

**SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT
WASHOE COUNTY, NEVADA**

TUESDAY

1:30 P.M.

JANUARY 25, 2000

PRESENT:

Ted F. Short, Chairman
Jim Shaw, Vice Chairman
Joanne Bond, Commissioner
Jim Galloway, Commissioner
Pete Sferrazza, Commissioner

Amy Harvey, County Clerk
Katy Singlaub, County Manager
Madelyn Shipman, Legal Counsel
Paul Orphan, Senior Utility Engineer

The Board met in regular session in the Commission Chambers of the Washoe County Administration Complex, 1001 East Ninth Street, Reno, Nevada, and conducted the following business:

AGENDA

In accordance with the Open Meeting Law, on motion by Commissioner Bond, seconded by Commissioner Shaw, which motion duly carried, Chairman Short ordered that the agenda for the January 25, 2000, meeting be approved.

MINUTES

On motion by Commissioner Bond, seconded by Commissioner Shaw, which motion duly carried, Chairman Short ordered that the minutes of the regular meeting of December 21, 1999, be approved.

00-1STM APPEAL - NEVADA TRI PARTNERS AND THE DAMONTE FAMILY LIMITED PARTNERSHIP - ANNEXATION - PUBLIC HEARING

1:30 p.m. This was the time set in a Notice of Public Hearing published in the Reno Gazette-Journal on January 13 and 20, 2000, to consider the appeal filed by the Nevada Tri Partners and the Damonte Family Limited Partnership (NTP) on the decision by the Local Managing Board regarding annexation of APN's 16-380-01, 16-350-28, 16-350-29, 16-350-39, 16-350-40, 16-350-42, 16-350-45, 16-350-47, 16-360-37, 16-360-48, 16-350-49, 16-350-55, 16-360-77, 16-370-31, 16-370-34, 16-520-03, 16-520-04, 16-520-05, 16-520-16, 16-520-18, 16-520-20, 16-520-24, 16-520-29 and 16-520-30 for inclusion into the South Truckee Meadows General Improvement District.

Chairman Short opened the public hearing by calling on anyone wishing to speak concerning this matter.

Paul Orphan, Senior Utility Engineer, reviewed the staff report and answered questions of the Board. The Water Service Contribution Agreement between Washoe County and Nevada Tri Partners concerning water service and infrastructure for the Damonte project was discussed at length. Mr. Orphan also read the policy governing annexation into STMGID.

Commissioner Galloway pointed out that the system STMGID would use to provide the service would be the system that was built by NTP, but, if annexed, there would be some additional connections between the two systems that would have to be put in place. Mr. Orphan stated that would be correct if the choice was to interconnect the rest of the STMGID system to the NTP system for backup and that is where additional costs would be incurred.

Howard Reynolds, Assistant County Manager, explained that there is a provision in the Water Service Contribution Agreement under Section 2E, which he read, that causes him concern regarding the County's commitment 'to deliver potable water....at no additional cost to NTP, including without limitation hookup fees, assessments (general or special), or any additional requirements imposed....'

In response to Commissioner Sferrazza, Mr. Orphan explained that subject property is within the proposed boundaries of STMGID and the developer is therefore required by the rules of STMGID to apply for annexation for water service; and that STMGID has the option of whether or not to annex. Commissioner Sferrazza then asked why the County would enter into an agreement that conflicts with the STMGID rules. Mr. Orphan stated that he does not believe it does conflict because it is assignable, but staff does have the same concerns regarding 2E as Mr. Reynolds.

In response to Commissioner Bond, Ed Schmidt, Director, Department of Water Resources, explained that when the negotiations took place on subject agreement between Washoe County, Sierra Pacific Power Company and NTP, STMGID was undecided whether they were going to annex this project; that STMGID sat through those negotiations; and that STMGID is not a party to the agreement because Sierra Pacific did not want them to be. Mr. Schmidt further stated that the agreement states that Washoe County will not charge, as pointed out by Mr. Reynolds, but STMGID is a separate entity; that the developer is well aware of annexation fees because they have annexed other projects; and that the developer's position is that Washoe County and STMGID are the same.

Madelyn Shipman, Assistant District Attorney, advised that another item the Board needs to consider is that, if they deny the appeal and the two systems, STMGID and NTP, are inter-tied, the existing STMGID customers will then be subject to the Groundwater Remediation District Tax. Regarding Mr. Reynolds' concerns, she further stated that there are three possible outcomes: 1) the County is saying they won't charge any additional fees, but annexation fees into the District are separate and apart and NTP would then be subject to the annexation fees; 2) another interpretation could be that the County would have to pay STMGID the \$1.8-million to hold-harmless NTP; 3) if the agreement is assigned in whole to STMGID, they would have to observe the agreement, which means they could not charge the annexation fees.

Paul Curtis, representing NTP, stated that over a year ago NTP came to the County and said we need water service in the Damonte Ranch and STMGID cannot provide the service because their system is entirely a groundwater system and there are no groundwater rights available. He further stated that the only logical answer was the wholesale agreement between Sierra Pacific Power Company, Washoe County and NTP; and that it is important to recognize that STMGID is not a party to that agreement because they could not provide service to the Damonte Ranch

since they are a groundwater system and this introduces surface water to the area. Mr. Curtis stated that NTP will build, pay for, and dedicate all the water facilities necessary for the inter-connection and that is why there is a provision in the agreement that says there are no other charges being levied. He also stated that it makes no sense for them or for STMGID to annex this project because Damonte Ranch customers will have a higher rate than the other STMGID customers which will cause problems.

John Frankovich, attorney representing NTP, stated that he does not totally agree with Ms. Shipman concerning the consequences of the County assigning the Water Service Contribution Agreement to STMGID; that one of the major purposes of the agreement was so that NTP would know when they were going to get water service and exactly how much it was going to cost them; that they are now hearing that STMGID wants \$1.8-million for annexation fees for services NTP does not need or want; and that if this annexation is approved either STMGID is going to have to waive those annexation fees or the County is going to have to pay STMGID.

Dwight Blevins, Chairman of the STMGID Local Managing Board, stated that STMGID was created for the purpose of serving water to the south Truckee Meadows, which at the time no one wanted to do, and that it was created on the backs of the people that live there. He further stated that they have clearly defined annexation policies developed over a long period of time; that the boundaries are established; that it was planned that this area could be annexed into the District; and that they had to go through the proper process to determine whether to annex and consider the impacts on the existing District, how the systems would be integrated, and the conjunctive use of the water. Mr. Blevins stated that they were aware this project would have a different rate structure, but that is not a problem for the District.

Commissioner Sferrazza asked Mr. Blevins if the agreement was assigned to them and it was determined that STMGID was not entitled to collect the annexation fees, would they still go ahead with the annexation. Mr. Blevins stated that the Local Managing Board would have to consider that and make a decision.

Heidi Oleson, Local Managing Board member, noted that she was one of the members who voted against annexation and stated that her reasons for doing so are because STMGID is not a party to the wholesale water agreement; that she is adamantly opposed to the multi-tiered rate structure because she believes it would only be a matter of time before the rates would be evened out, which would not be fair to the existing customers; that annexing the Tri-Partners would just add another layer of bureaucracy; and that if STMGID took over the County's agreement, an additional wheeling agreement (yet another layer of bureaucracy) would also be needed. In response to Commissioner Galloway, Ms. Oleson stated that the average STMGID customer is probably not aware that this annexation might subject them to the remediation tax or that this might result in higher rates for them.

Perry DiLoreto, Nevada Tri Partners, stated that new development pays its own way; that they are asking to be left alone so that they can do that; that they need to be able to identify their costs; and that they pass those costs on to their customers. He also stated that the type of customer in their development is totally different than the typical STMGID customer, who is more rural with larger lots; that their residents will use 3 times less water per household; and that they are developing their own conservation programs. He further stated that it is not necessary that someone, whether it's the developer, the County or STMGID, incur this \$1.8-million expense; that they will provide everything required to serve water to their ranch and will pay for it; and that STMGID is a fine thing but it serves a limited purpose and should only be used for the purpose it was intended.

There being no one else wishing to speak, Chairman Short closed the public hearing.

Commissioner Galloway stated that he would move to uphold the appeal of the Nevada Tri Partners and **not** annex subject property into the South Truckee Meadows General Improvement District and that he could make the necessary findings for upholding the appeal. Commissioner Bond seconded the motion. Commissioner Galloway stated that his reasons for not annexing are that he believes the 2-tier rate structure will lead to a continual adverse situation in the District; that annexation was only approved by the Local Managing Board on a 3 to 2 vote and Mr. Blevins has stated that if they were not going to get the \$1.8-million, he is not certain they would annex; that it is viable without annexation and he does not see the need for somebody, whether it's NTP or Washoe County, to have to pay \$1.8-million that they did not expect to have to pay; and that he does not believe the gain to STMGID is sufficient to outweigh that.

Commissioners Bond and Shaw concurred. Commissioner Sferrazza and Chairman Short stated that they felt they should support the decision of the elected members of the Local Managing Board.

Chairman Short called for a vote; the motion carried 3 to 2 with Commissioner Sferrazza and Chairman Short voting "no"; and it was ordered that the appeal of the Nevada Tri Partners and the Damonte Family Limited Partnership concerning the decision of the Local Managing Board to annex the above-referenced parcels into the District be upheld and the NTP property **not** be annexed, based on the following findings:

1. Sierra Pacific Power Company (SPPCo) and Washoe County have an existing Wholesale Water Agreement which provides the means for water service to NTP property, with retail service by Washoe County, via wholesale water supplied by SPPCo.
2. The existing Wholesale Agreement provides that retail customers will be charged at least SPPCo's retail water rate, helping to insure that customers will not use more water than the water rights dedicated to provide the water service. Washoe County customers in the NTP area would pay the same rate as the County's customers in Double Diamond. There would not be a rate difference between customers served.
3. A new Wholesale Water Agreement between Washoe County and STMGID would need to be drafted and approved in order for NTP property to be served surface water from SPPCo's system. NTP has surface water rights to serve their property and the only method to supply this water to NTP is through the SPPCo system. Another Wholesale Water Agreement adds another level of bureaucracy to the water service. Water would be sold by SPPCo to Washoe County. Washoe County would sell water to STMGID and STMGID would sell water to NTP customers.
4. Washoe County's water system at Double Diamond is at the same hydraulic elevation as the proposed system to serve NTP. The Double Diamond system and the NTP water improvements can be inter-tied directly; this means that the County's wells at Double Diamond can also be used to supply water to NTP in case the SPPCo water supply system is down, or in case the NTP demand is higher than what can be served through SPPCo.

In order to tie the STMGID water system and the NTP water system together, wholesale water would have to be pumped to be utilized from the higher STMGID tanks. Pressure reducing stations would have to be added to the NTP intertie because of the higher pressure of the STMGID system.

If the STMGID water system is inter-tied, existing STMGID customers may be subject to the Groundwater Remediation District Tax.

5. If NTP develops 6,000 residential lots, additional annexation/application fees of \$305/equivalent residential unit or lot would be required to be paid to STMGID per the Annexation Policy; this equates to \$1,830,000 and would add an undue burden to NTP. Under paragraph 2E of the Water Service Contribution Agreement, the County agrees to supply water at no additional cost to NTP, including hook-up fees, assessments or any additional requirements.

6. Washoe County and NTP have an existing Water Service Contribution Agreement that sets forth the costs of facilities to upgrade the SPPCo and County water system to supply water to NTP to be paid by NTP. This agreement is assignable by the County to STMGID; however, the County remains liable for all its obligations under the agreement and has to hold NTP harmless relating to any such assignment.

00-2STM IN-SITU ARSENIC MITIGATION PROJECT - STMGID WELL #2 - PARTIAL FUNDING OF EMPLOYEE AND CONSULTATION EXPENSES

Upon recommendation of John Collins, Manager, Utility Services Division, Department of Water Resources, and the Local Managing Board, on motion by Commissioner Bond, seconded by Commissioner Galloway, which motion duly carried, Chairman Short ordered that an In-situ Arsenic Mitigation Pilot Study at STMGID Well #2, with partial funding for employee and consultation expenses in the amount of \$13,291, be approved.

00-3STM AWARD OF BID - WATER METER RETROFIT PROGRAM PHASE II

This was the time to award the bid for construction of STMGID Water Meter Retrofit Program Phase II. The following is a summary of the bids received:

Mike's Trenching, Inc.	\$137,955.00
C.W. Excavating, Inc.	\$140,070.00
Interstate Utility Constructors	\$152,617.00
Joe Suter Construction Co.	\$168,700.00
Landmark Construction Co.	\$172,672.00
JDC Excavating Inc.	\$182,944.73

Upon recommendation of the Local Managing Board, on motion by Commissioner Sferrazza, seconded by Commissioner Bond, which motion duly carried, it was ordered that the bid for construction of STMGID Water Meter Retrofit Program Phase II be awarded to Mike's Trenching, Inc., the

lowest responsible, responsive bidder in the amount of \$137,955.00; that Chairman Short be authorized to execute the contract documents upon their presentation; and that the Utility Services Manager be authorized to issue the Notice to Proceed.

00-4STM MANAGEMENT REPORTS - DECEMBER, 1999

Following discussion, on motion by Commissioner Bond, seconded by Commissioner Shaw, which motion duly carried, Chairman Short ordered that receipt of the District's management and financial reports for the month of December, 1999, be acknowledged.

PUBLIC COMMENTS

There was no response to the call for public comments.

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There being no further business to come before the Board, the meeting adjourned.

TED F. SHORT, Chairman

South Truckee Meadows General Improvement District

ATTEST: AMY HARVEY, County Clerk