

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE FEBRUARY 16, 2022
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, February 16, 2022, at Sparks Council Chambers. Chair Hartung called the meeting to order at 10:00 a.m.

1. ROLL CALL

Members Present: Paul Anderson, Jenny Brekhus, Kristopher Dahir, Naomi Duerr, Vaughn Hartung, and Alexis Hill. Member Hill participated via remote technology.

Member Absent: Neoma Jardon

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Michael Pagni, TMWA General Counsel.

3. PUBLIC COMMENT

There was no public comment.

4. POSSIBLE BOARD COMMENTS OR ACKNOWLEDGEMENTS

There were no Board comments.

5. APPROVAL OF THE AGENDA

Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by six to zero of the members present and Member Hill, who participated remotely, did not indicate a vote, the Board approved the agenda.

6. APPROVAL OF THE MINUTES OF THE JANUARY 19, 2022 MEETING

Upon motion by Member Dahir, second by Member Anderson, which motion duly carried by six to zero of the members present and Member Hill, who participated remotely, did not indicate a vote, the Board approved the January 19, 2022 minutes.

Chari Hartung called for a quick recess at 10:05 a.m. to address audio issues.

Chair Hartung reconvened the meeting at 10:05 a.m.

7. WATER SUPPLY UPDATE

Bill Hauck, TMWA Water Supply Supervisor, presented the water supply update: snowpack levels are still at 100% of normal despite the last day the region had any precipitation was on December 29th; we still need some precipitation to reach the median, but the snowpack has been holding due to the colder temperatures; worst case Lake Tahoe will rise about half a foot between now and July with the best case scenario it will rise 1.3 feet; will have full river flows through our peak demand season and very likely through October (and possibly the end of the year); by July we should have about 2.5 feet of storage in Lake Tahoe and all reservoirs in the system should make significant, if not full, recovery; upstream storage is about 48k acre feet (AF) (18% of total Truckee System), which is the most we have ever had this time of year; and will go into the summer with over 60k AF of storage. Mr. Hauck noted the article regarding the mega drought study which focused on the Rocky Mountains and the Colorado River system; it is a good study, but the Truckee River system is completely different and not comparable.

At this time members of the Board inquired if staff has communicated with the media regarding the drought, how much one AF of water can supply, there would be additional conservation and if a slide can be added to present groundwater supplies and conjunctive use. Mr. Hauck replied staff is in constant communication with the media, one AF can supply about two single-family households, TMWA will implement its standard conservations this summer, and the additional slide can be added going forward.

Mr. Hauck referenced Member Duerr's email sent to Mark Foree, TMWA General Manager, regarding the UC Davis climate change study. He pointed out it is the same science and models TMWA staff used to update the 2020-40 Water Resource Plan (2040 WRP) whereby they looked at the very aggressive greenhouse projections and considered how it impacted snowpack coverage over the next 80 years; staff took it three steps further by converting the snowpack to runoff, river flows and hydrology, and routed it through the Truckee River Operations Model. The results were similar, but there are a lot of unknowns projecting that many years out and we are not seeing the impacts here in the Truckee River yet.

8. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING THE APPOINTMENT OF FRED ARNDT TO FILL THE RESIDENTIAL REPRESENTATIVE 2 PRIMARY FOR THE REMAINDER OF THE TERM ENDING DECEMBER 31, 2022

Sonia Folsom, TMWA Standing Advisory Committee Liaison, presented the staff report.

Upon motion by Member Duerr, second by Member Anderson, which motion duly carried by unanimous consent of the members present, the Board approved appointment of Fred Arndt to fill the residential representative 2 primary on TMWA's Standing Advisory Committee for the remainder of the term ending December 31, 2022.

9. DISCUSSION AND POSSIBLE ACTION, AND DIRECTION TO STAFF REGARDING SELECTION OF EIDE BAILLY AS TMWA'S EXTERNAL AUDITOR FOR FISCAL YEARS 2022, 2023, AND 2024

Sophie Cardinal, TMWA Principal Accountant, presented the staff report.

Upon motion by Member Anderson, second by Member Dahir, which motion duly carried by unanimous consent of the members present, the Board approved the selection of Eide Bailly as TMWA's external auditor for fiscal years 2022, 2023, and 2024.

10. PRESENTATION OF FISCAL YEAR 2022 Q2 YEAR TO DATE FINANCIAL RESULTS

Michele Sullivan, TMWA Chief Financial Officer, provided an overview of TMWA's financial results year to date: the change in net position was \$5.9m (21%) higher than budget which was driven primarily by higher capital contributions; operating revenue was \$0.3m (<1%) higher than budget (other operating revenue was higher by \$0.9m while water sales and hydroelectric sales were lower by \$0.6m combined); operating expenses were \$2.7m (5%) lower than budget; salaries and wages and employee benefits were lower primarily due to position vacancies; seeing impacts from inflation, most notably in fuel, \$102k (62%) over budget, but other price increases have not yet been significant; nonoperating expenses were \$1.9m (38%) higher than budget primarily due to a net decrease in fair value of investments; capital contributions were \$4.8m (24%) higher than budget due to receiving the FEMA award for the Glendale diversion rebuild following the 2017 flood event; approximately \$13.0m of the \$60.1m budgeted for capital spending has been spent due to the delays in receiving meters (AMI) since there is a chip shortage, but has not affected development; and total cash on hand was \$241.0m, or \$11.0m higher than, at the beginning of the fiscal year, \$181.7m was unrestricted and the remaining \$59.3m was restricted to pay for scheduled bond principal and interest payments as well as maintaining required reserves as stipulated in our bond covenants.

Member Brekhus appreciated Ms. Sullivan review and analyzing developer fees, and calibrating it to capital, which is a sign of a resilient well-managed utility organization; and asked about the sustainability program. Ms. Sullivan replied the meter retrofit fund was repurposed, at a lower rate to developers, into the sustainability fund which is used to fund CIP projects related to sustainability of water resources and TMWA's system, which is different from the rate stabilization fund that is part of a reserve to keep a certain level of cash and any excess can be used to reduce future rate increases.

Vice Chair Dahir expressed concern for rate payers and inflation and to use the rate stabilization fund if needed. Ms. Sullivan replied TMWA has approved 2.5% rate increases over the next two years; TMWA has a lot of cash reserves, and the rate stabilization fund can be used so as not to have a large rate increase over the next five years.

Member Anderson inquired if staff has experienced shipping issues and maintaining inventory. Ms. Sullivan replied they typically do not hold inventory in excess due to lack of warehouse space. Andy Gebhardt, TMWA Director of Distribution, Maintenance & Generation, added staff is taking into

consideration shipping issues to ensure the reliability of the system, and work with local suppliers to ensure they have inventory in stock.

11. INFORMATIONAL REPORT ON WATERSHED PROTECTION PLANNING ACTIVITIES AND PROJECTS

Stefanie Morris, TMWA Water Resources Manager, reported on the projects TMWA has been doing since 2008 working through the Truckee River Fund, spending approximately \$865k on watershed projects, and the partnership building regarding watershed protection planning. Ms. Morris stated approximately 80% of TMWA's water supply originates in California/Nevada upstream reservoirs in forested areas, using natural infrastructure and rivers to transport water; fires above reservoirs can impact runoff and water quality. The Nature Conservancy (TNC) has been a great partner with TMWA mostly working at Independence Lake for thinning and other fire protection projects. There has been a lot of planning and activities in the Tahoe Basin for watershed protection and thinning, there has not been a lot of coordination or activities in the Middle Truckee River watershed. In working with local and regional partners such as TNC, Truckee River Watershed Council (TWRC), National Forest Foundation (NFF), US Forest Service (USFS) and different ranger districts, TMWA staff is conducting a gap analysis to assess where TMWA could plug into planning and additional funding requirements, in order to prioritize projects to protect TMWA's water supply; primarily since TMWA does not own the land and doesn't have jurisdiction to implement projects.

Member Hill thanked Ms. Morris for the report and appreciated staff in looking for other funding opportunities, especially since many times grant opportunities are missed due to lack of match funding from local jurisdictions, and offered any assistance she or Washoe County can provide.

Vice Chair Dahir agreed collaboration is necessary and added that the Nevada League of Cities are in the position to assist, and they are looking at infrastructure to be better prepared for future fire seasons and water supply in the region.

Member Brekhus asked if Ms. Morris will bring forward a white paper or work program, and suggested a map to show the gap analysis, if possible. Ms. Morris replied it is going to take some time to complete the gap analysis and show we can collaborate with other agencies; many times, it is not federal funding that is missing, rather staffing and materials and what to do with the materials after thinning the area. Ms. Morris added they are working with NFF looking to expedite projects that will protect the watershed; strategic of combining resources.

Chair Hartung opened items #12 and #13 simultaneously.

12. DISCUSSION AND POSSIBLE APPROVAL OF AN INTERLOCAL AGREEMENT (ILA) FOR WATER RESOURCE LEASE BETWEEN TMWA AND THE CITY OF RENO

13. DISCUSSION AND POSSIBLE APPROVAL OF A WATER RESOURCE PURCHASE AGREEMENT BETWEEN TMWA AND FISH SPRINGS RANCH, LLC

John Enloe, TMWA Natural Resources Director, recapped the workshop presentation at the January 2021 Board meeting which followed the completion of the 2040WRP which presented the different focus areas and number of issues the resources team was working on with other partners within the community: return flow management agreement, Vidler Water Co. and Fish Springs Ranch project . Mr. Enloe briefed the Board on the ILA (which has already been approved by Reno City Council) between TMWA and City of Reno which would allow TMWA to manage up to 3,000 acre-feet of the Banked Water to support delivery of treated effluent water from the Truckee Meadows Water Reclamation Facility (TMWRF) for irrigation and industrial uses and to manage Truckee River return flow requirements and the water resource purchase agreement between TMWA and Fish Springs Ranch, LLC for TMWA to purchase from Fish Springs Ranch 400 acre-feet of water rights for a total purchase price of ten million dollars (\$10,000,000.00), payable over 10 years as shown in the Agreement. The cost to provide Fish Spring groundwater to customers in the Stead/Lemmon Valley area is about the same cost to treat and pump Truckee River up into the area. The cost of Fish Springs groundwater is approximately \$40k/AF, but was negotiated down to \$25k/AF where TMWA's share would be \$15,360/AF and City of Reno paying the remainder; the total cost to developers is the same as purchasing or dedicating Rule 7 water rights.

Member Hill informed the Board she emailed Mr. Foree about whether the Pyramid Paiute Lake Tribe (the Tribe) had been consulted on this matter and was disappointed when Mr. Foree replied no, they had not. She does not disagree that this agreement is good for the Tribe, but would like for TMWA to consult with its neighbors when making decisions of this magnitude and believes communications with the Tribe and other agencies is essential. Member Hill said she would not be supporting items 12 & 13.

Member Duerr agreed with Member Hill, but the agreement before them will leave more water in the river and asked if the cost of the water right was at the point of delivery. Mr. Enloe replied yes, the table represents the cost developers would pay for water rights and WSF fees.

Member Brekhus noted it appears this agreement adds complexity, and perhaps a sign of stress, to the system in order to serve a larger population. She added the Board consider all options as it pertains to Vidler Water Company, including TMWA buy the system and go through an appraisal much like the purchase of Boomtown, and she supports anything that affects the Truckee River Operating Agreement (TROA) be communicated to the Tribe.

Mr. Enloe stated the agreement indirectly allows Fish Springs water to be available throughout TMWA's entire service area. He added that there is a limit as it relates to Truckee River water rights, and they want to be as efficient as possible in serving future development, but also addressing the resiliency, redundancy and reliability of the system; TMWA's system is very complex and its operators are experts by making it look seamless; the water resources group are trying to be as efficient as we can so that we can stretch the resources available to us, increase drought and climate change resiliency. He added that TMWA staff has ongoing discussions with the Tribe representatives on the return flow management agreement, but TMWA does not make it a practice to consult with parties that are not a direct party to an agreement. Staff relies on satisfying TROA, the State Engineer and Federal Water Master, all three parties are aware of and are involved in these agreements.

Vice Chair Dahir stated there is no question the Tribe is strongly respected, and they work diligently to make sure they are involved. However, it needs to be understood that TMWA does not seek permission to conduct business with all entities. He requested clarification on the agreements before them since

City of Reno already approved the ILA. Mr. Enloe replied City of Reno approved the lease agreement, but specifically requested not to be a party to the agreement between TMWA and Vidler.

Member Anderson noted about a year ago, the Board encouraged staff to continue to be innovative in future water projects. He believes this is a perfect example of the direction given and thanked staff for bringing forward a detailed plan, which he supports.

Chair Hartung asked Mr. Enloe to brief the Board on another agreement that included the Tribe and Vidler Water Company. Mr. Enloe replied the Chair was referring to the settlement agreement between Vidler and the Tribe that was ratified by Congress where the Tribe receives a portion of the proceeds of the will serve commitments on top of other payments and land the Tribe received during the settlement.

Member Brekhus said TMWA staff does a good job getting the Board the information to make decisions and requested staff to do a gap analysis regarding the potential purchase of Vidler Water Company as policy and direction; issue of complexity bringing on an importation project.

Member Hill appreciated the background given today, but she is not suggesting the Board seek permission, rather be in communication with our neighbors so as not to surprise them since there is no representation of either Tribes in the area on the Board.

Member Duerr stated she is an avid supporter of the ILA and agreed it would be prudent to have further conversations before we enter into more agreements and suggested to include a 30-day delay in the motion to approve to allow for staff to communicate to the Tribe. Mr. Pagni replied it is a policy question for the Board to decide what the best interest for TMWA is to impose the delay and consider what the effect of the delay would mean, as well as consider if the input was negative would it reverse the decision; the motion needs to be specific regardless of those discussions.

Vice Chair Dahir agreed that committing to having a conversation and collaborating with local entities is beneficial, but we need to make sure we can move forward to do business for TMWA. The Tribe conducts business without notifying TMWA. TMWA has to make decisions and at times it may surprise people unintentionally, and it is important to protect policy-wise TMWA's operations. Mr. Enloe said staff will commit to communicating with the Tribe and will discuss this at their next meeting with Tribal representatives.

Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by five to one of the members present and Member Hill dissenting, the Board approved the Interlocal Agreement for Water Resource Lease between TMWA and the City of Reno .

Upon motion by Member Duerr, second by Member Dahir, which motion duly carried by five to one of the members present and Member Hill dissenting, the Board approved the Water Resource Purchase Agreement between TMWA and Fish Springs Ranch, LLC .

The Board also requested staff to meet with the Pyramid Lake Paiute Tribe as soon as possible to discuss any concerns and return comments to the Board.

14. GENERAL MANAGER'S REPORT

Mr. Foree hoped for more precipitation. Mr. Foree reported the Wisconsin State Lab, which sends out test kits to 40 labs certified to test for waterborne parasites, giardia and cryptosporidium, of which TMWA's water quality lab is one, has asked TMWA to be the quality control lab to ensure the test kits are good prior to being sent out. It is an honor for TMWA and thanked Kelli Burgess, TMWA Water Quality & Environmental Permit Supervisor, and her staff for this great recognition.

15. PUBLIC COMMENT

Mr. Pagni informed the Board he has made the decision to work full-time as in-house counsel for the Di Loreto company starting March 1st. McDonald Carano is the firm that represents TMWA and Lucas Foletta, who is a partner, has utility and regulatory practice, and worked for TMWA over the years, will be taking his place. He thanked the Board and TMWA staff. He stated it was an honor and privilege working for TMWA and staff for the past 21 years, to work with the most dedicated and professional staff, and an exceptional Board who has provided steady leadership over the years.

16. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Vice Chair Dahir congratulated staff for the recognition and thanked Mr. Pagni: it has been an honor it is crucial to have good advice and not receiving it can mislead us.

Member Brekhus requested an update on the return management flow agreement, a Board conversation about attorney representation, to have a discussion regarding Vidler before the fall workshop, and suggested the Board adopt a land acknowledgement statement. She wished Mr. Pagni all the best.

Chair Hartung said he would like to have a conversation about how to contemplate the general counsel agreement going forward and to have staff return with suggestions. He added Mr. Pagni has been an amazing attorney and family friend, who will be missed, and wished him all the best.

Member Duerr shared her thanks to Mr. Pagni knowing his specialty is rare and unique, and he's made a mark in our community.

17. ADJOURNMENT

With no further discussion, Chair Hartung adjourned the meeting at 12:11 p.m.

Approved by the TMWA Board of Directors in session on March 16, 2022.

Sonia Folsom, Board Clerk.