

TRUCKEE MEADOWS WATER AUTHORITY
DRAFT MINUTES OF THE MAY 21 2015
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Thursday, May 21, 2015, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chairman Martini called the meeting to order at 10:06 a.m.

1. ROLL CALL

Members Present: Jenny Brekhus, Naomi Duerr, Vaughn Hartung, Jeanne Herman, Geno Martini, and Ron Smith.

Member Absent: Neoma Jardon

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Hartung.

3. PUBLIC COMMENT

Cathy Brandhorst provided public comment about the issue of underage prostitution in the Cities of Reno and Sparks.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE APRIL 15, 2015 MINUTES

Upon motion by Member Hartung, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the April 15, 2015 minutes.

6. DISCUSSION AND ACTION ON REQUEST TO APPROVE RESOLUTION NO. 226 OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY, NEVADA, PROVIDING FOR THE ISSUANCE OF ITS WATER REVENUE BOND, SERIES 2015 B, IN THE PRINCIPAL AMOUNT OF \$15,000,000; PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF; AND PROVIDING OTHER MATTERS RELATING THERETO

Jeff Tissier, TMWA Chief Financial Officer, introduced Jennifer Stern, Sherman & Howard Bond Counsel. Mr. Tissier stated the application for the Water Revenue Bond, Series 2015B has been submitted to the Nevada Department of the Environmental Protection and has been approved; the State Treasurer has subordinated the loan to TMWA's senior lien covenant and also agreed to have a revenue backed loan rather than a revenue G.O.-backed loan. The loan will be used to fund the construction tasks of the North Valleys Integration Project. The facilities, once built, will allow the Fish Springs groundwater supply to be available to customers in the North Valleys areas.

Member Hartung inquired if TMWA will be reimbursed to pay for the loan through new development and confirmed TMWA's current customers would not have to pay for this new infrastructure. Mr. Tissier replied that 83 percent of the project cost has been allocated to growth and 17 percent has been allocated to oversizing the pipeline to serve existing customers.

Member Hartung asked what the cost per acre foot of water is expected to be for Vidler (Fish Springs), if the rate would be the same for new customers who are connecting to Vidler or they would pay a higher rate because of the infrastructure cost and to ensure current customers would not be absorbing additional costs. John Enloe, TMWA Operational Strategies Manager, replied he and Scott Estes, TMWA Director of Engineering, had met with representatives of Vidler and the approach Vidler is looking at for setting the fee is a combined total of water rights and Water Services Fees (WSF) charges. Mr. Estes added WSF fees are set up in the North Valleys and those that dedicate Vidler water for their projects pay an additional amount.

Member Brekhus confirmed the loan was revenue backed rather than a G.O revenue backed and the loan is solely backed by the charges for hook-ups and if the revenue is underwritten by all TMWA revenues. Mr. Tissier replied it is backed by all TMWA revenues and a G.O backed loan is a General Obligation which can be utilized by a taxing authority and TMWA has no taxing authority.

Member Brekhus inquired how the new debt equates to the overall historical debt of TMWA and when was TMWA's debt at its peak. Mr. Tissier replied in 2006-07 the peak was more than \$540 million in outstanding debt and it went down to below \$500 million before the merger, and now as a result of the merger TMWA has taken on an additional \$36 million in water obligations,

raising the balance of outstanding debt to approximately \$519 million. Member Brekhus confirmed the debt as a percentage is less than in the past. Mr. Tissier replied that is correct.

Member Brekhus asked about the agreement with Vidler (Fish Springs), water and infrastructure, and if it is a sustainable water source and if Vidler could sell the rights to someone else. Mr. Tissier replied the water is banked with TMWA and when Vidler sells the water credits to developers TMWA issues the will-serve commitments. Mr. Foree added the agreements TMWA has with Vidler were assumed from Washoe County and it would require consent from the water utility if they were considering using the water for any other purpose.

Michael Pagni, TMWA Legal Counsel, replied yes, that is correct, and TMWA owns title to the water rights and the facilities.

Member Brekhus requested to review the agreements between TMWA and Vidler and Mr. Pagni agreed to provide copies.

Upon motion by Member Hartung, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved Resolution No. 226, providing for the issuance of TMWA's Water Revenue Bond, Series 2015 B, in the principal amount of \$15,000,000; providing the form, terms and conditions thereof; and providing other matters relating thereto.

7. PUBLIC HEARING ON ADOPTION OF BUDGET

Chair Martini opened the public hearing on the adoption of the budget, and proposed to hear the staff report prior to hearing public comment.

B. DISCUSSION AND ACTION ON REQUEST FOR ADOPTION OF RESOLUTION NO. 227: A RESOLUTION TO ADOPT THE FINAL BUDGET FOR FISCAL YEAR 2016 AND THE 2016-2020 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Mr. Tissier presented the final 2016 Budget and 2016-2020 Capital Improvement Plan (CIP), which included minor changes approved by the Board at the April 2015 meeting such as decreasing funding requirements in the CIP as a result of the reduced estimated cost of the Mt. Rose Surface Water Treatment Plant and increased the Conservation program for landscape retrofit per Member Brekhus' comment to move money from the Cloud Seeding program to increase the funds in the Conservation program which is reflected in the budget, however Cloud seeding also remains in the budget. Mr. Tissier stated members from the Desert Research Institute were present to provide a presentation on the Cloud Seeding program and to answer any

questions. He also mentioned the successful refunding of the 2005 Bonds, which reduced interest expense for FY16 by approximately \$200,000 and reduced the principal transfers to the Bond Trustee by approximately \$100,000 which equates to about \$300,000 in savings for TMWA for fiscal year 2016. TMWA will begin FY 2016 in a very strong financial position.

A. PUBLIC COMMENT

There was no public comment.

B. DISCUSSION AND ACTION ON REQUEST FOR ADOPTION OF RESOLUTION NO. 227: A RESOLUTION TO ADOPT THE FINAL BUDGET FOR FISCAL YEAR 2016 AND THE 2016-2020 FIVE-YEAR CAPITAL IMPROVEMENT PLAN (CONTINUED)

Member Duerr commented on the increase in funds for conservation and inquired if it was landscape specific. Mr. Tissier replied the funds can be used for any purpose.

Member Duerr mentioned she has expressed different concepts to Mr. Foree regarding new conservation efforts, such as remote meter reading systems which will provide customers with immediate feedback on how much they are saving when they make a change to their landscaping or overall water usage. Mr. Tissier replied we do have more modern meter reading devices which are being installed that will capture that data.

Member Brekhus stated she is happy with the increase in funds for the conservation program and looks forward to hearing more about the approaches. She mentioned her disappointment in the fact that the Cloud Seeding program remained in the budget. Member Brekhus indicated she has done extensive research which is very critical of the cloud seeding efforts.

Member Brekhus inquired about the CIP on page 28, Well By-Pass, specifically what funds were supporting this project. Mr. Tissier indicated in the Introduction on page 12, the definition of consolidation financial treasury that was transferred to TMWA that it explained the different reserve funds and reserves/treasury is synonymous.

Member Duerr inquired about the depreciation line item of \$33 million, if there was a separate line item for Fix & Finish and if TMWA actually has liquid cash. Mr. Tissier replied they look at overall unrestricted cash treasury available for these efforts, the separate line item for Fix & Finish is in the CIP and TMWA currently has unrestricted cash reserves to fund this level of spending.

Mr. Tissier stated they look at the percentage of allocation on page 17.

Upon motion by Member Hartung, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved Resolution No. 227 to

**adopt the Final Budget for Fiscal Year 2016, and 2016-2020
Five-Year Capital Improvement Plan.**

CLOSE PUBLIC HEARING

8. PUBLIC HEARING ON RATE AND RULE AMENDMENTS

Chair Martini opened the public hearing and proposed to hold hearing public comment until after the staff presentation.

B. SECOND AND FINAL READING, PUBLIC HEARING AND
POSSIBLE ADOPTION OF RESOLUTION NO.228 TO AMEND
TMWA'S WATER RATE SCHEDULES FOR CONVERSION OF
FLAT RATE TO METERED BILLING: AMENDING
APPLICABILITY OF RATE SCHEDULES RESIDENTIAL METERED
WATER SERVICE (RMWS), RESIDENTIAL FLAT-RATE WATER
SERVICE (RFWS), SMALL UNIT FLAT-RATE SERVICE (SUFR),
MULTIPLE-UNIT RESIDENTIAL FLAT-RATE SERVICE (MRFS),
MULTIPLE-UNIT RESIDENTIAL AND IRRIGATION SERVICE
(MRIS), AND FORMER WASHOE COUNTY RATE RESIDENTIAL
UNMETERED SERVICE FOR RESIDENTIAL (FRMWC, SUBPART
RFWD)

Kim Mazeres, TMWA Director of Customer Relations, presented on this agenda item. Ms. Mazeres stated this is the final reading of the flat rate conversion to metered billing. If approved, all customer classes will convert to metered billing as of October 1, 2015 excluding the former South Truckee Meadows General Improvement District (STMGID) customers who will remain on flat rate per their agreement with TMWA during due diligence.

Member Hartung thanked the Board for following through with their obligation to the former STMGID customers.

Member Brekhus mentioned she had been contacted by a constituent who had expressed their concerns about properties on the National Historic Registry Preservation List and trying to keep it at the same level as in the past. She requested the Board to consider maintaining these properties on the flat rate as a small class of customers.

Chair Martini deferred to Mr. Pagni. Mr. Pagni stated this would be a material change to the rate schedule and we do not have the exemption like that in the rate schedule proposed today. He explained the Board can request to bring it back at a future meeting and adopt what is presented today, or postpone the Second Reading on what is proposed today. Mr. Pagni recommended if the Board decided to pursue this option, he would like to research this topic and expressed his general legal concern with preferential rate treatment for customers. Mr. Pagni noted the Board would also need to conduct the public process from the beginning on any new rate proposal.

Chair Martini agreed to support approval of the resolution as it is stated and revisit the issue regarding historical buildings and landmarks for future consideration.

Member Duerr mentioned her support of creating an exemption for the National Historic Landmarks since there are very few properties in Nevada.

Member Duerr asked Mr. Pagni to clarify on the meaning of “material change” in reference to agenda items being considered and if they did, they would have to restart the process, since she was under the impression they can make changes. Mr. Pagni replied that creating an exemption as proposed is a material change to the proposed rule that it would require additional notice and return to a First Reading. Generally, whether a proposed change to a Rule at the second reading may require additional notice before adoption depends on the nature of the change and how material or substantive it is. The Board can always make changes at the Second Reading, but depending on the nature of the change it may require a postponement of the adoption and additional notice.

A. PUBLIC COMMENT

Ms. Brandhorst provided public comment regarding billing, fees, rates schedules and metered-billing for all customers.

Upon motion by Member Smith, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved Resolution No. 228 to amend TMWA’s water rate schedules for conversion of flat rate to metered billing effective October 1, 2015: Amending applicability of rate schedules Residential Metered Water Service (RMWS), Residential Flat-Rate Water Service (RFWS), Small Unit Flat-Rate Service (SUFR), Multiple-Unit Residential Flat-Rate Service (MRFS), Multiple-Unit Residential and Irrigation Service (MRIS), and Former

Washoe County Rate Residential Unmetered Service for Residential (FRMWC, subpart RFWD).

C. SECOND AND FINAL READING, PUBLIC HEARING AND POSSIBLE ADOPTION OF RESOLUTION NO.229 TO AMEND TMWA RATE SCHEDULE WATER SYSTEM FACILITY CHARGES (WSF) FOR CHARGE AREAS 14 AND 15

Mr. Foree pointed out the questions brought forth by Board Members at the first reading are answered in the staff report.

Mr. Estes stated if approved by the Board, the new fees would go into effect on June 1, 2015. Mr. Estes confirmed that these are new developer fees which do not impact current customers or customer rates. These modified fees reflect additional facilities and costs needed to safeguard and enhance the existing groundwater resources in Areas 14 and 15.

Member Hartung inquired about the perennial yield of the basin that is sustainable since the non-pumping static water levels have declined approximately 80 feet and the average pumping water level in the wells are now about 45 feet below the top of the well screen. Mr. Enloe replied various modeling efforts over the last 20 years have estimated the perennial yield of the basin to be approximately 12,000 to 14,000 acre feet (AF), but that does not mean 100 percent of that can be captured.

Member Hartung asked what a sustainable amount can be used in that area so that it lessens the impact. Mr. Estes replied that the original pumping rate for the Napoleon wells was 1,500 gallons per minute (GPM) total and TMWA staff has recommended reducing the pumping capacity to 1,000 GPM.

Member Brekhus thanked the staff for their efforts to answer her questions. She reiterated her concerns with the merger and the issues being identified with development on groundwater wells dropping exponentially.

Member Brekhus inquired as to how many people depend on private wells that may have to connect to a municipal line, is there a plan for those properties in the Charge Areas 14 and 15, and what other agencies are allowed to drill in the Charge Areas 14 and 15 and elsewhere. Mr. Enloe replied TMWA had adopted the County's Mt. Rose-Galena Fan Domestic Well Mitigation program in October 2014. Currently there are about 450 existing domestic wells remaining; many have already been hooked up to the municipal system. The program should help reduce the future number of domestic wells which will need to hook up to the water system by stabilizing and improving the groundwater level through conjunctive use. Mr. Enloe added other residential development may be allowed to drill additional wells, but the County is in the process of

amending their development code and TMWA will have input on proposed developments in the future.

Member Duerr thanked staff for their efforts in addressing this issue.

Upon motion by Member Hartung, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved Resolution No. 229 to amend TMWA rate schedule Water System Facility Charges (WSF) for Charge Areas 14 and 15.

CLOSE PUBLIC HEARING

9. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING 2015 LEGISLATIVE ACTIVITIES AND CURRENT BILLS

Steve Walker, TMWA Lobbyist, provided an overview of the status of the bills TMWA has indicated a position.

- AB201 had an initial position of *opposed*, but it has been amended and staff is comfortable with the amendment to change their position to *support*; it has passed and moved onto the Governor's Office;
- AB332 kept initial position of *opposed*. TMWA is an enterprise fund so does not receive sales tax, and by adding a tax on construction material, it is adding a tax to the rate payer;
- AB353 TMWA's position is *opposed* and it is not moving forward;
- SB108 and SB392, both are exempt and the prevailing wage threshold for projects will most likely be increased from \$100,000 to \$500,000;
- SB81 require two-thirds majority vote because there are fees associated with it;
- SB 485 is moving forward;
- SB311 is supported by TMWA and has been signed by the Governor;
- AB198 is asking the Public Lands Commission during the interim do conduct a water study identifying water supply;
- AB455 is another interim study on water supply; and
- SB423, Cloud Seeding program, has remained in the Senate Committee on Finance, but it is exempt and could still be funded.

Member Duerr inquired if the prevailing wage threshold would go to \$500,000. Mr. Walker replied it may go to that, but what would kill either SB108 or SB392 would be a trade-off in the budget.

Member Brekhus inquired about AB169, graywater for single-family residents, which has been amended, but the residents are losing out on a different water supply. Mr. Walker replied the issue has to do with downstream owners of water rights that include treated wastewater.

Member Duerr asked about the bill regarding the \$250,000 for the clearing of the Truckee River and the impression that it was in the State Engineer's budget. Mr. Walker replied in 2009 this item was taken out of the State Engineer's budget, but this is an attempt to reestablish the fund.

Member Duerr asked about the drought task force and if the Governor's office will hold public meetings. Mr. Walker replied they have set up a task force and there will be a report in the summer. Mr. Foree added the meetings have been planned, there are deadlines for water purveyors to submit report due on Friday, May 15, 2015 which TMWA has submitted to the Governor's Office, and it should be on the Governor's website.

Member Duerr requested a copy of the report TMWA had submitted to the Governor.

No action taken.

**Member Smith left at 11:09 a.m.*

10. DISCUSSION AND ACTION ON REQUEST FOR BOARD APPROVAL OF AN AMENDMENT TO THE JUNE 19, 2013 CONTRACT FOR THE DELIVERY OF WATER BETWEEN TMWA AND THE RENO SPARKS INDIAN COLONY

Mr. Pagni stated TMWA and the Reno-Sparks Indian Colony (the "Colony") entered into a contract in June 2013 to deliver water to the Colony. He stated the Colony requested to amend Exhibit B in that agreement which identifies the properties water is being delivered to. Tribal Council has already approved the amendments.

Upon motion by Member Duerr, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved an amendment to the June 19, 2013 contract for the delivery of water between TMWA and the Reno Sparks Indian Colony.

11. GENERAL MANAGER'S REPORT

Mr. Foree had no further comment, but stated Ms. Mazeres would update the Board on the drought communication plan.

Ms. Mazeres provided an update to the Board on drought communications, conservation plans and the team of staff members working on the messaging. She provided an overview of all media, customer outreach, presentations, social media, website updates and press releases staff has conducted, developed, posted, and/or mailed. The following is a sample of what staff has accomplished: given over 20 media interviews in March and April and about 12 in May; held an Editorial Board meeting with the Reno-Gazette Journal; distributed Frequently Asked Questions (FAQs) to all television anchors and weather forecasters; partnered with the Nevada Landscaping Association (NLA) and University of Nevada, Reno Cooperative Extension regarding the best messaging for landscaping best practices; working with other local entities such as Homeowners Associations, fire departments and local governments; staff gave 26 presentations in March and April; and, staff is setting up a microsite on TMWA's website as well as posting over 70 blogs.

Member Brekhus inquired about the Water Resource and Annexation report in the General Manager's report. She asked by whose authority this was allowed, Board action or Rule 7 giving authority to the General Manager to expand TMWA's service area. Mr. Foree replied that annexation process is a delegated authority to the General Manager. Mr. Pagni confirmed that when TMWA was first formed, the Board made a policy decision in June 2001 delegating authority to the General Manager to annex properties into the service area.

Member Brekhus requested a copy of the Board action taken in 2001 and also other parameters the Manager utilizes to make decisions to annex and expand TMWA's service area. Mr. Pagni replied he would send it to her.

12. PUBLIC COMMENT

Ms. Brandhorst provided public comment on the lack of safety in grocery stores.

13. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Duerr asked if TMWA had a line item in the budget identifying the acquisition of water rights for TROA and if TMWA is contributing to the acquisition program. Mr. Foree replied they do not have anything in the budget for that.

Member Duerr requested:

- For an update on the TROA water rights acquisition program, TMWA's role in that and the status of the program as a whole;
- For a report on the State Engineer's policy for connecting to the regional water systems and proposals staff has to further remediate the problem, in addition to recharge,

specifically declaring this a “critical water resource area” where new wells or water systems would not be allowed; and

- A copy of TMWA’s Drought Forum Report and the full Governor’s Drought Task Force Report (to be available in late summer)

Member Brekhus requested:

- For a future agenda item regarding properties on the Registry on the National Landmark status and the possibility of keeping these properties on flat rate;
- For TMWA staff to provide an analysis of the findings of the Wyoming study on the Cloud Seeding program and its applicability;
- A copy of the Board action taken in June 2001 delegating authority to the General Manager; and
- For a copy of the Vidler agreement for review

Mr. Foree suggested for the owner of the property on the Historic Registry attend the next meeting to state his case and provide additional information and present what the restrictions are to maintain the historical landscape.

14. ADJOURNMENT

With no further discussion, Chairman Martini adjourned the meeting at 11:28 a.m.

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

Respectfully submitted,
Sonia Folsom, Recording Secretary

**Member Smith was present for agenda items 1 through 9 only.*