

Member Brekhus asked whether this bond resolution was to issue commercial paper and the plan is to use Wells Fargo, as a private placement. Ms. Sullivan replied no, they are taking out the commercial paper for a note with Wells Fargo. Mr. Henry clarified the resolution authorizes refunding bonds to take out the commercial paper and fix the rate so the commercial paper will no longer be outstanding once the Board authorizes to move forward. The final rate will be set on June 1, and paying off the commercial paper will terminate the letter of credit. The bonds will then be tax exempt, privately placed held by, and payments made directly to, Wells Fargo.

Member Hill stated for staff this is a great step and completely supportive especially in the position TMWA, and the region, is related to water; thanked staff for being proactive and not rushing to pay off the outstanding commercial paper debt.

Member Brekhus inquired whether Nevada law allowed for TMWA to enter into a non-solicited private placement. Mr. Toepfer replied they analyzed and compared what was happening in the public market, but ultimately, due to the size of the issuance of \$13M, it would have been much more involved and costly which would have increased the cost of borrowing. Ultimately, the offer from Wells Fargo was more attractive than what they saw in the public market. Mr. Henry added there is a specific bank loan exception for this directly privately placing bonds with one purchaser and Wells Fargo will be required to make certain representations to make us meet those exceptions which allows us not to do an RFP and one of those is they are going to hold the bonds for investment and not resale.

**Upon motion by Member Hill, second by Member Jardon, which motion duly carried unanimous consent of the members present, the Board adopted Resolution No. 293: A resolution designated by the short title “2021 Refunding Bond Resolution” authorizing the issuance by the authority of its “Truckee Meadows Water Authority, Subordinate Water Revenue Refunding Bonds, Series 2021,” in the aggregate principal amount not to exceed \$13,500,000, for the purpose of defraying wholly or in part the cost of refunding certain outstanding commercial paper notes; providing the form, terms, and conditions of the bonds and the security therefor; providing for the collection and disposition of revenues derived from the operation of the Authority’s water system; pledging such revenues to the payment of the bonds; approving the form of a continuing covenant agreement to be entered into between the initial purchaser and the Authority; providing other covenants, agreements, details and other matters relating thereto.**

10. DISCUSSION, ACTION AND POSSIBLE APPROVAL OF FEASIBILITY STUDY AGREEMENT BETWEEN TMWA AND PALOMINO FARMS, LLC AND LW LAND COMPANY LLC AUTHORIZING FEASIBILITY STUDY IN COLLABORATION WITH ONEWATER NEVADA TO EVALUATE THE FEASIBILITY OF USING RECYCLED WATER FOR IRRIGATION IN WARM SPRINGS VALLEY AND TO PROVIDE WATER SUSTAINABILITY BENEFITS

11. DISCUSSION AND ACTION, POSSIBLE DIRECTION TO STAFF AND POSSIBLE APPROVAL OF AN INTERLOCAL AGREEMENT (ILA) WITH THE CITY OF RENO, CITY OF SPARKS AND WASHOE COUNTY FOR REIMBURSEMENT OF COSTS TO CONDUCT A FEASIBILITY STUDY TO EVALUATE THE FEASIBILITY OF USING RECYCLED WATER FOR IRRIGATION IN WARM SPRINGS VALLEY (PALOMINO FARMS AND LW LAND COMPANY) AND TO PROVIDE WATER SUSTAINABILITY BENEFITS

Chair Hartung opened items 10 and 11 to be heard together. John Enloe, TMWA Director of Natural Resources & Planning, and John Zimmerman, TMWA Water Resources Manager, presented the staff report. Mr. Enloe thanked Ms. Perry for her comments and informed the Board that staff made the decision not to make any public announcements before having the informational presentation at the April Board meeting. The Interlocal Agreement is between TMWA, Cities of Sparks and Reno, and Washoe County with all parties contributing \$400k equally to the study that will span over 10 months to evaluate the feasibility of the project as well as to negotiate the option agreement, which includes a proposed \$27M purchase price for water rights and the right to use the land for recycled water and underground storage of water at the two properties, Palomino Farms and LW Land Company.

Chair Hartung inquired if the water rights to be included in the option are existing water rights. Mr. Enloe replied yes, there are approximately 2,500 acre feet (AF) currently being used for irrigation by Palomino Farms and LW Land. It also includes the right to use their land in perpetuity for irrigation and recharge, but not infrastructure, the cost of which will be determined over the 10 month period of the study. Staff is also investigating grant and loan opportunities.

Member Brekhus stated she supports feasibility studies, but expressed concerns with the proposed study since it appears it is a large non-competitive procurement and a capital project associated with this agreement, and inquired if staff conducted appraisals for the land. Member Brekhus suggested staff consider working with the Pyramid Lake Paiute Tribe (PLPT) since they have plenty of land and they want more water, and to consider the long-term cost analysis in addition to explaining how TMWA can buy land. Mr. Enloe replied staff is unable to answer questions about long-term cost analysis and feasibility today, which is why they are proposing the feasibility study to gain more information. Staff has been working with Mike Benjamin, Palomino Valley Farms, for over a year in order to propose the feasibility study. In addition, there is value for the Cities of Reno and Sparks and Washoe County to control 1,500 acres of land to manage their effluent at substantially less cost than other alternatives available, particularly related to Truckee Meadows Water Reclamation Facility (TMWRF).

John Martini, City of Sparks Assistant City Manager, added for years they have been trying to address the excess effluent water and finding land to irrigate in order to continue the effluent management program. Mr. Martini believes the feasibility study is valuable in that if they do not find a suitable site that can take effluent flow rates in large quantities, TMWRF has stringent limits on pollution, total dissolved solids (TDS), that can be put into the river. They have worked hard to make the plant more efficient to treat pollutants, however, TMWRF does not have a treatment system in place for dissolved organic nitrogen and if another solution is not found, they will have to create a process to treat this pollutant and TDS will become an issue as well since it is very expensive to build and operate.

Member Duerr disclosed she serves on a non-profit board with one of the partners affiliated with Palomino Farms, receives no compensation and asked about conflicts. Michael Pagni, TMWA General Counsel, advised her she did not need to recuse herself under the circumstances discussed. She is supportive of the feasibility study, but is not ready to enter into an option agreement at this time and would like clarification on the water rights acquisition. Mr. Enloe confirmed the Board would enter into the feasibility study agreement today, to allow staff time to conduct the study and negotiate in good faith over the next 10 months to develop an option agreement, which option agreement would be brought forward at a later date for the Board's future consideration. The interlocal agreement presented today is the cost sharing agreement, unrelated to the option agreement, between the four agencies and Palomino Farms is not receiving any payment now. Mr. Zimmerman added staff is considering the treated effluent going out to Palomino Valley as well as potable water for potential storage, which is part of the cost; to be able to store water beneath the land. Also, if treated effluent is used as a substitute for the irrigation water, those groundwater rights could potentially be brought into TMWA's service territory along with potable water stored beneath the land. These considerations would also be covered under the option agreement.

Vice Chair Dahir stated they have a responsibility to look at all options before making a decision that affects everyone in the region, it is beyond TMWA's responsibility and is part of each city, Washoe County and TMWRF. It is important to have robust conversations with the public and everyone involved, including PLPT, as part of the feasibility study, but not before the Board decides whether or not to move forward. Finally, these are big decisions to be made that will affect the region long after they all leave office, but it's their due diligence to ensure things are in place for the region in the future

Member Brekhus voiced concern with the proposal stated by Mr. Martini and inquired if an unsolicited proposal was offered and expressed concern over the apparent lack of transparency considering staff has been in discussions for over a year. As it is proposed today, she will not support moving forward due to its broad scope. Mark Foree, TMWA General Manager, recapped that the Board had a water resource workshop in 2019 where they had in-depth discussions about proceeding with potential water rights deals, and suggested that the Board view this as a water rights purchase opportunity. In that meeting, staff received clear direction from the Board that gave them the opportunity to go and look for water rights deals, and they changed TMWA's rule to provide that any purchase over 100 AF of water needs to be presented to the Board. This proposal is unique in that it is very close to the City of Sparks effluent system as well as TMWA system in Spanish Springs and there are not many options to address the effluent management issues.

Member Anderson reiterated Member Duerr's comments regarding the value proposition in comparison of this project to the expansions and equivalent work that would need to be done at TMWRF, in addition to other facilities. He would like to include the public and provide a history of feasibility studies conducted at TMWA. Mr. Martini replied the cost comparison will be determined as the study progresses and then Cities of Reno and Sparks will evaluate those results to gain a better understanding of how much potential effluent could be conveyed to the site for annual use versus expanding and upgrading TMWRF. TMWA has a history of conducting feasibility studies where some have proven successful and others not. Mr. Enloe discussed the American Flat project, where the City of Reno and TMWA are seriously considering the site for recharge of advanced purified water. At the outset of the project, they started drilling wells and recharging potable water to determine whether the site was feasible as a good storage location. This is

opposed to the Bedell Flat site, where they thought it was a good potential site for recharge, but spent about \$800,000 before it was determined it was not a feasible site; Staff has confidence in Palomino Valley to be able to store water due to its 40-year history of agriculture in the area.

Member Jardon thanked Mr. Enloe for the additional background information, recalled the in-depth discussion at the workshop meeting and appreciated staff doing the research and returning to the Board with information and requesting direction at the opportune time. To insinuate there are back room dealings is false and damages the organization's reputation which is phenomenal, and she is supportive of this project.

Chair Hartung stated he is not ready to spend \$27M today, but that is not what is before us today, rather are we willing to fund the portion, and if the Board agrees to moving forward with, the feasibility study.

Member Hill agreed they should move forward with the study, but noted the comments made by Member Brekhus with regards to engaging the PLPT and Reno-Sparks Indian Colony to continue to ensure they are part of these discussions and possible agreements to ensure TMWA is supporting them in their efforts to obtain water as well.

Member Brekhus stated she will not support the motion based on discussions today and information not included in the staff report and her motion against is related to that process. For example, hearing about the regional effluent management team, but not knowing about the meetings and its exclusion from Open Meeting Law is disconcerting as well as wanting to see a cost-basis analysis for the proposed \$27M purchase price.

**Upon motion by Member Dahir second by Member Jardon, which motion duly carried by five to one, with Member Brekhus dissenting, the Board approved the Feasibility Study Agreement between TMWA and Palomino Farms, LLC and LW Land Company LLC authorizing feasibility study in collaboration with OneWater Nevada to evaluate the feasibility of using recycled water for irrigation in Warm Springs Valley and to provide water sustainability benefits.**

**Upon motion by Member Dahir, second by Member Jardon, which motion duly carried by five to one, with Member Brekhus dissenting, the Board approved the interlocal agreement with the City of Reno, City of Sparks and Washoe County for reimbursement of costs to conduct a feasibility study to evaluate the feasibility of using recycled water for irrigation in Warm Springs Valley (Palomino Farms and LW Land Company) and to provide water sustainability benefits.**

12. DISCUSSION AND ACTION ON APPOINTMENTS TO THE STANDING ADVISORY COMMITTEE (SAC) TO FILL THE MULTI-FAMILY CUSTOMER PRIMARY REPRESENTATIVE, AND SENIOR CITIZEN AND RESIDENTIAL 3 CUSTOMER ALTERNATE REPRESENTATIVES, AND OTHER POSSIBLE VACANCIES FOR TERMS BEGINNING MAY 1, 2021 TO DECEMBER 31, 2023 FROM THE FOLLOWING POOL OF CANDIDATES LISTED IN ALPHABETICAL ORDER: AL BLACK, RUSS FOREMAN, JORDAN GRAHAM, TOM KURTZ, KEVIN RYAN AND ALEX TALMANT

Sonia Folsom, TMWA SAC Liaison, presented the staff report and informed the Board of the SAC's recommendation to appoint, from the applicant list, Kevin Ryan to the Residential Representative 3 Alternate and Alex Talmant to the Senior Citizen Alternate positions, and stated there were no applications to fill the multi-family primary vacancy position.

Member Anderson thanked all the applicants for their interest to volunteer on the committee.

**Upon motion by Member Anderson, second by Member Jardon, which motion duly carried unanimous consent of the members present, the Board approved the Standing Advisory Committee recommendation to appoint Kevin Ryan to the Residential 3 Customer Alternate Representative and Alex Talmant to the Senior Citizen Customer Alternate Representative positions.**

### 13. WATER SUPPLY UPDATE

Bill Hauck, TMWA Water Supply Administrator, reported the region did not see the storms necessary to ensure a substantial snowpack for the summer; we are entering our second consecutive dry year and are now in a drought situation; projected runoff for Lake Tahoe and Truckee River Basins are 15% and 31%, respectively, which were significantly downgraded over the last two months; expect normal river flows through Aug 20<sup>th</sup> which puts us in a drought situation; Lake Tahoe will be relied upon heavily in the coming months to provide river flows, but will continue to fall and by the end of October will be at or near the natural rim; TMWA has plenty of drought reserves, approximately 52k AF of stored water, which more than we have ever had in any given year and will be used to supply summer demands; TMWA has three different levels of drought response, and due to reduced river flows, TMWA's response is Level 2 – Enhanced Water Conservation Campaign (extended no watering times, additional water conservation consultants, increase media presence and 3-day Assigned Water Days);

Vice Chair suggested Mr. Hauck provide a similar update at Cities of Reno and Sparks and Washoe County to address the many questions that arise as the summer progresses. Mr. Hauck replied yes.

### 14. DISCUSSION AND POSSIBLE ACTION, AND DIRECTION TO STAFF REGARDING 2021 LEGISLATIVE ACTIVITIES, CURRENT BILLS, INCLUDING SCR 11, AND TMWA RECOMMENDED POSITIONS ON LEGISLATIVE PROPOSALS

Mr. Zimmerman informed the Board the session is nearing the end with 12 days left and many of the bills the Board has been updated on has remained the same. He added that staff and the TMWA Legislative Subcommittee strongly recommend creating an interim legislative subcommittee which will be presented to the Board for approval at the June meeting.

Michael Pagni, TMWA General Counsel, presented on SCR11, which proposes to create a special committee (made up of members of the Assembly and Senate) to evaluate innovation zones. The intent is that it would meet at least once a month to study the potential economic benefits of innovation zones. The committee is charged with soliciting input from interested stakeholders, including water authorities as



well as tribal governments, environmental groups, labor organizations and local governments; recommendations must be submitted to the Governor before December 31, 2021.

Leo Drozdoff, TMWA Lobbyist, updated the Board on AB146 (to address various requirements to control water pollution), working with entities in southern Nevada who had similar questions about implementation as well as Nevada Department of Environmental Protection (NDEP) who has agreed to add a public hearing element to any work associated with regulations and regulatory processes, and to jointly work with entities throughout the state.

**No action taken.**

#### 15. GENERAL MANAGER'S REPORT

Mr. Foree had no other comments.

#### 16. PUBLIC COMMENT

There was no public comment.

#### 17. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no Board comments.

#### 18. ADJOURNMENT

With no further discussion, Chair Hartung adjourned the meeting at 11:59 a.m.

Approved by the TMWA Board of Directors in session on June 16, 2021.

Sonia Folsom, Board Clerk.

*\*Member Duerr was present for agenda items 1 thru 11 only.*

*\*\*Member Brekhus was present for agenda items 1 thru 11 only.*

*\*\*\*Member Jardon was present for agenda items 1 thru 14 only.*