

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE JUNE 15, 2016
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, June 15, 2016, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chair Martini called the meeting to order at 9:01 a.m.

1. ROLL CALL

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

A quorum was present.

**Member Brekhus arrived at 9:07 a.m.*

***Member Duerr arrived at 9:15 a.m.*

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mark Foree, TMWA General Manager.

3. PUBLIC COMMENT

Stuart MacKie, from Reno, Nevada, provided public comment with regards to TMWA's purchase of the other half of Donner Lake from Truckee-Carson Irrigation District (TCID). *Please see Attachment A.*

Chair Martini explained this is not the forum to have a discussion, but a TMWA representative can contact him to discuss his concerns. Mr. Foree agreed.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE MINUTES OF THE MAY 18, 2016 MINUTES

Upon motion by Member Smith, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved the May 18, 2016 minutes.

6. PUBLIC HEARING ON RATE AND RULE AMENDMENTS

6.A PUBLIC COMMENT

There was no public comment.

6.B SECOND AND FINAL READING, PUBLIC HEARING AND POSSIBLE ADOPTION OF RESOLUTION NO. 242 TO AMEND TMWA RATE SCHEDULE WATER SYSTEM FACILITY CHARGES (WSF) FOR CHARGE AREA 10

Scott Estes, TMWA Director of Engineering, reported if proposed changes to the WSF charges to Charge Area 10, were adopted today they would go into effect Thursday, June 16, 2016. Mr. Estes further explained the proposed changes consisted of consolidating all North Valleys Areas, except for Areas 8 and 13A, into a new Area 10; due in part because completion of the Lemmon Drive 24" main will result in a fully integrated system for utilization of the Fish Springs supply. He noted he presented to the Builders Association of Northern Nevada (BANN) and there was no feedback, only a request to have a new business workshop which is scheduled for Thursday, June 16, 2016.

Member Brekhus asked for clarification with regards to the statement in the staff report that application of the existing Fish Springs Area Charge is complicated by the location of the development and if this is a reflection of land-use changes or other supply issues. Mr. Estes replied that when the original Fish Springs fees were developed, it was assumed that construction of the Lemmon Drive main would occur in the future and so growth utilizing the Fish Springs resource would have been limited to Area 13, but now the resource can be utilized in all of the North Valleys areas. The old fee reflected the use of facilities in Area 13 only, and now the use of facilities in all the areas being consolidated will be utilized as one integrated system to provide support for peak demands on the Fish Springs supply. Member Brekhus also asked for clarification regarding statements that funds from the County treasury transferred at merger would be used to construct water system improvements. Mr. Estes replied that in most cases funds transferred from the County would be used to construct the improvements and the expenditures would be reimbursed through collection of developer fees.

Member Hartung asked how soon we anticipate putting injection wells online to offset groundwater pumping. Mr. Estes replied we are making changes immediately going forward.

Member Brekhus inquired about capacity of the Fish Springs system and if maximum-day peak supply is currently available. Mr. Estes replied the maximum capacity of the Fish Springs system is currently 6,500 gallons per minute (GPM), which is the baseline supply and additional supplies will have to be provided from the existing system to meet future peak demand in the summer. He added yes, the peaking supply is currently available from existing facilities, which includes North Virginia pump system.

Public Comment

Mr. MacKie explained he has lived in Lemmon Valley for many years and expressed his concerns of Well #9 being used most frequently for pumping leaving the residences in that area with water of lesser quality.

Chair Martini confirmed with Michael Pagni, TMWA General Counsel, if the public comment satisfied the open meeting law requirement. Mr. Pagni replied yes.

CLOSE PUBLIC HEARING

Upon motion by Member Smith, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 242: A resolution to amend TMWA Rate Schedule Water System Facility Charges (WSF) to modify Charge Area 10 Facility Charges and Boundaries by consolidating Charge Areas 8A, 13 and 13B into the new Area 10 and to modify the Storage Facility Charges, to be effective upon the start of business day June 16, 2016.

7. INFORMATIONAL REPORT ON GROUNDWATER AQUIFERS

Randy Van Hoozer and Christian Kropf, TMWA Senior Hydrogeologists, presented on groundwater activities and levels of monitoring wells near production wells in the various basins in TMWA's service area since 2001. Groundwater elevation recoveries are expected to continue due to: the implementation of Truckee River Operating Agreement (TROA), active aquifer storage and recovery (ASR) projects, conjunctive use, construction of the Mt. Rose Water Treatment Plant and the North Valleys Integration project.

Member Duerr inquired why there was no water measurement for four years in Basin 88 and pointed out that water levels decline until they are recharged. Mr. Van Hoozer replied that the overall trend is decreasing until a rebound after recharge.

Member Hartung inquired if TMWA is physically recharging in Spanish Springs because they have historically seen a rise in the water table in the summer because of leakage from the Orr Ditch; if Spanish Springs Well #4 is being recharged; if the poor water quality was due to nitrates and arsenic, and can it be determined if it is naturally occurring; and if the water quality in Lemmon Valley has been compared pre- and post-recharge. Mr. Kropf replied yes TMWA is recharging in Spanish Springs, and the rise in the water table is a localized effect due to the recharge from the Orr Ditch, but it is not basin-wide; Well #4 was shut off in 2009 due to poor water quality and to recover the water level began actively recharging in 2013; staff has analyzed the source and have concluded about 25 percent of nitrate and arsenic in Spanish Springs is naturally occurring; and yes, staff has compared water quality and has seen a decrease of nitrate levels in the area due to supplying the aquifer with fresh water. Also, staff has been able to turn pumping wells into recharge wells and have seen about 15 feet of recovery in the water table.

Member Brekhus confirmed if TMWA already has a reservoir, the Highland reservoir, and if staff has conducted a cost-benefit analysis on the recharge gains versus a centralized reservoir development system. Mr. Kropf replied yes, but Highland has an impervious liner and cover and is used more like a tank. Mr. Foree added we have two reservoirs: Hunter Creek and Highland. Mr. Kropf added they have conducted an analysis between groundwater recharge versus reservoir systems. The conclusion is water stored above ground is prone to greater evaporation whereas groundwater recharge ensures water quality remains the same, it benefits existing groundwater quality as well as not losing any resources to evaporation.

Mr. Foree recognized both Mr. Van Hoozer and Mr. Kropf as employees who transitioned to TMWA from Washoe County (the County) as part of the merger and are doing outstanding work.

8. PRESENTATION OF THIRD QUARTER FISCAL YEAR 2016 FINANCIAL REPORT

Michele Sullivan, TMWA Chief Financial Officer, presented on the third quarter fiscal year 2016 financial report ending March 31, 2016. Ms. Sullivan reported there was a positive change of \$7.7 million in net position compared to the budget. Operating revenues increased by \$800,000 due to higher construction and inspection fees, operating expenses were lower by \$3.0 million and developer contributions were higher by \$3.5 million. Cash and investments balances were \$183.7 million with unrestricted cash of \$98.2 million. She also reported that \$6 million in commercial paper was paid down in May, 2016.

9. DISCUSSION AND ACTION ON POSSIBLE SETTLEMENT OF PALL CORPORATION CLAIMS AGAINST WASHOE COUNTY AND TMWA REGARDING THE SOUTH TRUCKEE MEADOWS WATER TREATMENT PLANT

Mr. Pagni informed the Board they have been briefed on this item and reported this settlement involves a liability TMWA assumed as part of the merger when it acquired assets from the County at that time. He explained one of those liabilities was a potential claim by Pall Filter Corporation for \$2.1 million for filter systems manufactured for the South Truckee Meadows Water Treatment Plant (STMWTP). However, the County opted not to proceed with the STMWTP. After extensive negotiations, TMWA staff propose a settlement with Pall Corporation in the amount of \$243,000 which is the contract amount allegedly due for the approved shop drawings.

Member Brekhus mentioned this was brought up during closed door session at last month's meeting and raised the issue of utilizing the treasury from the County to pay for the settlement and confirmed if this issue was brought up during due diligence. Mr. Pagni replied yes, this issue was part of due diligence.

Member Jardon inquired if, once the settlement is final, will TMWA be in possession of the plans. Mr. Foree replied yes, we currently have the plans, but do not foresee the project moving forward.

Member Brekhus motioned to pay the settlement using funds from the County treasury TMWA received through the merger.

Member Hartung commented by including this language it refers back to the notion of a bail out. The County has been assisting the City of Reno by paying for PCE remediation for years. This settlement was anticipated and he thinks it should not come out of any specific treasury. He requested to extract the specific funding language from the motion.

Mr. Pagni pointed out a Board member can designate ear marked funds as a source of payment, but only if it does not create any fiscal issues. Mr. Foree confirmed the County treasury funds now comingle with TMWA treasury and the only funds that are set aside are for projects in the former South Truckee Meadows General Improvement District (STMGID) area. This particular water treatment plant did not have a connection to STMGID and we do not have restricted funds to pay this settlement.

Chair Martini asked where the funds would come from. Mr. Foree replied, the TMWA treasury.

Member Brekhus amended her motion to exclude reference of using the former County treasury to pay for this settlement.

Upon motion by Member Brekhus, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved to accept the settlement proposal, and authorize the General Manager to negotiate and execute appropriate settlement documents to resolve all claims in exchange for that payment.

10. REPORT AND DISCUSSION REGARDING PRIVATE, COOPERATIVE AND GENERAL IMPROVEMENT DISTRICT WATER SYSTEMS LOCATED NEAR TMWA'S SERVICE AREA AND POSSIBLE POLICY DIRECTION FROM BOARD REGARDING GENERAL RESPONSE TO DEVELOPMENT OF NEW SYSTEMS, EXPANSION OF EXISTING SYSTEMS AND OWNER REQUESTS FOR ACQUISITION BY OR SERVICE FROM TMWA

Mr. Foree remarked this report is a follow-up to prior discussions and questions in past Board meetings, specifically the February 5 Strategic Planning Workshop. There have been many questions related to private water systems and how TMWA becomes involved if there are proposals to expand or create new water system in the area. Mr. Foree noted there are approximately 70 public water systems in the County. He provided an overview of the processes by which TMWA is/becomes involved.

Member Duerr expressed her appreciation and thanked Mr. Foree for a thorough report, which can be used as a planning tool.

Member Brekhus agreed and inquired what the plans are for the new subdivision (15 lots) in Verdi along the Truckee River. Mr. Foree replied the plans have changed and it may be a plan for 15 individual wells as opposed to a small community water system.

Member Jardon thanked TMWA representatives who attended the Verdi Town Hall meeting on May 21st. They did a tremendous job presenting and answering questions. She expressed her disappointment that the State Engineer chose not to participate. Member Smith asked if staff needed some specific direction from the Board on this item. Mr. Foree replied only if the Board wants to change how staff is currently handling these issues as stated in the staff report.

Upon motion by Member Duerr, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board accepted the report.

11. DISCUSSION AND ACTION ON NOMINATION OF CHAIRMAN AND VICE CHAIRMAN AND REQUEST FOR BOARD ADOPTION OF RESOLUTION NO. 243 APPOINTING A CHAIRMAN AND VICE CHAIRMAN FOR FISCAL YEAR 2017

Member Hartung mentioned Chair Martini has done excellent work and nominated Chair Martini to continue as Chair of the TMWA Board of Directors for Fiscal Year 2017.

Upon motion by Member Hartung, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 243 appointing Geno Martini as Chairman for Fiscal Year 2017.

Member Smith nominated Member Hartung to be Vice Chair of the TMWA Board of Directors for Fiscal Year 2017.

Upon motion by Member Smith, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 243 appointing Vaughn Hartung as Vice Chair for Fiscal Year 2017.

12. GENERAL MANAGER'S REPORT

Mr. Foree commented on a thank you letter to the Board sent from TCID acknowledging the completion of the sale of Donner Lake to TMWA and the end to all litigation regarding TROA.

13. PUBLIC COMMENT

Cathy Brandhorst provided public comment.

14. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no Board comments.

15. ADJOURNMENT

With no further discussion, Chair Martini adjourned the meeting at 10:08 a.m.

Approved by the TMWA Board of Directors in session on August 17, 2016.

Sonia Folsom, Recording Secretary

**Member Brekhus was present for agenda items 6 thru 15 only.*

***Member Duerr was present for agenda items 6 thru 15 only.*