

TRUCKEE MEADOWS WATER AUTHORITY
DRAFT MINUTES OF THE NOVEMBER 18, 2015
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, November 18, 2015, at Sparks Council Chambers, 745 4th, Nevada. Chair Martini called the meeting to order at 8:31 a.m.

Chair Martini called for a moment of silence to support the people of Paris, France in the aftermath of the terrorist attacks on Friday, November 13, 2015.

1. ROLL CALL

Members Present: Jenny Brekhus, Naomi Duerr, Neoma Jardon, Jeanne Herman, Geno Martini, Ron Smith and Alternate Member Bob Lucey.

Members Absent: Vaughn Hartung

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Duerr.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE OCTOBER 21, 2015 MINUTES

Upon motion by Member Jardon, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the October 21, 2015 minutes.

6. DISCUSSION AND ACTION ON THE ACQUISITION OF REAL PROPERTY FOR THE MT. ROSE WATER TREATMENT PLANT AND APPROVAL AND AUTHORIZATION TO GENERAL MANAGER TO EXECUTE PURCHASE AGREEMENT FOR APPROXIMATELY 3.9 ACRES FROM T.L. MT. ROSE ESTATES L.P. FOR \$250,000

Chair Martini offered, with respect to the conflict with the City of Reno Council meeting at 10:00 a.m., the opportunity for Board members to hear agenda items out of order if the meeting ran long.

John Enloe, TMWA Operational Strategies Manager, explained how, as part of the closing of the merger, modifications to the Water System Fees (WSF) and rules, as well as changes to Areas 14 and 15 on the Mt. Rose Fan area were adopted by the Board in May 2015. To address the issues in this area, a plan to build a small, supplemental water treatment plant was developed. Working with a consultant, staff evaluated eight different sites, and the site proposed today, a private area directly adjacent to Whites Creek, is the least expensive and most appropriate. The purpose of this plant is not just to meet normal demands, instead to utilize it as a method to rest, and allow for TMWA to recharge, the wells in the area. In order to do so, TMWA has to obtain a permit from the State of Nevada to allow TMWA to recharge many of the wells on the Mt. Rose Fan area, as well as work to bring Truckee River water to this area which will allow for conjunctive use. Mr. Enloe reported he is meeting with the Monte Vista Homeowners Association (HOA) tonight, who is aware of the proposal, as part of the expanded public outreach efforts to answer their questions.

Member Brekhus expressed her concern the Board has not adopted a broader position, nor conveyed in its policies or to the public what is occurring, and her understanding that this is the first time a new perennial water source is needed in this area. She referenced the wells in the South Truckee Meadows General Improvement District (STMGID) having dropped further than originally assumed and asked to what degree is this new water source going to address the deficit or will it be used for will-serve commitments. She stressed the Board needs to clarify the purpose of the facility and have a resolution or state in the 2016-2035 Water Resource Plan (2035WRP) that this is a new territory that requires utilization of this water source. She also referenced the proposed \$10 million budget identified in the Capital Improvement Plan (CIP) and asked if this would require additional debt.

Mr. Enloe replied that the use of creek water is not a new concept, rather it has been a part of this community's water supply plan for a number of years. Relying on the creek water rights to meet will-serve commitments was proposed in Washoe County's 2002 Facility Plan. He reaffirmed the use of creek water will serve two purposes: primarily to supplement ground water resources for future commitments, but also for backing up existing ground water rights. In addition, several years ago the County began using creek water to satisfy will-serve commitments in the Double Diamond area through a creek exchange process. He continued that this facility, in addition to the conjunctive use facilities in Arrowcreek and Zolezzi Lane, will be used to support existing commitments and customers. He further explained that there is 1,400 acre feet (AF) of permitted groundwater rights anticipated to be brought in with approved development which now requires a double dedication, groundwater and creek water rights, under TMWA rules to offset additional groundwater pumping. He explained Thomas and Whites Creeks have an average yield of 3,400 AF. The operation of this treatment plant will support the

additional 1,400 AF of groundwater rights, but it will not generally be relied upon during the irrigation season. Rather it will be utilized to supplement those resources primarily during the off-peak periods when the flows in the creeks are higher.

Mr. Enloe confirmed the funding for this project is similar to others TMWA has completed, which have been funded by connection fees. Currently, TMWA will fund the costs upfront which will be recovered by connection fees over time.

Member Duerr was very supportive of this project as she has been aware of the challenges for some time. She asked about the 1,400 AF of creek water rights, if it had to be used in this area, was it new or existing water rights, and was it for new development. Mr. Enloe replied there are 1,400 AF of permitted uncommitted groundwater rights that could be used for new development, and yes it would be used in this area and for new projects with approved development entitlements. In addition, there is very little capacity to bring Truckee River water to this area of the system, so the creek water will be used to support, or backstop, the groundwater rights.

Member Brekhus questioned the boundaries of TMWA's service area and serving Sierra Reflections, as well as the Verdi Business Park, which she believed are both outside of the service area boundaries, and commented whether or not it was a Board policy decision to move TMWA water to Washoe Valley. Mr. Enloe replied, Sierra Reflections is currently outside of TMWA's service area, but within the Truckee Meadows Service Area (TMSA), and it has an approved tentative map, where municipal services are intended to be provided. He reiterated TMWA, as a water purveyor, has to provide water service to those facilities or areas as entitlements are approved by the local entity having jurisdiction over the area – in the case of Sierra Reflections that would be Washoe County.

Member Brekhus stated she is supportive of this plan, but would like to see a motion that includes a short report by staff that explains the plan and how its successes or problems can be measured, as well as updated technical information, what would happen with the State Engineers Office if TMWA did not follow through, and finally if TMWA has enough unrestricted cash or will we have to finance. Mr. Enloe replied yes, TMWA is using the most up to date information available, and he will follow up with a report. Mark Foree, TMWA General Manager, added TMWA does not intend to do debt financing for this project, about \$50 million in treasury came over from the County and STMGID at the close of the merger and TMWA has enough unrestricted cash to fund this project until costs can be recovered from connection fees.

Member Brekhus pointed out this information should be included in the short report as a benefit to the STMGID customers to show them they are receiving a benefit.

Member Duerr referred to Member Brekhus' comment regarding updated technical information and if TMWA has a cost-estimate for the treatment plant. Mr. Enloe replied they just conducted a new analysis and the report is available. Through good engineering, they have been able to reduce the size of the building, and it is expected to cost approximately \$8-10 million.

Member Duerr made the motion to include that the report be made available to the Board.

Upon motion by Member Duerr, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the acquisition of real property for the Mt. Rose Water Treatment Plant and approval and authorization to General Manager to execute purchase agreement for approximately 3.9 acres from T.L. Mt. Rose Estates L.P. for \$250,000 and for the most current technical report be made available to the Board.

7. PRESENTATION ON THE 2008 WASHOE COUNTY BALLOT QUESTION NUMBER 3

Member Duerr clarified she did not include Member Brekhus' points regarding long-term storage, backing up water supply, etc. as she would like to address it under agenda item 10. Michael Pagni, TMWA Legal Counsel, confirmed this should be brought up for discussion under agenda item 10.

Jim Smitherman, Western Regional Water Commission (WRWC) Program Director, provided a brief overview of the 2008 Washoe County Ballot Question Number 3 (WC3) which was passed by more than 70 percent of voters and how it addresses water planning in the area. Mr. Smitherman reported the 2010 Regional Plan amendments address the estimated sustainable water resources compared with the Consensus Forecast.

Member Duerr asked if it was reasonable to estimate 100 percent agriculture water conversion, rather would it not be more reasonable to estimate an 80 percent conversion. Mr. Smitherman replied yes, but there is going to be a conversion factor, considering an amount of uncertainty.

Using the same demand assumptions TMWA uses, Mr. Smitherman continued with the population projection and demand projections for the County ending at the year 2030, totaling 142,000 AF/year.

Member Brekhus inquired what the water could yield based on this calculation and if the model assumed over time per capita use would go down. Mr. Smitherman replied it was not included at that time, but this time they did and it shows the per capita use projections had decreased. Shawn Stoddard, TMWA Senior Resource Economist, added at the time of the projections the assumption of the per unit water use would remain status quo, keeping a conservative assumption.

Mr. Smitherman continued that the water rights being used right now are included in the 142,000 AF so very little additional water rights will be converted.

Member Smith asked if this included the proposed acquisition of Donner Lake. Mr. Smitherman replied no. Mr. Foree added it still pending at this time.

Member Brekhus expressed interest and she would like to see information in the 2035WRP regarding:

- WC3 with respect to limits on importation projects from outside the County;
- More refined projections;
- Different scenarios based on conservative and optimistic information;
- How much of the fractionalized water rights are being converted; and

- Address supply issues with growth potential

Member Jardon added with the projections of the water availability out to 2035, what variables of different drought levels are considered. Mr. Smitherman replied with the implementation of the Truckee River Operating Agreement (TROA), it increases the ability to store water upstream considerably and they are more optimistic about projections than 5-years ago.

Member Jardon agreed TROA is significant, but questioned the fact since it is not included in these projections how the updated variable fit into the 2035WRP. Mr. Smitherman replied TMWA is the designated authority to manage upstream storage and part of that is the drought response planning, which is incorporated into the Regional Water Plan and includes the 9-year drought plan.

8. DISCUSSION AND ACTION ON ADDITIONAL FY2016 GOALS AND OBJECTIVES

Kim Mazeres, TMWA Director of Customer Relations, reported at the October Strategic Planning Workshop the Board requested staff to bring forth a goal related to public involvement. Ms. Mazeres presented two goals: (1) Conduct at least 10 public meetings for the 2035WRP; and (2) To create an enhanced detailed communication plan any time they have public outreach similar to the 2035WRP.

Member Duerr thanked staff and liked how the goal included an outreach plan around major issues.

Member Jardon asked if it was premature for the Board to give direction before the public meetings have been completed and are given a summary. Ms. Mazeres replied the goals before the Board are specific to outreach and a summary report will be provided.

Member Duerr added she would like to see a couple of meetings scheduled after the changes have been made. Ms. Mazeres replied they intend to do so.

Upon motion by Member Duerr, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the proposed additional FY2016 goals and objectives.

John Erwin, TMWA Director of Natural Resources, proposed moving up agenda item 10 because it requires action and #9 will not. Chairman Martini agreed to move agenda item #9 after hearing 10.

10. DISCUSSION AND ACTION ON ADDITIONAL GENERAL MANAGER PERFORMANCE OBJECTIVES FOR CONTRACT YEAR 2015/2016

Mr. Foree reported after the General Manager's proposed performance objectives were accepted last month, he welcomed the opportunity for the Board to provide additional feedback and direction for future goals. Based on conversations with Board members, he proposed a goal to develop a strategic

plan with the Board with assistance from Erica Olsen at OnStrategy for Board adoption by the end of FY 2016. He would like to start this process and have Board members meet with Ms. Olsen soon.

Member Brekhus appreciated Mr. Foree being proactive and stated she will divide her approach into two categories: Board operations and organizational issues, and policy. For example, performance evaluation for the General Manager, the role of TMWA's attorney, authority of the General Manager and what goes before the Board for approval.

Member Duerr thanked Mr. Foree for hearing Board comments on policy issues, and the need for a policy versus an operational plan.

Chair Martini added the City of Sparks Council has worked with Ms. Olsen where she met with Council members beforehand allowing for a seamless meeting. He stressed it works and is confident it will be valuable.

Upon motion by Member Brekhus, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the additional General Manager Performance Objectives for Contract Year 2015/2016.

9. DISCUSSION AND ACTION ON THE 2016-2035 WATER RESOURCE PLAN

Mr. Erwin reminded the Board that Chapters 1, 4 and 5 were reviewed at the October 21st Board meeting and today's focus would be on Chapters 2, 3 and 6. Generally, a purpose of the resource plan is to assess and review changes in constraints on water resources, changes in risks to water resources, and how risks are mitigated. The concepts addressed in the remaining chapters regard: quantity or availability of the various resources available, both ground and surface; quality of resources, and the legal availability and economic questions regarding water rights. WC3 references resources above and beyond what are currently managed and available in and around the Truckee Meadows.

Mr. Erwin summarized the public outreach effort that staff has conducted to obtain customer input regarding the draft 2035WRP. Thus far four public open houses have taken place (Nov. 9, 16, 17, and 18) with a final session scheduled for December 9 at the McKinley Arts & Culture Center.

Mr. Erwin elaborated on risk and availability of run-off in the Truckee River, how the water supply of the Truckee River is managed and what changes to expect through the implementation of TROA, which allows for greater river operating flexibility. He addressed TMWA's 9-year drought planning (the 8-year longest drought on record, plus 1-year) and compared the volume of water released from upstream reserves between various drought periods of record. In addition, he explained the reason for building the small, supplemental water treatment plant on the Mt. Rose fan was due to the fact that TMWA, as a utility, has an obligation to provide a service to its existing customers and how this plant will help mitigate the declines in groundwater levels in the southwest Truckee Meadows.

Member Brekhus confirmed if Mr. Erwin made a presumption because there is new growth, there is a dedication requirement from here on. Mr. Erwin replied yes, it is a potential obligation of the utility to supply 1,400 AF of groundwater that TMWA acquired through the merger.

Member Brekhus restated her question regarding whether or not existing development was dedicated or presumed on a resource that falls short, and if there is a policy to add to the supply, such as TROA. Mr. Erwin replied it is not specifically detailed in the 2035WRP because, simply put, it is the charge of the utility, based in the Joint Powers Agreement (JPA), that TMWA will provide water service on condition the applicant complies with the rules set forth by the Board. Staffs' charge is to focus on providing and keeping water resources available, coupled with getting the facilities in place to meet the growth needs of the community. TMWA is not engaged in the process of approving land or tentative maps; our business is meeting the water demands and providing sufficient resources to meet those demands.

Member Brekhus asked if there was a policy to back up the existing development. Mr. Erwin replied yes, we are taking steps to take Truckee River water to Basin 88 and since the merger have added 24,000 new services to TMWA's customer base. Now we have an obligation in perpetuity to ensure these customers have a water supply. He continued to explain how Basin 88 does not have enough physical water in this area and obtaining permits to allow for conjunctive use, recharge and the resting of wells and aquifers was necessary. Due to this active process of maximizing surface water and resting wells, the Spanish Springs Basin 85 has seen a five foot water level increase in the last year in the northwest portion of the basin.

Chair Martini asked how the Nevada Department of Environmental Protection (NDEP) gives TMWA permits. Mr. Erwin replied TMWA has to go through two regulatory agencies, Nevada Department of Water Resources and NDEP, to get permits to allow for active injections or recharge.

In further clarifying Member Brekhus' comments regarding policy about TMWA having, through either TROA or the potential Donner Lake acquisition, new water banked to address the deficiencies so the public is aware of limitations in certain areas with existing development, Mr. Erwin pointed out it is not specifically outlined, but in terms of managing the resources TMWA has sufficient water rights available for the community's current demands. Currently, we have 144,000 AF of water rights with approximately 98,000 AF committed to deliver within the Truckee Resource Area with sufficient unexercised blocks of water, which can still be utilized in a number of ways: put into storage, into the ground or into other areas where needed. It is implicit in the operational strategy as a policy to use unexercised water for injection, as well as for optimizing the use of resources to meet demands, if there are unexercised water demands, to build up reserves and finally, fix problems and mitigate areas where there is over appropriation of groundwater.

Member Brekhus confirmed there is a lot of information in the 2035WRP that seems to be overshadowed. She inquired about the available 46,000 AF of water rights, seeing a fractionalized process for water rights assemblage and seeing short-, mid- and long-term goals in the 2035WRP.

In conclusion, Mr. Erwin reported to the Board they have sufficient resources to meet demands, to exercise the rights under TROA, and additional rights to inject water into the ground, as well as have additional rights to mitigate issues in Spanish Springs and Basins 87 and 88 in South Truckee Meadows.

Finally, it is a high level plan which deals with the risks associated with constraints and limitations on the resources. The utility has been directed pursuant to our rules and the JPA to project how we can provide water resources to meet the needs of the community as set by Cities of Reno and Sparks, and the County. Finally, we have sufficient resources to meet the growth demands for the next 20 years and sufficient water rights available to accommodate that within the TMRA.

Member Brekhus understood the 2035WRP has its foundation in documents Sierra Pacific had to present to the Public Utilities Commission (PUC) in order to justify the rate structure. Now, as a public agency, she recommends:

1. To include in the introduction the policy context associated with other planning in the region, in order to understand the rank level this is in terms of other documents TMWA produces;
2. To include WC3 scenarios;
3. A to-do list – For example, the process for dealing with fractionalized water rights;
4. Eliminating appendices which do not add value and change the structure to include technical data which the reader goes to first in order to understand the policy recommendations;
5. Eliminating much of the historical information about the acquisition of TMWA, TROA, and create a single historical document of the agency.
6. Deleting non-TROA resource information; and
7. Expanding on the TMRA concept as it is a new concept and needs to be explained further, including explaining some of the tables regarding TMRA and non-TMRA, to have a more adequate understanding.

Member Brekhus thanked staff for providing the detailed information and their efforts in engaging the public for their input as well as looking forward to what is reissued in 2016 after the winter season.

Mr. Erwin stated he's not looking for action today, that staff will be back in December or January after the public input and comments gathered, to provide the Board with an update.

Chair Martini thanked Mr. Erwin for all their hard work.

No action taken.

**Members Duerr and Jardon departed at 9:40 a.m.*

11. GENERAL MANAGER'S REPORT

Mr. Foree reported that there is another conflict with the City of Reno Council meetings in December. He anticipates starting the TMWA Board meeting earlier than 10:00 a.m. on December 16, 2015.

12. PUBLIC COMMENT

There was no public comment.

13. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus requested a presentation on Vidler operations, where is TMWA with Vidler in dealing with effluent issues, and if the Board needs to take a policy stand that can be inserted in the 2035WRP.

14. ADJOURNMENT

With no further discussion, Chair Martini adjourned the meeting at 10:01 a.m.

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

Sonia Folsom, Recording Secretary

**Members Duerr and Jardon were present for agenda items 1 thru 9 only.*

DRAFT