

**BOARD OF TRUSTEES
AND LOCAL MANAGING BOARD
SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT
WASHOE COUNTY, NEVADA**

TUESDAY

8:00 A.M.
SPECIAL JOINT MEETING

MAY 24, 2011

PRESENT:

John Breternitz, Board of Trustees, Chairman
Bonnie Weber, Board of Trustees, Vice Chairperson
Bob Larkin, Board of Trustees, Trustee
Kitty Jung, Board of Trustees, Trustee
David Humke, Board of Trustees, Trustee*

Steve Cohen, Local Managing Board, Chairman
E. Sue Sanders, Local Managing Board, Vice Chairman
Gerald Schumacher, Local Managing Board, Member
Gary Tavernetti, Local Managing Board, Member

ABSENT:

Ellen Allman, Local Managing Board, Secretary

The Board of Trustees and the Local Managing Board convened at 8:11 a.m. in a joint special session in the Commission Caucus Room of the Washoe County Administration Complex, 1001 East Ninth Street, Reno, Nevada, with Chairman Breternitz presiding. Also present were Washoe County Clerk Amy Harvey; Washoe County Manager Katy Simon; Washoe County Legal Counsel Melanie Foster; Pete Simeoni, Local Managing Board Legal Counsel; Rosemary Menard, Water Resources Director; Dwayne Smith, Water Resources Acting Sr. Licensed Engineer; and Jeff Tissier, Truckee Meadows Water Authority Chief Financial Officer. The Clerk called the roll and the Board conducted the following business:

11-23STM AGENDA ITEM 2 – PUBLIC COMMENT

Agenda Subject: “Public Comment. Comment heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Commission agenda. The Commission will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Commission as a whole.”

There was no response to the call for public comment.

11-24STM AGENDA ITEM 3

Agenda Subject: “Presentation by Corporate Solutions, Inc., and staff with discussion and possible direction regarding future water utility service provider option(s) to replace Washoe County as a result of the proposed merger of Washoe County’s water utility with the Truckee Meadows Water Authority.

Rosemary Menard, Department of Water Resources (DWR) Director, said staff had been working on an approach for evaluating the options for the South Truckee Meadows General Improvement District (STMGID) under the assumption there would be a merger between the Truckee Meadows Water Authority (TMWA) and DWR’s water utility function. She stated the Corporate Solutions, Inc. presentation would review what was being done to evaluate community interest in those options for STMGID. She stated the second presentation would be a staff update on the preliminary financial and other kinds of qualitative analyses that had been conducted to date. She said the next step would be for the Local Managing Board (LMB) to do a more thorough analysis of the options to bring forward to the Board of Trustees sometime in the fall.

Dee Schafer, Corporate Solutions, Inc., reviewed her *South Truckee Meadows General Improvement District Focus Group Status Report* PowerPoint presentation, which provided a project update, highlights from the focus group sessions, what was most important to the participants of the focus groups, the participant’s preferences and concerns regarding the various options, the feedback relating to customer service and quality, what the participants thought about the rates, the third focus group’s preferred option, and the next steps. A copy of the presentation was placed on file with the Clerk.

Ms. Schafer said the response rate to the survey was 24 percent, which was high for that type of survey. She said the high response rate was interpreted as indicating a strong interest by the participants in their water services.

Trustee Jung asked if the first two focus groups consisted of the same people. Ms. Schafer replied they were made up of different people. She said the survey asked if the respondent would like to participate in future events, and 193 people indicated they would.

Ms. Schafer stated there were concerns about TMWA having a monopoly on service if STMGID went away. She noted participants started to become more comfortable with TMWA as the contracting entity by the third focus group, which was a change from the previous focus groups where it was felt TMWA was a large entity that would not care for their needs. She noted the third focus group consisted of participants from the first two focus groups. She said the participants were asked which of the four options they would choose and most of them provided a first and second choice.

8:26 a.m. Commissioner Humke arrived.

Ms. Schafer said the final report would be presented to the LMB at their June 16, 2011 meeting.

Dwayne Smith, Water Resources Acting Sr. Licensed Engineer, said his PowerPoint presentation was an update on the STMGID issues related to the DWR-TMWA integration. A copy of the presentation was placed on file with the Clerk.

Mr. Smith said STMGID hired the FCS Group to develop the comparative analysis of the cost of services, which was provided on page 5 of the presentation; and staff chose the three main service categories to put through the analysis. He noted the TMWA option cost the least, while a private operator would cost the most for the categories examined.

Mr. Smith stated the analysis indicated STMGID had quite a bit of cash on hand and was debt free. He explained if the "cease to exist" option was chosen, a lump sum could be paid to STMGID's customers, a pro-rated approach could be done, or some combination of both could be done to mitigate the DWR and TMWA rates being higher than STMGID's rates.

Katy Simon, County Manager, asked if the water-usage patterns were looked at, because there might be a way to have the TMWA rate mirror more closely what the STMGID customer's actual water utilization was. She believed the large lots indicated a higher per capita usage. Mr. Smith replied the work done with FCS was at a higher level. Ms. Menard felt any differences occurred during the irrigation season. She said the presentation in March to the LMB estimated what the difference would be for the average STMGID customer.

Ms. Menard said four options that seemed black and white were looked at, but in reality the options could be morphed to work better for STMGID's customers.

Chairman Breternitz said STMGID's cash reserves meant more money was brought in than what was spent, and he asked how STMGID's not lowering its rate was justified to its customers. Ms. Menard explained STMGID serviced its debt until 2003. She said since then the rates had not been lowered, but neither were they raised as much. She noted STMGID also had been fully funding their depreciation in the rate structure, which also generated cash. She said that was being done as a hedge against the cost of replacing things that came to the end of their useful life. Chairman Breternitz asked if the excess cash would be earmarked for long-term improvements and replacements, rather than potentially passing that responsibility on to another entity without funding. Ms. Menard replied if STMGID was combined with a larger entity, the costs would be spread over a much larger rate base. She said because STMGID was a relatively new system, long-term improvements would become an issue 20-years into the future. She stated many large utilities did not fund their depreciation, but funded their Capital Improvement Projects.

Ms. Menard said if STMGID went away, it would have to be determined how much cash should be retained and how much could be given back to the community in some fashion. She advised that analysis had not yet been done. Steve Cohen, LMB Chairman, said that would only happen if STMGID went away. He stated a lot of people did not understand the options, which was why STMGID went out to the public. He said the LMB had not narrowed down which option it was leaning towards yet but, after the option was selected, further analysis would be done.

Trustee Humke submitted for the record a copy of the Mt. Rose Area Domestic Well Mitigation Options chart (2 pages). He asked if there had been any consideration of putting STMGID's extra funds towards well-mitigation costs. Ms. Menard said there would be a meeting with the LMB to go through, in more detail, the results of the May 3, 2011 workshop where that work was presented to the community. She advised the recommendations would be presented to the LMB at its June 16, 2011 meeting, and would be brought to the Board at its June 28, 2011 meeting.

Member Schumacher said the funds had always included a reserve for well replacement and a balance that was not earmarked, which could not be touched.

Mr. Smith noted pages 14 through 16 showed the other services DWR provided to STMGID, and which entity would be responsible for providing each service under each option. He stated pages 17 through 19 estimated whether the costs would increase or decrease for those services under the different scenarios.

Ms. Menard said the draft set of criteria, which was placed on file with the Clerk, was derived from the survey, the focus groups and the financial results analyses. She stated the draft criteria would be used to facilitate a dialog on how the various options would be rated against the criteria. She said the desire was not to come to a numbered solution, but to learn more about the options. She stated staff would like to hear what the Boards thought would be the essential criteria, and how the STMGID decision would fit into the direction DWR and TMWA were given on merging the two water utility processes.

Chairman Breternitz stated if he was doing a mathematical analysis, he would say the criteria were great; but he felt there were too many criteria to have a meaningful dialog. He said with that number of criteria, it would be hard to keep track of the pluses and minuses for each. He believed the criteria should be boiled down to the top five, and then there could be a discussion around those criteria. Trustee Humke said the draft criteria were intangibles and it could be a big task to analyze them. Ms. Menard stated one of the outcomes of the discussion might be to say the criteria were a concern. She said the participants in the focus groups indicated they did not understand what TMWA was, and they were concerned TMWA would not care about them as customers. Commissioner Humke said that was a concern he expressed to Ms. Menard many times over the years. Ms. Menard stated the question was how the transition would be addressed. She indicated TMWA would have to be involved in the process at some point,

because the problem with the community's perception with TMWA could not be solved without TMWA's participation.

Trustee Weber felt it would be about building trust. Chairman Cohen agreed that was the reason behind this process. He stated he was comfortable with making the decision with the information he had, but any action had to be justified to STMGID's customers.

Member Schumacher said there was a comment in one of the focus groups that going with TMWA would be creating a monopoly and would result in rampant development and decreased water quality. He felt that comment indicated people definitely had concerns. Chairman Breternitz said one way to help with that might be to get the commissioner from that District onto the TMWA Board.

Chairman Breternitz said he understood the issue of local control and responsiveness, but the numbers showed they did not go hand-in-hand. He stated there were conflicts but, when looking long-term at what was in the best interests of the people who lived in the STMGID service area, it started to narrow down some of the possibilities. He believed stability, some level of comfort regarding input, and the lowest long-term delivery costs would be criteria that would be important; but other people might have different criteria. He stated he could not look at the long list of criteria and comprehend how to calculate everything. Chairman Cohen said he knew what direction he would go, but this process was being done to make sure nothing was missed. Trustee Larkin asked what the direction was. Chairman Cohen said the LMB had not discussed it, because they wanted to make sure everything had been considered. Trustee Larkin felt the only piece that had not been considered was the LMB discussing with TMWA's Board whether merging with TMWA would be considered as a viable option. Chairman Cohen said he spoke with several TMWA Board members and they seemed open to it.

Trustee Larkin suggested starting a dialog at the Western Regional Water Commission (WRWC). Chairman Breternitz agreed that was a good idea.

Trustee Humke said if TMWA or any successor utility was selected, he was concerned about the conversion of residential wells to water utility services. Ms. Menard said the current focus of the well mitigation issue was the Callahan Ranch and Mt. Rose area between STMGID's jurisdiction and DWR's jurisdiction. She stated the issue was complicated by both systems being very physically integrated. She suggested the County adopt a policy statement laying out the County's approach to dealing with domestic-well mitigation. She said if a transition was made to TMWA, some version of that policy statement would get adopted as part of the merger agreement.

Chairman Breternitz suggested narrowing down the options to two, and then conducting a more thorough financial analysis. He believed something would jump out that was not previously thought to be a big factor, but was. He stated after taking in input and analyzing it from all sides, at some point a decision had to be made.

Chairman Cohen said if DWR merged with TMWA, the reality was that it would be the only entity left for STMGID to deal with and TMWA would provide STMGID with water. He said what that water would cost was another subject. He discussed the options, and advised he had been very critical of the merger costs to the public, but at some point it needed to be done. He hoped the issues would be discussed at the next LMB meeting to move things forward. He acknowledged the merger might not happen right away because of bonding issues, but everyone would be prepared and would know what to do when it did happen, enabling a smooth transition.

Ms. Menard said the last three criteria on the list were those behind the DWR and TMWA merger. She felt it would be useful for the Trustees to give the LMB some feedback on how they felt STMGID fit in with the larger context of the DWR and TMWA merger.

Trustee Jung suggested focusing on the best/least cost option, which would lead to sustainability for the end users and the region. She said once that was determined, everything else would fall in line by adding or taking away from that option. She said she would also look at people paying for what they used. She stated that would be fair and would encourage conservation.

Trustee Jung said DWR had provided a lot of in-kind support to STMGID, especially legal support; and DWR's going away would make costs go up somewhat.

Chairman Breternitz said the list of criteria did not reflect the focus groups' list. He said if this was being sold to people, which was ultimately part of the best choice process, he would use the framework provided by the people asked to provide the input.

11-25STM AGENDA ITEM 4 – ANNOUNCEMENTS

Agenda Subject: “Trustees, LMB, and Staff Comments (limited to announcements, requests for information, statements relating to items not on the agenda or issues for future agendas.)”

Trustee Jung asked for a report from the South Truckee Meadows General Improvement District (STMGID) Local Managing Board (LMB) Chairman, Steve Cohen, on what the Truckee Meadows Water Authority (TMWA) Board said about the possibility of STMGID merging with TMWA. Chairman Cohen replied he would.

Rosemary Menard, Department of Water Resources Director, said a joint meeting between the Board of County Commissioners and the TMWA was planned for July. She suggested an item about what TMWA's Board said could be put on the agenda. Commissioner Larkin said the LMB needed to take a formal vote to approach TMWA.

Member Schumacher said after narrowing the choices down to one or two, it would be nice for the LMB to have a public hearing to see what people thought. Ms.

Menard said there was thought of taking the LMB's recommendation to the community in a less formal workshop setting to obtain feedback and to let the community know what the LMB's thought process was. Chairman Breternitz suggested hard information be available at that time on the long-term costs and such.

Trustee Humke suggested providing a menu of proposed resolutions on the disposal of the STMGID's funds. Chairman Cohen stated that money should stay with STMGID to pay for infrastructure and to pay for Well No. 12.

Chairman Cohen requested an update on Well No. 12. Dwayne Smith, Water Resources Acting Sr. Licensed Engineer, said the property for the well site and the easements was recorded in STMGID's name. Melanie Foster, Legal Counsel, stopped Mr. Smith's report because the update was outside the scope of the agenda item.

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9:23 a.m. There being no further business to discuss, on motion by Trustee Weber, seconded by Trustee Jung, the meeting was adjourned.

ATTEST:

JOHN BRETERNITZ, Chairman
South Truckee Meadows General
Improvement District

AMY HARVEY, County Clerk and
Ex-Officio Secretary, South Truckee
Meadows General Improvement District

ATTEST:

STEVE COHEN, Chairman
Local Managing Board
South Truckee Meadows General
Improvement District

ELLEN ALLMAN, Secretary
Local Managing Board
South Truckee Meadows General
Improvement District

*Minutes Prepared by:
Jan Frazzetta, Deputy Clerk*