

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE APRIL 21, 2010
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, April 21, 2010, at the Sparks Legislative Council Chambers, 745 Fourth St., Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:01 a.m.

1. ROLL CALL

Members Present: Dave Aiazzi, John Breternitz, Mike Carrigan, Mike Cate, Bob Larkin* and Geno Martini. Member Absent: Bob Cashell. A quorum was present.

2. PLEDGE OF ALLEGIANCE

Led by John Breternitz.

3. APPROVAL OF THE AGENDA

**Upon motion by Member Martini, second by Member Larkin,
which motion duly carried by unanimous consent of the
members present, the Board approved the agenda.**

4. PUBLIC COMMENT

There was no public comment.

5. APPROVAL OF THE FEBRUARY 17, 2010 MINUTES

**Upon motion by Vice Chairman Aiazzi, second by Member
Cate, which motion duly carried by unanimous consent of the
members present, the Board approved the February 17, 2010
minutes.**

6. REQUEST FOR BOARD ADOPTION OF RESOLUTION NO. 158 APPROVING THE
SECOND BUDGET AUGMENTATION FOR FISCAL YEAR 2010

Mark Foree stated any changes to the budget must be adopted by a Board resolution and then information must be forwarded to the Nevada Department of Taxation. The requested capital spending augmentation of \$200,000 will provide funding for a 30 Kilowatt solar power system to be installed at TMWA's office at 1355 Capital Boulevard. Several years ago the Board asked TMWA staff to look into renewable energy projects. At that time, material and construction costs were too high to warrant investment in a solar project. Now that prices for solar panels have come down significantly, it does make economic sense. Mr. Foree stated that TMWA was able to join with a recent City of Sparks bid for solar installation that had very favorable pricing. At current power rates, power expenses should be reduced by approximately \$7,200 per year. Mr. Tissier then explained that the estimate for the total cost of the project includes \$176,000 in contractor expenses and \$24,000 for TMWA personnel to perform certain limited excavation

work. A rebate of \$150,000 will be received from NV Energy. The net investment to TMWA is estimated at \$50,000. The economic analysis prepared for this project shows a 7.6 percent marginal rate of return on the net investment which is well above TMWA's cost of capital and current investment returns. In response to Member Breternitz's question on what percentage of energy use would this project supply for the facility, Mr. Tissier replied between three and four percent.

Member Larkin left the room at 10:08, prior to the vote.

Upon motion by Vice Chairman Aiazzi, second by Member Breternitz, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 158 approving the second budget augmentation for Fiscal Year 2010.

7. PRESENTATION OF THE TENTATIVE BUDGET FOR FISCAL YEAR 2011,
DISCUSSION AND POSSIBLE DIRECTION TO STAFF

Mr. Tissier informed the Board that the tentative budget had been submitted to the State of Nevada prior to April 15, 2010 as required by statute. The tentative budget reflects the 4.4% general water rate increase that was supported by the Standing Advisory Committee and reaffirmed by the TMWA Board in January. Total wages and salaries are not expected to increase from FY2010 budget levels; although employee benefits are expected to increase due to the potential for increased health care costs which may or may not materialize. Service and supplies have been increased by a modest inflationary factor since pricing is expected to move up on many operational consumables. Capital spending is beginning to wind down compared to prior years but is budgeted at \$24.3 million which includes the reconstruction of the Glendale diversion. Mr. Tissier commented that bids for the Glendale diversion project have come in at about 50 percent of engineering estimates. TMWA debt structure continues to be heavy but the tax exempt commercial paper program is working well. Commercial paper rates are expected to increase but market pricing is still favorable. Mr. Tissier assured the Board that cash reserves are adequate for TMWA to remain financially stable. There is expected to be a general improvement in the senior lien debt coverage ratio

Upon motion by Member Breternitz, second by Vice Chairman Aiazzi, which motion duly carried by unanimous consent of the members present, the Board approved the tentative budget for Fiscal Year 2011.

8. REVIEW THE PROPOSED TERMS OF THE LLOYDS TSB LIQUIDITY FACILITY
EXTENSION AND AUTHORIZE THE TMWA GENERAL MANAGER TO EXTEND
THE FACILITY

Mr. Tissier stated that Lloyds TSB provided the initial credit support for TMWA's commercial paper program which was signed in 2006 for a period of four years. This credit support allows TMWA to reissue its commercial paper at very favorable interest rates and is the underpinning of TMWA's debt management program. Mr. Tissier stated that after putting Lloyds TSB on notification for the extension of the liquidity facility, Lloyds TSB provided TMWA with a

proposal that had very favorable terms in light of current credit market conditions. He stated the proposal is private and confidential until an agreement is signed for the extension and invited any Board member to talk with him if they would like to review the proposal. TMWA's bond counsel and financial advisor have reviewed the terms and fees and found no issues with the proposed terms but made some recommendations to add certain language to the agreement which will be negotiated with Lloyds TSB. Due to the number of steps still needed to be taken and the timing of the close, Mr. Tissier asked the Board to authorize the General Manager to execute the extension.

Upon motion by Vice Chairman Aiazzi, second by Member Cate, which motion duly carried by unanimous consent of the members present, the Board approved the proposed terms of the Lloyds TSB Liquidity Facility Extension and authorized the General Manager to extend the facility.

9. PRESENTATION OF A PROPOSED PROJECT AND REQUEST FOR BOARD ADOPTION OF RESOLUTION NO. 159 APPROVING FUNDING FOR THE PROJECT RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS

Ron Penrose, TMWA Project Manager, stated the Truckee River Fund Advisors had reviewed the project presented by the U. S. Army Corps of Engineers for the removal of the Eurasian Milfoil from Martis Creek Reservoir and recommended funding of the project in the amount of \$20,550. Mr. Penrose explained that the Eurasian Milfoil has become more and more of a troublesome invasive weed on the Truckee River System, including upstream reservoirs. If allowed to go uncontrolled, the Eurasian Milfoil can cause serious damage to the fishery, increase water temperatures and cause trouble for TMWA at its intakes. The funds will be used to purchase and place black cloth barriers within the Martis Creek Reservoir as a method to reduce, control and eventually eradicate the invasive weed.

Upon motion by Vice Chairman Aiazzi, second by Member Breternitz, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 159 approving funding for the project recommended by the Truckee River Fund Advisory Committee and authorized the Community Foundation to fund the project from fund proceeds.

10. FIRST READING OF REVISIONS TO RATE SCHEDULE WSF - WATER SYSTEM FACILITY CHARGES REVISING APPLICABILITY OF FEEDER MAIN UNIT COST TO PROPERTIES OUTSIDE TMWA'S RETAIL SERVICE AREA AND DELETION OF FEEDER MAIN AREA 7; and

11. FIRST READING OF REVISIONS TO TMWA'S RULE 5 REVISING APPLICABILITY TO PROVIDE WATER SERVICE TO PROPERTIES OUTSIDE TMWA'S RETAIL SERVICE AREA

Chairman Carrigan requested Mr. Erwin present both items 10 and 11 together as they both pertain to properties outside TMWA's retail service area. Mr. Erwin explained that projected development, upon which the Feeder Main fee was calculated for Area 7, west of Mogul, has not occurred. If a new application for development came in and with costs rapidly changing for the actual facilities that may be needed in this area, the result could be a significant cost to TMWA. Staff recommends that Area 7 costs be deleted and both Schedule WSF - Water System Facility Charges and Rule 5 be modified so that customers will be informed on how TMWA extends service to new customers seeking water service when the property is located outside TMWA's retail boundary. This change will clean up the language and put customers on notice that if a project is outside TMWA's retail service area, special engineering studies and/or special facility modifications may be required and the developer would be responsible for those costs. The revision enhances TMWA's ability to meet new service requests through its annexation process while ensuring requests for new service cover the costs of extending service to new projects. Chairman Carrigan commented this was essentially carrying out the policy the Board set to ensure that growth is paying for growth.

Vice Chairman Aiazzi asked about development in the Somerset area and for a clarification of the process. Mr. Erwin replied that the area in question is beyond Somerset, but a main is in place nearby; however, a pump station with additional large capacity mains would have to be built to extend service beyond Mogul. When the first person makes an application for service, staff would research the facilities currently in place to determine if new facilities would be needed to deliver both service flow and fire flow to that location. The first person applying would pay all charges. There is no provision for subsequent new services to reimburse the first party. Mr. Erwin indicated that the annexation agreement could contain language for some sort of compensation as other customers come in. Mr. Breternitz asked if there were any current applications on file. Mr. Erwin responded there were no current applications on file. There will be a Second Reading of both items at the May 20, 2010 Board meeting.

The Board accepted both reports.

Member Larkin returned to the meeting.

12. PRESENTATION AND DISCUSSION OF AN ACCESS AGREEMENT BETWEEN TRUCKEE MEADOWS WATER AUTHORITY AND THE TAHOE-PYRAMID BIKE TRAIL TO ALLOW USE OF A PORTION OF THE FLEISH HYDROELECTRIC PROPERTIES FOR THE BIKE WAY, WITH POSSIBLE ACTION BY THE BOARD TO AUTHORIZE GENERAL MANAGER TO EXECUTE THE AGREEMENT

Mr. Erwin explained that TMWA had been approached by the Tahoe-Pyramid Bikeway (TPB) in 2008 to request access for a portion of TMWA property for a bike trail. TPB is attempting to secure public access for a bike and pedestrian trail for the entire distance of the Truckee River from Lake Tahoe to Pyramid Lake. TPB has identified the Fleish property as presenting the best opportunity to complete the trail through this segment of the Truckee River Canyon; and, TMWA owns one third of the canyon property from Verdi to Boca. Mr. Erwin pointed out to the Board the financial and liability protections staff included in the agreement found in Sections 3.1, 4.7; 5.3; 6.6 and 6.7 of the agreement. The request also included significant improvements be made to a cable-suspended bridge over the Truckee River used by TMWA crews. The

projected cost for those improvements is between \$300,000 and \$350,000. TPB is applying for a \$200,000 grant for the project and has asked TMWA to contribute up to \$144,000 for the remainder of the estimated costs. Mr. Erwin said that it is projected that in the coming years, TMWA would have to spend about approximately \$70,000 to \$75,000 to maintain the bridge anyway, so the potential additional cost to TMWA over the new few years is approximately \$75,000.

Vice Chairman Aiazzi asked if TMWA will retain ownership of the bridge to which Mr. Erwin replied TMWA will retain ownership of the bridge. Vice Chairman Aiazzi asked who would be responsible for construction and obtaining permits. Mr. Erwin said TMWA and TBP would work cooperatively to ensure the design meets TMWA standards but TBP would be responsible for oversight of construction, obtaining all permits and paying all associated costs. Member Martini asked for clarification on whether TMWA would have to upgrade the bridge anyway. Mr. Erwin responded that TMWA would not necessarily upgrade the bridge but would continue to maintain it for its current limited use by TMWA personnel. In its current configuration, the bridge is not up to standard for the potential increased pedestrian loads that would be experienced if the bike trail system were to include the TMWA bridge.

Janet Phillips, President of the TPB, spoke in support of the agreement, stating that as TMWA owns one third of the canyon property from Verdi to Boca, it is imperative that TPB partners with TMWA. She said the bike trail is critical to connect the Truckee River communities. The proposal is to put new side rails and decking on the bridge, repair the cables of the bridge and add a new steel head frame. There is no trail construction required for this segment of the bike trail. Signage and possibly some gates for the road would be added. Ms. Phillips concurred with Mr. Erwin on who would be responsible for what part of getting this done. She said the TPB needs TMWA's approval on the design and the permits, but the workload is on TPB.

Member Breternitz made a motion to approve the agreement; Member Larkin seconded the motion.

Chairman Carrigan called for discussion.

Chairman Carrigan said that he had a problem with committing \$70,000 of ratepayer money to this project and asked where the money would come from. Mr. Tissier said the money would come from cash reserves and would be included in the capital improvement plan and budget for FY2012. Vice Chairman Aiazzi suggested the \$70,000 might come from the Truckee River Fund. Ms. Harrison said the Fund Advisors has uniformly rejected anything that is purely recreational and was sure they would reject this proposal also. Ms. Phillips concurred. Chairman Carrigan again commented that he has the same problem with using TMWA cash reserves as the Fund Advisors have using Fund monies. Ms. Phillips stated that because of the current economic climate there was some probability that the actual construction bids will come in lower than the engineering estimate. She said that the TPB is committed to \$200,000 for this project and if the cost comes in less than what the agreement is based on, TBP will give up the difference to TMWA. Member Cate expressed his concern about liability to TMWA and asked if there were any type of restrictions or government mandates for the bridge changing from what is now a privately-owned bridge to a public bridge. Mr. Erwin said that issue had been discussed as the agreement was drafted and permits from the Corps of Engineers or a special use permit from Sierra County, the jurisdiction this portion of the bike path is in, could be required, but it

cannot be known with certainty the potential other permits that may be required until the permit application processes begin. He stated that if additional costs become necessary to upgrade the bridge even further than stated in the agreement, at that point, TMWA has the option to either continue the agreement or not continue the agreement.

Mr. Foree added if TMWA's recent project bid results, with costs which are coming in significantly lower than engineer's estimates, were any indication, there was a fair chance that the actual cost of the bridge construction could be quite a bit less than the current estimate, in which case TMWA could consider contributing less than the \$144,000. Member Breternitz said he would modify his motion to the extent that any savings accrue to TMWA if the bid comes under budget. Chairman Carrigan asked Member Breternitz to clarify that if there are no savings then his motion is that TMWA pays the \$144,000. Member Breternitz said yes. Member Larkin agreed and seconded the amended motion. Mr. Erwin asked if the motion included that the general manager be authorized to sign the agreement. Member Breternitz agreed that was part of his motion. Chairman Carrigan called for the vote and asked for a show of hands.

Upon motion by Member Breternitz, second by Member Larkin, which motion duly carried by a vote of 5 to 1, with Chairman Carrigan dissenting, the Board approved the access agreement between Truckee Meadows Water Authority and the Tahoe-Pyramid Bike Trial to allow use of a portion of the Fleish Hydroelectric properties for the Bike Way with the caveat that any savings in the construction costs v. engineer estimate for the project accrue to TMWA. The Board authorized the General Manager to execute the agreement.

Ms. Phillips thanked the Board, saying there is stiff competition for grant funds. She said that it would be great if TMWA and/or the jurisdictions would like to write a letter of support to the granting authority. She invited the Board members to attend the grand opening of the portion of the bike trail at the Tracy Power Plant on Monday, April 26.

13 GENERAL MANAGER'S REPORT

Mark Foree reported that snowpack as of April 1 was at 91 percent of normal in the Truckee Basin; however, with the recent storms, the snowpack has bumped up over 100 percent. The next Board meeting will be held on Thursday, May 20, 2010 beginning at 8 a.m.

14. PUBLIC COMMENT

There was no public comment.

15. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no board comments.

16 ADJOURNMENT

With no further business to discuss, Chairman Carrigan adjourned the meeting at 10:41 a.m.

*Member Larkin present for items 1 through 5 and items 12 through 16 only.

Approved by the TMWA Board of Directors in session on May 20, 2010.

Respectfully submitted,

Corinne Cassell, Recording Secretary