

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

TUESDAY

11:00 A.M.

SEPTEMBER 11, 2012

PRESENT:

**Robert Larkin, Chairman**  
**Bonnie Weber, Vice Chairperson**  
**John Breternitz, Trustee**  
**Kitty Jung, Trustee**  
**David Humke, Trustee**

**Nancy Parent, Chief Deputy Clerk**  
**Katy Simon, County Manager**  
**Paul Lipparelli, Legal Counsel**  
**Dwayne Smith, Acting Sr. Licensed Engineer**

The Board convened at 11:21 a.m. in regular session in the Commission Chambers of the Washoe County Administration Complex, 1001 East Ninth Street, Reno, Nevada, and conducted the following business:

**12-34STM AGENDA ITEM 2**

**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 STMGID Board of Trustees agenda. The Trustees will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Trustees as a whole.”

Jerry Gamroth stated the historical facts on the establishment of the South Truckee Meadows General Improvement District (STMGID). He said STMGID customers wanted to be an independent GID, but did not want to be isolated from other sources. He said the customers were also concerned that this could become a vehicle for annexation with the City of Reno.

**12-35STM AGENDA ITEM 3**

**Agenda Subject:** “Approve minutes for the Board of Trustees regular meeting of August 14, 2012.”

There was no public comment on this item.

On motion by Trustee Weber, seconded by Trustee Jung, which motion duly carried, it was ordered that Agenda Item 3 be approved.

**12-36STM    AGENDA ITEM 4**

**Agenda Subject: “Status report on the analysis and development of a feasibility plan related to the possible establishment of the STMGID as an independent water utility, which plan shall be presented to the Board of Trustees no later than November 13, 2012.”**

Rod Savini, Gray and Associates, provided an update on the feasibility study related to the possible establishment of the South Truckee Meadows General Improvement District (STMGID) as an independent water utility, which was placed on file with the Clerk. He discussed the objectives of the analysis, the assumptions, the estimate of STMGID operating revenues, expenses and net income (loss) as a standalone system. He covered the preliminary infrastructure cost estimates and the anticipated operating and maintenance expense summary.

Trustee Breternitz inquired what the estimated amount for the isolation of the system would be. Mr. Savini explained that the preliminary findings were developed and presented to the Local Managing Board (LMB). In regard to severing STMGID and making it a separate operational system, the preliminary cost would be approximately \$4.5 million. He said the preliminary estimate to construct redundant improvements to the Washoe County water system in order to separate service areas from STMGID resulted in a preliminary separation cost of \$10.3 million, totaling approximately \$15 million.

Trustee Humke asked if the Truckee Meadows Water Authority (TMWA) wheeled water through STMGID. Dwayne Smith, Acting Sr. Licensed Engineer, stated that TMWA did not wheel water through the STMGID system. However, the Department of Water Resources (DWR) did and explained that some wholesale water was received from TMWA. Trustee Humke asked on the types of situations where water would be wheeled with TMWA. Mr. Smith indicated there were three conditions including: regular water service; emergency situations; and, as required by NRS, all service areas would receive at least two sources of supply. Trustee Humke said he had been informed that TMWA would refuse to deal with an “independent” STMGID and asked if that was a true statement. Mr. Smith did not know if that was a true statement since he could not speak for TMWA. He said he attended meetings with TMWA where those comments had been made, and understood that STMGID desired through the feasibility study to review an independent water system in order to have full control and operation. Trustee Humke questioned the \$15 million cost of independence. Mr. Smith stated that the \$15 million represented a worse-case scenario, and was only a preliminary figure that had not been fully vetted through the other stakeholders. He said the November 13, 2012 deadline was identified knowing that the County would be planning to merge with TMWA on July 1, 2013, which left a short amount of time to complete an implementation phase. Mr. Smith said the goal was to do this work thoroughly but in a quick timeframe, and then address the implementation. Trustee Humke asked about the preliminary assessment of the \$15 million costs. Mr. Smith reiterated that was a worse-case scenario and potentially other elements could be reviewed through the feasibility study and by modifying the scope of

work. Trustee Humke asked what was involved in the worse-case scenario. Mr. Smith said the plan involved some new water sources, water tanks and transmission mains. The current system was built and had been in operation over the last 30 years and, unfortunately was not easy to dismantle. He said under the worse-case scenario it would be millions of dollars to dismantle and provide a system that operated specifically for STMGID and DWR.

Chairman Larkin asked if Mr. Savini felt he was within the scope of work that he bid upon. Based on the scope indicated with the costs and developed to date, Mr. Savini replied that was correct. Chairman Larkin said part of the scope of work was to develop at least one end of the book ends, or a system to completely standalone STMGID, but the other end needed to be placed since it was not included and developed. Mr. Savini stated that was correct. He said the information presented to the LMB were the service area drawings and the preliminary design of the system. He said the cost information was formulated and presented upon formulation of the preliminary feasibility findings to the LMB on September 6, 2012. Chairman Larkin asked if there should be another opinion or view other than a standalone agency. Mr. Savini agreed and, as part of the feasibility team, he had identified alternatives and provided them to DWR and TMWA.

Trustee Breternitz said when he was a representative on the TMWA Board, he did not recall a statement that they did not want to deal with STMGID. He said the Trustees had gone with the wishes of STMGID since they did not want to merge with TMWA and were also trying to accommodate their ratepayers in letting them choose between an independent water system or TMWA.

Steve Cohen, LMB Chairman, stated that the \$15 million was one side of the scenario, but the LMB did not think that was an option. If the isolated scenario were implemented, he said it would take a few years to build that infrastructure. He stated there were many other options to consider such as a proposal to trade service territories. He said the scope of work could be changed, but the LMB needed the Trustees help in bringing some of the parties together to discuss those other alternatives. If other options would be considered, he suggested stopping the scope of work in order to save money and begin working on those other options.

Chairman Larkin questioned the other end of the spectrum. Chairman Cohen replied it would be an interlocal agreement with Washoe County that would have little infrastructure being built. He said STMGID would become their own trustees and operate through interlocal agreements. Chairman Larkin stated that operation would cease to exist with the DWR/TMWA merge. Chairman Cohen said then the interlocal agreement would need to be with TMWA or a successor organization. He suggested the Board of Trustees facilitate a joint meeting with either TMWA or the Sun Valley General Improvement District (SVGID).

Paul Lipparelli, Legal Counsel, explained that the Board of Trustees had engaged separate legal counsel to advise them and the LMB on issues related to potential

arrangements between the District and the County. As the legal counsel for Washoe County, he said the TMWA merger was a transaction between the County and TMWA. He said TMWA did not have to refuse to provide service to STMGID, but it could impose upon the County all the responsibilities for coordinating how that service would be provided. After the merger with TMWA, it would be questioned what Washoe County agency would exist to carry out the duties that TMWA wanted to give the County to coordinate service with STMGID. One option would be for TMWA to take the whole thing, STMGID would cease to exist and there would be nothing to coordinate. Mr. Lipparelli said the key question was how the County would be able to respond to the negotiation points with TMWA when they said the County had to take responsibility. As the Board of Trustees, it would benefit all concerned if the hired special counsel would be authorized to share with County personnel their legal analysis on some of the issues.

Rew Goodenow, Special Legal Counsel, stated that he would share with County's counsel the recent opinion to the LMB and would do so after being authorized by the Board of Trustees. Chairman Larkin directed Mr. Goodenow to meet and share the information with Mr. Lipparelli.

There was no public comment on this item.

Trustee Weber stated that the STMGID community did not want to be isolated. She felt that the Board had allowed staff to engage down a path of the grandest way instead of being conservative and seeking what was best for the community.

**12:05 p.m.** Chairman Larkin left the meeting and Vice Chairperson Weber assumed the gavel.

Trustee Breternitz did not see a scenario where he would support the County spending \$10 million to allow this transaction to take place. He said independence had a cost and asked about the alternatives between the scope, the scale of the scope of work that had been developed and the alternatives acceptable to TMWA. He suggested a Board member, as the representative on the TMWA Board, institute conversations to expedite the communication with TMWA to determine lesser costs for a conclusion. Commissioner Breternitz questioned what suggested changes, in terms of scope and scale, needed to be made to allow for alternatives to be reviewed.

Mr. Goodenow cautioned the Board of Trustees that the considerations they should be making were based upon their role as Trustees for the STMGID system. He said the costs to the County were not directly their concern sitting as the Trustees.

Katy Simon, County Manager, said one of the issues that had been a guiding principle for DWR had been the understanding there was so much concern about the TMWA affiliation that it narrowed the options. Now it was known that the LMB would consider some discussions with TMWA, which opened up more options.

Trustee Breternitz said it was a matter of directing County staff, as Trustees, with a bulleted list of what was needed to arrive at the alternatives that would potentially allow the Board to make decisions in the best interest of STMGID, and result in a more cost effective arrival at a solution to satisfy STMGID and the County Commission.

Vice Chairperson Weber said the direction had been given. She said that the Board's representatives who sat on the TMWA Board would return to them and open those discussions.

There was no action taken on this item.

**12-37STM AGENDA ITEM 5**

**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 STMGID Board of Trustees agenda. The Trustees will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Trustees as a whole."**

Malachy Horan said everyone was looking for a win-win situation and a positive outcome. He questioned how much had been spent to date and how much remained. There was a short time frame and now other options would be reviewed, which took time. He asked if the November 13, 2012 date was still realistic.

**12-38STM AGENDA ITEM 6**

**Agenda Subject: "Trustees'/Staff's, Announcements, Requests for Information, Topics for Future Agendas, Statements Relating to Items Not on the Agenda and any ideas and suggestions for greater efficiency, cost effectiveness and innovation in STMGID government. (No discussion among Trustees will take place on this item.)"**

Vice Chairperson Weber requested an agenda item to answer the questions posed by Malachy Horan during public comment. She also requested any future updates or reports be submitted to the Board in writing.

Trustee Humke said an entity such as the Department of Water Resources (DWR) could direct an outcome by the questions asked of a contractor. He had heard from several citizens that DWR was directing the outcome through the research questions they asked the contractors to perform. If that was happening, he said that would be the responsibility of the Local Management Board (LMB) and the Board of Trustees to review.

Trustee Breternitz said a new direction could not be achieved or identified until there had been conversations with TMWA. Chairman Cohen agreed and said the

original direction needed to be broadened. He said in the original scope there was no direction to review alternatives.

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**12:30 p.m.** There being no further business to come before the Board, on motion by Trustee Breternitz, seconded by Trustee Jung, which motion duly carried with Chairman Larkin absent, the meeting was adjourned.

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**ROBERT M. LARKIN**, Chairman  
South Truckee Meadows General  
Improvement District

**ATTEST:**

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

*Minutes Prepared by:  
Stacy Gonzales, Deputy County Clerk*