

TRUCKEE MEADOWS WATER AUTHORITY
DRAFT MINUTES OF THE SEPTEMBER 17, 2014
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, September 17, 2014, at Sparks Council Chambers, 745 Fourth Street, Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:00 a.m.

1. ROLL CALL

Members Present: Mike Carrigan, Mike Cate, Vaughn Hartung, Kitty Jung, Geno Martini, Sharon Zadra*.

Members Absent: Neoma Jardon. A quorum was present

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Martini.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE JULY 16, 2014 MINUTES

Upon motion by Member Hartung, second by Member Cate, which motion duly carried by unanimous consent of the members present, the Board approved the July 16, 2014 minutes.

6. PUBLIC HEARING ON RATE AND RULE AMENDMENTS

A. PUBLIC COMMENT — LIMITED TO NO MORE THAN THREE MINUTES PER SPEAKER*

Stephanie Jenson, a domestic well owner located on Caswell Lane, expressed her desire not to

become a TMWA customer and has provided a written statement which is attached. Ms. Jenson stated her concern over issues regarding accountability to the public and how TMWA will be held accountable for their actions post-merger. She stated she does not see a commitment by TMWA (in the proposed Rule 10) to adhere to environmental laws for appropriate mitigation and comply with mandates to ensure proper water levels on Mt. Rose. Ms. Jenson expressed her confusion concerning TMWA's public entity status, comparing TMWA to Washoe County ("County").

Kathy Bowling, from the Mt. Rose area, stated she attended the Standing Advisory Committee meeting on Tuesday September 2. Ms. Bowling expressed her concern over additional funding by TMWA post-merger, particularly the establishment of a groundwater management program similar to the Las Vegas Ground Water Management Program. She asked for an explanation of what was included in the program. She would like to see sustainable building based on water resources that are truly available and see better management of resources.

Member Zadra arrived at 10:04 a.m.

B. NON-MERGER RELATED RATE AND RULE AMENDMENTS — SCOTT ESTES

I. INTRODUCTION AND FIRST READING OF AMENDMENTS TO TMWA RULE 5

Scott Estes, TMWA Director of Engineering, reported on this agenda item. Mr. Estes provided a quick overview of the changes, specifically the referral of payment of developer and regional fees, as well as the WSF charges. He said that at the July 16 Board meeting, the Board directed staff to return with proposed changes. On July 22, TMWA conducted a public workshop, which did not have any attendees. Mr. Estes stated the Supply/Treatment Facility Charges are a system-wide charge and the suggestion to make Supply/Treatment Charge credits available to the entire system is an easy change which also allows TMWA to remove credits from the books more quickly. In regard to the facility charge deferral option proposed, staff recommends to the Board that the proposed deferral option apply to residential development only and the facility charges can only be deferred until a meter set is required. Chairman Carrigan clarified that a meter is required to obtain a Certificate of Occupancy (C of O). Mr. Estes confirmed that is correct and if the facility charges are deferred it will be based on the facility cost at the time payment is made, not at time of application. Mr. Estes also confirmed that there is a sunset period as well for charges to be paid in full.

Member Hartung asked if a developer was able to choose to pay the fees early in order to avoid an increase in costs. Mr. Estes responded that is correct, it is their choice. Member Hartung congratulated TMWA for making these changes which will save a substantial amount of money for the developers.

II. INTRODUCTION AND FIRST READING OF AMENDMENTS TO TMWA RATE SCHEDULE WSF – WATER SYSTEM FACILITY CHARGES

Mr. Estes indicated this as the same initiative as 6.c.i where this is a simple change on WSF

which refers back to Rule 5 and the timing of the facility charges.

Upon motion by Member Hartung second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board directed staff to refer the amendments to TMWA Rule 5 and Rate Schedule WSF - Water System Facility charges for a second reading.

C. MERGER RELATED RATE AND RULE AMENDMENTS AND ADOPTIONS.

I. INTRODUCTION AND FIRST READING OF AMENDMENTS TO TMWA TABLE OF CONTENTS, INTRODUCTION, RULES 1, 5, 7, 9, REPEAL OF RULE 10 AND AMENDMENTS TO RATE SCHEDULES FSPR & LVS

John Erwin, TMWA Director of Natural Resources, reported on this agenda item. Mr. Erwin stated most of the edits reflect revisions in order to synchronize with TMWA's language as well as to reflect the expansion of TMWA's service area. Mr. Erwin provided an overview of the edits, additions and changes to the respective rules and rate schedules.

II. INTRODUCTION AND FIRST READING OF AMENDMENT TO RATE SCHEDULE WSF

Mr. Estes reported the changes to the schedule reflect the new areas to be added from the County and South Truckee Meadows General Improvement District (STMGID) water systems. He stated that the WSF charges are growth related and consist of three components: area facility unit costs – primarily for distribution and transmission improvements; supply treatment unit costs – for expanding treatment plant facilities, building new wells and other supply related costs; and, lastly, storage unit costs for new tanks and reservoirs. He provided an overview of the changes to the WSF schedule.

III. INTRODUCTION AND FIRST READING OF ADOPTION OF NEW RULE 10 – SPECIAL CONDITIONS AND PROGRAMS, INCLUDING MT. ROSE-GALENA FAN DOMESTIC WELL MITIGATION PROGRAM

John Enloe, TMWA Operational Strategies Manager, stated that the new Rule 10 is a continuation of the County's Mt. Rose-Galena Fan Area Domestic Well Mitigation Program ("Program") and not a new program. Mr. Enloe explained the intent is to replicate the financial benefits the County established by ordinance in 2011. Mr. Enloe mentioned the August 26 workshop and the comments made at that time. He stated that the Program is a financial mitigation program and does not establish operational strategies to manage the groundwater basin. TMWA has crafted a rule that replicates the same financial benefits to the property owners under the existing County program which staff is recommending to the Board for consideration.

Mr. Enloe referenced Ms. Bowling's comment regarding the Las Vegas Groundwater Management Program. He stated that section c.ii in the rule essentially gives TMWA options in

the future to seek additional or alternative financing mechanisms to manage the resources in the area similar to the Las Vegas Groundwater Management Program. He confirmed that with the consolidation of TMWA, STMGID and the County, TMWA can bring more resources to address this problem than the County could, such as conjunctive use. Mr. Enloe stated that there is money in the consolidated budget for facility improvements to start bringing surface water to the area as well as to conduct additional groundwater studies to look at management options to address the groundwater declines in the area. He further stated that no one is disagreeing with the fact that domestic wells are being impacted in the area. In 2011, it was represented to the well owners that water levels would continue to decline to reach a new equilibrium and more wells would be impacted and that is why the mitigation program was developed to offset the costs for well-deepening or connecting to a municipal water system. TMWA's intent is to replicate the financial program the County has in place for domestic well owners in the area. Once the merger is complete and TMWA has responsibility for management and operations, he stated there are things TMWA can do to improve the current situation.

Chairman Carrigan commented that a TMWA customer contacted him and asked if the rate payers from TMWA would pay for the mitigation. Chairman Carrigan stated for the record that the money the County has for this program will be transferred to TMWA as part of the merger agreement.

IV. INTRODUCTION AND FIRST READING OF ADOPTION OF NEW RATE SCHEDULES FRMSGID – FORMER STMGID CUSTOMER RATES

Mr. Erwin reported that this agenda item addresses the introduction of the rate schedules for the former STMGID customers. He stated that staff formatted them in order to fit into TMWA's context, but brought over the exact same rates that exist in the STMGID area.

Chairman Carrigan asked if this is what both the TMWA Board and STMGID Board of Trustees voted on. Mr. Erwin agreed that is correct.

Member Zadra asked for clarification about the perceived distinction between paper and real water made in public comment. Member Zadra wanted the public to understand that consideration was given to this prior to voting. Mr. Erwin responded that it began with a due diligence process in 2009 looking at the systems that the County managed. TMWA considered how to extract and serve water and looked at what water rights were available on the various production facilities they had. Mr. Erwin stated that studies going as far back as the 1990's have been conducted in this particular area and zone. He stated that TMWA's intent is to preserve and have a sustainable resource in that region as well as all the regions in which TMWA produces water. He added that TMWA's goal and objective is to achieve a balance between the rights of the municipal supplier to pump groundwater and the rights of surrounding neighbors on domestic wells. Mr. Erwin mentioned that TMWA has a water resource plan that strategizes how TMWA conjunctively uses and optimizes surface water when it is available thereby minimizing and delaying groundwater pumping when possible. TMWA plans on applying this same strategy in the region to reduce groundwater extraction as much as possible. Member Zadra expressed that is what she wanted on the record.

Mr. Estes added for clarification that TMWA does not establish how much water can be safely extracted from the groundwater basins rather this is the job of the State Engineer. In addition, local government approves new development and growth, and it is out of TMWA's control.

V. INTRODUCTION AND FIRST READING OF ADOPTION OF NEW RATE SCHEDULES FRMWC – FORMER WASHOE COUNTY CUSTOMER RATES

Mr. Erwin stated this is similar to the STMGID item presented previously. He reported that staff formatted the rates to fit into TMWA's context, but they are the identical rates that exist for the County customers.

Chairman Carrigan commented that some customers from Washoe County live in the City of Sparks or City of Reno and when they come over to TMWA, both cities have a Right-of-Way Toll and TMWA will phase it in over a five-year period.

Member Hartung commented that people will see no difference in their service and they will not know that the change occurred. Mr. Erwin agreed that is correct.

Mark Foree, TMWA General Manager, added that one of the benefits is that the County rates were automatically adjusted based on inflation (based on the Consumer Price Index) every year, but TMWA will discontinue this rate adjustment which is another benefit to the customers.

Upon motion by Member Zadra second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board directed staff to refer for the second reading of amendments and possible adoptions of items 6.c i thru 6.c v.

Chairman Carrigan asked if anyone in the public had any comments before closing the hearing.

Ms. Bowling stated that she has paid attention to the new Rule 10 and attended the Domestic Well Workshop on August 26. She expressed her concern in including the Mt. Rose – Galena Fan area into TMWA before a delivery system is in place necessary to bring recharge water into the area and asked for delaying its inclusion into TMWA. She also expressed her concern about sustainable versus paper water rights and stated there has to be better management.

Ms. Jenson commented that her concerns were verified by Mr. Enloe. She reiterated her concerns that TMWA is not held to the same environmental standards such as the County and they do not see a commitment to stabilizing the groundwater level by including it in the new Rule 10.

Chairman Carrigan commented that the mitigation program is addressing the financial component and that when they merge, TMWA will be good stewards of the water.

D. CLOSE PUBLIC HEARING

7. REQUEST FOR BOARD APPROVAL OF AMENDMENT TO THE VERDI INTERLOCAL AGREEMENT WITH WASHOE COUNTY.

Michael Pagni, TMWA Legal Counsel, reported on this agenda item. Mr. Pagni provided an overview of the litigation related to the Verdi property owners, the County and the request for TMWA to expand their service area into Verdi. He stated that the litigation resulted in a settlement, the Verdi Interlocal Agreement (ILA), between the County and TMWA to provide water service to the property owners affected by the litigation. He reported that the amendment to the 2004 ILA clarifies that TMWA would continue to provide water service to the area once the merger is completed. He added that all parties involved were in agreement.

Upon motion by Member Hartung second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board approved the amendment to the Verdi Interlocal Agreement with Washoe County.

8. REQUEST FOR BOARD APPROVAL TO REVISE THE TRUCKEE RIVER OPERATING AGREEMENT (TROA) EXTENSION APPROVED BY THE BOARD ON JUNE 18, 2014.

Mr. Erwin reported on this agenda item. He stated that they had mutual agreement amongst the five parties for a three year extension. However, the Tribe took action for only a one-year extension. The agreement expires December 31, 2014 and staff is asking to extend it until December 31, 2015.

Chairman Carrigan asked if they could keep the extension for the three years that they already voted on. Mr. Erwin stated that all five parties have to agree on the same extension.

Upon motion by Member Martini second by Member Zadra which motion duly carried by unanimous consent of the members present, the Board approved the one-year Truckee River Operating Agreement extension.

9. REPORT ON POTENTIAL DIVESTITURE OF SATELLITE WATER SYSTEMS AND POSSIBLE DIRECTION TO STAFF ON EXCLUDING PLEDGED REVENUES FROM FUTURE DEBT INSTRUMENTS.

Jeff Tissier, TMWA Chief Financial Officer, reported on this agenda item. Mr. Tissier stated that the purpose of this report is to see if TMWA can obtain permission to remove certain operating revenues from being pledged to debt that will be assumed by TMWA as a result of the consolidation. He provided an overview of the satellite water systems in the Washoe County territory that do not have contiguous infrastructure with the consolidated entity.

Member Hartung asked if TMWA will have to keep multiple sets of books. Mr. Tissier replied

that is not the case.

Chairman Carrigan asked if excluding pledged revenues used to pay off the bonds would allow TMWA the ability to sell these systems if someone wants to buy them. Mr. Tissier replied that is correct and the merger is the only opportunity for this to occur.

Upon motion by Member Hartung, second by Member Cate, which motion carried unanimously by the members present, the Board approved excluding pledged revenues of satellite water systems from future debt instruments.

10. REQUEST FOR BOARD APPROVAL OF RENEWAL OF THE TRUCKEE RIVER FUND AGREEMENT WITH THE COMMUNITY FOUNDATION OF WESTERN NEVADA FOR FIVE YEAR TERM, WITH ANNUAL FUNDING LEVELS TO BE DETERMINED IN CONNECTION WITH THE BUDGET PROCESS FOR EACH FISCAL YEAR.

Ron Penrose, TMWA Project Manager and Truckee River Fund Liaison, reported on this agenda item. Mr. Penrose stated that TMWA requests the Board to renew the five-year agreement with Community Foundation of Western Nevada (CFWN) for the administration of the Truckee River Fund (TRF) which was initiated in 2004 and renewed in 2009. CFWN has provided the administration of the TRF in coordination with the fund advisors, and ensuring the grantees are in compliance. Mr. Penrose introduced Tracy Turner, President of the CFWN, if the Board had any questions.

Upon motion by Member Zadra second by Member Hartung which motion duly carried by unanimous consent of the members present, the Board approved the Truckee River Fund agreement with the Community Foundation of Western Nevada for a new five year term.

11. PRESENTATION OF PROPOSED PROJECTS AND DISCUSSION AND ACTION ON RESOLUTION NO. 208: A RESOLUTION TO APPROVE FUNDING FOR THE PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS.

Mr. Penrose presented this agenda item. He stated that the advisors met on August 22 where they reviewed 13 proposals and are recommending funding approval for 10 projects for a total of \$626,187, with an additional \$608,094 from grantee matching funds. He provided an overview of the projects recommended for funding by the Truckee River Fund Advisory Committee. The projects for funding are as follows:

1. Reducing Non-Point Source Pollution to TMWA's Highland Canal

Organization: City of Reno Public Works, **Amount Requested:** \$329,000

Amount Recommended: \$329,000, **Organizational Match:** \$250,000 (Cash); \$20,000 (In-Kind)

- 2. Sierra Nevada Journeys Watershed Education Initiative**
Organization: Sierra Nevada Journeys, **Amount Requested:** \$23,900, **Amount Recommended:** \$23,900, **Organizational Match:** \$3,938 (Cash); \$6,840 (In-Kind)
- 3. Truckee River Graffiti and Trash Removal**
Organization: Tahoe-Pyramid Bikeway, **Amount Requested:** \$4,660, **Amount Recommended:** \$4,660, **Organization Match:** \$1,750 (In-Kind)
- 4. Optimizing Restoration Investments in the Truckee River Watershed**
Organization: The Nature Conservancy, **Amount Requested:** \$58,075, **Amount Recommended:** \$50,000, **Organizational Match:** \$58,075 (Cash)
- 5. Donner Basin Watershed Assessment**
Organization: Truckee River Watershed Council, **Amount Requested:** \$75,000, **Amount Recommended:** \$70,000, **Organizational Match:** \$25,000 (Cash)
- 6. Eyes of the Lake/Truckee River Watershed Volunteer Invasive Species Monitoring**
Organization: League to Save Lake Tahoe, **Amount Requested:** \$18,000, **Amount Recommended:** \$18,000, **Organizational Match:** \$11,400 (Cash); \$2,750 (In-Kind)
- 7. Truckee River Native and Non-Native Aquatic Plan and Trash Survey**
Organization: Tahoe Resource Conservation District, **Amount Requested:** \$57,895.60, **Amount Recommended:** \$50,000, **Organizational Match:** \$15,000 (In-Kind)
- 8. Virginia Lake Water Quality Improvement Project Monitoring and Public Education**
Organization: City of Reno Public Works, **Amount Requested:** \$18,820, **Amount Recommended:** \$18,820, **Organizational Match:** \$32,000 (Cash); \$48,301 (In-Kind)
- 9. Mount Rose Noxious Weed Monitoring and Treatment #3**
Organization: Friends of Nevada Wilderness, **Amount Requested:** \$15,807, **Amount Recommended:** \$15,807, **Organizational Match:** \$12,800 (Cash); \$3,700 (In-Kind)
- 10. Watershed Youth Education and River Clean-Up 2015**
Organization: Keep Truckee Meadows Beautiful, **Amount Requested:** \$57,050, **Amount Recommended:** \$46,000, **Organizational Match:** \$23,800 (Cash); \$92,740 (In-Kind)

Member Zadra thanked everyone for their participation in the Virginia Lake project which is in the ward that she represents for the city. Member Zadra stated that there will be a public meeting on Thursday September 18 at 5:00 p.m. at Swill Coffee & Wine to discuss the issue of Virginia Lake with local residents and other interested members of the public.

Member Hartung asked what it would cost TMWA rate payers if TMWA did not approve funding for the mitigation at the Highland Canal. Mr. Penrose replied that it is difficult to answer in terms of cost. He stated by preventing stormwater from entering the canal and ending up at Chalk Bluff to be treated, it would prevent the plant's operation from being negatively affected and having to shut down, which would force TMWA to rely on other resources, including groundwater and production wells. Member Hartung clarified that their concern is not just sediment, but oil and other issues. Mr. Penrose agreed that is correct.

Member Hartung expressed his interest to see what is being diverted and monitored in the diversion. Mr. Penrose replied that City of Reno has pre- and post- project monitoring and there will be a better dataset for review once the project is completed.

Mr. Foree commented that Tracy Turner provided the CFWN Annual Report for the board members.

Upon motion by Member Hartung second by Member Martini which motion duly carried by unanimous consent of the members present, the Board approved funding for the projects recommended by the Truckee River Fund Advisory Committee.

12. REQUIRED COMMUNICATION FROM KAFOURY ARMSTRONG & CO IN REGARDS TO TWMA'S ANNUAL FINANCIAL AUDIT.

Mr. Tissier reported on this agenda item. He stated that the communication from Kafoury Armstrong & Co (KFA) defines the roles and responsibilities of TMWA's management, KFA and the TMWA Board of Directors, as well as what was audited and not audited.

13. GENERAL MANAGER'S REPORT

Mr. Foree provided a brief update on TMWA's water supply. He stated that Lake Tahoe is currently 27/100's of a foot above the natural rim, and there is not much water flowing into the Truckee River. He reported that TMWA has been releasing water from their upstream drought reserves and has used less than 13% of total upstream drought reserves to date and do not foresee using more than 20% this year. He added that there is a great chance all of water released from drought reserves will be replenished next year, as Donner and Independence, TMWA's main drought supply reservoirs, have filled each spring, despite the three-year drought.

Member Jung asked if TMWA measured the conservation efforts that customers were asked to voluntarily participate in and how they performed. Mr. Foree replied that after the first 5 weeks they saw 10% less water used compared to the same time in the prior year, but with the continued hot weather they saw conservation drop below 10%. He added that they saw a big response during the rainfall with customers shutting off their irrigation systems during that time. Member Jung asked if it was possible for Kim Mazeris, TMWA Director of Customer Relations,

or Marlene Olsen, GoodStanding Outreach Media Relations, to send out a “Thank you” to customers in an insert or on the website to encourage pro-social behavior and to congratulate everyone who participated. Ms. Olsen responded that they are working on a campaign to thank customers on their voluntary actions to conserve water.

14. BOARD COMMENTS

Member Jung requested at the next meeting, either closed session or public session, a legal review of the open meeting law complaints by the attorney general against the School Board of and how the TMWA Board can avoid being in the same position. Mr. Pagni replied he could provide a memo to the Board members and answer any questions.

Member Jung would also like for staff to address the comments made regarding what TMWA’s water sustainability plan is and what they will do to sustain the water level if it’s not codified in TMWA’s agreement adopted from the County.

Member Jung asked to update the website to properly reflect that TMWA is a governmental entity, served by these elected officials along with contact information. She added she would also like to see an update on the website that defines it is illegal for government institutions to participate in fundraising, which is why there is the CFWN. She stated that being a public body, they need to be responsive to the public comments and concerns.

Member Hartung asked for further information on the Sparks Fire Department no longer testing the hydrants. He mentioned that fire fighters brought their concerns, regarding how often they are being tested and their viability, to his attention. He would like to see an agenda item that reports on the best practices and frequency of testing fire hydrants county-wide.

Mr. Foree replied that TMWA has a contract with the City of Sparks to maintain their hydrants. Under the contract TMWA maintains and tests the hydrants, with each hydrant tested every two years, and there are records of all the tests and repairs. Mr. Foree added that this has been going very well since they instituted this program.

15. PUBLIC COMMENT

Ms. Bowling requested that the County’s Division of Water Resources continue to conduct their studies to protect the areas’ water quality, quantity, and monitoring of wells since the program is funded by the sale of water.

Chairman Carrigan replied that if it is part of Washoe County Water Resources it will be brought over to TMWA. Ms. Bowling’s concern is that the State has mandated that only the County conducts this research, not TMWA.

Member Jung asked for staff and legal counsel to meet with people who are confused about TMWA and their role, in order to clarify confusion and misunderstanding. She stated that there

needs to be a formal meeting to provide more information.

Ms. Jenson expressed her concern that the mission for TMWA as stated is narrowly defined and she does not see TMWA, or the Board, as being good stewards of the environment and water resources.

Chairman Carrigan responded that TMWA is a good steward of the environment. Member Jung added that this is the agenda item that she asked for. She clarified that we need to look at our mission and how we conserve our resources that are most vital and precious for everyone on the Board who are managing the rates and the resources.

Member Hartung agreed that the TMWA Board is a political entity, but their decisions are not made in a vacuum. Board Members receive staff reports from experts who are thorough in producing the reports and they read them and make sure they are looking out for the best interests for everyone, including stabilizing the water.

16. ADJOURNMENT

With no further discussion, Chairman Carrigan adjourned the meeting at 11:12 a.m.

Approved by the TMWA Board of Directors in session on _____.

Respectfully submitted,

Sonia Folsom, Recording Secretary

Member Zadra was present for items 6 through 16 only.