



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree
FROM: Michael Pagni
DATE: June, 3, 2015
SUBJECT: Discussion and Possible Action on Process and General Manager Delegated Authority Regarding Annexations into Authority Retail Service Area

As requested at the May 20, 2015 Board meeting, set forth below is information regarding the current authority for annexing service properties into the TMWA retail service area. Staff requests direction from the TMWA Board regarding any desired clarifications or modifications of the General Manager authority to approve annexations.

Discussion

TMWA's service area boundaries are generally set forth in TMWA Rule 9, and reflect the service area within which water service from TMWA is available to customers. Pursuant to TMWA Rules, the service area includes any service property which has been annexed into the Service Area through an annexation agreement. Pursuant to TMWA Rule 5, TMWA may annex a service property into the TMWA service area on such terms and conditions determined necessary by TMWA as set forth in an annexation agreement. Properties annexed into TMWA's service area must satisfy both the conditions of the annexation agreement and terms and conditions applicable to new services set forth in TMWA rules as a condition of eligibility for water service.

Under the Cooperative Agreement, the General Manager is vested with the authority, among other things, to "plan, organize and direct all Authority activities" and to enter into contracts on behalf of TMWA as authorized by the Board. At the time TMWA acquired the water assets of Sierra Pacific Power Company ("SPPC") in June 2001, the TMWA Board delegated to the General Manager the "authority to approve annexation of retail service areas" within the sphere of influence recognized under a 1996 service boundary agreement between Washoe County and SPPC. A copy of the resolution granting such authority is attached. The spheres of influence under the 1996 agreement were adjusted several times by Washoe County and TMWA after 2001. Figure 1 shows the respective County and TMWA spheres of influence established by the 1996 agreement and Figure 2 shows the change in SOI as a result of TMWA Board and County Commission actions. The Truckee Meadows Service Area ("TMSA") as promulgated by the Regional Planning Commission is overlaid on both figures.

Generally, in evaluating annexation applications the General Manager will consider whether a property is within the TMSA and what, if any, additional facility, property and

resource requirements may be needed to annex a property into the TMWA service area. As TMWA's WSF Facility Charge Areas may not include cost components for service to areas outside the TMWA service area, and given the TMWA Board policy that growth pay for growth, the General Manager's evaluation will include analysis of what additional costs may need to be recovered in order to annex into and connect into the TMWA system above and beyond the costs otherwise recoverable under TMWA Rules. Resource, easement/property dedications, and facility and reimbursement requirements will be set forth in a formal annexation agreement which gets recorded on title against the service property. For example, when the TMWA Board approved the acquisition of the Verdi Business Park Water Cooperative private water system, the General Manager required the customers within the Verdi Business Park to enter into an Annexation Agreement which set forth, among other things, obligations to pay special charges to repay DWSRF indebtedness incurred to improve the Verdi Business Park water system to TMWA standards prior to the acquisition.

With the completion of the merger of the Washoe County utility into TMWA in December 2014, TMWA has assumed the County retail service area and sphere of influence, and several former TMWA wholesale areas have been extinguished and incorporated into TMWA's retail service area. Clarification is requested as to whether the current annexation process should continue or whether the Board desires any modifications to the process. Options include the following:

1. Status Quo/Designated Area Authority. The General Manager would retain authority to approve annexations into TMWA's retail service area in certain designated areas, while the Board would retain authority to approve annexations outside those designated areas. Given that the 1996 Service Boundary Agreement is now obsolete, to avoid confusion with respect to the "sphere of influence" references under current policy, the areas in which the General Manager is authorized to approve annexations should be clarified, and could consist of: i) the areas within the TMSA, as established and modified by the Regional Planning Commission from time to time and areas adjoining any service property located within TMWA's retail service area; ii) or such other areas designated by the Board. Board approval would be required for any annexation of property located outside such designated areas.
2. Board Approval. The annexation policy could be revised to require Board approval of all annexations into TMWA's retail service area.
3. General Manager Authority. The annexation policy could be revised to authorize the General Manager to approve any annexation into TMWA's retail service area.

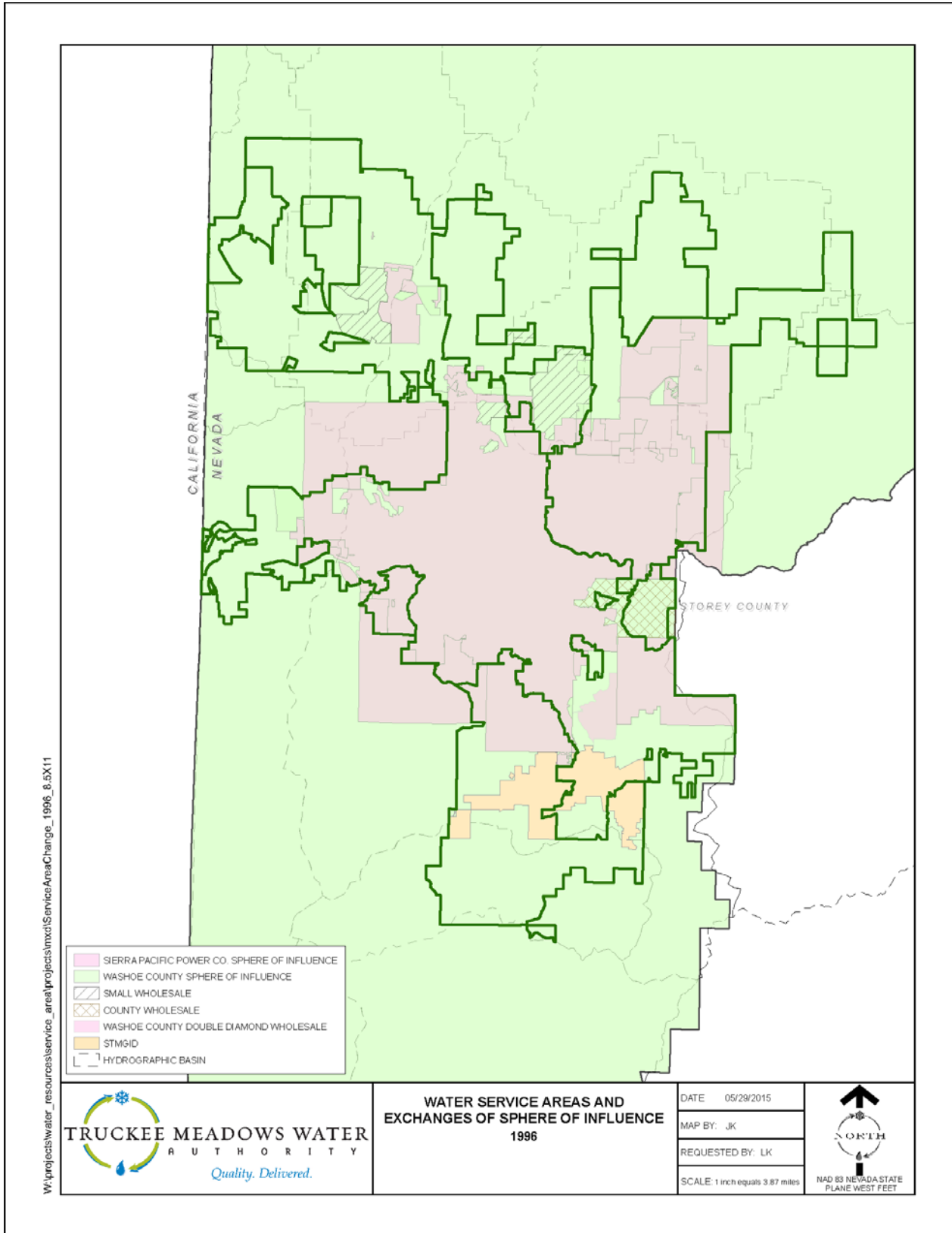


FIGURE 1. 1996 Washoe County and Sierra Pacific Power Company Spheres of Influence, Wholesale Areas, and TMSA

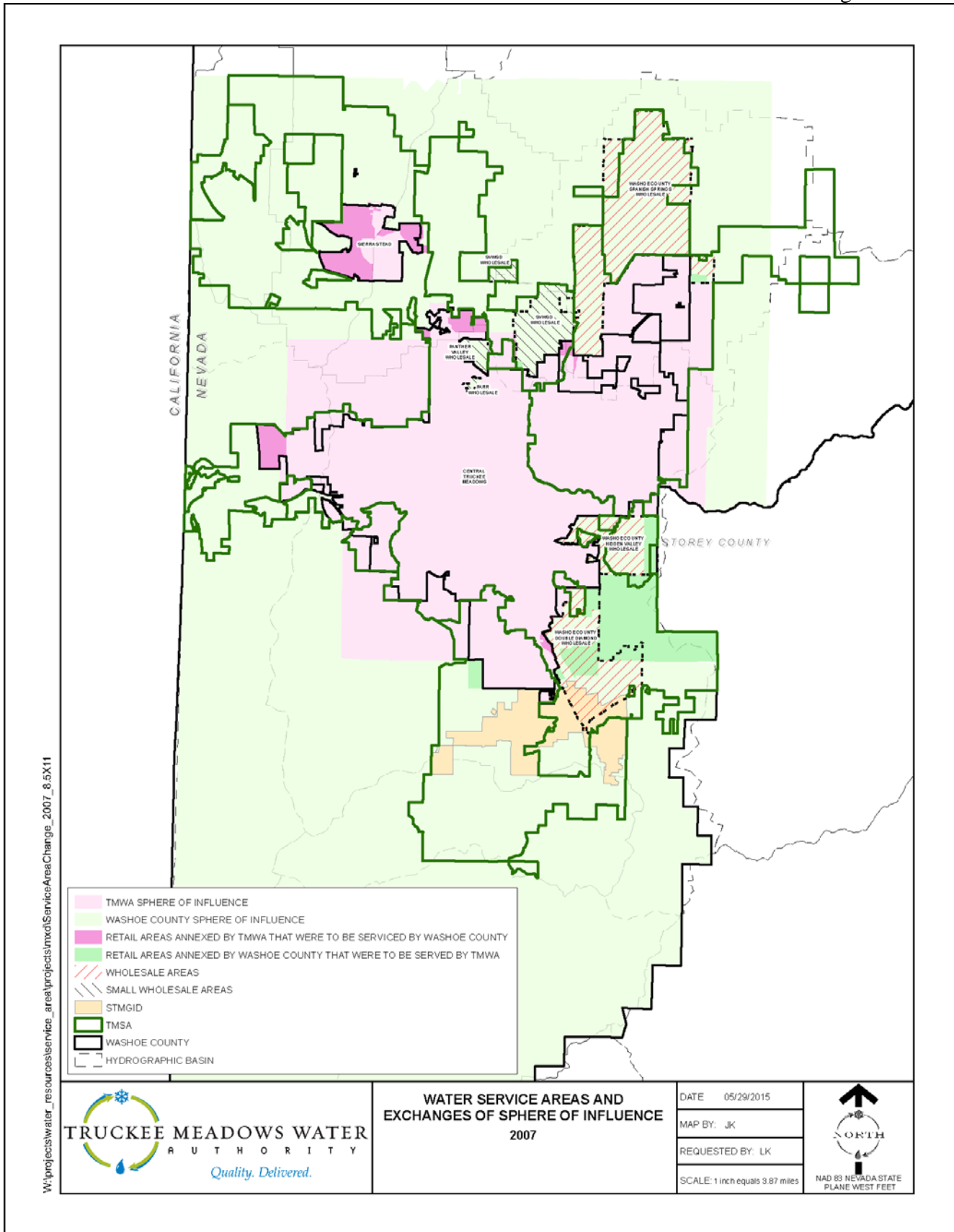


FIGURE 2. Changes in Washoe County and SPPC Spheres of Influence, Wholesale Areas, and TMSA

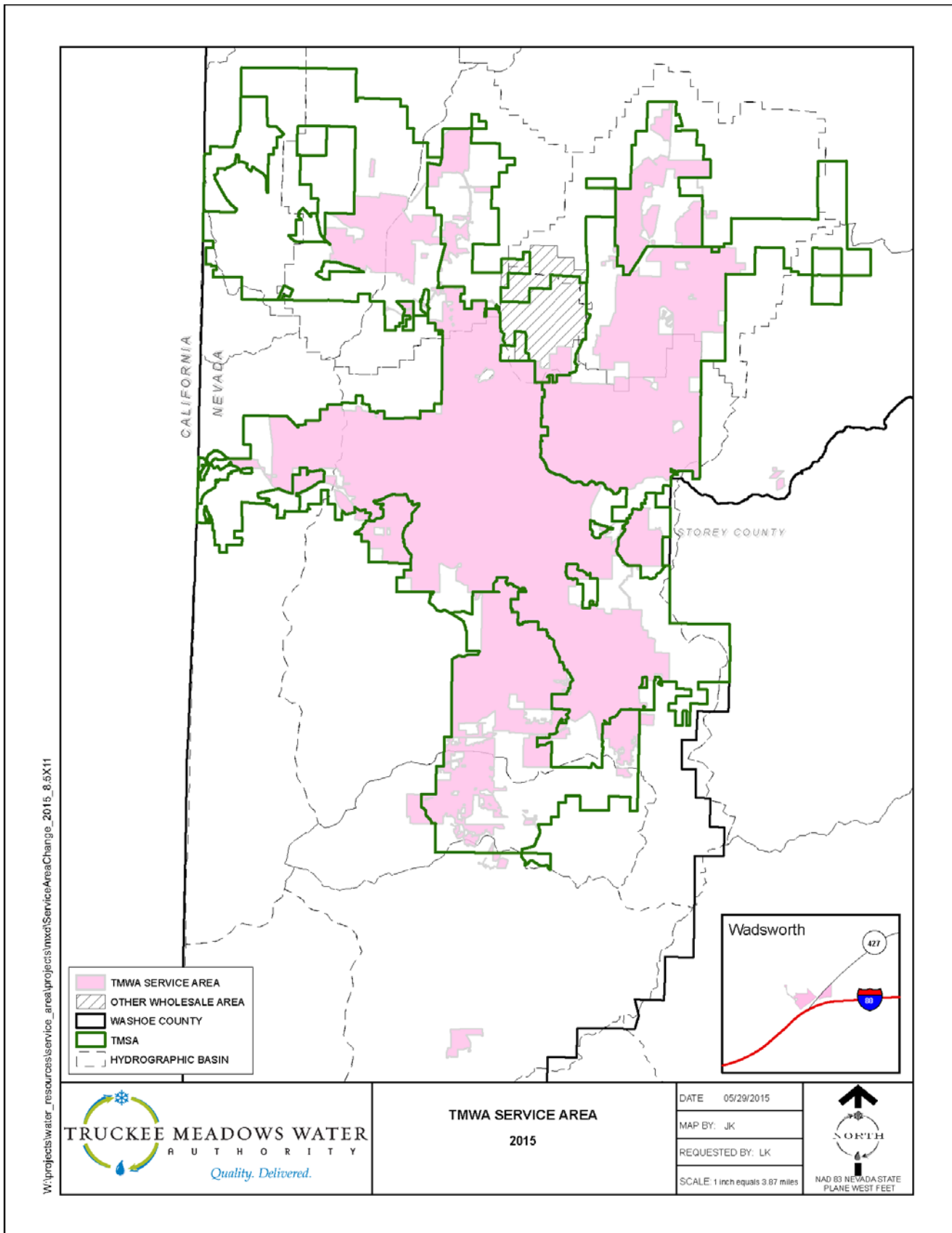


FIGURE 3. 2015 TMWA Service Area, Wholesale Area, and TMSA

TRUCKEE MEADOWS WATER AUTHORITY
FINAL POLICY REGARDING DELEGATED AUTHORITY
OF GENERAL MANAGER FOR CERTAIN MATTERS

Adopted by TMWA Board, June 27, 2001

1) Acquisition and Disposal of Facilities, Real Property and Water Rights:

Subject to the provisions of the Nevada Revised Statutes, the general manager or his authorized representative shall have the authority to:

- a. Enter into agreements to secure or grant rights of way and easements.
- b. Sell assets in the ordinary course of business that are replaced or that are not needed for the operation of TMWA or the Authority's other functions.
- c. Purchase and sell water rights and water resources, within budgeted amounts and consistent with the Board- approved Rule 17 and state law.
- d. Lease or purchase real property in the ordinary course of business, within budgeted amounts, provided that any commitment for any single lease or purchase in excess of \$100,000 shall first be submitted to the Board for approval.
- e. The general manager shall provide monthly reports to the Board regarding the foregoing activities.

2) Execution of Documents in furtherance of the negotiation of the Truckee River Operating Agreement

The general manager shall have the authority to execute documents and interim agreements in furtherance of negotiations of TROA and shall direct legal counsel in negotiations of TROA, provided that the final agreements shall be submitted to the Board for approval.

3) Legal matters:

The general manager shall have the authority to initiate, pursue, settle, and defend administrative, civil or criminal actions necessary to protect the assets and operations of TMWA, provided that any such action that will potentially require legal expenditures in excess of \$25,000 shall be submitted to the board for approval prior to its initiation, and further provided that any settlements with a cash equivalent value in excess of \$25,000 shall be submitted to the board for approval.

4) Clarification of authority regarding annexation:

Recommended Policy:

The General Manager shall have the authority to approve annexation of retail service areas within the "sphere of influence" as defined in the SPPCo/Washoe County agreement of June 25, 1996. Expansion of wholesale service territory or expansion beyond the sphere of influence will continue to require Board approval.

5) General limitations:

Except as set forth above, these guidelines are not intended to limit the scope of the General Manager's authority under paragraph 21 of the Cooperative Agreement. Notwithstanding the foregoing, the general manager shall not authorize or undertake any actions inconsistent with the Cooperative Agreement.