

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE JULY 16, 2014
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, July 16, 2014, at Sparks Council Chambers, 745 Fourth Street, Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:02 a.m.

1. ROLL CALL

Members Present: Mike Carrigan, Mike Cate, Vaughn Hartung, Geno Martini.
Members Absent: Neoma Jardon, Kitty Jung and Sharon Zadra. A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Martini.

3. PUBLIC COMMENT

Ms. Ginger Pierce, from Sunrise Estates in Reno, inquired about the situation of the old Washoe Estates Water System and possibility for it to be purchased by an independent party. There are three water systems in the Washoe Valley area: Lightning W, Sunrise Estates & Washoe Estates.

Mark Foree, TMWA General Manager, responded that there is an interested party looking to purchase the Old Washoe Estates water system. The project would require a lot of work and involve the Public Utility Commission (PUC). TMWA has heard concerns from customers about keeping the water in their local area. TMWA staff has spoken to the interested individual about what actions would be required. The individual has spoken with the HOA, which is not interested in being their own purveyor, but encouraged him to go forward. It's a small system with fifty customers and the Board would need to act on this issue and make a decision in regards to selling the Old Washoe Estates Water System.

Mr. Foree reported that no one has approached TMWA to purchase the other two systems. TMWA staff would recommend that the Board make a decision if customers wanted to purchase the water systems in Lightning W and Sunrise Estates. Mr. Foree further explained that all Washoe County customers would become TMWA customers as of the merger date. The PUC has a standard schedule of 150-180 days for any purchases to occur.

Upon further inquiry by Chairman Carrigan about who is interested in purchasing these water systems, Mike Pagni, TMWA Legal Counsel, commented that the item being discussed was not on the agenda. Mr. Pagni stated that Mr. Foree has responded to Ms. Pierce's questions.

Chairman Carrigan noted that this issue can be put on the Board's next agenda so that they can be prepared and have further discussion.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE JUNE 18, 2014 MINUTES

Upon motion by Member Hartung, second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board approved the June 18, 2014 minutes.

6. DISCUSSION AND POSSIBLE ACTION TO ESTABLISH A NEW POST-RETIREMENT MEDICAL TRUST FOR TRANSFERRED WASHOE COUNTY EMPLOYEES.

Jessica Atkinson, TMWA HR Administrator, reported on this agenda item. Ms. Atkinson reported on the labor and human resources aspect of the merger. TMWA has had productive discussions with both TMWA and Washoe County labor unions. Both parties have successfully come to agreements on all terms and conditions of employment affecting those employees joining TMWA post-merger with only one outstanding item remaining. That item is the Post-Retirement Medical Benefit and how TMWA will handle this benefit for the new employees joining TMWA.

Jeff Tissier, TMWA Chief Financial Officer, is recommending the Board establish a new separate Post-Retirement Medical Trust (PRMT) for the transferring Washoe County employees. This would be less costly and time consuming for TMWA rather than transferring over the benefits into TMWAs existing PRMT. The trust is set up as a separate closed trust for 26 of the 28 employees. The remaining two Washoe County employees do not have post-employment medical benefits. Mr. Tissier is the Trust Chairman for TMWA and has met with the Washoe County Trust Chairman and respective legal counsels. The reason for not combining the two trusts is that TMWAs trust was established under one code section of the Internal Revenue Code (IRC) and Washoe County's was set up under a different code section. In order to bring the transferring employees into TMWAs existing PRMT, it would require amending the trust and filing for another determination letter with the IRS which is an extensive, time-consuming and costly process that may not be successful. Setting up a separate trust for the 26 new employees will be less costly and time-consuming than amending TMWA's trust. This will preserve the benefits of the Washoe County transferred employees.

Chairman Carrigan inquired about the two employees who do not currently have benefits. Mr. Tissier responded that they will be enrolled in TMWA's PRMT as new employees, not as transferring employees.

Member Hartung asked how TMWA would fund this. Mr. Tissier responded that the assets will be transferred from the Washoe County trust and that there are sufficient funds in the transferring treasury.

Upon motion by Member Hartung second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board directed staff to establish a new Post-Retirement Medical Trust for transferred Washoe County employees.

7. DISCUSSION AND PRESENTATION OF PLAN AND SCHEDULE FOR PUBLIC INPUT AND HEARING ON TMWA'S ADOPTION OF THE DOMESTIC WELL MITIGATION PROGRAM IN CONNECTION WITH PENDING MERGER WITH WASHOE COUNTY COMMUNITY SERVICES DEPARTMENT AND SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT WATER UTILITIES.

Mark Foree introduced John Enloe to the Board as TMWA's new Strategic Operations Manager. Mr. Enloe recently joined TMWA and has experience in water, as well as consulting and engineering projects in the area for approximately 17 years. He has worked on numerous projects for TMWA, Western Regional Water Commission (WRWC), City of Reno, City of Sparks and Washoe County.

Mr. Enloe stated that Mr. Foree requested this item be put on the agenda due to the public comment by Ms. Kathy Bowling at last month's Board meeting. He stated the issue is that since the late 1990s, Washoe County's and STMGIDs pumping on the Mount Rose Fan has affected numerous wells in the area by lowering the ground water. This area relies exclusively on ground-water today and there is no surface water available. Most domestic wells in the area have experienced water level declines in the past 15 – 20 years and he reported that his own well has lowered about 35 feet in the 20 years he's lived there.

He elaborated that many wells in the area have declined or dried up completely and have needed to be deepened to serve the residents. Approximately five years ago the County undertook significant public process working with residents in the area to develop a program to mitigate the impacts, such as incurred costs to deepen their domestic wells. In addition, water systems have been installed throughout the much of the area so that some well owners are able to connect to them should they have problems with their well. This program reimburses the domestic well owners a portion of the well deepening costs or pays the connection costs to the public water systems if available to them.

Throughout the consolidation process, TMWA intends to provide consistency for well owners. TMWA has plans to install facilities over the next several years to extend service up into the Saddlehorn and Arrowcreek areas which will provide the ability to bring surface water into the system and lessen the need to pump the municipal wells in the area. Washoe County has water rights associated with serving residents in several developments in the area and TMWA (like Washoe County) will have the right to pump those wells. There is a facilities plan in place which will look at using both ground water and surface water as a conjunctive use program -- to bring surface water up to the area.

In the fall, staff will propose a new rule for the Board's consideration based upon the Washoe County – Mt. Rose – Galena Fan Domestic Well Mitigation Program established in August 2011. The schedule for the review of the proposed rule will begin with it being presented to the Standing Advisory Committee meeting on August 5th. Washoe County is holding separate meetings for STMGID in August, which TMWA will be on hand to support and answer questions. TMWA will then hold its own workshop and public hearings with the effective date to begin at the closing of the merger.

Member Hartung inquired about how many wells TMWA is dealing with in this area. Mr. Enloe responded that there are approximately 500 – 600 wells.

Member Hartung also asked about whether the mitigation program will be similar to the North Valley reinjection program. Mr. Enloe responded that this is a possibility and TMWA has plans to install facilities to bring surface water into the systems. There may not be a need to do an active recharge, but to provide surface water to the areas in the winter and turn the wells off for a period of time to naturally recharge.

Member Hartung inquired about the nitrate levels in the area. Mr. Enloe responded that the county has not experienced significant increases in nitrate levels in the area.

Kathy Bowling provided public comment. Ms. Bowling inquired about the August Board meeting and whether any specific information on how TMWA will be pumping the wells was going to be provided. She stipulated that the wells are currently being pumped at 4,700 acre feet and indicated that Washoe County only increased pumping with new development coming on line. She asked for assurances to the customers that TMWA would not increase to maximum pumping of 6,600 acre feet upon merger, but to assure customers that TMWA will honor the agreement to only increase pumping during new building and development.

Chairman Carrigan responded that further public comment can be provided at the workshop and this can be put on the agenda at the next Board meeting.

Upon motion by Member Hartung second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board directed staff to proceed with the development of the Domestic Well Mitigation Program for consideration by the Board in connection with pending merger

**with Washoe County Community Services Department and
STMGID.**

**8. REPORT AND UPDATE ON STATUS OF MERGER WITH WASHOE COUNTY
COMMUNITY SERVICES DEPARTMENT AND SOUTH TRUCKEE MEADOWS
GENERAL IMPROVEMENT DISTRICT WATER UTILITIES.**

Jack Byrom, TMWA Consolidation Project Manager, reported on this item. Mr. Byrom reported that since his last report of the 214 tasks identified, 35 have been completed and other numerous tasks are on schedule to be completed. The key areas in Human Resources have been completed with 28 Washoe County employees accepting the terms of employment. TMWA is now starting the transition process to cross-train all employees. Both TMWA and Washoe County will coordinate a schedule without impacting the current workload for both entities in order to learn each other's policies, procedures and systems.

Mr. Byrom noted that the Board has a completed schedule for the workshops that will cover the rules and rates amendments, that are merger related workshops or activities. He highlighted the progress for the STMGID merger ordinance, the Domestic Well Mitigation Program, legal counsel fulfilling their assigned tasks, and the communications team working on producing the communications from the STMGID board to their customers as well as supporting the legal team in the creation of the workshop schedule and posting the required public notices.

Mr. Byrom reported on the status of new business and developer agreements which is led by Scott Estes, TMWA Director of Engineering. He reported that there has been great coordination on the anticipated transition work between now and closing of the merger for the new business and developer applications. Mr. Estes has scheduled Rule 5 workshops, but there will be limited changes.

In summary, Mr. Byrom reported that although there are numerous tasks to be accomplished, there has been excellent cooperation and TMWA is on schedule to close December 31, 2014.

**9. DISCUSSION AND REQUEST FOR BOARD APPROVAL TO PAY OFF THE VERDI
BUSINESS PARK'S DRINKING WATER STATE REVOLVING LOAN BALANCE
IN AN AMOUNT NOT TO EXCEED \$635,200 IN CONNECTION WITH
ACQUISITION OF VERDI BUSINESS PARK WATER SYSTEM.**

Mr. Tissier reported on this agenda item. He reported that the Board has heard about this agenda item in previous meetings. He stated that for this consolidation to be finalized, TMWA requests the Board approve the payment of the Verdi Business Park (VBP) Drinking Water State Revolving Fund (DWSRF) loan of \$635,200. Instead of TMWA paying the cost of bond counsel to transfer the loan contract which will cost approximately \$30,000, TMWA has asked NDEP permission to pay the loan off and stand in the shoes of the state. VBP will then pay TMWA the monthly surcharge.

Upon motion by Member Hartung, second by Member Cate,

which motion carried unanimously by the members present, the Board approved the request to pay off the Verdi Business Park's Drinking Water State Revolving Loan balance upon the closing of the acquisition of the Verdi Business Park water system.

10. GENERAL MANAGER'S REPORT.

Mr. Foree reported on this agenda item. He stated that as of July 15th, 2014, Lake Tahoe is at 16 percent full and that the federally mandated 500 cubic feet per second rate will be met until the beginning of August at which time TMWA will start drawing on our upstream reserves. TMWA's two main drought reserves, Independence and Donner Lakes, are virtually full, but it will not be necessary to draw from Independence Lake this year. He also stated that TMWA will not encounter any trouble pumping ground water reserves and using drought storage to meet customer demand this summer. Lastly, he stated that TMWA will be asking customers to voluntarily conserve 10 percent starting July 26, 2014. This coincides with the time TMWA will begin drawing on their upstream reserves and what is saved this year will then be available for future use if the drought continues. Mr. Foree does not foresee any issues with customers cooperating to conserve and being supportive of this request.

Mr. Foree informed the Board that the Reno-Gazette Journal has requested further information regarding water usage from *all* customers for 2013. This will include all their data and information for the Flat Rate, Metered Residential, Commercial and Metered Irrigation Service groups. TMWA staff will determine in what form this information will be provided.

Mr. Foree remarked on the two public comments provided at last month's meeting regarding the concerns about the safety of the rafting/boating public in regard to the Glendale Diversion Dam. Attached in the General Manager's report is a consensus paper that documents the extensive public input and consensus on the final design of the Glendale projects and dam. The attached document details the numerous public forums held with multiple stakeholder groups and individuals, resulting in a design that has safe boat passage. He mentioned that it was a detailed public process that went on for approximately two years. He also stated there is 24-7, 365 day surveillance of the diversion dam.

Ron Penrose, TMWA Project Manager and Truckee River Fund Liaison, provided supporting comments on the Glendale Dam project. He stated that the dam was built as a consensus project. Prior to the dam being built, the river in that area was unsafe, unusable and could not deliver the supply needed to be treated at the Glendale plant. During times of drought and low river flow, there were no assurances that Glendale could capture all of the privately stored water released from the upstream reservoirs. This issue has been addressed with the plan and today it provides safe fish passage and protection, and has addressed the flood issues.

Mr. Penrose stated that there was a significant stakeholder process for numerous groups and individuals that lasted for approximately 18 – 24 months. He reported that TMWA built a working model to test and tweak the design prior to building the Glendale Diversion Dam. The

result was a “consensus design” which has met the needs of all stakeholders.

Mr. Foree mentioned that the Board meeting on October 15th, 2014 will begin at 9:00 a.m. to accommodate the Smarter City Summit scheduled on the same day.

11. PUBLIC COMMENT

There was no public comment.

12. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS.

Member Hartung thanked TMWA and staff for an outstanding Annual Summer Picnic. He stated that everyone who attended had a great time and everyone did a great job putting it together.

Mr. Foree commented that the Washoe County employees who are transitioning to TMWA were also invited and approximately 12 employees and their families attended.

Chairman Carrigan added the Old Washoe Water Systems item to the agenda for the August 20, 2014 Board meeting. Mr. Foree stated that TMWA can provide a report that provides information and understanding of the process and steps required for other parties interested in purchasing these outlying systems.

13. ADJOURNMENT

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

Approved by the TMWA Board of Directors in session on September 17, 2014.

Respectfully submitted,

Sonia Folsom, Recording Secretary