

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE MARCH 15, 2023
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, March 15, 2023 at Sparks Council Chambers. Vice Chair Dahir called the meeting to order at 10:04 a.m.

1. ROLL CALL

Directors Present: Paul Anderson, Jenny Brekhus, Kristopher Dahir, Naomi Duerr, Devon Reese, and Alternate Mariluz Garcia

Director Absent: Vaughn Hartung and Alexis Hill

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Director Duerr.

3. PUBLIC COMMENT

Vice Chair Dahir thanked everyone for their continued support during his recovery and thanked Commissioner Hartung for his years of service and wish him all the best with his new position in the Office of the Governor.

4. POSSIBLE BOARD COMMENTS OR ACKNOWLEDGEMENTS

There were no Board comments.

5. APPROVAL OF THE AGENDA

Upon motion by Director Duerr, second by Director Reese, which motion duly carried by unanimous consent of the Directors present, the Board approved the agenda.

6. APPROVAL OF THE MINUTES OF THE FEBRUARY 15, 2023 MEETING

Upon motion by Director Anderson, second by Director Reese, which motion duly carried by unanimous consent of the Directors present, the Board approved the February 15, 2023 minutes.

Vice Chair Dahir called for a recess at 10:06 a.m. for attorney-client conference.

Vice Chair Dahir reconvened the meeting at 10:42 a.m.

7. WATER SUPPLY UPDATE

Bill Hauck, TMWA Water Supply Supervisor, provided an update on TMWA's water supply: snowpack water content is about 200% of normal in both Tahoe and Truckee Basins; the runoff projection this spring is about 200% of normal; elevation at Lake Tahoe increased about 2.6 feet since December 1, 2022 and is projected to rise another 2.8 feet by July; all other upstream reservoirs are expected to completely fill and spill in 2023; expect normal river flows for the remainder of 2023 and into 2024; and water supply outlook is excellent for our region.

Members of the Board inquired about updating climate change modelling to include new hydrology data, whether the drought is over, ensuring staff is communicating not only how much precipitation is accumulating in the region, but how much is being held in upstream storage, and if there is a risk for flooding due to atmospheric river events. Mr. Hauck replied the Riverware model is constantly being updated for short-term operations under the Truckee River Operating Agreement (TROA), there are different drought categories, but in terms of water supply for TMWA customers, the system appears to have reset, for example right now there is about six feet of water in the snowpack up at Mt. Rose, and the potential for flooding typically occurs by mid-March, which fortunately did not happen, but staff is still monitoring snowpack and runoff and anticipating a slow melt-off.

John Zimmerman, TMWA General Manager, requested Mr. Hauck to explain, for the new Board Members, drought versus non-drought scenario under the Truckee River Operating Agreement .

Mr. Hauck explained that under TROA on April 15th of every year, based on the hydrologic forecast as of April 1st, it is determined whether the region is in a drought or non-drought situation. The Truckee Meadows has been in a drought situation for the last three years and these past few snowstorms have confirmed we will be in a non-drought situation as we will have Floriston Rates through October 31st and Lake Tahoe elevation will be above 6,223.5 feet past November 15th.

8. DISCUSSION AND POSSIBLE ACTION, AND DIRECTION TO STAFF REGARDING 2023 LEGISLATIVE ACTIVITIES, CURRENT BILLS, AND TMWA RECOMMENDED POSITIONS ON LEGISLATIVE PROPOSALS

Stefanie Morris, TMWA Director of Legal & Regulatory Affairs, informed the Board staff is tracking over 70 bills and about 100 Bill Draft Requests (BDR's), and provided an overview of key bills. Ms. Morris stated the Legislative Subcommittee met last week to review staff recommendations and approved the recommended positions including the one of Support for AB20 (allows for municipalities to access clean water funds) and Watch for AB220 (requires residents in Clark County on septic to connect to the municipal sewer system if within 400 feet and municipal water system if within 1,250 feet) which faced the most opposition from homeowners, and could also impact TMWA with potential changes to tentative mapping and agencies approval; staff is having discussions with the sponsor, Southern Nevada Water Authority (SNWA).

Discussion followed regarding whether AB220 , which only applies to Clark County, could be setting a precedent and potentially impact northern Nevada. Ms. Morris confirmed AB220 is only applicable to Counties with more populations more than 700,000 . Ms. Morris added the discussion surrounds the

issue of Clark County seeking to increase return flow credits through more treated wastewater flows to Lake Mead.

Upon motion by Director Duerr, second by Director Anderson, which motion duly carried by unanimous consent of the Directors present, the Board approved staff recommendations for all positions on the bill list and Support on AB20.

9. DISCUSSION AND POSSIBLE ACTION ON ADOPTION OF RESOLUTION NO. 315: 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 OF NORTHERN NEVADA TO FUND SUCH PROJECTS FROM FUND PROCEEDS (RESOLUTION MAY REFLECT ACTION TAKEN IN ONE OR MORE VOTES ON RECOMMENDED PROJECTS)

Sonia Folsom, TMWA Executive Assistant, presented the staff report.

Director Reese inquired about the reduced funding for project #275, River Justice, and stated it is important to support sovereign and indigenous people of our region and requested adding the cost of travel and conference fees back into the funding. Ms. Folsom replied that travel, training, and conferences are not typically funded.

Vice Chair Dahir agreed with Director Reese but stressed it is important to understand the boundaries and setting precedence, in relation to funding projects in the region. Specifically, it is important to understand the Fund does not support certain aspects of a project (i.e., conferences) or projects downstream, which can be an issue for TMWA ratepayers, since it is not upstream of TMWA's water treatment plants. He also emphasized that it is important to call on other regional partners and jurisdictions to support downstream cleanup efforts.

Mr. Zimmerman added that the Truckee River Fund, funded by TMWA ratepayers, typically looks to water quality projects to improve water quality upstream of TMWA's water treatment plants. However, the Fund agreement is broad enough to cover this type of the project.

Director Duerr asked what the purpose of the conference was, but supports clean up along the Truckee River. Ms. Folsom replied it was not identified in the proposal.

Beverly Harry, River Justice, explained that River Justice would have two interns work with different entities to begin understanding how waste accumulation occurs in the Truckee Meadows, and the need to develop leaders in our community to present at different conferences.

Upon motion by Director Reese, second by Director Duerr, which motion duly carried by unanimous consent of the Directors present, the Board adopted Resolution No. 315: 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 of Northern Nevada to fund such projects from Fund proceeds and amended the funding amount for project #275 to the full amount of \$95, 717.

10. DISCUSSION AND POSSIBLE ACTION ON THE TMWA TENTATIVE BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2024 AND DRAFT CAPITAL IMPROVEMENT PLAN (CIP) FOR FISCAL YEARS 2024 THROUGH 2028

Matt Bowman, TMWA Chief Financial Officer, reported on the tentative budget for FY24. Mr. Bowman stated the main reason for the significant increase to operating expenses is due to higher energy, chemical treatment, and fuel costs, as well as the increase to full-time employees due to the Washoe County fire hydrant maintenance program, and the Environmental Protection Agency (EPA) revised lead and copper rule requiring sampling at schools and daycares which has never been done before and increase in cyber and physical security and insurance costs. Mr. Bowman noted TMWA's Debt Service Coverage (DSC) Ratio goal is 1.5x and TMWA's senior lien bond covenant requires a minimum coverage ratio of 1.25x, and for FY24 it is close to that bottom threshold of 1.35x, but is optimistic that inflation could decrease, and water sales could increase in FY24. At the end of FY24, TMWA's cash position is estimated to be approximately \$193.5m (above TMWA's total cash required policy of \$180.4m) Also, nonoperating revenues and expenses decrease by \$2.4m due to higher returns on interest rates and lower interest expense. Capital contributions are expected to decrease by \$25.6m (31.7%) due to projections of construction slowing down in TMWA's service territory.

Danny Rotter, TMWA Director of Engineering, acknowledged Sandra Tozi, TMWA Senior Financial Analyst, who really manages the CIP spreadsheet and tracks all 160 projects. Mr. Rotter highlighted key projects over the next five years: Spring Creek Well #10 (groundwater supply not impacted by arsenic or nitrate) and Lazy 5 Low Head Pump Station and Mains (provide surface water to the Spanish Springs area), American Flat Advanced Purified Water Facility (AFAPWF), and Orr Ditch Hydro project. Staff is also keeping up with growth and aging infrastructure, by tracking 79 wells, tanks, and booster pumps that need to be added, replaced or upgraded, and expect about 47 new major facilities by end of the decade. The increase in capital spending is due to the increase in developer funded projects and the American Flat Advanced Purified Water Facility.

Vice Chair Dahir requested an update from staff on aging infrastructure and how determinations are made as to maintaining or replacement.

Director Brekhus inquired about the significant increase in headcount for the Washoe County Fire Hydrant Maintenance Interlocal Agreement (ILA), the Mt. Rose Water Treatment Plant improvement costs and the AFAPWF budget. Mr. Zimmerman replied to the ILA with Washoe County for the fire hydrant maintenance program is being finalized and will be presented to the Board in either May or June, and the headcount is respective of Washoe County lands within TMWA's service area. Mr. Rotter explained Mt. Rose Water Treatment Plant went offline due to the flooding event in August 2022 which rerouted the Whites Creek watershed and deposited decomposed granite into the intake, which staff recently finished removing and are now ensuring sediment is trapped upstream of the intake, so it is an operational cost until they see evidence of the creek having healed back to its previous path. Mr. Zimmerman added due to the snow, until staff is able to assess the damage to the creek bed, they are continuing to work with the US Forest Service and regional partners, and the plant needs to be online as it is key to maintaining a stable groundwater table in the area. With regards to AFAPWF, Mr. Rotter replied staff included the total cost in the CIP and Mr. Bowman accounts for it in the budget accordingly and added that the current CIP accounts for the design until spring of FY24 and 20 months of

construction. Mr. Bowman added it is the total cost of the project, which is fully developer funded, and there is projected impact on customer rates.

Director Brekhus requested the Board be kept apprised of the Mt. Rose Water Treatment Plant status.

Vice Chair Dahir noted it is important to keep abreast of the DSC Ratio to ensure it is not continuing to decline as it could negatively impact customer rates, for staff to continue to review where budget cuts can be made internally and to understand if the Board is comfortable dropping below 1.5x policy without going below the bond covenant.

Director Anderson would hope that services and supplies did not go above the already 14% increase and suggested staff conduct an exercise to reduce non-employee expenses and to not wait too long before making those corrections. Mr. Bowman replied staff can absolutely review short-term changes in operations to reduce costs, but have not done it yet because it will affect operations.

Vice Chair Dahir added when staff considers to increase or remove something, to provide the Board with enough time to make better decisions and consider the ramifications.

Director Brekhus inquired about the Security & Emergency Management Coordinator position since they had a discussion on the Risk Manager position which was determined unnecessary. Mr. Bowman replied the position would provide support to physical security and emergency management.

Upon motion by Director Duerr, second by Director Reese, which motion duly carried by unanimous consent of the Directors present, the Board approved the Tentative Budget for the Fiscal Year ending June 30, 2024 and Draft Capital Improvement Plan for Fiscal Years 2024 through 2028.

11. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING DRAFT REQUEST FOR PROPOSALS (RFPS) AND PROCESS TO SELECT BOARD LEGAL REPRESENTATION

Mr. Zimmerman presented the staff report and draft RFPs and process, which follows how Western Regional Water Commission (WRWC) conducted their search.

Director Brekhus appreciated TMWA taking the same approach as WRWC's selection process and asked if there is a procurement limit to the general manager's authority for the hiring of the other legal firms. Mr. Zimmerman replied there is not a statutory restriction and the TMWA joint powers agreement allows General Manager approval within the approved budget.

Director Duerr sought to confirm the amount of legal fees for Board-related issues from McDonald Carano. Mr. Zimmerman replied the board legal fees are approximately \$25,000.00.

Director Brekhus suggested staff have a scoring criteria, submit the top three candidates, and provide all scoring to the Board at the May meeting.

Upon motion by Director Brekhus, second by Director Reese, which motion duly carried by unanimous consent of the Directors present, the Board approved staff recommendation for the request for proposals and process to select Board legal representation.

12. INFORMATIONAL UPDATE ON SUCCESSION PLANNING AND EMPLOYEE DEVELOPMENT ACTIVITIES

Mr. Zimmerman updated the Board on the succession planning process: the management team identified their drivers and priorities which are currently being presented to all-employees at individual department meetings. The information provided will give employees an understanding of the changes that will occur in the future, so they can better assess their future career and growth opportunities. Finally, employees will meet with their supervisors and conduct a career development exercise, which will be rolled up into their annual evaluation process. He will provide another update in September during his annual review.

13. GENERAL MANAGER'S REPORT

Mr. Zimmerman thanked Vaughn Hartung for his years of service on the TMWA Board and his continued support of staff. He also informed the Board of the EPA's draft proposed rule on "forever" chemicals, PFAS/PFOA, and TMWA is looking at the impacts to its operations; TMWA has not detected any PFAS/PFOA in its water system to date and will keep the Board apprised.

Director Brekhus asked if TMWA plans on providing comment on the rule, which she supports, and expressed concern if TMWA did not support. Mr. Zimmerman replied he can have Ms. Morris bring this topic to the legislative subcommittee as part of the discussion.

14. PUBLIC COMMENT

There was no public comment.

15. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Vice Chair Dahir thanked Commissioner Hartung for his years of service on the TMWA Board of Directors.

16. ADJOURNMENT

With no further discussion, Vice Chair Dahir adjourned the meeting at 12:14 p.m.

Approved by the TMWA Board of Directors in session on April 19, 2023.

Sonia Folsom, Board Clerk.