



## STAFF REPORT

**TO:** TMWA Board of Directors  
**FROM:** Mark Foree, General Manager  
Jeff Tissier, Chief Financial Officer  
**DATE:** October 10, 2012  
**SUBJECT:** Update, discussion and possible direction to staff regarding the merger of Washoe County Department of Water Resources (DWR) water utility into TMWA and Washoe County's feasibility review of merging or segregating the South Truckee Meadows General Improvement District (STMGID) system prior to the TMWA/DWR merger

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### RECOMMENDATION

Staff recommends that the Board accept the report on the status of i) the merger/integration project between the Truckee Meadows Water Authority (TMWA) and the Washoe County Department of Water Resources Water Division (DWR) and ii) Washoe County's feasibility review of merging or segregating the South Truckee Meadows General Improvement District (STMGID) system prior to the TMWA/DWR merger, and provide any direction to staff, which could include:

- Urge the County to make a final decision on the merger or separation of the existing STMGID system by mid-November so the TMWA/DWR merger may proceed, and provide direction on possible rate accommodations if there is a DWR/STMGID merger.
- Temporarily suspend merger activities until clarity is established with respect to the STMGID matter.
- Any other direction from the TMWA Board.

### DISCUSSION

#### Overview of the due diligence process

As of October 10, 2012, TMWA and DWR have essentially completed all due diligence analyses and are now at a critical juncture with respect to the merger. The last major due diligence task to complete is to harmonize DWR's Water Rates and Rules of Service ordinance with TMWA Rules of Service to the maximum extent possible in order to achieve a smooth transition upon merger. This element of the due diligence is virtually complete and will require a few meetings

between both water agencies to finalize, with presentation of the proposed water ordinance revisions to the Board of County Commissioners sometime in the near future.

After completing Rules of Service efforts and subject to Board direction to proceed with merger, the next steps are to proceed with merger implementation which will require significant resources to complete on the part of both water agencies. The expected timeline to merge is anticipated to be at least 7-9 months to completion. The major merger implementation tasks include:

- Initiate labor negotiations between International Brotherhood of Electrical Workers (IBEW) Local 1245 and the Washoe County Employees Association (WCEA), which involves labor and management. (approximately 6-8 months)
- Transferring Supervisory Control and Data Acquisition (SCADA) polling signals from DWR water facilities into the TMWA SCADA system. (6-8 months)
- Transfer of customer billing information from the DWR billing system to TMWA's Customer Information System provider Vertex. (7-8 months)
- Defease DWR publically issued water debt to be assumable by TMWA, preparation of Offering Memorandum, rating agency presentation, bond sale road show, and execution of sale. (6 months)
- Proceed with working with State of Nevada Treasurer's office to transfer DWR Drinking Water State Revolving Fund (DWSRF) loan to TMWA. (6 months)
- Remove water pledge from DWR sewer bonds and loans. (5-6 months)
- Remove water pledge from DWR storm water private placement. (5-6 months)
- Complete Schedules to the Addendum to the Interlocal Agreement (ILA). (4-6 months)
- Complete Merger Agreement. (4-6 months)
- Refresh 2013-2017 Five Year Financial Forecast for Combined Water Agency. (1-2 months)
- Disposition of the Verdi Joint Service Area. (6 months)
- Right of Way Toll issues for DWR customers located in the City of Reno and the City of Sparks. (unknown)
- Customer communications, workshops and education. (7 months)

- Obtain approval of JP Morgan Bank N.A. and Wells Fargo Bank N.A (the Liquidity Providers to the Commercial Paper Program) as required in Liquidity Facility Agreements' covenants (1-2 months)

The aforementioned items highlight the most important elements remaining to effect the merger between the two water agencies.

### **Status of Additional TMWA Board Conditions to Merger**

As a result of the due diligence process, three conditions were identified by the TMWA Board which must be resolved in order for the merger to proceed: 1) Certain agreements could not be assumed by TMWA and must be retained by Washoe County; 2) creation of the Washoe County Bond Bank to provide for a potentially more cost effective defeasance of DWR publically issued water debt; and 3) resolution of issues created by the interdependence of the South Truckee Meadows General Improvement District (STMGID) system in a manner that would not impede or negatively impact the merger of DWR water operations with TMWA.

The first two conditions appear to have been resolved, as Washoe County has stated it will retain those agreements and Washoe County created the Washoe County Bond Bank in 2011. TMWA anticipates the final Merger Agreement will include specific terms to implement these items. The last of these three remaining conditions is the disposition of STMGID, and TMWA understands Washoe County is in the process of evaluating the feasibility of merging the STMGID water system into the DWR, or separating the existing STMGID system as an independent water utility, prior to the merger of DWR into TMWA. As requested by Commissioner Jung at the September TMWA Board meeting, an update on the status of Washoe County's resolution of the STMGID issue is set forth below.

### **Status Update on STMGID Resolution**

STMGID is a general improvement district created by Washoe County in 1981 for the basic purposes of furnishing storm drainage, sanitary sewer and water facilities. *Washoe County Ordinance 519*. STMGID currently serves approximately 3,700 customers in the south Truckee Meadows. The Washoe County Board of County Commissioners ("County Commission") serves as the STMGID Board of Trustees, and a Local Managing Board ("LMB") comprised of five residents in the STMGID area acts as an advisory board to the County Commission/Board of Trustees.

Washoe County provides administrative, technical and operational support to the STMGID system. Based on reports from DWR, the County spends approximately \$400,000 per year on administrative support for STMGID, and has been under-recovering costs for operating and maintenance services provided to STMGID by between \$400,000 and \$900,000 per year. In 2011, Washoe County began exploring the financial feasibility of continuing to provide such services for the STMGID system, as well as the operational feasibility of maintaining STMGID as an independent water utility should the merger with TMWA and DWR proceed. In November 2011, DWR advised the LMB that STMGID was so interdependent and inter-related with the DWR system, millions of dollars in infrastructure would need to be invested to separate the

existing STMGID system as an independent water utility. DWR concluded that the interdependence of the STMGID system made it “virtually impossible for the County to consolidate itself into TMWA without including STMGID in that consolidation.”

Based on the cost of administrative support for STMGID, combined with other economic, engineering and water resource management analyses, DWR concluded the County Commission should dissolve STMGID and merge the STMGID system and customers into DWR. County staff recommended that STMGID dissolve and merge into DWR regardless of whether the TMWA merger proceeded, as the County recognized that maintaining STMGID as “a separate entity has relatively little to do with ensuring STMGID customers receive high quality, reliable water service”, and that DWR “can readily, and for a substantially lower transaction cost” provide water service to STMGID customers. County staff recognized that a DWR/STMGID merger would not negatively impede a TMWA/DWR merger, and in fact, was a critical condition necessary to facilitate the DWR merger with TMWA.

To provide some assurance to STMGID customers, DWR initially proposed a guaranteed “life estate” water rate for STMGID customers after the DWR/STMGID merger. In essence, DWR offered to exclude debt costs from STMGID customer rates, effectively freezing STMGID customer rates at their current STMGID levels instead of converting them to DWR customer rates and increasing them by a nominal CPI amount each year. DWR proposed that this “life estate rate” would apply for some term of years (10-15 years) or until there was a change in the customer of record (e.g., a sale of a home or change of tenancy). DWR proposed to STMGID that the County would require TMWA to honor this “life estate rate” commitment following the TMWA/DWR merger. In May 2012, DWR offered a modified proposal (the “Rate Offset” proposal) under which the County would use STMGID’s unrestricted cash to fund a rate offset account, effectively allowing a ten year phase in to bring STMGID customer rates in line with DWR customer rates. The proposed terms of the merger and rate offset proposal were set forth in a Proposed Term Sheet for the merger dated March 2012.

The LMB hired legal counsel and began to solicit public input on the proposed DWR/STMGID merger. The LMB held a public meeting on May 3, 2012, at which time the STMGID customers in attendance expressed opposition to the merger and support for segregating STMGID as an independent water utility. While recognizing the separation option was expensive, on June 7, 2012, the LMB voted unanimously to not recommend a DWR/STMGID merger to the County Commission/Board of Trustees and to engage consultants to develop a plan to establish STMGID as an independent water utility.

On August 14, 2012, the County Commission/Board of Trustees authorized \$450,000 for STMGID to prepare a feasibility plan analyzing the costs and actions necessary to establish the existing STMGID system as an independent water utility. The scope of work included analyzing the existing STMGID system and interdependencies of DWR supply, storage and transmission facilities, and developing a plan and cost estimate for infrastructure improvements required to make the existing STMGID system an independent water utility. STMGID was asked to report the final findings of the Feasibility Study to the County Commission/Board of Trustees by November 13, 2012.

On September 11, 2012, preliminary findings on the feasibility study were presented to the County Commission/Board of Trustees. The Feasibility Study estimated it would cost \$14.8 million to construct necessary infrastructure improvements to segregate the existing STMGID system into an independent water utility. The consultant concluded that these costs consisted of \$4.5 million to segregate the existing STMGID service areas from DWR and \$10.3 million to separate the DWR service areas from STMGID. Assuming STMGID was able to bond for the cost of these improvements, the consultant concluded segregating the system would result in a rate increase of 82-90% for STMGID customers.

On September 25, 2012, the STMGID consultant provided an update on the Feasibility Study and alternatives analyzed in connection with the STMGID separation or merger. The consultant concluded that \$1,972,670 currently held by STMGID as a restricted asset could be available to fund a portion of the \$10.3 million cost to separate the DWR service areas. Thus, while the overall cost of separation remained \$14.8 million, based on the updated analysis \$13.3 million of new funding would be required if the restricted STMGID assets were used. The consultant also concluded that up to \$3.4 million of infrastructure costs could possibly be avoided through a combination of emergency interties, de-annexation of some STMGID service areas, and entering a wholesale agreement with DWR; however, such alternatives had possible ripple effects that were still being evaluated. A copy of the Washoe County staff report from the September 25, 2012 County Commission/Board of Trustees meeting is attached.

STMGID's consultant indicated that the final Feasibility Study will be released on October 18, 2012. STMGID has scheduled open house meetings with STMGID customers on October 23<sup>rd</sup> and 25<sup>th</sup>, and mailers will be sent to STMGID customers to solicit their feedback on the final Feasibility Study.

The STMGID consultant presented his preliminary conclusions on the Feasibility Study to the County Commission/Board of Trustees on September 25, 2012. Questions were raised by some County Commissioners as to what, if any, affect the merger or separation of the existing STMGID system would have on the TMWA/DWR merger. While the decision on STMGID is the County's decision to make, it was suggested that additional input should be sought from TMWA, which TMWA understands includes the following:

1. Whether the TMWA/DWR merger will be impacted should the County decide to merge STMGID into DWR, or separate the existing STMGID system as a stand-alone water utility;
2. Whether TMWA would be amenable to sell wholesale water to STMGID post TMWA/DWR merger if the County elected to separate the existing STMGID system; and
3. Whether TMWA would be amenable to perpetuating the proposed "life estate rate" or proposed "rate offset" after the TMWA/DWR merger if the County elected to merge STMGID into DWR.

**Discussion and Recommendation**

TMWA staff agrees that the status quo is no longer an option, and that STMGID must either be merged into DWR or segregated as independent water utility prior to the TMWA/DWR merger. At this time, the preliminary conclusions on options being evaluated are summarized below:

Alternative	County/STMGID Infrastructure Cost	STMGID Rate Increase
Merge STMGID into DWR	\$0	0%
Separate STMGID as independent water utility	\$14,828,585 (\$1,972,260 available from STMGID restricted assets)	82-90%

The decision on whether to merge or separate STMGID is one for the County, not TMWA, to make.

Looking strictly at the terms and conditions of the TMWA/DWR merger transaction, TMWA staff is neutral on whether the County decides to merge STMGID or segregate the existing STMGID as a stand-alone water utility. If the County decides to merge STMGID into DWR, the STMGID system will be included in the assets merged with TMWA and TMWA can provide water service to the integrated system following merger with DWR. If the County decides to pay to separate the existing STMGID system, it can do so and TMWA can provide wholesale water service if required to the separated STMGID system following the TMWA/DWR merger. TMWA staff takes no position on the cost, efficacy or feasibility of segregating the STMGID and DWR systems, but believes the TMWA/DWR merger can proceed either way; **provided, however, none of the DWR treasury funds are used to finance the STMGID separation, that STMGID is not financially subsidized by the TMWA/DWR utility, and that such separation does not have any adverse fiscal effect on DWR assets or assumed liabilities being transferred to TMWA.** The preservation and transfer of the entire DWR treasury and all existing DWR customers is a critical condition precedent to the financial feasibility of the TMWA/DWR merger. Any use of DWR funds to finance the segregation of STMGID as an independent water utility would materially impact the financial feasibility and likely impair the TMWA/DWR merger from going forward.

TMWA staff notes that either the merger or separation of the existing STMGID system must occur prior to the TMWA/DWR merger, and that continuation of the status quo would be a significant impediment to and materially impact the legal and financial feasibility of the TMWA/DWR merger. Staff also notes that from a regional water management perspective, merging DWR and STMGID furthers the legislative intent of the Western Regional Water Commission Act by facilitating more effective and efficient management of existing water resources and water supplies, protecting watersheds and ground water supplies on the Mt. Rose fan, and integrating regional water resources and water supply management. Although the segregation of the existing STMGID system was studied from an infrastructure standpoint, TMWA is unaware of any efforts to evaluate the segregation of STMGID from a water resource

management or water quality perspective and implications under the Western Regional Water Commission Act. But looking strictly at the terms of the TMWA/DWR merger, TMWA staff is neutral on whether STMGID is merged or separated, provided whatever decision the County makes does not have any adverse fiscal impact on DWR and the assets being transferred to TMWA.

At the October 9, 2012 joint meeting of the Board of County Commissioners and STMGID Board of Trustees, members of the Board raised questions as to whether TMWA will absolutely require the merger of STMGID into DWR as a condition of the TMWA/DWR merger or whether TMWA would be willing to provide wholesale water service to STMGID if the existing STMGID system were separated, indicating that answers to these questions may help them in their decision making process. The County has scheduled a joint meeting of the Board of County Commissioners/STMGID Board of Trustees for October 23, 2012 to continue discussions on this matter.

As stated above, TMWA staff believes the TMWA/DWR merger can proceed if STMGID is merged or the existing STMGID system is separated so long as the implementation of such decision does not have any adverse fiscal impact on the assets or assumed liabilities being transferred to TMWA. With respect to whether TMWA would provide wholesale water service to STMGID after the TMWA/DWR merger, TMWA would treat STMGID like any other applicant for wholesale water service and could provide wholesale water service upon STMGID's satisfaction of applicable provisions in TMWA rules, including completion of any necessary infrastructure improvements and execution of a wholesale water service agreement with TMWA. At this time, TMWA does not have sufficient information to determine what specific terms and conditions of service would apply should such an application be made, but agrees such process would be available to STMGID.

Finally, with respect to the inquiry on the "life estate" rate or "rate offset" proposed for STMGID customers, whether TMWA would be willing to perpetuate a life estate rate or rate offset for STMGID customers to facilitate the transfer of the STMGID system is a policy question for the TMWA Board. TMWA staff notes that given the relatively small size of the STMGID system (3,700 service connections as compared to 112,000 service connections in a TMWA/DWR merged system), perpetuating a "life estate" rate or "rate offset" as proposed by DWR would not have a material fiscal effect and could be implemented without adversely impacting existing TMWA customer rates. If the Board is amenable to perpetuating such rates, TMWA staff could support the implementation of a rate accommodation that excludes debt for STMGID customers post TMWA/DWR merger and believes such direction may help facilitate the County's resolution of the STMGID issues.

The timeline for the TMWA/DWR merger is driven by market conditions to defease the DWR bonds. As such, the conditions for implementing the TMWA/DWR merger are very time sensitive, and we have reached a critical juncture where TMWA and DWR need to begin final steps to implement the TMWA/DWR merger in order to take advantage of those market conditions. This cannot happen until the County makes a final decision on whether to merge or separate the STMGID system, and any further delay in making that final decision will affect TMWA/DWR merger. TMWA staff believes the TMWA/DWR merger can proceed either if

STMGID is merged into DWR or if the existing STMGID system is separated as a stand-alone utility, so long as no DWR funds are used for such separation and it does not adversely impact the assets and assumed liabilities being transferred to TMWA, and would recommend the TMWA Board urge the County to make a final decision on those two options by mid-November so the TMWA/DWR merger may proceed, and provide direction to staff on possible rate accommodations if there is a DWR/STMGID merger.



November 1, 2011

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Mr. Steve Cohen, Chair, South Truckee Meadows Local Managing Board  
Ms. Sue Saunders, Vice Chair  
Ms. Ellen Allman, Secretary  
Mr. Gerald Schumacher, Member  
Mr. Gary Tavernetti, Member

Dear South Truckee Meadows Local Managing Board Members:

I am writing to you today to update you on several issues and actions that have a direct bearing on the future of the South Truckee Meadows General Improvement District (STMGID). My goal in writing this letter is to provide you with the information you need about the direction I have received from the Board of County Commissioners (Board) and its implications for STMGID, so that you have complete information as you deliberate about STMGID's future.

#### **Consolidation of the TMWA and DWR Water Utilities**

As you know, the Washoe County Department of Water Resources (DWR) and the Truckee Meadows Water Authority (TMWA) have been working together for the last 3 years to consolidate the region's two largest water utilities into a single agency. The goals of this consolidation are to do a better job of providing water service to our community by:

1. making better use of available water resources,
2. doing a better job using existing infrastructure before building more, and
3. doing a better job managing and minimizing long term costs of providing high quality and reliable water service to current and future residential and commercial customers.

As part of the work DWR and TMWA have been doing in preparation for this consolidation, detailed evaluations of DWR's water systems and service areas have been conducted. This work has highlighted the inter-related and interdependent nature of the County's water systems and facilities in the South Truckee Meadows and those of STMGID.

The undeniable conclusion of the analyses that have been conducted is that STMGID is not a separate system and could not become a separate system without the investment of millions of dollars in infrastructure. This situation was created by decisions made by STMGID and the County over many years in the past and both

Department of



Water Resources

parties have benefitted from these decisions, which have kept costs to customers lower than they would have been otherwise.

From an operating perspective, as long as the County is the technical manager and operator of both systems, this interdependence presents no serious operational issue. However, this interdependence makes it virtually impossible for the County to consolidate itself into TMWA without including STMGID in that consolidation.

### **Washoe County's Financial Management Challenges**

As the system analysis results have been emerging and have been solidified by additional economic and engineering evaluations over the last six months or so, the County has also been engaged in developing and adopting its FY 2011-2012 budget. Over the last five years the County has asked its many departments to make multiple rounds of budget reductions. DWR has not been immune from these reductions, and has reduced its budget for water planning from a high of \$2 million in FY 2007-08 to \$0 in the current fiscal year. In addition, by December 2011, DWR will have lost 34% of its staff through hiring freezes and voluntary separation incentives.

As part of the County's development of its FY 2011-12 budget, each department was asked to develop and submit a 10% reduction plan for review and action by the Board. DWR's reduction target was \$2,448,682. To reach the reduction goal, DWR staff proposed reducing staff by 12 positions, reducing capital budgets, and eliminating administrative support for STMGID. The specific proposal I made relative to eliminating administrative support for STMGID was as follows:

“Eliminate administrative overhead associated with maintaining STMGID as a separate entity. Merge STMGID 3,700 water service customers into DWR's water service customer base, maintain STMGID's current rate structure, which produces about \$2.5 million per year. Eliminate about \$400,000 in administrative costs without affecting water service to customers or cost of service to customers.”

In DWR's recommendation to the Board, STMGID would dissolve and STMGID customers, assets, liabilities and facilities would come to DWR.

In my conversations with STMGID's LMB Chair in advance of my including this provision in my 10% cut proposal, Mr. Cohen has repeatedly questioned my reason for including this proposal in DWR's plan. Because STMGID pays DWR to perform work on its behalf, Mr. Cohen's view was that my proposal doesn't have a financial benefit for DWR. When you look at the proposition from DWR's perspective, however the situation looks quite different.

As DWR's Director, I am faced with some very difficult choices. Resources are limited and, due to pending retirement of a number of employees, they are about to become even more limited. My focus is and must be on maintaining resources necessary to ensure that water, wastewater, and reclaimed water services are provided in a manner that protects public health and meets regulations and customer requirements.

Providing the administrative and technical support necessary to maintain STMGID as a separate entity is very labor intensive. With all due respect to the efforts of the LMB and to the long term and generally productive working relationship between DWR and STMGID, providing administrative support to STMGID to maintain its status as a separate entity has relatively little to do with ensuring that STMGID customers receive high quality, reliable water service. I'm very sorry to be so blunt about this, but this reality is, from DWR's perspective, the heart of the matter.

Specifically, because DWR serves 18,700 of its own customers, it can readily, and for a substantially lower transaction cost, substitute its administrative management and operating policies and practices for system, facility, and customer matters that would typically come to the LMB for action. For example, DWR routinely addresses and resolves customer leak rebates and service problems for its customers. DWR also efficiently address issues such as land acquisition, boundary line adjustments and utility easements through established process which go to the Board for final authorization. Other issues such as facility planning, equipment upgrades and water customer billing issues are generally handled at staff level. DWR's policies for managing these matters are not substantially different from those applied by the LMB. Both STMGID and Washoe County operate under administrative and contracting policies and practices that meet statutory requirements for public agency projects. We both also comply with all Board directed policies and standards for financial management and rate-making and we bring detailed reports of our analyses on these matters to the Board for their direction.

At the Board's September 27, 2011 meeting, they received presentations on the 10% cut plans for every County department and they adopted the County Manager's recommendation for what level of cuts to take from each department.<sup>1</sup> The Board approved the County Manager's recommendation to accept most of the cut proposals of DWR's plan, including the proposed elimination of administrative support for STMGID. The Board Chair also specifically asked the LMB to come forward with a

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<sup>1</sup> Below, I have provided a link to the Board's agenda for the September 27 meeting and would direct your attention to items 4, 5 and 6 on this agenda. These items provide a detailed description of the County's financial management challenges and strategies.

[http://www.washoecounty.us/large\\_files/agendas/092711/agenda.pdf](http://www.washoecounty.us/large_files/agendas/092711/agenda.pdf);

The Staff Report for the County Manager's recommendation on the 10 % cut plans can be found at the following link: [http://www.washoecounty.us/large\\_files/agendas/092711/7.pdf](http://www.washoecounty.us/large_files/agendas/092711/7.pdf)

recommendation on the future of STMGID, both in response to the action the Board took in adopting the 10% cut plans and in the larger context of the anticipated DWR-TMWA water utility consolidated.

As I have worked through the various scenarios for managing DWR and continuing to provide the high quality, reliable service to our customers that they require from us, I have had to continually focus on how to provide the best service I can to DWR's customers and STMGID's customers with the resources that are available. It is not feasible for me to hold STMGID as a separate entity harmless from the impacts of the decisions I am faced with as I implement the Board's direction.

If you look closely at DWR's recommendation regarding STMGID, you will see that the proposal is to merge STMGID's customers into DWR's customer base and maintain the lower rate structure for STMGID customers. This approach is possible because, by eliminating the administrative costs associated with maintaining STMGID as a separate entity, the revenues produced by STMGID customers can be reallocated to cover DWR's cost of providing service to STMGID customers. More specifically:

- Approximately \$400,000 a year is expended by STMGID for administrative support for the LMB and Board of Trustee (BOT) meeting agendas, technical and managerial support (Dwayne Smith), separate accounting, water rights management, etc. Other costs not directly related to, but requiring administrative management by DWR, include contracts for auditing, lobbying, meeting minutes etc.;
- A third party analysis (Hansford Economic Consulting) presented to the LMB at its August meeting indicated that DWR was under-recovering its costs for operating and maintenance services provided to STMGID by between \$400,000 and \$900,000 per year;
- Merging STMGID's customers into DWR's customers and maintaining current rates eliminates the need to spend \$400,000 on maintaining STMGID as a separate entity because that work goes away. Capital investment in STMGID's system and facilities and funding of depreciation continues without interruption. The \$400,000 previously spent on maintaining STMGID as a separate entity is used to more fully cover DWR's cost of providing service to STMGID customers.

### **STMGID's Options for the Future**

In considering possible alternative approaches to STMGID's dissolving, I don't see approaches that accomplish what needs to be accomplished from the County's perspective that are as good, from a STMGID rate-payer perspective, as the proposal included in the County's 10% cut.

For example, any alternative involving some other arrangement for providing administrative support may reduce some but not all costs to DWR, but more

importantly would likely add new costs to DWR and would not address DWR's current under-recovery of the cost of providing services to STMGID. Further, Board agreement would have to be obtained for any alternate approach and, STMGID should anticipate that the current inter-local agreements would also have to be significantly modified to redefine roles and responsibilities of the parties and support equitable cost recovery for services provided.

In July of this year, a potential option for TMWA to be a contracted service provider for STMGID was discussed with DWR staff, LMB Chair Steve Cohen and TMWA's General Manager, Mark Foree.<sup>2</sup> Based on my recent conversation with Mr. Foree, the option discussed at this meeting does not now appear feasible for several reasons. One significant reason is that due to the intertwined nature of the STMGID and DWR systems, I understand TMWA is not in a position to assume any operational responsibilities for the STMGID system outside of the context of a completed merger. A second reason is that Mr. Foree has indicated that the TMWA Board has not authorized staff to consider any interim contracted service provider options for STMGID at this time, and instead has directed TMWA staff to focus on facilitating the completion of the merger.

If all these impediments did not exist, Mr. Foree has further indicated that TMWA would likely charge STMGID its average cost of service for each customer as a basic charge and additional charges would accrue for all costs associated with separate accounting, auditing, CIP and depreciation funding, capital facility planning and project implementation and working with developers if and as needed. TMWA would also require full authority to operate, maintain, repair, replace, add to, or abandon STMGID facilities without making requests through the LMB for authorization by the BOT.

In considering this TMWA option, it is reasonable to anticipate greater costs for STMGID than it is now dealing with, and would not respond to the Board's direction to DWR. Even if TMWA were able to explore a contracted service provider option now (which does not appear to be the case), it would not be possible to accomplish the needed work quickly enough to resolve the current budget limitations imposed by the County.

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<sup>2</sup> I want to emphasize that these proposals by Mr. Foree are preliminary and that he has not been authorized by his Board to make a formal proposal to STMGID at this point. In discussing these options with Mr. Cohen, Mr. Foree did indicate that he would need to discuss possible approaches with his Board but that if or when this discussion did occur the options presented would generally be similar to those discussed

### **The Future of STMGID Customer Rates**

Whatever the STMGID LMB chooses to recommend to the BOT, clearly an issue the LMB needs to be concerned about as it considers its future is how customers would be impacted by the anticipated consolidation of DWR's and TMWA's water utilities.

In DWR's recommendation to the Board, STMGID would dissolve and STMGID customers, assets, liabilities and facilities would come to DWR. STMGID customers would be guaranteed a "life estate" rate that would apply to the existing tenant/customer of record. When the tenant/customer of record changes, the property would be billed at the current service provider rate. The life estate rate would increase by small, pre-determined amounts (e.g., annual cpi) after July 1, 2013, if the merger of DWR's water utility with TMWA hasn't occurred by that date.

If this option were implemented, DWR would recommend to the Board that any water utility consolidation agreement between the County and TMWA include a requirement for TMWA to recognize these "life estate" rates for former STMGID customers, to be effective upon the merger of DWR with TMWA.

I am aware that as DWR staff and the STMGID LMB have worked together over the last couple of years to identify and evaluate possible future options there are concerns that some of the work that has been done has been wasted. My own view is that such work is never wasted. In my experience, decisions such as this one are made by weighing and balancing a large number of factors, and often it is not feasible to choose an approach that fully satisfies every criterion.

I know, for example, that the focus group results heavily favored retaining STMGID as a stand-alone entity and the LMB has been appropriately impressed by the consistency of this response. I also know that maintaining low rates was the other major consistent theme of the focus group discussions.

If you accept that the practical realities of the inter-relatedness and interdependencies of the STMGID and DWR systems and the financial and managerial challenges of our times make retaining STMGID as a separate entity unlikely, then you must look at what are the best options are for satisfying the customer desire to maintain low rates.

I believe that in making the proposals about STMGID rates that have been formally offered by the County and informally discussed with Mr. Cohen by TMWA at the July meeting, these agencies have recognized and tried to provide some mitigation for the loss of independence and local control that would result from dissolving STMGID. These offers represent real value to STMGID customers over many years to come, and it is appropriate for the LMB to very carefully consider this value to their customers as you develop your recommendation to the BOT.

STMGID LMB  
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Although STMGID's current customer rates are approximately 30% lower (or more) than those paid by DWR or TMWA customers, absent an agreement from DWR or TMWA to maintain artificially lower rates this situation cannot continue. STMGID's independent auditor, J.A. Solari and Partners, recognizes the normal inflationary factors increasing operating costs and the reduced water consumption driving down operating revenues in its audit report for FY 2010-11. The auditor also identifies the need to increase rates to offset these issues.

### **Conclusion**

I look forward to having a frank and productive discussion about STMGID's future with the LMB at its November 3<sup>rd</sup> meeting. I would be happy to answer any questions LMB members might have about this letter either before or at the LMB meeting.

Please be assured that I recognize and appreciate the gravity of the issues before the LMB and I respect the individual and collective commitment to STMGID and its customers that each member of the LMB brings to the table. I am committed to doing whatever I can to assist you in developing a recommendation to the BOT that you can support and feel confident addresses the needs of STMGID's customers today and tomorrow.

Respectfully,



Rosemary Menard  
Director

## SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT

### Local Managing Board

#### LOCAL MANAGING BOARD

Steve Cohen, Chair  
E. Sue Saunders, Vice-chair  
Ellen Allman, Secretary  
Gerald Schumacher  
Gary Tavernetti

#### MINUTES

Thursday ~ May 10, 2012 ~ 6:00 p.m.  
Washoe County  
Department of Water Resources  
Community Room  
4930 Energy Way, Reno, Nevada

#### BOARD OF TRUSTEES

Robert Larkin, Chair  
Bonnie Weber, Vice-chair  
John Breternitz  
David Humke  
Kitty Jung

#### 1. DETERMINATION OF QUORUM (non-action)

Chair Cohen called the meeting to order at 6:05 p.m. A quorum was established:

**MEMBERS PRESENT:** Steve Cohen, E. Sue Saunders, Jerry Schumacher and Gary Tavernetti. Ellen Allman joined the meeting via teleconference.

**MEMBERS ABSENT:** None.

**ALSO PRESENT:** Barry Bouchard – Nevada Trends; Rew Goodenow - Parsons, Behle and Latimer; Rosemary Menard – Director, Department of Water Resources; Peter Simeoni – Deputy District Attorney; and Dwayne Smith - Acting Senior Licensed Engineer.

#### 2. APPROVE AGENDA FOR THE LMB (Local Managing Board) MEETING OF MAY 10, 2012 (For possible action)

*It was moved by Member Saunders, seconded by Member Schumacher, to approve the May 10, 2012, agenda, as written. The motion carried unanimously.*

#### 3. APPROVE MINUTES FOR THE LMB (Local Managing Board) MEETING OF MARCH 8, 2012 (For possible action)

*It was moved by Member Saunders, seconded by Member Schumacher, to approve the March 8, 2012, minutes, as submitted. The motion carried unanimously.*

#### 4. PUBLIC COMMENT (non-action)

Responding to Chair Cohen's inquiry about accepting public comment under a non-action item, Deputy District Attorney, Peter Simeoni, stated that Chair Cohen had the discretion to open any non-action item to public comment.

#### 5. PRESENTATION AND DISCUSSION OF THE DRAFT SUMMARY REPORT PREPARED BY GOOD STANDING OUTREACH, INC. FOR THE MAY 3, 2012 PUBLIC MEETING HELD TO INFORM THE PUBLIC ON ISSUES RELATED TO THE PROPOSED MERGER OF STMGID (South Truckee Meadows General Improvement District) WITH THE WASHOE COUNTY DEPARTMENT OF WATER RESOURCES (non-action)

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Jerri Conrad - Good Standing Outreach, provided an overview of a draft report of the Thursday night meeting (in reference to the May 3<sup>rd</sup>, 2012 STMGID Public Meeting) (copy on file) noting that +256 individuals attended the meeting to receive presentations by staff, introductions by Chairman Steve Cohen, and ask clarifying questions. There was about 30 minutes of public comments regarding the current proposal to merge the STMGID with Washoe County Department of Water Resources. The report also reflects a composite of comments received by email and written correspondence as well as telephonically. The concerns are grouped thematically such as TMWA's (Truckee Meadows Water Authority), financial stability and how the merger would be effected should it move forward. Responding to Chair Cohen's inquiry about whether any comments in support of the merger had been made, Ms. Conrad stated that there had not been any comments in support of the merger. Ms. Conrad also noted that additional comments had been received today (May 10, 2012).

Dwayne Smith - Acting Senior Licensed Engineer, commented that Ms. Conrad would most likely receive additional comments that will be incorporated. The intent is to bring the matter to the BOT (Board of Trustees) on June 26, 2012. Mr. Smith asked that the board apprise him of any format or other changes they would like so that the changes could be incorporated into the final report.

Responding to Member Schumacher's inquiry about consensus of opinion, Ms. Conrad explained that the intent was not to see any consensus of opinion but rather to share comments and seek clarifications of information on the purpose of a merger of DWR (Department of Water Resources) with STMGID (South Truckee Meadows General Improvement District) and how that would ultimately occur.

Chair Cohen opened the meeting to public comment and asked that speakers state their name for the record and sign the speaker sheet provided.

Ted Short recalled his involvement with STMGID since its inception and expressed his appreciation to the LMB (Local Managing Board) for their service. Mr. Short recalled that the original water system was purchased by someone who invested no money in the system or its maintenance. Of particular concern at the (Homeowners Association) was the level of arsenic in the water and that a member of the HOA (Homeowners Association) had lodged protests with the PUC (Public Utilities Commission). Ultimately an attorney was hired to represent the homeowners to form what became STMGID (South Truckee Meadows General Improvement District). At that time these resident had the highest property tax rate in Washoe County. The funds derived from the tax were used to make improvements to the water system that provided adequate water residents and fire protection. Mr. Short pointed out that no County funds had been used. Of particular concern is whether STMGID's liquid assets would be used to offset Washoe County and/or TMWA debt. Mr. Short noted that STMGID had been developed as a first class water system and that he is concerned that those affected by the proposed merger would be responsible for system improvement in the form of much higher rates should the system be merged with DWR and ultimately TMWA.

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Chair Cohen stated that he was not enforcing the three (3) minute time limit for this particular agenda item.

Marc Lipkowitz recalled that TMWA had purchased the water system from SPPCo (Sierra Pacific Power Company) and that he believes there should be a monetary exchange with TMWA assuming DWR and STMGID. Mr. Lipkowitz pointed out that there are qualified individuals able to take over the functions of billing, engineering and maintenance that could be engaged to form a stand-alone company. Mr. Lipkowitz believes that there should be negotiation about STMGID's liquid assets and that he does not believe that the full story has been told. Mr. Lipkowitz noted that STMGID is a well-managed water system and should remain independent. Efforts to contact TMWA board members has been unsuccessful and asked who he could contact to obtain answers to his concerns.

Bob Acheson commented that as a long-term resident he has served on the LMB in the past. Mr. Acheson explained that, in his opinion, when something is given to government the public will come up short. Mr. Acheson noted that STMGID pays Washoe County to provide services such as billing, engineering and system maintenance and that he believes TMWA could provide those same services even after the merger.

Charles Merkel commented that while he had not had an opportunity to fully review the matter it is his belief that STMGID is perhaps the best water system in the State of Nevada. Of significant concern is that it appears that an outside agency views STMGID as a "fat wallet" as it will require little to no maintenance for the next 20-years. Mr. Merkel believes there are other companies that could assume the functions currently provided by Washoe County.

Bill Maggiora commented that STMGID is a wonderful system and noted his concerns that a paid for asset is being merged with a worn-out system that has amassed a huge amount of debt. Rather than a slight rate reduction as compensation he believes that the credit balance should be refunded to existing STMGID users in the absence of a prohibition of TMWA using STMGID assets to reduce their debt.

Joyce Sackerson commented that while she is not as knowledgeable as some individuals, those she has discussed the merger with others who are against the merger. Having carried water to work for 16-years, she wonders why there is such a difference in water quality. Ms. Sackerson stated that she did not want the STMGID water quality to be diluted with undrinkable water and believes that STMGID could hire the individuals needed to do the work currently being provided under contract.

Mike Schulewitsch stated he is opposed to the merger and explained that STMGID could, in his opinion, become a profitable stand-alone utility. Mr. Schulewitsch noted that with the liquid assets available STMGID could easily separate connecting water lines thus allowing STMGID to operate as a stand-alone company. Of particular concern is that STMGID is not being paid for its assets and that the merger will take the unrestricted cash. Mr. Schulewitsch stated that

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he believes the timeline being proposed is insufficient and that he prefers compensation rather than a reduced water rate. Therefore, a different agreement needs to be negotiated.

Carlos Romo submitted a written statement (copy on file) and explained that he sees this as a "power grab" by Washoe County who is looking at a stable and profitable system. Mr. Romo asked that the proposed merger be opposed and that other options available to continue operation as it is be explored.

Bill Vance noted that he had spent 8- years as an LMB member and recalled that he had discussed the operational costs with the general manager of the water purveyor in Douglas County who was providing service for about half of what it cost in Washoe County. The explanation he received at the time was that it cost more. Mr. Vance recalled a meeting with the Mayor of Reno who was interested in obtaining STMGID to provide more areas for growth as the real estate market flourished. As the housing bubble burst and the economy declined it has become more difficult to pay for needed services such as police and fire, whereas water pays for itself. Mr. Vance stated that he does not support the merger which would perhaps subsidize TMWA's debt or the Negotiated Settlement. Mr. Vance believes STMGID should remain a separate entity.

Joyce Maggiora noted that water quality has declined since the County took over one of the major wells about ten (10) years ago.

Chair Cohen noted that this was public comment and that while the board could seek answers to the questions posted there could not be a dialogue between members of the public and the board members.

Chair Cohen closed public comments and noted that most of what was brought forward had been discussed at previous meetings. Chair Cohen emphasized that while the members are elected by STMGID ratepayers, the LMB can only make recommendations to the BOT who will make the final decision.

Member Schumacher left the meeting at 6:49 p.m.

Chair Cohen explained that while the stand-alone option was preferred it was expensive. The BOT asked the LMB to work towards a merger in a manner that would protect the ratepayers. At the March (2012) meeting the BOT directed the LMB to seek public comment, which occurred on May 3, 2012, and at tonight's (May 10, 2012) meetings. The LMB will make a recommendation to the BOT at the June 7, 2012, meeting Chair Cohen noted that if 51-percent of the 3,700 customers objected to the merger the process would be brought to a halt.

Member Allman noted that the comments heard from the public at tonight's (May 10, 2012) meeting had been discussed at length during previous LMB meetings. The decision to merge STMGID into DWR is based on a direction from the BCC (Board of County Commissioners) to reduce expenses by 10-percent. Member Allman noted that the FCS Financial Study should

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be available on the Washoe County website which suggests that a stand-alone operation is the most expensive option.

Member Schumacher rejoined the meeting at 6:53 p.m.

Member Tavernetti stated that he disagreed with the merger and noted his concern that customers appeared to have been unaware of the proposal until about a month ago. Member Tavernetti commented that he believes there should be an RFP (Request for Proposal) issued so that an informed decision can be made on a stand-alone operation. Member Tavernetti noted his concern about the process used by Washoe County.

Member Saunders stated that she is against the merger and that there had been significant input from the public during the Focus Groups that indicated a desire for STMGID to remain a stand-alone operation. Member Saunders noted that the discussion had been ongoing for the past two (2) years and that the public can assist by signing a petition objecting to the merger proposal.

Member Schumacher concurred with Member Saunders and asked whether the 51-percent needed to be property owners in the district or customers.

Deputy District Attorney Peter Simeoni commented that his role was now limited to OML (Open Meeting Law) issues and suggested that the question be directed to the attorney retained by the BOT.

Rew Goodenow – Parsons, Behle and Latimer, commented that the 51-percent must be comprised of owners. Mr. Goodenow explained that the statute was not specific on whether the owner could be limited to one or both property owners when owned jointly and that the protest periods started once the BOT initiated the merger process. Mr. Goodenow explained that he had not received any specific inquiries pertinent to the petition process itself.

Chair Cohen noted his belief that STMGID should not be part of any budget considerations by Washoe County since it is a stand-alone entity with its own operating budget with Washoe County DWR being contracted to provide services. Chair Cohen suggested that staff further review the FCS Financial report and provide a cost analysis of STMGID remaining independent, which can be taken to the BOT.

Dwayne Smith - Acting Senior Licensed Engineer, suggested that since this is not an action item the board may wish to provide direction under Agenda Item 11.

Chair Cohen expressed his appreciation to those that had attended the May 3, 2012 and tonight's (May 10, 2012) meetings. Chair Cohen noted that the merger issue had been on the meeting agenda for discussion for the past two (2) years and apologized for not being more pro-active in getting the notice out to the public and noted that a monthly meeting had not been scheduled until March 2012. Chair Cohen noted that the public may register their concerns

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and options to the County Commissioner either in writing, email correspondence as well as during public comment at the BCC meetings. Chair Cohen noted that a merger with DWR/TMWA could result in a  $\pm$ \$200.00 increase in his monthly water fees because he uses a lot of water in the summer.

**6. DISCUSSION AND POSSIBLE RECOMMENDATION TO THE STMGID (South Truckee Meadows General Improvement District) BOARD OF TRUSTEES TO APPROVE THE TENTATIVE STMGID 2012-2013 BUDGET/CAPITAL PLAN (For possible action)**

Dwayne Smith - Acting Senior Licensed Engineer, noted that the annual budget was brought to the LMB (Local Managing Board) prior to the budget going to the BOT (Board of Trustees), which will occur on May 21, 2012. Mr. Smith noted that Ben Hutchins – Finance Customer Service Manager and Ted Rolfs – Accountant, were present to answer any questions.

Responding to Member Tavernetti's inquiry about whether the budget was based on STMGID (South Truckee Meadows General Improvement District) remaining in place or a merger at the beginning of the 2012-2013 fiscal year, Mr. Smith explained that the budget is based on Washoe County continuing to provide services through the 2012-2013 fiscal year.

Ted Rolfs – Accountant, explained that the budget item shown on page 3, Item C "Cash Flow" is the same as budgeted for the past three (3) fiscal years. The project the monies are earmarked for have not yet reached a point requiring a transfer of the funds. Mr. Rolfs then summarized how the annual budget is developed using cost estimates from Department Heads in Engineering, Operations and Administration. Mr. Rolfs provided a hand-out (copy on file) and noted that the report includes a comparison to budgeted and audited actual costs as well as reimbursement to Washoe County of \$1.9-million. Mr. Rolfs also pointed out the contingency funds available in the event of major repairs and outside consultant services, which provides the necessary budget authority for unforeseen items.

Responding to Chair Cohen's inquiry about whether STMGID was paying its "fair share", Mr. Rolfs explained that changes in time card allocations and accounting using a direct wage and benefit cost rather than a standard rate should result in a better understanding of actual cost share. Currently, it is assumed that Well No. 12 will cover the shortfall in water during peak season usage.

Ben Hutchins – Finance Customer Service Manager, explained that the current budget reflective of agreements currently in place and that it is unknown whether the new well will cover all of the actual water needs.

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Mr. Rolfs noted that the budget does include monthly meetings to a maximum of  $\pm$ \$30,000.00.

Chair Cohen noted that the agreement provided for monthly management reports that are typically provided during the regular monthly meeting.

Mr. Smith explained that the budget was not the proper venue for policy issues but rather a mechanism that allows for the successful operation.

Rosemary Menard – Director, DWR (Department of Water Resources), explained that it was not a matter of whether STMGID could pay for services rendered but rather whether DWR had the resources to support monthly meetings. Ms. Menard noted that while the LMB (Local Managing Board) could meet as often as needed provided they could meet the requirement of the OML (Open Meeting Law) noticing requirements, DWR could not provide resources. Ms. Menard explained that the direction was to merge DWR and STMGID thus negating the need to deliver certain services.

Member Schumacher commented that he believes that would constitute a breach of contract.

Chair Cohen noted that there was no agreement to stop providing service and that there are funds to cover the costs.

Ms. Menard stated that she does not have the staff resources to provide the necessary support.

Chair Cohen then asked why STMGID is subject to the Washoe County budget.

Responding to Member Schumacher's inquiry about Well No. 9, Mr. Smith explained that its use had been discontinued to the continued escalation of chemical and personnel costs to treat the water. Currently, there is sufficient capacity to move water from the west side if needed. The abandonment of Well No. 9 has not yet been brought to the LMB, but is contained in the CIP (Capital Improvement Program).

Chair Cohen recalled that there had been some discussion about the abandonment of Well No. 9 and that the BOT had directed the LMB to focus on merger. Chair Cohen asked that the abandonment of Well No. 9 be placed on a future meeting agenda.

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Responding to an inquiry by Member Tavernetti about expenditures on other wells, Mr. Smith explained that the expenses were associated with improvement in access and disinfections options at Well No. 6.

Hearing no public comments, Chair Cohen asked for motion.

***It was moved by Member Saunders, seconded by Member Schumacher, to recommend that the South Truckee Meadows General Improvement District Board of Trustees approve the tentative 2012-2013 capital plan as presented. The motion carried unanimously.***

- 7. DISCUSSION AND POSSIBLE RECOMMENDATION TO THE STMGID (South Truckee Meadows General Improvement District) BOARD OF TRUSTEES TO APPROVE AND AUTHORIZE THE TRUSTEES' CHAIRMAN TO EXECUTE A REVOCABLE LICENSE AGREEMENT AND MEMORANDUM OF REVOCABLE LICENSE AGREEMENT BETWEEN STMGID AND SIERRA PACIFIC POWER COMPANY, A NEVADA CORPORATION, D/B/A NV ENERGY, TO ALLOW THE INSTALLATION OF A COMMUNICATION MONOPOLE ON THE STMGID OWNED TIMBERLINE WATER TANK PARCEL, APN 049-070-41 (For possible action)**

Dwayne Smith - Acting Senior Licensed Engineer, outlined the request from NV Energy received some six (6) months ago to construct a monopole at the Timberline Tank site. Although a previous agreement had been rejected with NV Energy seeking a different location, the request was resubmitted and after negotiation resulted in the following license agreement. The annual lease rate will be \$10,000.00 annual with an annual 1.9-percent escalator as the license agreement is for the monopole cannot be used as a co-location for cellular providers. The project site consists of 120-square feet of the subject site. Additionally, The Washoe County Board of Adjustment requires the installation of additional trees to further screen the site.

During the discussion it was explained by Rosemary Menard – Director DWR (Department of Water Resources), that the funding from the agreement goes (Capital Improvement Program) to an unrestricted account as would proceeds from the sale of excess uncommitted property and/or water rights.

Deputy District Attorney Peter Simeoni explained that the operation of the site is not part of this licensing agreement.

Mr. Smith noted that if there is a change in the future it would be brought to the LMB (Local Managing Board) for consideration and that the funds obtained through this agreement would be used to offset rates for a 10-year period.

Mr. Simeoni noted that the issue can be part of a merger agreement should it move forward.

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Mr. Smith explained that the installation would have to meet federal, state and local regulations on emissions and interference with other uses.

***It was moved by Chair Cohen, seconded by Member Saunders, to recommend that the South Truckee Meadows General Improvement District Board of Trustees approve and authorize the Trustees' Chairman (Bob Larkin) to execute a Revocable License Agreement and Memorandum of Revocable License Agreement between the South Truckee Meadows General Improvement District (STMGID) and Sierra Pacific Power Company, a Nevada Corporation, DBA (Doing Business As) NV Energy, to allow the installation of a communication monopole on the STMGID owned Timberline Water Tank parcel, APN (Assessor's Parcel Number) 049-070-41. The motion carried unanimously.***

Member Allman left the meeting at 7:35 p.m.

**8. MANAGEMENT REPORT (non-action)**

**8-A) Project status on STMGID (South Truckee Meadows General Improvement District) Well 12** – Dwayne Smith - Acting Senior Licensed Engineer, commented that the final check of Well No. 12 should be done as early as Monday, May 14, 2012. Mr. Smith noted that there is some touch-up paint work to be completed and that the fence and landscaping are in place as is the electrical power. Once the site is fully functional a site visit will be scheduled to christen the well.

Chair Cohen noted that this had been an ongoing project for the past five (5) years and would diminish the need to seek additional water from Washoe County in the future. The well site is located at the top of Welcome Way.

Mr. Smith noted that Well No. 4 had been down for three weeks with Well No 11 being off-line for a month. While Well No. 11 is back on-line, Well No. 4 is expected to be back on-line once bacterial testing is completed. Other maintenance work included the repair of pressure reducing equipment that was conducted during evening hours without any customer complaints.

**8-B) Current status of the Mt. Rose/Galena Fan Domestic Well Mitigation Program** – Dwayne Smith - Acting Senior Licensed Engineer, drew attention to the received report (copy on file) noting that STMGID (South Truckee Meadows General Improvement District) had paid the initial \$428,000.00 and an additional \$201,000.00 for mitigations processes through May 10, 2012.

**8-C) Current status of water connection privilege fees collected for future development** – Dwayne Smith - Acting Senior Licensed Engineer, noted that STMGID (South Truckee Meadows General Improvement District) had collected \$4.3-million in fees that will be used to fund future growth.

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**8-D) Financial Report** – Responding to an inquiry from Chair Cohen about rate mitigation, Dwayne Smith - Acting Senior Licensed Engineer, stated that no requests for relief had been received.

**9. ASSIGNMENT OF LMB (Local Managing Board) MEMBERS/ALTERNATES TO ATTEND MEETINGS OF THE:** (non-action)

**9-A) Joint BOT (Board of Trustees)/LMB (Local Managing Board) Meeting** – All member plan to attend the Tuesday, June 26, 2012, joint meeting in Building A, second floor Caucus Room at the Ninth Street Washoe County Administration Complex.

**9-B) Western Regional Water Commission** – Chair Cohen noted that he would attend the May 17, 2012, meeting.

**9-C) Northern Nevada Water Planning Commission** – Member Schumacher will attend the June, 2012, meeting.

**9-D) Other meetings** – Chair Cohen will attend the Southeast Truckee Meadows Citizens Advisory Board meeting on May 26, 2012, to provide an update on the merger process.

**10. PUBLIC COMMENT** (non-action)

Jerry Gamroth outlined concerns about contamination issues if STMGID (South Truckee Meadows General Improvement District) water and Truckee River water were co-mingled should there be a spill of diesel fuel in the Truckee River. It is Mr. Gamroth's opinion that STMGID can be managed as a stand-alone entity by ratepayers. Mr. Gamroth outlined his disappointment in the BOT (Board of Trustees), DWR (Department of Water Resources) and Mr. Goodenow for trying to slide the merger through and not adequately representing ratepayers. Therefore, Mr. Gamroth is starting a legal defense fund and asked that interested parties contact him directly. Of particular concern is the lack of public notice for the May 3, 2012, meeting.

Chuck Merkel commented that the more he hears the more disgusted he becomes. It is Mr. Merkel's belief that Washoe County is not fulfilling their fiduciary responsibilities and that under agenda item 7 NV Energy should be required to meet FCC (Federal Communications Commission) Part 15 Emissions criteria for communications equipment.

Bob Acheson suggested that future notifications come as inserts in monthly billing or as an independent notice, which would have resulted in significantly more attendance at the May 3, 2012, meeting.

Bill Vance suggested that Rew Goodenow be directed by his client to review and provide a better understanding of the statute on the merger/dissolution and petition process contained in

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the statute.

Dwayne Smith - Acting Senior Licensed Engineer, explained that the FCS financial study was available on the Washoe County website.

**11. LMB (Local Managing Board) MEMBER/STAFF ANNOUNCEMENTS, REQUESTS FOR INFORMATION, TOPICS FOR FUTURE AGENDAS AND STATEMENTS RELATING TO ITEMS NOT ON THE AGENDA (non-action)**

Chair Cohen asked that the FCS Financial Study be added (Capital Improvement Program) he next meeting agenda along with additional information to address the issues identified during the May 3, 2012, meeting. Chair Cohen explained that the intent is to develop additional information about the accuracy on the retention of a contractor to make STMGID (South Truckee Meadows General Improvement District) a stand-alone entity.

Rosemary Menard – Director, DWR (Department of Water Resources), explained that DWR did not have the resources to provide that information and suggested that the LMB (Local Managing Board) hire an outside consultant to review the FCS Financial Study.

Chair Cohen asked that an agenda item be added to engage a consultant to review and report on the FCS Financial Study. Additionally, Chair Cohen asked that the merger agreement also be placed on the meeting agenda for discussion and recommendation to the BOT (Board of Trustees).

Member Schumacher recommended a follow-up on the annexation process and who would have final authority on annexation if the merger is approved.

Mr. Smith noted that under the current merger agreement STMGID would cease to exist and that the annexation and other policies procedure would then fall under the DWR or TMWA (Truckee Meadows Water Authority) processes.

Clarifying questions for the next agenda may include, but is not limited to: what happen to the rate reduction once a property is sold; can deed restrictions be placed on the property that the future purchaser of a property does or does not get the reduced rate.

Member Schumacher submitted a letter from Mr. Beasley for the record (copy on file).

The next meeting of the LMB is scheduled for June 7, 2012 at the Department of Water Resources as the Library is unavailable due to election activities.

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**12. ADJOURNMENT** (non-action)

Chair Cohen adjourned the meeting at 7:54 p.m.

Approved by:

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Ellen Allman, Secretary

**Proposed Term Sheet**

**for the Merger of STMGID into the Department of Water Resources**

Topic	Terms	Notes
	<b>PARTIES TO AGREEMENT; RECITALS; DEFINITIONS</b>	
<b>Parties</b>	Washoe County, a political subdivision of the State of Nevada; South Truckee Meadows General Improvement District, a governmental subdivision of the State of Nevada and a quasi-municipal corporation organized under Chapter 318, Nevada Revised Statutes	
<b>Recitals</b>		
<b>Key Definitions</b>	<p>The terms defined in this Article, whenever used in this Agreement (including in the Exhibits or Schedules), shall have the respective meanings indicated below for all purposes of this Agreement. All references herein to a Section, Article or Schedule are to a Section, Article or Schedule of or to this Agreement, unless otherwise indicated.</p> <ul style="list-style-type: none"> <li>• Assets</li> <li>• Assumed Liabilities</li> <li>• Closing Date shall mean the Effective Date of Merger Ordinance</li> <li>• County means Washoe County, a political subdivision of the State of Nevada</li> <li>• County Board shall mean the Board of Washoe County Commissioners or the BCC</li> <li>• DWR Water Utility</li> <li>• DWR Water Utility Rates</li> <li>• DWR Water Utility Service Area</li> <li>• Effective Date means the date on which this Agreement is executed by the last party</li> <li>• Interlocal Agreement shall mean the agreement described herein between STMGID and Washoe County entered into pursuant to NRS Chapter 277</li> <li>• Local Managing Board</li> <li>• Real Property shall mean real estate and water rights as defined under Nevada law</li> <li>• Restricted and Designated Cash Assets</li> <li>• STMGID or District shall mean a governmental subdivision of the State of Nevada and a quasi-municipal corporation organized under Chapter 318, Nevada Revised Statutes</li> <li>• STMGID Board means collectively the members of the STMGID Board of Trustees</li> <li>• STMGID Contracts shall mean a list of presently outstanding STMGID Obligations and a payment schedule as of the Closing Date</li> <li>• STMGID Financial Assets</li> <li>• STMGID Water Utility Facilities</li> <li>• STMGID Water Utility Rates</li> <li>• Unrestricted Cash Assets</li> </ul>	

Topic	Terms	Notes
	<b>AUTHORITY, PURPOSE AND INTENT</b>	
<p><b>Authority; Process</b></p>	<p><b>Authority :</b> Chapter 277 of the Nevada Revised Statutes provides general and specific authority for the actions contemplated herein, including but not limited to the following: NRS 277.045 allows political subdivisions of the State to enter into cooperative agreements for the performance of governmental functions. NRS 277.103 provides for the merger of governmental services. NRS 277.170 provides that a public agency may support an agreement made pursuant to NRS 277.080-170 by selling, leasing, giving, or otherwise supplying property. NRS 277.180 provides generally for interlocal agreements.</p> <p>Pursuant to Chapter 354 of the Nevada Revised Statutes, the BCC and the BOT are authorized to enter into this Agreement to guide the implementation and transfer of STMGID’s powers, water service function and its assets to Washoe County under this merger. To the extent that Chapter 354 of the NRS and 354.088 of Nevada Administrative Code (NAC) require a transfer plan or inter-governmental agreement transferring a governmental function, the Merger Ordinance process under NRS 244.100 and NRS 318.490 through 318.510 and this Agreement are intended to satisfy the substantive and procedural requirements set forth in Chapter 354 and NAC 354.088.</p> <p><b>Process:</b> NRS 318.490 through 318.510 provides the authority for the actions contemplated and the process to be followed for merger of STMGID into Washoe County, including but not limited to the following:</p> <ul style="list-style-type: none"> <li>• Resolution by the BCC directing the Clerk to provide notice for a public hearing and adoption of an initiating ordinance to merge, if the BCC determines that: <ul style="list-style-type: none"> <li>▪ All outstanding indebtedness has been paid or will be assumed by the resulting merged unit of government;</li> <li>▪ Services of the district are no longer needed or can be performed by existing unit of government.</li> </ul> </li> <li>• BCC shall further direct the Clerk to certify a copy to the BOT and provide a copy of the Initiating Ordinance to STMGID property owners after its adoption, to which will also be attached an agreement that will provide for Washoe County’s assumption of obligations previously provided by STMGID, and for the orderly transfer of STMGID Assets to Washoe County, and for appropriate recognition of the beneficial interest in such Assets.</li> </ul>	

Topic	Terms	Notes
<b>Third Party Beneficiary</b>	STMGID ratepayers are intended third party beneficiaries of the Interlocal Agreement.	This provision is a suggestion by WC staff to address the issue of providing certainty for STMGID ratepayers that they will receive the "benefit of the bargain." The parties have not agreed regarding inclusion of this provision due to alternatives proposed by STMGID as presented elsewhere in this document.
<b>Purpose; Intent</b>	<p>BCC and BOT have entered into this Agreement for Merger of STGMID into Washoe County's DWR, the purpose of which outlines the process and contains the terms and conditions under which Washoe County:</p> <ul style="list-style-type: none"> <li>• Shall assume the powers and delegated obligations of STMGID related to water service;</li> <li>• Shall accept STMGID Assets;</li> <li>• Shall pay for the STMGID Liabilities;</li> <li>• Shall ensure that the STMGID ratepayers receive the benefit of STMGID Assets; and</li> <li>• Shall establish a fair, equitable and non-discriminatory rate structure for all STMGID ratepayers, who are merged into Washoe County's Service Area and who will be subject to Washoe County Requirements and Schedule of Rates and Charges for Water Service</li> </ul>	
<b>AGREEMENT OF MERGER</b>		
<b>Effective Date</b>	The Effective Date of this Agreement shall be the date on which the following acts have occurred: (a) Chair's of the BCC and BOT, respectively, have executed this Agreement, and (b) the Agreement has been approved pursuant to NRS Chapter 277. Upon the effective date of the Ordinance for Merger adopted by the BCC (Closing Date), STMGID shall be merged into DWR and thereafter shall operate as a single water utility system known as the Washoe County Department of Water Resources (DWR).	
<b>Term</b>	For a term of ten (10) years from the Closing Date, unless terminated sooner by full performance of all duties, covenants and obligations under the Agreement.	
<b>Merger of Service Areas</b>	Effective upon the Closing Date, DWR's Service Area shall become the combined service areas of both DWR and the STMGID Boundary. Exhibit A contains a map showing the pre-merger Service Areas of STMGID and DWR, and Exhibit A-1 contains a map of the combined DWR Service Area effective on the Closing Date.	

Topic	Terms	Notes
<b>Merger of Customers</b>	Effective on the Closing Date, the STMGID's Water Utility will be fully merged into Washoe County; all water customers of STMGID shall become DWR customers subject to the Washoe County Requirements and Schedule of Rates and Charges for Water Service; and DWR shall have the right to all future Water Service rates, fees and charges collected from such customers after the Closing Date.	
<b>Merger of STMGID Governmental Functions</b>	Effective upon the Closing Date, all quasi-governmental functions previously performed by STMGID in connection with its Water Utility and the provision of water service shall be performed by Washoe County, subject only to the terms and conditions under this Agreement.	
<b>Delegation and Assumption of STMGID Obligations</b>	Effective upon the Closing Date, STMGID delegates to Washoe County all of the obligations of STMGID under the STMGID Contracts in accordance with their respective terms and conditions. Washoe County accepts and assumes such delegation and agrees to perform all of the obligations of STMGID under the STMGID Contracts in accordance with their respective terms and conditions.	
<b>Termination of STMGID/Washoe County Contracts</b>	Effective on the date of execution of this Agreement, any other existing inter-local agreements between Washoe County and STMGID, including the Operating Agreement dated June 28, 2011 and the Division of Water Service Areas Agreement as amended and adopted by the County and STMGID on May 26, 2009, are hereby terminated and the Parties agree to waive the 120 day notice periods required for termination.	
<b>Possession and Transfer of Title of STMGID Assets</b>	<p>Effective upon the Closing Date, and subject to the terms and conditions set forth herein, STMGID shall hereby assign, transfer, convey and deliver to Washoe County and Washoe County shall accept delivery from STMGID the Assets, which will be assigned, transferred, conveyed and delivered for no financial consideration and such Assets will be transferred "AS IS, WHERE IS".</p> <p>STMGID and Washoe County acknowledge that STMGID makes no representations or warranties, express or implied, with respect to the Assets, except due authorization, execution and delivery STMGID, through its Board of Trustees, shall deliver or cause to be delivered to Washoe County by grant, bargain and sale deed, grant of easement, bill of sale or other instrument in substantially the form attached to this Agreement to Washoe County all right, title and interest in the Assets. Washoe County shall succeed to and become the owner of all of STMGID's right, title and interest in and to the Assets.</p>	<p>The highlighted paragraph makes reference to the transfer of assets using a grant, bargain and sale deed. STMGID proposes to include deed restrictions in the grant, bargain and sale deed as a means of ensuring STMGID ratepayers receive "the benefit of the bargain." The parties have not agreed regarding inclusion of this provision due to alternatives proposed by WC staff as presented elsewhere in this document.</p>

Topic	Terms	Notes
	<p><u>Schedules of Transferred Assets</u>: The Assets to be assigned, transferred, conveyed and delivered, as more particularly described in the attached Schedules, include:</p> <ul style="list-style-type: none"> <li>• all Real Property described in Schedule 1.1;</li> <li>• all STMGID Water Utility Facilities described in Schedule 1.2;</li> <li>• all STMGID Funds from all accounts described in Schedule 1.3;</li> <li>• all Books, Records and Data used or held for use in connection with the STMGID Water Utility operations described in Schedule 1.4; and</li> <li>• all necessary regulatory authorizations, governmental requirements, permits or approvals necessary for the provision of water utility service and related to the STMGID Water Utility operations described in Schedule 1.5;</li> </ul>	
<p><b><i>Washoe County Schedule of Rates and Charges for Water Service within the former Boundary of STMGID</i></b></p>	<p>All parcels within the former boundary of STMGID shall be subject to the rates and charges for water service under the Washoe County Requirements and Schedule of Rates and Charges for Water Service, as amended from time to time to support the operation of the water utility. A copy of the Schedule of Rates and Charges for Water Service is set forth in Exhibit B, attached hereto and incorporated herein by reference. This Schedule of Rates and Charges for Water Service applies to all current residential, commercial, industrial, governmental and irrigation services within the specific service area. The rates charged for water service and paid for by all parcels within the former boundary of STMGID shall be offset according to the ten (10) year rate-offset schedule to be incorporated in this Agreement and formally adopted by the BCC. The rates charged for water service to former STMGID customers shall not be adjusted disproportionately to those rates charged against and paid by other customers of the Washoe County water system within the same service area.</p> <p>Notwithstanding the forgoing, Washoe County reserves the right to change standards of service or increase any rates, tolls or charges or other regulatory matters from those in effect on the date of this Agreement, if, in its reasonable discretion, the facts and circumstances are warranted and a rational basis exists to do so.</p>	

Topic	Terms	Notes
	<b>DISPOSITION OF STMGID'S FINANCIAL ASSETS</b>	
<p><b><i>Disposition of STMGID Financial Assets and Establishment of Separate STMGID Rate Offset Cash Account within The DWR Enterprise Fund</i></b></p>	<p>Upon the Closing Date, STMGID shall transfer to Washoe County all financial assets from all accounts within the STMGID Fund, including, without limitation, all cash, fees, charges, accounts receivable, customer deposits or other amounts paid by or received from customers that have accrued prior to the Closing Date and have not been expended. Upon receipt of all STMGID financial assets, Washoe County shall take the following actions:</p> <ol style="list-style-type: none"> <li>1. <b><u>Restricted and Designated Cash Assets</u></b> include all connection fees, water rights lease fees and Arsenic Surcharge fees. Restricted and Designated Cash Assets shall be allocated as follows:               <ol style="list-style-type: none"> <li>a) All connection and water rights lease fees which have been collected or designated to support construction of future water system facilities shall be deposited into DWR's South Truckee Meadows Connection Fees Account;</li> <li>b) Arsenic Surcharge fees for remediation of excessive arsenic levels found in various production facilities shall be deposited into DWR's Arsenic Surcharge Account.</li> </ol> </li> <li>2. <b><u>Unrestricted Cash Assets</u></b> include all rate or other revenues accumulated over and above the ongoing cost of operation. Unrestricted cash shall be transferred to DWR and allocated as follows:               <ol style="list-style-type: none"> <li>a) Rate Stabilization Reserve: DWR's adopted financial policies require that a Water Rate Stabilization Reserve Account equivalent to 15% of annual operating revenues be established and maintained. Using the projected revenues included in DWR FY 2012-13 budget, DWR shall determine the proportionate per customer contribution to the Water Rate Stabilization Reserve Account required to bring former STMGID customers into parity with DWR customers with respect to contributions to the Water Rate Stabilization Reserve Account.</li> <li>b) Operating Cash Reserve: DWR's adopted financial policies require that an Operating Cash Reserve Account equivalent to the cost of 60 days of operating cost be established and maintained. Using actual operating cost data for FY 2011-12, DWR shall determine the proportionate per customer contribution to the Operating Cash Reserve Account required to bring former STMGID customers into parity with DWR customers with respect to contributions to the Operating Cost Reserve Account.</li> <li>c) A five year Capital Improvement Program covering FY 12-13 to FY 17-18 has been established to identify and plan for necessary rehabilitation and replacement projects for STMGID facilities. Unrestricted Cash Assets shall be deducted in the amount of \$717,000 and committed to meeting the cost of the projects included in the first year of the five year CIP.</li> </ol> </li> </ol>	

	<p>3. <b>Disposition of Remaining Unrestricted Cash Assets</b> All remaining Unrestricted Cash shall be placed in separate account with DWR's Water Enterprise Fund and used for the purpose of funding a rate offset account for the benefit of the parcels located within the former boundaries of the STMGID system. (<b>STMGID Rate Offset Cash Account</b>). Water Rate offsets granted under this Agreement and assigned to all STMGID customers shall be charged against the STMGID Rate Offset Cash Account for any difference in or between the rates, fees and charges imposed under Washoe County Requirements and Schedule of Rates and Charges for Water Service and those rates, fees and charges imposed under the STMGID Rates, Tolls and Charges as established and in effect on June 30, 2012.</p> <p>4. Interest earned on any amounts in the STMGID Rate Offset Cash Account described in 3 above shall be allocated to this account, and any proceeds from the sale of uncommitted water rights or surplus property, if any, shall be allocated to this account.</p> <p>5. Washoe County may also use the STMGID's Unrestricted Cash Assets as needed to cover any legitimate expenditure related to the following:</p> <ul style="list-style-type: none"> <li>a) Payment of any STMGID Liabilities arising out of any STMGID Water Utility operations or any Assets held by STMGID prior to the Merger, whether or not known, accrued, contingent or existing at or arising on or after the Closing Date;</li> <li>b) Payment to Washoe County from STMGID under any existing agreement or arrangement for services which have been rendered prior to and including the Closing Date, all of which shall be settled up and charged to and paid from the STMGID Account; and</li> <li>c) Payment for any expenses, costs and fees (including attorneys' fees or Local Managing Board member compensation) in connection with the transactions contemplated under this Merger, including the preparation, execution and delivery of this Agreement and related instruments, whether or not the Merger is consummated.</li> </ul> <p>6. When the phased implementation of Water Rate Offsets credits as established in section 3 of this Agreement or when the Unrestricted Cash deposited into the STMGID Rate Offset Cash Account has been fully expended, customers living within the former boundary of STMGID shall then be responsible for paying, without the benefit of offset from the STMGID Rate Offset Cash Account, the applicable rates, fees and charges imposed on all customers under Washoe County Requirements and Schedule of Rates and Charges for Water Service.</p> <p>7. Any transactions requiring payments from or credits charged to or against the STMGID Account for the authorized purposes identified in this section shall be performed consistent with generally accepted accounting principles and past practices of Washoe County and governed by the Nevada Revised Statutes and the Washoe County Requirements and Schedule of Rates and Charges for Water Service in effect on _____, 2012.</p>	
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Topic	Terms	Notes
	<b>REPRESENTATION, WARRANTIES AND INDEMNIFICATION</b>	
<i>Representations and Warranties of STMGID</i>		
<i>Representations and Warranties of Washoe County</i>	Washoe County will incorporate the Interlocal Agreement in any subsequent transfer of the Asset that occurs within the Term, requiring any transferee to adhere to the Interlocal Agreement.	This provision is a suggestion by STMGID staff to address the issue of providing certainty for STMGID ratepayers that they will receive the "benefit of the bargain." The parties have not agreed regarding inclusion of this provision due to alternatives proposed by WC as presented elsewhere in this document.
<i>Indemnification</i>	Subject to the terms and conditions relating to the STMGID Account and payment for liabilities as set forth in that section, Washoe County, effective upon the Closing Date, shall assume and have full responsibility and liability for the Assets, and shall defend, indemnify and hold STMGID and its Trustees harmless from any and all claims, causes of action, demands, costs (including reasonable attorneys' fees) and obligations relating to, arising from or in connection with any STMGID Water Utility operations or any Assets held by STMGID prior to the Merger, whether or not known, accrued, contingent or existing at or arising on or after the Closing Date.	
	<b>TERMINATION</b>	
<i>Termination</i>	<p>This Agreement shall terminate either:</p> <ol style="list-style-type: none"> <li>1) Upon the expiration of the ten (10) year period from the Closing Date;</li> <li>2) Full performance of all duties, covenants and obligations under the Agreement; or</li> <li>3) Upon the failure to merge STMGID into DWR.</li> </ol> <p>In the event of termination for failure to merge STMGID into DWR, the Parties agree that they will prepare and execute an interlocal agreement containing provisions that will minimize, to the maximum extent possible, the administrative cost of maintaining STMGID as a separate governmental unit, including without limitation: 1) Eliminating the Local Managing Board; 2) Eliminating all monthly or bi-monthly routine meetings of the Board of Trustees and delegating as much of the administrative responsibility as possible to DWR's administrative staff; and 3) Accumulating non-time sensitive actions requiring action by the STMGID BOT into quarterly BOT meeting agendas.</p>	

Topic	Terms	Notes
	<b>MISCELLANEOUS</b>	
<i>Miscellaneous</i>		

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## SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT

### BOARD OF TRUSTEES

Bob Larkin, Chairman  
 Bonnie Weber, Vice Chairman  
 David Humke, Trustee  
 Kitty Jung, Trustee  
 John Breternitz, Trustee

### COUNTY CLERK

Amy Harvey

**A Joint Meeting** between the Washoe County Commission and the South Truckee Meadows General Improvement District (STMGID) Board of Trustees will be held in the **County Commission Chambers, 1001 E. 9<sup>th</sup> Street, Reno, Nevada, at 11:00 a.m. on Tuesday, September 25, 2012.**

Pursuant to NRS 241.020, the agenda for the Joint Meeting has been posted at the following locations: Washoe County Administration Building (1001 E. 9<sup>th</sup> St.) Washoe County Courthouse (Court and Virginia St.), Washoe County Central Library (301 S. Center St.), Washoe County Department of Water Resources (4930 Energy Way), Steamboat Post Office (75 McCabe Drive), Galena Market (19990 Thomas Creek Rd.) and South Valleys Library, (15650A Wedge Pkwy.) The agenda has also been posted on the internet at <http://www.washoecounty.us/water/stmgid>.

**NOTE:** Items on the agenda may be taken out of order; combined with other items; removed from the agenda; moved to the agenda of another meeting; moved to or from the Consent section; or may be voted on in a block. Items with a specific time designation will not be heard prior to the stated time, but may be heard later. Items listed in the Consent section of the agenda are voted on as a block and will not be read or considered separately unless removed from the Consent section. The Board of County Commissioners may take short breaks approximately every 90 minutes. **The Washoe County Commission Chambers are accessible to the disabled. If you require special arrangements for the meeting, call the County Manager's Office, 328-2000, 24-hours prior to the meeting.**

**Time Limits.** Public comments are welcomed during the Public Comment periods for all matters, whether listed on the agenda or not, and are limited to two minutes per person. Additionally, public comment of two minutes per person will be heard during individual action items on the agenda. Persons are invited to submit comments in writing on the agenda items and/or attend and make comment on that item at the Commission meeting. Persons may not allocate unused time to other speakers.

**Forum Restrictions and Orderly Conduct of Business.** The Board of County Commissioners and the STMGID Board of Trustees conducts the business of Washoe County and its citizens during its meetings. The presiding officer may order the removal of any person whose statement or other conduct disrupts the orderly, efficient or safe conduct of the meeting. Warnings against disruptive comments or behavior may or may not be given prior to removal. The viewpoint of a speaker will not be restricted, but reasonable restrictions may be imposed upon the time, place and manner of speech. Irrelevant and unduly repetitious statements and personal attacks which antagonize or incite others are examples of speech that may be reasonably limited.

**Responses to Public Comments.** The County Commission and the STMGID Board of Trustees can deliberate or take action only if a matter has been listed on an agenda properly posted prior to the meeting. During the public comment period, speakers may address matters listed or not listed on the published agenda. The Open Meeting Law does not expressly prohibit responses to public comments by the Commission/Trustees. However, responses from Commissioners/Trustees to unlisted public comment topics could become deliberation on a matter without notice to the public. On the advice of legal counsel and to ensure the public has notice of all matters the Commission/Trustees will consider, Commissioners/Trustees may choose not to respond to public comments, except to correct factual inaccuracies, ask for County staff action or to ask that a matter be listed on a future agenda. The Commission/Trustees may do this either during the public comment item or during the following item: **"\*County Commission, Trustees, and Staff Comments (limited to announcements, request for information, statements relating to items not on the agenda or issues for future agendas."**

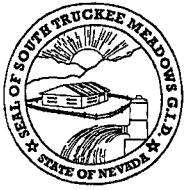
Supporting documentation provided to the County Commissioner and the Board of Trustees for items on the agenda is available for review to members of the public at the Washoe County Water Resources Department (4930 Energy Way, Reno, NV 89502).

Unless otherwise indicated by asterisk (\*), all items on the agenda are action items upon which the County Commissioner and/or STMGID Board of Trustees may take action.

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**11:00 a.m.**

- \*1. Roll call.
- \*2. Public Comment. Comment heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Commission agenda. The Commission and Trustees will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Commission and Trustees as a whole.
3. Status report on the analysis and development of a feasibility plan related to the possible establishment of the STMGID as a general improvement district independent from Washoe County Department of Water Resources including status report of progress, consultant contract status through September 14, 2012 and recommendations regarding alternatives for Local Managing Board (LMB) consideration to amend the feasibility study scope, which plan shall be presented to the Board of Trustees no later than November 13, 2012. (Agenda Item #9 on Washoe County Commission Agenda.)
4. Discussion and possible direction by the Board of County Commissioners to Washoe County's Department of Water Resources staff regarding the Feasibility Study for the South Truckee Meadows General Improvement District (STMGID), which evaluates a range of future operational models for STMGID. (Agenda Item #10 on Washoe County Commission Agenda.)
- \*5. County Commission, Trustees, and Staff Comments (limited to announcements, requests for information, statements relating to items not on the agenda or issues for future agendas).
- \*6. Public Comment. Comment heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Commission agenda. The Commission and Trustees will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Commission and Trustees as a whole.
7. Adjournment.



## SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT (STMGID)

### STAFF REPORT

BOARD MEETING DATE: September 25, 2012

**DATE:** September 17, 2012

**TO:** Board of Trustees, South Truckee Meadows General Improvement District  
Board of County Commissioners, Washoe County

**FROM:** Rod Savini, STMGID Feasibility Study Project Manager

**SUBJECT:** Status report on the analysis and development of a feasibility plan related to the possible establishment of the STMGID as a general improvement district independent from Washoe County Department of Water Resources including status report of progress, consultant contract status through September 14, 2012 and recommendations regarding alternatives for Local Managing Board (LMB) consideration to amend the feasibility study scope, which plan shall be presented to the Board of Trustees no later than November 13, 2012. (Agenda Item #9 on Washoe County Commission Agenda)

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### SUMMARY

**Feasibility Study Scope:** The South Truckee Meadows General Improvement District (STMGID) Feasibility Study consultant team began the work on August 7, 2012. The scope of work includes:

- Analysis of the existing STMGID system, which requires analysis of interdependencies between STMGID and Washoe County systems for supply, storage and transmission since they share facilities
- Development of a plan for infrastructure improvements to make STMGID a standalone water system
- Development of a plan of infrastructure improvements for existing Washoe County service areas that have to be separated from their interdependent STMGID/Washoe County system as these improvements have to be funded by STMGID and not impact Washoe County rate payers
- Implementation of a communication program to notify rate payers and stakeholders throughout the development of the Feasibility Study in regard to preliminary and final findings; establishing and maintaining a call line; maintaining the web site with Frequently Asked Questions (FAQs), weekly coordination meeting information, and LMB actions; soliciting and reporting rate payer responses during the study development, conducting outreach with web based communications and mailings, and soliciting rate payer responses at the conclusion of the study for Local Managing Board and Board of Trustee consideration in conjunction with the final study presentation to these boards
- Completing a plan to establish STMGID as an independent utility identifying initial separation infrastructure improvement costs, revenue, operational and

maintenance costs, and capital improvement costs all for a twenty year period, and a rate structure for STMGID considering all of these elements.

**Feasibility Study Progress:** The consultant team has completed the following activities:

**Project Management:** Development, reporting, and updating the project schedule, managing the team, conducting and documenting weekly meetings, acting as a liaison between stakeholders, developing and distributing agenda for the Local Managing Board, recording and documenting the Local Managing Board meeting minutes, developing and presenting information to the Local Managing Board and Board of Trustees.

**Communication:** Web site review and revision, web information postings to include information updates, weekly coordination activities, Local Managing Board meeting documentation and Feasibility Study preliminary information.

**Engineering:** Research and acquisition of data, review and assessment of the infrastructure as it relates to the operational interdependent system including STMGID and Washoe County elements, development of facility, improvement, and capital improvement plans, and initial development of maintenance and operation plans.

**Financial:** Data collection, STMGID revenue and operational cost data review, source data determination to develop costs including comparative utilities including identifying and documenting system differences, data validation including preliminary evaluation of the costs developed by the engineering team including separating and operating.

**Legal Representation:** Legal counsel has attended Local Managing Board and Board of Trustee meetings. They have also provided opinions regarding a preliminary analysis regarding transfer from the BOT to LMB for a standalone utility and other opinions as requested from the Local Managing Board.

**Preliminary Findings:** The preliminary findings of the Feasibility Study, based upon the scope of work, are reported below:

- Preliminary infrastructure cost estimates result in a cost of \$4,555,335 to make STMGID a standalone system and a preliminary cost of \$10,273,250 to separate Washoe County service areas from the interdependent STMGID/Washoe County system.
- Preliminary financial feasibility analysis result in a net income loss of between (\$1,964,040) to (\$2,164,040) and a 82-90% increase in customer rates to make STMGID a standalone system and to separate Washoe County service areas from the interdependent STMGID/Washoe County system.

The attached documentation summarizing the preliminary analysis and the findings are briefly described below:

Attachment Sheet 1: The STMGID service areas, including the interdependent Washoe County areas, are illustrated on this exhibit and include the current STMGID service area boundaries and the surrounding utility purveyors.

Attachment Sheet 2: Preliminary infrastructure improvements are shown describing the location and types of either, supply, storage, or distribution improvements that are required to make STMGID a standalone system and separating Washoe County service areas from the interdependent STMGID/Washoe County system.

Attachment Sheets 3-5: Preliminary infrastructure cost estimates resulting in an estimated cost of \$4,555,335 to make STMGID a standalone system and an estimated cost of \$10,273,250 to separate Washoe County service areas from the interdependent STMGID/Washoe County system.

Attachment Sheets 6: Preliminary anticipated operating and maintenance expenses.

Attachment Sheets 7-12: Preliminary Financial Feasibility Analysis documentation to include objectives of the analysis, assumptions, operating revenues, operating expenses, and net income, and a preliminary conclusion in regard to rates.

**Preliminary Alternatives:**

The following alternatives have been identified and will be presented to the Local Managing Board on September 20, 2012 for their consideration. These are based upon preliminary analysis and informal discussions amongst the project team and other stakeholders.

1. Consider emergency interties for fire flow purposes:
  - o Sage Ridge School (fire demand)
  - o Mountaingate subdivision
2. Consider emergency interties to avoid system redundancies:
  - o Virginia Foothills and Curti Ranch
3. De-annex STMGID service areas to Washoe County to mitigate redundant infrastructure improvements
  - o Timberline
  - o Properties represented in "Division of Service Agreement"
  - o Government Lots
4. Wholesale agreement with DWR (ultimately TMWA) to mitigate infrastructure improvements
5. STMGID annexing Washoe County service areas
6. Areas within and surrounding the STMGID service area to be discussed

Additionally, future legislation and regional water resource management are two items to reference in evaluating alternatives as follows:

- The Western Regional Water Commission focuses on improving water resource planning at the regional level and facilitating coordinated resource management among the Truckee Meadows member entities, of which STMGID is a member.
- Regional water resource management may need to be considered as part of the feasibility process as well. STMGID utilizes ground water for supply. Consideration of ground water usage, resource availability in comparison to depletion and recharge, and domestic well mitigation should be noted as future issues/impacts.

Finally, the merger criteria should be included in the alternative analysis to complete the range of options available as part of the Feasibility Study.

**Feasibility Study Contract Status:** The consultant team contract status is as follows:

<u>Consultant</u>	<u>Study Responsibility</u>	<u>Billings to Date</u>	<u>Contract Amount</u>
Gray & Associates	Project Manager	\$ 38,368.50	\$ 99,960.00
Good Standing	Communication	\$ 26,905.00	\$ 50,000.00
Lumos Engineering	Engineering	\$ 82,600.00	\$127,496.00
JA Solari & Partners	Financial	\$ 26,843.75	\$ 97,200.00
Parsons, Behle and Latimer Legal		<u>\$ 14,000.00</u>	<u>\$ 20,000.00</u>
	Totals:	\$188,717.25	\$394,656.00

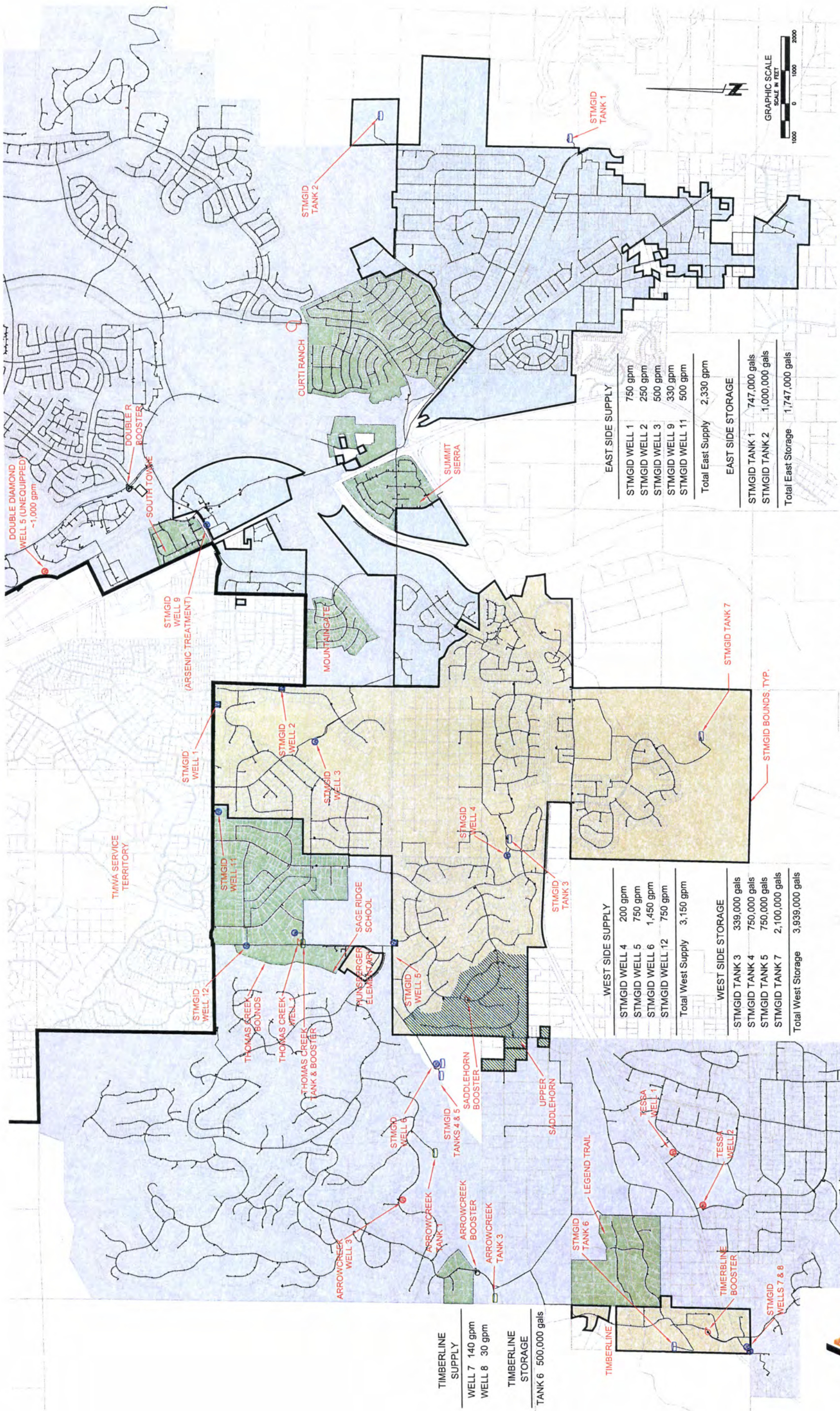
Each consultant contract is a not to exceed amount for the original contract scope. In the event the Feasibility Study scope may be amended, the expenditures to date will be analyzed in addition to remaining balance and additional work that may be required. The Board of Trustees authorized total of \$450,000 in aggregate budget for this analysis.

**Responses to Board of Trustee Meeting September 11, 2012:**

The Feasibility Study completion deadline of November 13, 2012 was required as part of the scope of work.

In response to the Board of Trustee meeting on September 11, 2012 the following information is provided: Sun Valley GID purchases all of its water from TMWA. In comparison to STMGID they do not have sources of supply.

RJS:rs



**TIMBERLINE SUPPLY**

WELL 7 140 gpm  
WELL 8 30 gpm

**TIMBERLINE STORAGE**

TANK 6 500,000 gals

**WEST SIDE SUPPLY**

STMIGID WELL 4	200 gpm
STMIGID WELL 5	750 gpm
STMIGID WELL 6	1,450 gpm
STMIGID WELL 12	750 gpm
<b>Total West Supply</b>	<b>3,150 gpm</b>

**WEST SIDE STORAGE**

STMIGID TANK 3	339,000 gals
STMIGID TANK 4	750,000 gals
STMIGID TANK 5	750,000 gals
STMIGID TANK 7	2,100,000 gals
<b>Total West Storage</b>	<b>3,939,000 gals</b>

**EAST SIDE SUPPLY**

STMIGID WELL 1	750 gpm
STMIGID WELL 2	250 gpm
STMIGID WELL 3	500 gpm
STMIGID WELL 9	330 gpm
STMIGID WELL 11	500 gpm
<b>Total East Supply</b>	<b>2,330 gpm</b>

**EAST SIDE STORAGE**

STMIGID TANK 1	747,000 gals
STMIGID TANK 2	1,000,000 gals
<b>Total East Storage</b>	<b>1,747,000 gals</b>

**LUMOS ASSOCIATES**

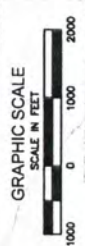
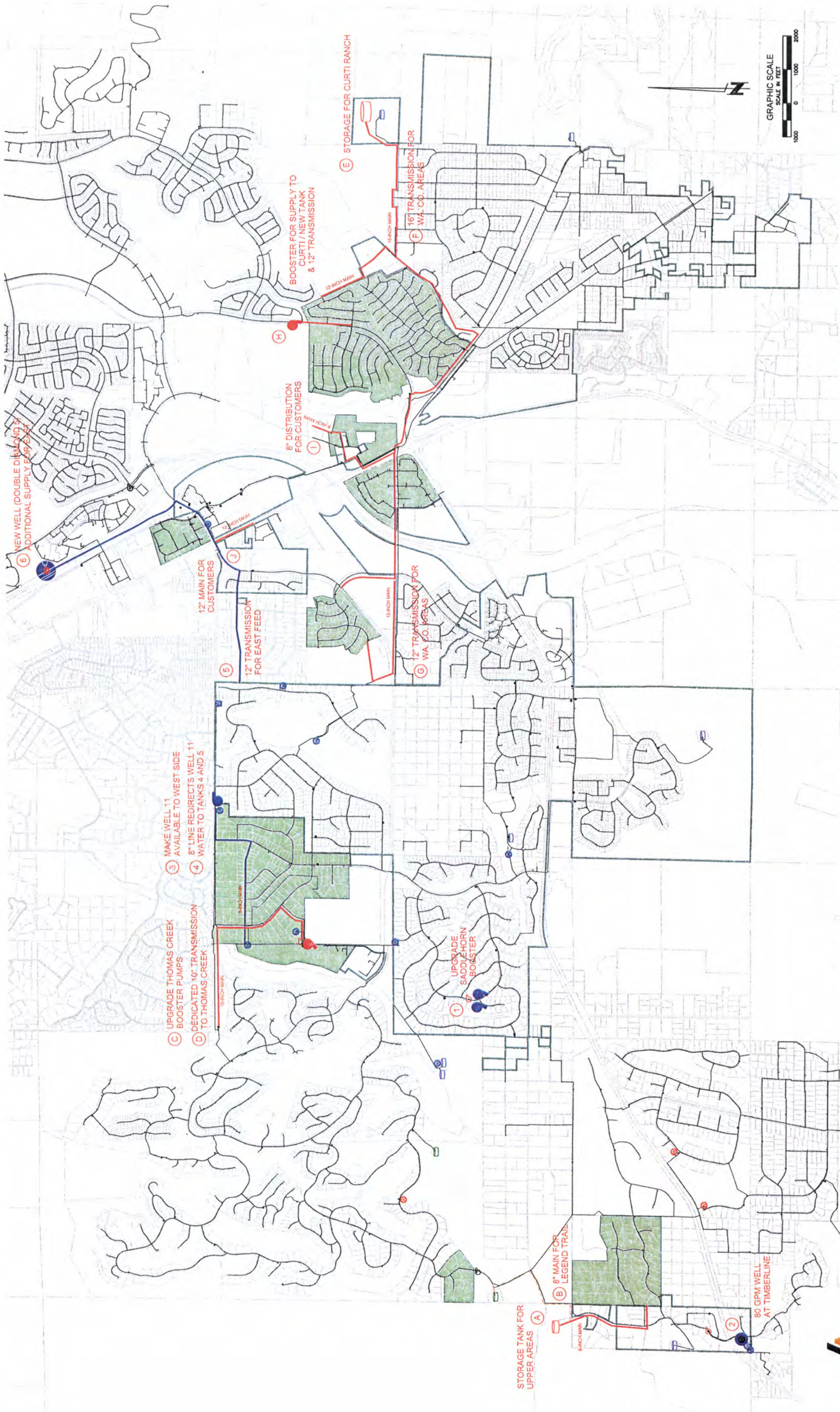
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GEOTECHNICAL ENGINEERING  
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MATERIALS TESTING

# SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT

## EXISTING WATER SYSTEM

- STMIGID WELL
- STMIGID TANK
- STMIGID BOOSTER PUMP
- WASHOE COUNTY WELL
- WASHOE COUNTY TANK
- WASHOE COUNTY BOOSTER PUMP
- STMIGID EAST
- STMIGID WEST
- WASHOE COUNTY REQUIRED IMPROVEMENTS
- WASHOE CO. DWR TERRITORY



# SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT

## PRELIMINARY INFRASTRUCTURE IMPROVEMENTS

- EX. STMGID WELL
- EX. STMGID TANK
- EX. STMGID BOOSTER PUMP
- EX. WASHOE COUNTY WELL
- EX. WASHOE COUNTY TANK
- EX. WASHOE COUNTY BOOSTER PUMP

- STMGID FACILITY IMPROVEMENTS
- WASHOE COUNTY FACILITY IMPROVEMENTS
- STMGID BOUNDS
- WASHOE COUNTY REQUIRED IMPROVEMENTS

**LUMS**  
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MATERIALS TESTING

**STMGID FEASIBILITY ANALYSIS  
PRELIMINARY INFRASTRUCTURE COST ESTIMATE**

**INFRASTRUCTURE SEPARATION COSTS FOR STMGID**

<b>EAST SIDE</b>					
<u>Item</u>	<u>Facility</u>	<u>Amount</u>	<u>Unit</u>	<u>Location</u>	<u>Cost per Unit</u> <u>TOTAL COST</u>
5	12-inch Transmission	6,300	LF	From 12-inch Well Line at La Guardia to Old Virginia	\$120.00      \$756,000.00
6	Additional Supply to East Side	1	EA	Old Virginia Road	\$1,200,000.00      \$1,200,000.00
<b>TOTAL EAST-SIDE CAPITAL IMPROVEMENTS</b>					

<b>WEST SIDE</b>					
<u>Item</u>	<u>Facility</u>	<u>Amount</u>	<u>Unit</u>	<u>Location</u>	<u>Cost per Unit</u> <u>TOTAL COST</u>
1	Upgrade Saddlehorn Booster Station			Saddlehorn Booster Facility Provides service to customers at higher elevations at build-out	\$30,000.00      \$60,000.00
3	STMGID Well 11 Booster Pump	1	EA	Tie in and pumping facilities will make Well 11 available to West Side.	\$100,000.00      \$100,000.00
4	8-inch Transmission Main	5,100	LF	Redirects Well 11 water to STMGID Tanks 4 and 5	\$100.00      \$510,000.00
<b>TOTAL WEST-SIDE CAPITAL IMPROVEMENTS</b>					

<b>TIMBERLINE</b>					
<u>Item</u>	<u>Facility</u>	<u>Amount</u>	<u>Unit</u>	<u>Location</u>	<u>Cost per Unit</u> <u>TOTAL COST</u>
2	80 gpm Well at Timberline*	1	EA	Timberline - Replacement Well Timberline will require a second source of supply to meet NAC req'ts	\$200,000.00      \$200,000.00
<b>TOTAL TIMBERLINE CAPITAL IMPROVEMENTS</b>					

\* Facilities Costs denoted with asterisk do not include fees and costs associated with Rights of Way.



**STMGID FEASIBILITY ANALYSIS  
PRELIMINARY INFRASTRUCTURE COST ESTIMATE**

**INFRASTRUCTURE SEPARATION COSTS FOR STMGID - cont.**

**OVERALL STMGID SYSTEM IMPROVEMENTS**

<u>Item</u>	<u>Facility</u>	<u>Amount</u>	<u>Unit</u>	<u>Location</u>	<u>Cost per Unit</u>	<u>TOTAL COST</u>
7	STMGID SystemSensus Meter Retrofit		1 EA	Within STMGID	\$150,610.00	\$150,610.00
8	SCADA Transition/Switch Over		1 EA	STMGID Equipment	\$165,000.00	\$165,000.00
<b>TOTAL OVERALL IMPROVEMENTS</b>						
<b>\$315,610.00</b>						
<b>TOTAL STMGID SEPARATION COSTS</b>						
<b>\$3,141,610.00</b>						
<b>PROFESSIONAL SERVICES (20%) +</b>						
<b>\$628,322.00</b>						
<b>PROJECT CONTINGENCY (25%) #</b>						
<b>\$785,402.50</b>						
<b>TOTAL STMGID INFRASTRUCTURE SEPARATION COSTS</b>						
<b>\$4,555,334.50</b>						

- + Professional services includes geotechnical analyses, survey, engineering design and regulatory submittal fees.
- # Contingency includes unforeseen costs such as permit fees, improvement / cut delineations (sidewalks, curbs, private properties, etc.).



**STMGID FEASIBILITY ANALYSIS  
PRELIMINARY INFRASTRUCTURE COST ESTIMATE**

**INFRASTRUCTURE SEPARATION COSTS FOR WASHOE COUNTY\*\***

<u>Item</u>	<u>Facility</u>	<u>Amount</u>	<u>Unit</u>	<u>Location</u>	<u>Cost per Unit</u>	<u>TOTAL COST</u>
<b>CURTI RANCH</b>						
E	2,000,000 gallon storage	2,000,000	gal.	Next to STMGID Tank 2*	\$0.50	\$1,000,000.00
F	16-inch Transmission Main	14,900	LF	from new tank to Summit Sierra	\$160.00	\$2,384,000.00
G	12-inch Transmission	8,600	LF		\$120.00	\$1,032,000.00
H	Booster Pump Sta.	1	EA	Veteran's Pkway	\$250,000.00	\$250,000.00
	12-inch Transmission	4200	LF	Curti Ranch	\$120.00	\$504,000.00
I	8-inch Distribution	1,800	LF	Sutherland and Old Virginia	\$100.00	\$180,000.00
J	12-inch Main	1,300	LF	S. Virginia	\$120.00	\$156,000.00
K	SCADA Transition/Switch Over	1	EA	SCADA for New Tanks	\$24,000.00	\$24,000.00
<b>THOMAS CREEK</b>						
C	Upgrade Booster Pumps	1	EA	Pumps water to Arrowcreek Tank 1	\$100,000.00	\$100,000.00
D	10-inch Transmission	7,100	LF	Thomas Creek	\$110.00	\$781,000.00
<b>LEGEND TRAIL, UPPER ARROWCREEK</b>						
A	400,000 gallon storage tank	400,000	gal.	Storage for upper Arrowcreek, Legend Trail and Thomas Creek*	\$0.75	\$300,000.00
B	10-inch Transmission Main	3,400	LF	Dedicated line from New Tank to Legend Trail	\$110.00	\$374,000.00
<b>TOTAL WASHOE COUNTY SEPARATION COSTS</b>						<b>\$10,273,250</b>
<b>TOTAL WASHOE COUNTY SEPARATION COSTS</b>						<b>\$7,085,000.00</b>
<b>PROFESSIONAL SERVICES (20%)</b>						<b>\$1,417,000.00</b>
<b>PROJECT CONTINGENCY (25%)</b>						<b>\$1,771,250.00</b>

**TOTAL WASHOE COUNTY INFRASTRUCTURE SEPARATION COSTS**

**STMGID and WASHOE COUNTY INFRASTRUCTURE SEPARATION COSTS - TOTAL**

**\$14,828,585**

\*\* Several Washoe County area water system modifications are required to supply them since they are reliant on the STMGID system for either supply, storage or transmission of water. The costs to do so will be borne by STMGID and must result in a "no cost impact" to any Washoe County water system rate payer.

\* Facilities Costs denoted with asterisk do not include fees and costs associated with Rights of Way.

+ Professional services includes geotechnical analyses, survey, engineering design and regulatory submittal fees.

# Contingency includes unforeseen costs such as permit fees, improvement / cut delineations (sidewalks, curbs, private properties, etc.).



## STMGID Anticipated Operating and Maintenance Expense Summary

Item	Description	Costs
1	Salary and Benefits	\$592,800
2	Utilities	\$275,000
3	Supplies	\$105,000
4	Repair and Maintenance	\$155,000
5	Professional Fees	\$205,000
6	Other Expenses	\$182,000
7	Insurance	\$50,000
<b>Total Operating and Maintenance</b>		<b>\$1,564,800</b>

<b>Contingency</b>	<b>20%</b>
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<b>Total Operations &amp; Maintenance with Contingency</b>	<b>\$1,877,760</b>
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# **South Truckee Meadows General Improvement District (STMGID) Financial Feasibility Analysis**

***September 6, 2012***

# Objectives of the Analysis

1. Provide an estimate for STMGID potential Revenues, Expenses and Operating Income (Loss) as a standalone system
2. Estimate potential impact of Operating and Maintenance of STMGID as a standalone system on customer rates

# Assumptions

1. The model is built for a Typical Year scenario only with no future projections, e.g. the cost of future capital improvements is not included in the model.
2. Only Operating Revenue is included in the Typical Year scenario (Non-operating Revenue is not included). Four year Revenues averages (2009-2012) were used for the Typical Year scenario to smooth annual fluctuations.
3. STMGID standalone Operating Expenses were based on the Lumos Engineering Operating and Maintenance projections and on four year averages of STMGID historical Operating Expenses.
4. One-time and non-recurring Revenue and Expense items were not included in the Typical Year scenario.
5. STMGID issues a \$15MM bond to fund the system separation costs.
  - Currently STMGID has approximately \$14MM in cash reserves, out of which \$6MM is Restricted and \$8MM is Unrestricted.
  - \$3MM of Unrestricted funds is expected to be spent on transitional and legal costs to separate STMGID into a standalone entity, and \$5MM is reserved as Capital Reserve.
6. Percentage of rate increase is the same for all customer segments, e.g. flat, metered, commercial, etc.

# Estimate of STMGID Operating Revenues, Expenses and Net Income (Loss) as a Standalone System (Typical Year Scenario)

	Low Range	High Range
<b>Total Operating Revenue <sup>1</sup></b>	<b>\$ 2,408,915</b>	<b>\$ 2,408,915</b>

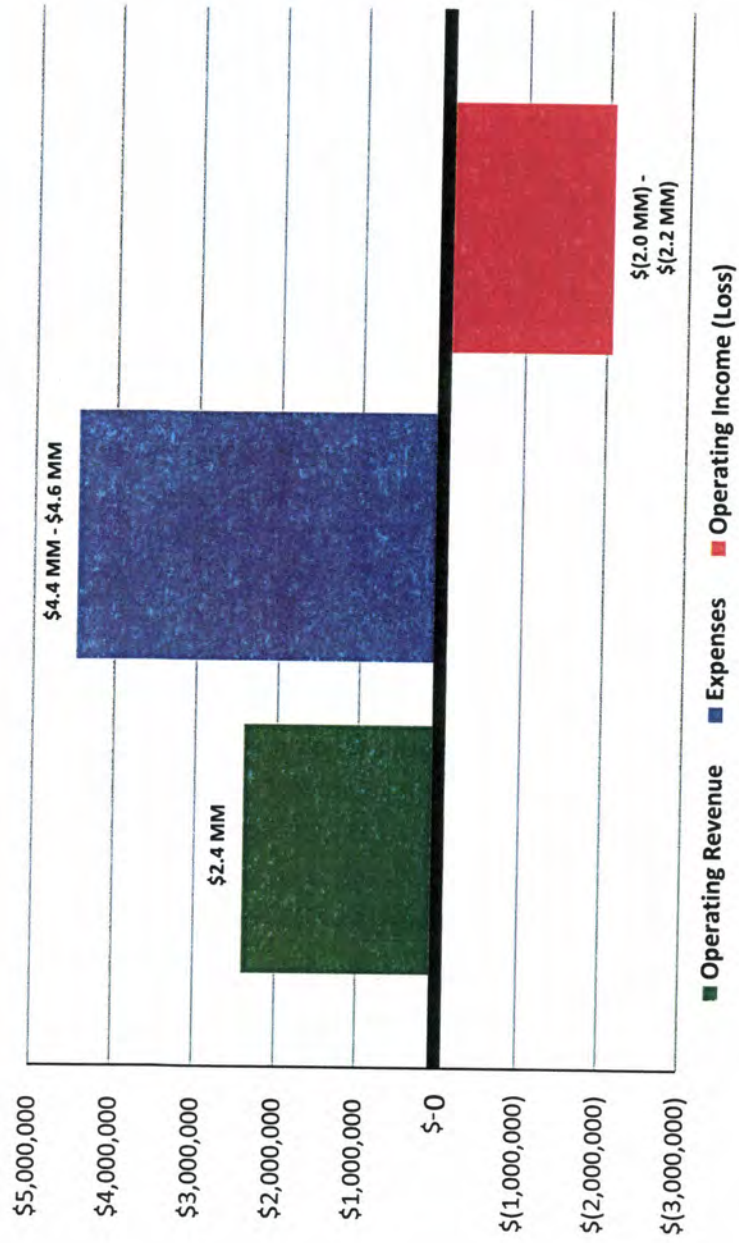
**Operating Expenses**

Operating & Maintenance Cost <sup>2</sup>	\$ 1,600,000	\$ 1,800,000
Bond Revenue Requirements <sup>3</sup>	\$ 1,875,000	\$ 1,875,000
Depreciation Expense <sup>1</sup>	\$ 877,954	\$ 877,954
Reimbursement for Well Deepening <sup>1</sup>	\$ 20,000	\$ 20,000
<b>Total Operating Expenses</b>	<b>\$ 4,372,954</b>	<b>\$ 4,572,954</b>

<b>Net Income (Loss)</b>	<b>\$ (1,964,040)</b>	<b>\$ (2,164,040)</b>
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- 1. Based on historical data
- 2. Based on the Lumos Engineering estimate
- 3. Based on the Bond structure assumptions

# Estimate of STMGID Operating Revenues, Expenses and Net Income (Loss) as a Standalone System (Typical Year Scenario)



# Preliminary Conclusion:

**Operating STMGID as a standalone system will lead to a 82%-90% increase in customer rates**



## SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT (STMGID)

### STAFF REPORT

BOARD MEETING DATE: September 25, 2012

**DATE:** September 24, 2012

**TO:** Board of Trustees  
South Truckee Meadows General Improvement District  
Board of County Commissioners

**FROM:** Rod Savini, STMGID Feasibility Study Project Manager

**SUBJECT:** STMGID Feasibility Status Report Update

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### SUMMARY

Revised preliminary findings, preliminary alternatives, and the revised Feasibility Study Report schedule is provide following the STMGID Local Managing Board meeting on September 20, 2012.

### Preliminary Findings:

The preliminary findings have been revised and one is included as an analytical correction.

The preliminary findings of the Feasibility Study, based upon the scope of work, are revised below:

- Preliminary infrastructure cost estimates result in a cost of \$4,555,335 to make STMGID a standalone system and a preliminary cost of \$10,273,250 to separate Washoe County service areas from the interdependent STMGID/Washoe County system.
- The following element was included in the engineering infrastructure requirements in the following amount:
  - Item E: Curti Ranch \$2,000,000 gallon storage tank \$1,000,000
  - Professional services: \$ 200,000
  - Contingency: \$ 300,000

Total: \$1,500,000
- \$1,972,670 exists in the STMGID restricted assets as STMGID received this amount in water fee capital contributions and was conditioned and contingent upon Washoe County entering into an interlocal agreement with STMGID to utilize STMGID's facilities for transmission and storage of water. An interlocal agreement has been approved between Washoe County and STMGID for wheeling of water through STMGID's system.
- Therefore, the preliminary infrastructure cost estimates are revised and result in a cost of \$4,555,335 to make STMGID a standalone system and a preliminary cost of \$8,773,250 to separate Washoe County service areas from the interdependent STMGID/Washoe County system.

MORE  
STMGID #3  
BCC #9

of \$8,773,250 to separate Washoe County service areas from the interdependent STMGID/Washoe County system.

- Preliminary financial feasibility analysis revision result in approximately an 80% increase in customer rates to make STMGID a standalone system and to separate Washoe County service areas from the interdependent STMGID/Washoe County system.

These revisions are provided for clarification and will be included in the final feasibility Study.

**Preliminary Alternatives:**

Preliminary alternatives are provided. The Local Managing Board of STMGID directed the Feasibility Study team to identify and subsequently include an array of preliminary alternatives in the Feasibility Study report to be compared with the original standalone analysis and the merger.

The following alternatives were presented to the Local Managing Board on September 20, 2012 for their consideration and the exhibits detailing these are attached. These are based, as previously stated, upon preliminary analysis and informal discussions amongst the project team and other stakeholders.

1. Consider interconnects for fireflow emergencies
  - Sage Ridge School – Connect existing 12 inch main to main from Thomas Creek tank to Arrowcreek tank 1 zone and an 8” main can be constructed instead of the proposed 10 inch main
2. Consider interconnects for operational emergencies:
  - Curti Ranch – Maintain existing connections as they will act as a backup source of supply and the booster pump is not required
3. Consider interconnects for operational and fireflow emergencies:
  - Mountaingate Subdivision – Connect STMGID well main to west end of Mountaingate and a 14” main could be built instead of a 16” main
4. Exchange of Service areas:
  - Timberline – Facility becomes a DWR system and well replacement, water storage tank, and 10” transmission main are no longer required
  - Government Lots west of Saddlehorn Subdivision – STMGID serviced lots becomes served by DWR and the upgrade to the Saddlehorn booster station is not required
  - So. Virginia Street – 7 11, Evergreen Trailer Park, and Tamarack become served by DWR and the 12” main is no longer required
  - Old Virginia Road – Area of Barnes & Noble, NTP, Prologis, Kohl’s, and Damonte Office Park become served by DWR and with no STMGID properties, parallel STMGID main is not required
  - Sutherland Lane – Properties on road served by DWR and with no STMGID properties, parallel STMGID main is not required
  - Wedge Meadows – STMGID serviced lots within the Wedge Meadows subdivision served by DWR and with no STMGID properties, parallel STMGID main is not required

- Increase size of zone 1 tank, additional booster pump station, and main are not required if So. Virginia Street, Old Virginia Road, Sutherland Lane, and Wedge Meadows alternatives listed above are implemented.
- 5. Wholesale agreement with DWR (ultimately TMWA) to mitigate infrastructure improvements:
  - Operate Fieldcreek and Saddlehorn as they currently exist with interconnections providing wholesale water and upgrades to well 11 booster pump, 10" transmission main, Double Diamond well 11, and pipeline improvements are not required.

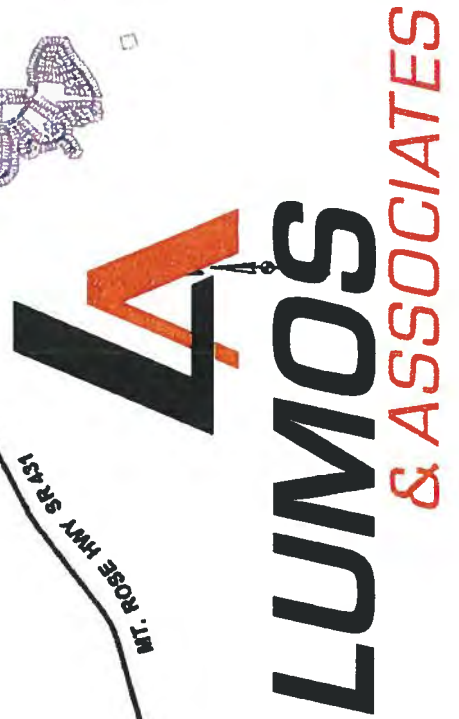
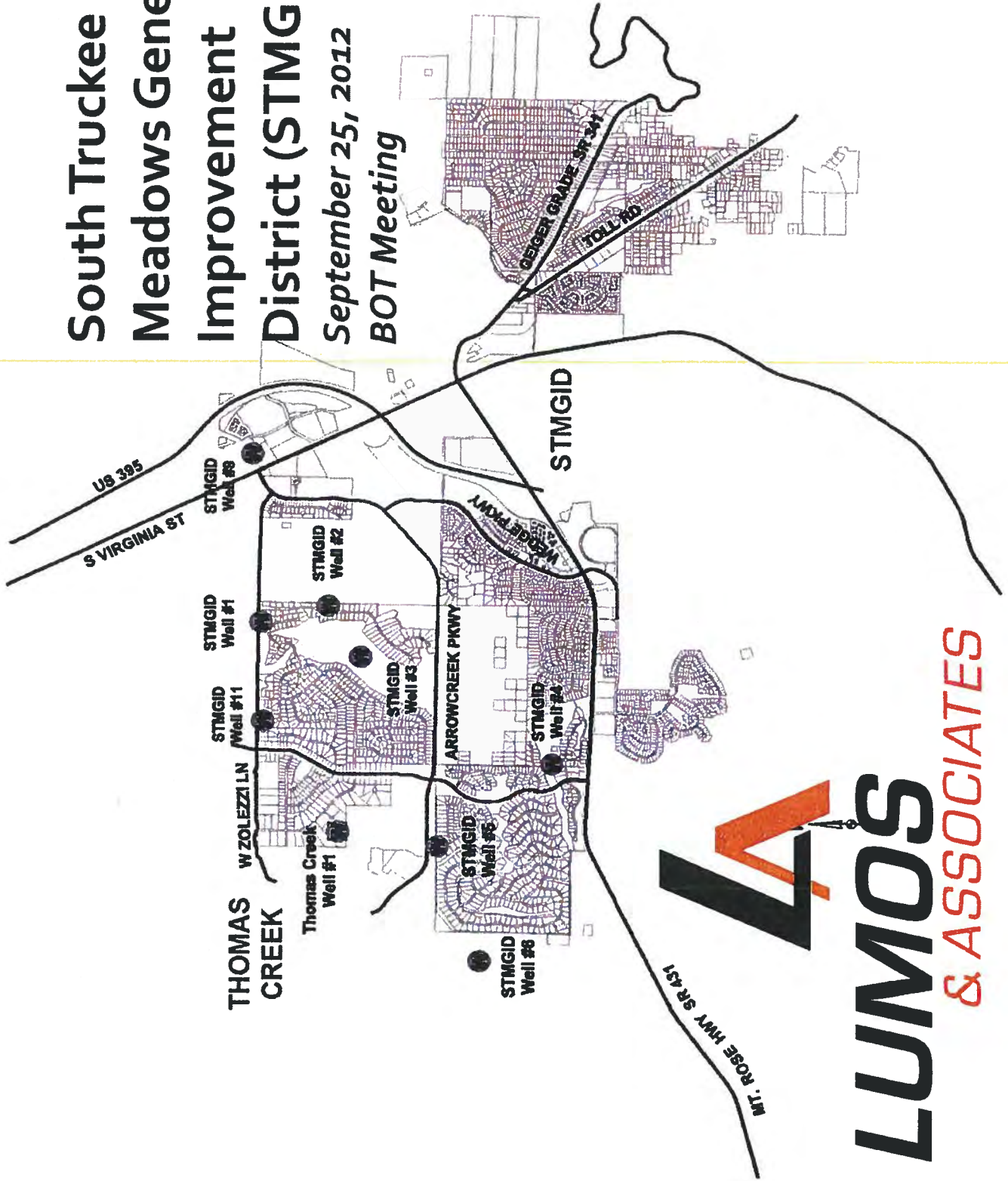
**Feasibility Study report Schedule:**

The report is scheduled to be released for review on October 18, 2012. It will be available on the STMGID website for review and rate payers and stakeholders will be notified when it is posted. The review period is October 18-31, 2012. Prior to and during this period, the rate payers will receive mailings, door hangers, and be invited to the open house meetings on October 23, 2012 and October 25, 2012. The rate payers will also receive a mailing that includes feasibility study information so they can evaluate the alternatives and respond. Their responses will be provided to the Local Managing Board and the Board of Trustees when the Feasibility Study is provided for their review and action.

RJS:rs

# South Truckee Meadows General Improvement District (STMGID)

September 25, 2012  
BOT Meeting



# LMB Meeting September 20, 2012

Standalone Cost - \$13.3 million

- a. \$4.5 million (STMGID)
- b. \$8.8 million (DWR)

Preliminary Alternative Savings – \$2 million



# Alternative Evaluation Categories

1. Interconnections
  - a. Emergency (Fire Flow)
  - b. Supply Redundancies (NAC)
  
2. Service Area Exchange
  - a. STMIGID to DWR
  - b. DWR to STMIGID
  
3. Wholesale
  - a. STMIGID to DWR
  - b. DWR to STMIGID

# Alternative Evaluation Criteria

## 1. Interconnections - *Mirror TMWA's Current Business Model*

- a. Emergency (Fire Flow)
- b. Supply Redundancies (NAC)

## 2. Service Area Exchange – *Avoid Pledge Revenue Impacts*

- a. STMIGID to DWR
- ~~b. DWR to STMIGID~~

## 3. Wholesale - *Mirror TMWA's Current Business Model*

- ~~a. STMIGID to DWR~~
- b. DWR to STMIGID

# Alternative Infrastructure Estimate of Savings

## Summary of Savings per Category

1. Interconnections - **(\$850,000)**
  - a. Emergency (Fire Flow)
  - b. Supply Redundancies (NAC)
  
2. Service Area Exchange - **(\$740,000)**
  - a. STMIGID to DWR
  
3. Wholesale Agreements - **(\$1,810,000)**
  - b. DWR to STMIGID



# Alternative Infrastructure Estimate of Cost Savings

## Overall Summary

Alternative Savings	\$3,385,000
Professional Service @ 20%	\$ 677,000
Contingency @ 25%	<u>\$ 846,250</u>
Total	\$4,908,250



# Alternative Infrastructure Estimate of Cost Savings

## STMGID Separation Cost

Standalone Cost	\$4,555,334
Alternative Savings	<u>\$4,097,700</u>
Total	\$ 457,634

## DWR Separation Cost

Standalone Cost	\$ 8,773,250
Alternative Savings	<u>\$ 810,550</u>
Total	\$ 7,962,700



# Alternative Infrastructure Estimate of Cost Savings

## Total Separation Cost with Alternatives

STMGID Separation Cost	\$ 457,634
DWR Separation Cost	<u>\$ 7,962,700</u>
Total	\$ 8,420,334



## STMGID Feasibility Analysis: Alternatives to infrastructure construction

Area	Location of interconnect(s)	Facility no longer required	Reason for interconnect(s)	For County or STMGID system	Cost of facility not constructed
<b>1. Interconnects for operational emergencies</b>					
a) Curti Ranch	Maintain (E) connections at Winners Cup Ct and Veterans Pkwy	Booster pump station and 12-in main - Item 'H'	The interconnects will act as a backup source of supply for the Curti Ranch area instead of the booster station	County	\$ 754,000
<b>1b. Interconnects for fireflow emergencies</b>					
c) Sage Ridge School	Connect (E) 12-in main in front of school to (P) main from Thomas Creek tank to Arrowcreek tank 1 zone	An 8-in main could be built instead of the proposed 10-in main - Item 'D'	The interconnect will act as a second source of fire flow for the school PRV needed as part of interconnect:	County	\$ 71,000
<b>1c. Interconnects for operational and fireflow emergencies</b>					
d) Mountaingate subd	Connect STMGID well xmain to west end of Mountaingate	A 14-in main could be built instead of the proposed 16-in main - Item 'F'	The interconnect will act as a second source of fire flow for the Summit Sierra mall and backup supply for area PRV needed as part of interconnect:	County	\$ 110,000
<b>TOTAL INTERCONNECT OPTION =</b>					\$ (50,000)
<b>TOTAL INTERCONNECT OPTION =</b>					\$ 835,000



## STMGID Feasibility Analysis: Alternatives to infrastructure construction

### 2. Exchange of service area:

<u>Area</u>	<u>Properties to be exchanged</u>	<u>Facility no longer required</u>	<u>Reason facility no longer required</u>	For County or STMGID system	Cost of facility not constructed
a) Timberline	STMGID serviced lots within the Timberline service area to DWR	Well 8 replacement - Item '2' Water storage tank - Item 'A' 10-in transmission main - Item '8'	Timberline would become a DWR system, no system separation required	STMGID County	\$ 200,000 \$ 100,000 \$ 374,000
b) Gov't lots west of Saddlehorn subd	STMGID serviced lots to DWR	upgrade to Saddlehorn booster station - Item '1'	Existing booster pump station able to provide service to reduced booster pump zone	STMGID	\$ 60,000
c) S. Virginia St	7-11, Evergreen Trailer Park and Tamarack to DWR	12-in main - Item 'J'	All properties would be DWR customers, no parallel main required.	County	\$ 156,000
d) Old Virginia Rd	Area of Barnes & Noble, NTP, Prologis, Kohl's, and Damonte office park to DWR	12-in main from Valley Springs along Arrowcreek Pkwy to Old Virginia Item '5'	With no STMGID properties, parallel STMGID main not required.	STMGID	\$ 480,000
e) Sutherland Ln	Properties on road	8-in main; Item 'I'	With no STMGID properties, parallel County main not required.	County	\$ 180,000
f) Wedge Meadows	STMGID serviced lots within the Wedge Meadows subd	12-in main; Item '5'	Subdivision would be DWR customer, no STMGID main required	STMGID	\$ 276,000
The following expenditures are due to implementing items 'c)' through 'f)'					
		Increase size of zone 11 tank			(\$500,000)
		Additional booster pump station and main			(\$586,000)
<b>TOTAL SERVICE AREA TRANSFER OPTION =</b>				<b>\$</b>	<b>740,000</b>



### STMGID Feasibility Analysis: Alternatives to infrastructure construction

3. Wholesale agreement(s) for delivery of water from Washoe County/TMWA to STMGID				For County or STMGID system	Cost of facility not constructed
Area	Location of wholesale connection	Facility no longer required	Reason facility no longer required	STMGID	\$
a) STMGID service area	Operate Fieldcreek and Saddlehorn as currently exist with existing inter-connections providing wholesale water	Upgrade to well 11 booster pump and 10-in transmission main items '3' and '4'	Supply for meeting west side demands comes from existing supply	STMGID	\$ 610,000
		DD well 11 and pipeline item '6'	With well 11 continuing to pump to east side, DD 5 well no longer needed.	STMGID	\$ 1,200,000
<b>TOTAL WHOLESAL AGREEMENT OPTION =</b>				<b>\$</b>	<b>1,810,000</b>
Total for costs on STMGID system =				\$	2,826,000
Professional services @ 20%				\$	565,200
Project contingency @ 25%				\$	706,500
<b>Total =</b>				<b>\$</b>	<b>4,097,700</b>
Total for costs on County system =				\$	559,000
Professional services @ 20%				\$	111,800
Project contingency @ 25%				\$	139,750
<b>Total =</b>				<b>\$</b>	<b>810,550</b>
<b>Total alternative costs:</b>				<b>\$</b>	<b>4,908,250</b>

