

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

TUESDAY

10:00 A.M.

NOVEMBER 13, 2012

PRESENT:

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

Amy Harvey, County Clerk (10:30 a.m. to 11:20 a.m.)
Nancy Parent, Chief Deputy Clerk (11:20 a.m. to 12:08 p.m.)
Katy Simon, County Manager
Paul Lipparelli, Legal Counsel

ABSENT:

Kitty Jung, Trustee

The Board convened at 10:30 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:

Rod Savini, Gray and Associates, noted that Local Managing Board (LMB) Chairman Cohen was not present.

12-58STM 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.”

There was no response to the call for public comment.

12-59STM AGENDA ITEM 3

Agenda Subject: “Approve minutes for the Board of Trustees joint meetings of September 25, and October 9, 2012.”

There was no public comment on this item.

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

12-60STM AGENDA ITEM 4

Agenda Subject: “Presentation and discussion of the final Feasibility Study report, a report on the analysis and development of a plan related to the possible establishment of the STMGID as a general improvement district independent of Washoe County Department of Water Resources.”

Rod Savini, Gray and Associates, indicated that the Feasibility Study began on August 7, 2012 and noted that periodic status reports and updates had been provided to the Local Managing Board (LMB) and the Board of Trustees (BOT’s). He explained that two formal presentations would be conducted regarding the engineering consultant’s findings and the financials for the Feasibility Study. He said the Study contemplated the South Truckee Meadows General Improvement District’s (STMGID’s) system independence, or stand-alone and separation of STMGID from Washoe County service areas.

Randall Long, Lumos and Associates, conducted a PowerPoint presentation, which was placed on file with the Clerk. The presentation included STMGID becoming a stand-alone system; STMGID’s existing water system; the General System Assessment; the Operational System Assessment; STMGID’s preliminary infrastructure improvements; the stand-alone facilities plan, operations and maintenance; a stand-alone entity with savings, savings categories, savings criteria and savings per category; STMGID’s savings to preliminary infrastructure improvements (Alternate C); stand-alone with savings and, the estimate of total savings and an estimate of the total cost.

John Solari, Solari and Partners, LLC, conducted a PowerPoint presentation, which was placed on file with the Clerk. The presentation highlighted the scope of the analysis and focused on evaluating three potential scenarios; Option A – a merger with the Washoe County Department of Water Resources (DWR); Option B – STMGID as a stand-alone entity; and, Option C – a STMGID stand-alone agency with savings. The presentation also included the objective of the analysis; Option A considerations, estimated rate impact on the average customer consumption and the estimated rate impact; Option B considerations, projected financials, and the estimated rate impact on the average customer consumption; and Option C considerations; STMGID sources of funds; uses of funds, projected bond structure and the financial projection. Mr. Solari stated there was an Option D that had been received and was being reviewed by DWR and the LMB; however, there had not been any financial analysis conducted on that Option because there were several issues that needed to be resolved before a model could be put together.

Trustee Humke asked if this presentation was conducted for the LMB. Mr. Solari stated that the presentation had been before the LMB. Trustee Humke asked if there were errors contained in the presentation. Mr. Solari stated that the Feasibility Study included a comparison of the Truckee Meadows Water Authority (TMWA) rate as opposed to the DWR rate. When the document was originally prepared, he said it was understood there would be a merger of some sort and was being determined as to which rate to use in the original study. After further discussion, he said the original proposal was actually for the DWR rate. He acknowledged there may have been some confusion as to which rate was being compared.

Trustee Humke said the BOT's directive to DWR was not to be involved in the affairs of STMGID as it effected reviewing whether they merged into DWR or attempted to stand-alone; however, there may be evidence that direction had not been followed. He was concerned there was a desire by DWR and the County to hasten the merger of STMGID into DWR so the merger with TMWA could take place, which covered many items that should be brought forward.

Mr. Savini updated the BOT's on the other scheduled activities that needed to return to the LMB for their consideration. He said the communications timeline had begun for the ratepayers and that a 10-page packet would be mailed to all STMGID ratepayers who would then be asked to provide their responses back to the communication consultant by November 28, 2012. During that period, two open houses were scheduled for November 26th and November 27th that would have stations showcasing the four options. He said individuals from the consultant team and LMB members would be present to review those options with ratepayers. Mr. Savini stated there was a LMB meeting scheduled for December 6th where any responses would be provided to the team such as outreach, questions or comments. He said there would be the opportunity to discuss with the DWR staff some of their clarifications required in regard to the Feasibility Study. During the December 6th meeting, he said the LMB would be poised to provide a recommendation and formalize that recommendation for the BOT's which would be presented during the December 11th STMGID meeting.

Trustee Weber was concerned about the timeline and felt it may be rushed. She asked how STMGID customers were being informed of the on-going process. Mr. Savini explained that inserts with information had been provided in their bills. He reiterated that a very detailed ratepayer packet would be mailed and would include a matrix comparing all the options. Mr. Savini indicated that customers had prior notice of the December 6th LMB meeting and actions throughout this entire process. Trustee Weber asked how Option D would be incorporated into any vote by the LMB. Mr. Savini replied that any information received for Option D would be included in the 10-page packet mailed to ratepayers, but that option was not completed as this point.

Trustee Weber asked if there was a way to provide more information to the ratepayers about Option D. LMB Member Schumacher explained that Option D was a merger option that incorporated, but would not bear the existing TMWA debt. He remarked that the STMGID ratepayers would not be burdened with that existing debt.

Rew Goodenow, STMGID Legal Counsel, distributed a one page document titled "Proposed Terms – STMGID/TMWA Merger," which was placed on file with the Clerk. He said the term sheet simplified the discussions he had with representatives from TMWA and DWR. Mr. Goodenow stated the proposed terms were the embodiment of proposals broadly discussed and accepted by the interest groups he had spoken with. He explained he had made efforts to include the "Save Our Water" group and thanked them for their input and complimented them for their efforts in assistance in preparing a proposal.

Chairman Larkin stated this was a STMGID/TMWA merger proposal not a STMGID/DWR proposal. Mr. Goodenow stated that was correct. Chairman Larkin felt that on page two of the Feasibility Study, Option D was mischaracterized as an offer from DWR. Mr. Goodenow summarized he had been directed to speak with the TMWA Board in an effort to reach a more direct line of communication and agreement between TMWA and STMGID to ensure the terms of an agreement would be binding upon both parties and have accurate communication about those terms. Now there was work toward a more direct contract between STMGID and TMWA. He said the general intent noted in the first line of the term sheet stated a revenue cost neutrality of arrangement. He stated the general concept of the term sheet was to make the discussions easily understood.

Mr. Goodenow commented that the most recent discussions focused on rates remaining the same, both for metered-rate customers and flat-rate customers. He said the rate moving forward would not include payment of the existing TMWA debt. He said it had been proposed to take that component out of the rate moving forward as described in item No. 1 on the term sheet. Mr. Goodenow said another concept covered rates changing and adjusting the rates up or down based on the percentage adjustments in the TMWA rates for the applicable customer-type moving forward. He said a concern was also raised about the right-of-way toll, which was legislatively enacted when TMWA was formed and was originally stated as 3 percent, but was actually 5 percent and was reflected on TMWA customer bills. He explained that toll applied to customers within the City limits of Reno and Sparks, but was not a large number in comparison to the total amount and was only referenced for informational purposes.

In describing item No. 2 on the term sheet, Mr. Goodenow said it had been simplified to explain that ratepayers would adjust to the full TMWA rate after the merger and would be triggered similar to a transfer tax. He said the final adjustment would be the expiration of the current debt identified by the TMWA bonds dated 2035, when the rate adjustment would be eliminated.

Mr. Goodenow said item No. 3 on the term sheet dealt with cash under the proposal. He said STMGID had restricted funds and those funds, identified as being associated with the Curti Ranch improvements, would be held for the purposes they restricted. He explained that designated funds would become undesignated if they could and added to the unrestricted funds. The unrestricted funds would then be placed in a restrictive trust and held for three uses: contingent liabilities; constructing facilities to move surface water into the system; and, rehabilitation and repair of the existing system.

He said STMGID assets not used in the system would be sold and the cash distributed to ratepayers.

Based on the proposed term sheet and the 5 percent right-of-way toll, Trustee Humke stated there was disparate treatment to STMGID customers residing within the city limits of Reno and Sparks versus those not residing within those city limits. Based on the disparate rates, he asked if that legislative enactment prevented those customers from pursuing a lawsuit. Mr. Goodenow replied he did not know of any prohibition for legal action contained in the statute or current regulation based upon disparate treatment. Trustee Humke said his a role was to look after all citizens in District 2 that found themselves rate payers in STMGID and other entities and felt that the question needed to be asked.

Trustee Humke inquired on the triggering events. As mentioned in item No. 2 on the term sheet, he said it appeared that a “rights estate” would be established for the rate as long as that owner remained on the property. Mr. Goodenow stated that was what was attempting to be sought and was simplified to reflect as if a transfer tax applied. Trustee Humke asked if item No. 3 on the term sheet dealt with restricted and unrestricted cash. Mr. Goodenow replied that item No. 3 dealt with the restricted, unrestricted and the designated cash. In the present accounting descriptions, he said there were two categories, restricted and unrestricted, and were not consistent with TMWA’s descriptions, which was more of a rigid defining type of description of restrictive cash. It was difficult to state TMWA’s previous position because he had not been authorized to speak to them directly.

Trustee Humke stated there were open houses scheduled where a package would be presented to ratepayers. It was noted that stations would be set up at the open houses, but felt that the “cookies were not fully baked” since negotiations were not complete. He said the citizens would either be afforded certain options in the process or have something completed and/or a negotiating position completed. Mr. Goodenow said the point was well taken. He would prefer to have everything completed; however, everything was not completed, but best efforts were being made to have an agreement in place where everyone would be equally satisfied or dissatisfied. He felt it was appropriate to request the BOT’s direction to speak to TMWA about drafting a definitive agreement that incorporated the terms he described. He hoped that process would begin soon and be underway by the time the open houses occurred. Trustee Humke questioned the timeline. Mr. Goodenow replied there was no requirement of completion other than the one imposed by the BOT’s on his work. He remarked that STMGID customers were not shareholders in the sense they did not own an interest in the assets that entitled them to dividends and, if the entity dissolved, they would not receive a share of the real property. However, the way STMGID customers viewed their GID and the way they participated in governance, they were like shareholders since they were very active and felt an ownership and an economic interest. He said the customers enjoyed a perception of good service and water quality. Trustee Humke asked if those customers, as differentiated from other types of utility customers, deserved an explanation of what was occurring to their GID before it was dealt away to a larger utility. Mr. Goodenow agreed.

Trustee Breternitz said there were certain things the LMB was working on for their constituents that was not yet firmed up. As Commissioners, if the Board decided in another action to either delay or chose not to proceed with the merge, there was still a certain track being pursued. He felt there was a way for both entities to win as far as schedules, but questioned how the DWR merger could continue on the current schedule if the Board chose to effectuate the ordinance change related to empowering the LMB with the Trustee authority. He asked if there was a way for that to work, for the Board to allow Mr. Goodenow to continue the negotiations and also allow the County and DWR to proceed as scheduled. Mr. Goodenow felt the threshold issue was that TMWA, as reflected in the current agreement, insisted that the STMGID issue be resolved before the DWR/TMWA merger happened. He believed that TMWA would not proceed with the DWR/TMWA merger unless the STMGID issue was resolved. He said the necessary tasks to accomplish all of those things could not proceed simultaneously if it was the BOT's judgment to proceed with the combination of all three entities. He felt it would be difficult to accomplish without having the basis for an agreement and accepted by the two major governing bodies.

Trustee Breternitz said part of the disposition of STMGID, as far as TMWA was concerned, would be if it was determined that STMGID would be a separate operating entity. He said there were some downsides in passing along the authority to the LMB, which if continuing on as DWR and there was not a deal, an obligation would exist to maintain or develop some level of separation of DWR because at that point STMGID would be part of the merger. Mr. Goodenow said the whole concept sounded rationale; unfortunately, he felt it would not happen because he believed that TMWA was opposed to concluding the DWR/TMWA merger without a resolution concerning STMGID.

Trustee Breternitz said he was not supportive of stopping one process, which impacted many more people, but was also not a supporter of having the 3,700 STMGID customers control the disposition of the larger customer base.

Chairman Larkin invoked his authority and called for a recess to return to the Board of County Commissioners' Agenda Item 8, for information only, since he felt that would be germane to this conversation.

11:50 a.m. The Board recessed.

12:08 p.m. The Board reconvened.

Chairman Larkin stated this was a non-action item and asked if there was additional information that needed to be provided. With no further discussion, there was no action taken or public comment on this item.

12-61STM AGENDA ITEM 5

Agenda Subject: “Discussion of the November 1, 2012 Local Managing Board recommendation regarding the possible transference of STMGID Trustees from the current Board of Trustees to standing members of the Local Managing Board.”

Rod Savini, Gray and Associates, stated that the Local Managing Board (LMB) met on November 1, 2012 and was recommending to the Board of Trustees that transference be tabled until January of 2013.

LMB Member Allman felt that it would be best to continue the transference until January 2013. She was unsure if the newly-elected LMB members would be interested in becoming Trustees.

LMB Vice Chairman Schumacher stated that LMB Chairman Cohen initially had reservations about the legal liabilities and financial liabilities, but given the fact that the South Truckee Meadows General Improvement District (STMGID) was bonded, those reservations had disappeared.

Bob Atcheson, LMB Member-elect, said there were “so many straws in the cup” that it was confusing. He said it would be cause for concern for all the ratepayers to know who was doing what to whom. He agreed this should continue until January 2013 and let the LMB, as a single unit, negotiate with the parties involved.

Trustee Humke said there was some concern from the LMB’s members as to withstanding legal and financial liabilities. He asked if there was a plan for the transition including information to the LMB and/or the County Commission as how those challenges would be withstood. Rew Goodenow, STMGID Legal Counsel, explained a memorandum had been drafted for the LMB members describing the potential risks and protections that may be afforded to them as with other similar boards.

There was no action taken or public comment on this item.

12-62STM AGENDA ITEM 6

Agenda Subject: “Approve the Local Managing Board’s recommendation to disburse funds in the amount of \$278,183 to Washoe County, which amount satisfies STMGID’s remaining financial responsibility associated with the Mt. Rose-Galena Fan Domestic Well Mitigation Program.”

In response to a concern from Trustee Humke, Dwayne Smith, Acting Sr. Licensed Engineer, noted there was a clerical error contributing to this item not being numbered as other agenda items. He explained this item, if approved, would eliminate the South Truckee Meadows General Improvement District (STMGID) from any further liability associated with this program. However, it would not eliminate STMGID from

any other liability associated with other domestic well mitigation outside of this boundary.

There was no public comment on this item.

On motion by Trustee Humke, seconded by Trustee Breternitz, which motion duly carried with Trustee Jung absent, it was ordered that Agenda Item 6 be approved.

12-63STM AGENDA ITEM 7

Agenda Subject: “Approve and authorize the Chairman to execute the Memorandum of Legislative Cooperation by and Among the Local Governments, Affected Government Entities, Service Providers, and other Agencies in the Truckee Meadows Region for the 2012/13 session of the Nevada Legislature.”

There was no public comment on this item.

On motion by Trustee Humke, seconded by Trustee Breternitz, which motion duly carried with Trustee Jung absent, it was ordered that Agenda Item 7 be approved, authorized and executed.

12-64STM AGENDA ITEM 8

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.”

Keith Ristinen stated he was a customer of the Department of Water Resources (DWR) and was interested in the financial success of that system. He was concerned with who was looking out for the DWR ratepayer in the merger process. He wondered, as a DWR customer, why he would have to pay for wasteful duplicate facilities that would break up a useful system.

Mary Ann Williams expressed her thanks to the Board because questions were being answered that she had concerns over. She stated that the customers needed their protection and she felt that time was critical.

12-65STM AGENDA ITEM 9

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 Humke requested an agenda item to terminate the agreement, in principle, dated on or about December 2009 to merger or otherwise reallocate assets of the Washoe County Department of Water Resources (DWR), the South Truckee Meadows General Improvement District (STMGID) into the Truckee Meadows Water Authority (TMWA). He said that was intended to be an action item and that legal staff and other staff should provide options to the Board, the Local Managing Board (LMB) and, at a minimum, offer a stay on the current schedule of events pertinent to the TMWA/DWR and/or STMGID merger.

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12:33 p.m. There being no further business to come before the Board, on motion by Trustee Humke, seconded by Trustee Breternitz, which motion duly carried with Trustee Jung absent, the meeting was adjourned.

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

ATTEST:

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

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