



**SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT (STMGID)
BOARD OF TRUSTEES**

Board of Trustees Present

Steve Cohen, Chairman
Gerald Schumacher, Vice Chairman -
E. Sue Saunders, Secretary
Bob Acheson, Member
Gary Tavernetti, Member –

The **BOT Monthly Meeting** was held at **6:00 p.m.** on **Thursday, December 5, 2013**, at the **South Valleys Library, Courtside Room, 15650A Wedge Parkway, Reno, Nevada.**

6:00 p.m. Monthly Meeting

- 1. Determination of quorum. (non-action)** - All STMGID Board of Trustees are present; we have a quorum
- 2. Approve Agenda for the BOT Monthly Meeting of December 5, 2013. (for possible action)** – Member Acheson moved to approve the agenda for December 5, 2013; Secretary Saunders seconded the motion. The motion carried unanimously.
- 3. Approve minutes for the BOT Monthly Meeting of October 3, 2013. (for possible action)** - Secretary Saunders moved to approve the minutes for the BOT monthly meeting of October 3, 2013; Member Tavernetti seconded the motion. The motion carried unanimously.
- 4. Public Comment. Comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the BOT agenda. The BOT will also hear public comment during individual action items, with comment limited to three minutes per person. Comments are to be made to the BOT as a whole. (non-action)**

Jerry Gamroth –“I thank the board for appointing a member of the POW to the merger advisory board. I would also like to thank Mike Schulewitch for all of his volunteer time, and members of the board for the time they have put in to finalize the merger agreement.” Looking back at past STMGID minutes, the advisory board acknowledged the POW as a part of the advisory board in 2003.

Public Comment - Closed

- 5. Public hearing, discussion, and possible action regarding a request of Harry Fry on behalf of new property owner Rogelio Jimenez-Recendis to annex APN 017-510-20. (for possible action)**

Rod Savini, Gray & Associates – This item was heard several months ago regarding Harry Fry’s request for annexation. The item tonight is the outfall of time between the request to be heard, and the item before the board where one of the parcels was sold. The Board took action on the four parcels, with this parcel to be removed and to be heard separately at a later date. This parcel has been analyzed with a new owner and an application for annexation has been submitted to the Washoe County Department of Water Resources (DWR). Everything is in order. The action today is to annex parcel APN 017-510-20 into the STMGID service area to accompany the other 4 parcels owned by Harry Fry.

Rew Goodenow, Parsons, Behle & Latimer (PBL) – This parcel is in order and was sold between the request for a hearing and the agenda item to come before the Board.

Member Acheson makes the motion to approve the annexation of new property owner Rogelio Jimenez-Recendis to annex APN 017-510-20; Vice President Schumacher seconded the motion. The motion carried unanimously.

- 6. Recommendation to amend the legal services agreement with Mr. Rew Goodenow of Parson, Behle, and Latimer for legal advice regarding merger negotiations between STMGID and TMWA, representation and revision to any intermunicipal or interlocal agreements, meeting attendance and participation, coordination with STMGID and staff, consultants, and other participants; and assistance with property dispositions related to the merger. (for possible action)**

Rew Goodenow, PBL –Our yearly engagement letter was a not-to-exceed (NTE) amount of \$50,000. The

Board authorized a total amount of \$75,000. We have reviewed our billing statements through the end of December and we will not exceed the \$75,000 amount. We requested an amendment to the agreement for a NTE of \$75,000.

Public Comment - Closed

Member Tavernetti moves to amend the legal services agreement with Mr. Rew Goodenow of Parson, Behle, and Latimer for legal advice regarding merger negotiations between STMGID and TMWA, representation and revision to any intermunicipal or interlocal agreements, meeting attendance and participation, coordination with STMGID and staff, consultants, and other participants; and assistance with property dispositions related to the merger; Vice President Schumacher seconded the motion. The motion carried unanimously.

- 7. Presentation, discussion, and acknowledge receipt of the South Truckee Meadows General Improvement District's Comprehensive Annual Financial report for FY 2012-13 and audit opinion from Kafoury, Armstrong Company. (for possible action)**

Felicia O'Carroll, Kafoury, Armstrong & Co. – With me today is Debra Clark and Kurt Slicker which were the STMGID audit team. They will answer any questions you may have. We are presenting the audit highlights for the fiscal year ending June 30, 2013. We have issued a clean opinion which is the highest level of assurance this CPA firm offers. "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Truckee Meadows General Improvement District as of June 30, 2013. The changes in financial position and cash flows thereof, for the year then ended, are in accordance with the accounting principles generally accepted in the United States of America."

The Management's Discussion and Analysis (MD&A) was a narrative written by management, and in this case by Washoe County, to put together the activities and what happen throughout the year. The rest of the report is represented in the graphs: Cash Balances – there is an upward trend in the cash balance and this is partly due to no major capital improvements, despite the payout for the feasibility study; Capital Contributions and Improvements – capital contributions, comprised mostly of developer contributions, are at their lowest in 5 years and capital improvements are at their lowest in 5 years; Total Revenues – your total revenues decreased while your water sales increased; Total Expenses by Category – the feasibility study is shown as a special item; Increase in Net Position Before Capital Contributions – this year shows a decrease before capital contribution, however it is the unrealized loss on investments; Operating Revenues, Expenses and Operating Income (Loss) – operating loss went down from operating loss in 2012.

Compliance with Nevada Revised Statutes and Administrative Code: The District conformed to all significant statutory constraints on its financial administration during the year. There were no violations noted.

We delivered additional information regarding how the overall audit went. If we had difficulties with management or other portions of the audit it would listed here. We do not have anything to report.

Public Comment - Closed

Secretary Saunders moves to approve receipt and approve the South Truckee Meadows General Improvement District's Comprehensive Annual Financial report for FY 2012-13 and audit opinion from Kafoury, Armstrong Company; Member Acheson seconded the motion. The motion carried unanimously.

- 8. Affirmation by STMGID and Washoe County to transfer water connection privilege fees paid by Lewis Land Company and accrued interest for the George Curti II residential development, an area deannex by STMGID in 2003, from STMGID Fund 5070 to Washoe County Fund 5154. [\$2,674,982.20]. (for possible action)**

Dwayne Smith, Washoe County Community Service District (WCCSD) – The report was distributed at the meeting. As background, in the past fees for annexation and connection fees have been paid by

Lewis Land Company and held in fund 5070. Annexation fees have been returned to the developer; however, we are discussing the connection fees and interest in association to those pooled fees. There was an agreement between STMGID and Washoe County when STMGID deannexed those properties. Washoe County assumed the liability. At that time, a wheeling agreement to wheel through Truckee River water to service the area was initiated. The last agreement in place was in 2006 and is a mechanism to balance water. The agreement also says that when it is time the funds would be refunded with interest at the time the account needs to be reconciled. Action tonight is affirmation of the Board for Washoe County to do the journal entry to move the money from the STMGID restricted account to the Washoe County restricted account.

Member Acheson – Your report says that all annexation Lewis Homes fees were refunded in 2003.

Dwayne Smith, WCCSD – There are two collections that took place at that time, one for annexation to get water and the other for connection. Once the inability to serve their development with groundwater was determined, they wanted to deannex so they would be able to use Truckee River water. The BOT approved the deannexation of the Curti II area and by that action they approved the refund of the annexation fees. These fees were refunded in 2003. This is a separate issue from the connection fees.

Public Comment - Open

Mike Schulewitch, POW Merger Subcommittee Member – Our investment through Washoe County is where our fund is held. If we pay Washoe County \$2.6 million, we would have a loss on our investment. On the statement it shows a loss, although it really is not a loss until you pull it out of your funds. Does the balance you show recognize the realized loss on our investment? At the time of the refund distribution we need to make sure their refund shows the loss or gain of revenue at the time of sale on their investment fund.

Jerry Gamroth – Quoted from the approved minutes dated May 19, 2003. Approve and recommend the Board of Trustees to direct staff to refund annexation and connection fees in the amount of \$22,900 to Lewis Land Company of Nevada for the Curti Ranch II, Unit 3. James Covert, Trustee, asked if the refund of the connection fees would come from connection fee reserve and the annexation refund from the operating fund. John Collins received assurance from Lewis Land Company that they have moved on and would not be seeking any further refund to release STMGID from any further action.

Ben Hutchins, WCCSD – Just because there is a change in the fair market value it does not mean there is a loss for the investment income. The realized loss is not noticed in these figures.

Public Comment - Closed

Chairman Cohen – I was told that the money and interest goes with agency that constructs the Curti tank.

Member Tavernetti – I cannot support this until we have more answers. Gerry has brought up more questions in past minutes and I would like to postpone until next month. My preference would be, if it does not hurt the developer, to wait until the merger with TMWA. They have more resources to sort through all of this.

Ben Hutchins, WCCSD - We can demonstrate the money that was put in the fund and verify if the money was paid back. Questions that need to be answered are: Did they pay the money?; How was it paid?; and Why it was paid?. The second question is: Was the money paid back? Even though the minutes stated that annexation and connection fees in the amount of \$22 thousand dollars were paid back, we are talking about a fund with \$2 million dollars, so we need to figure out what the money was refunded for. We will bring this back next month.

Chairman Cohen – Do you anticipate building the tank before the merger?

Dwayne Smith, WCCSD – We have already spent money on the transmission main, booster station and infrastructure, all of these pieces are within the restricted account. Connection fees are for all the appurtenances to support the water system including the tank. Backing up to minutes in 2003, it was for Unit 3 which consisted of 5 lots.

Chairman Cohen – I understood the fund was for the tank only and now I hear infrastructure. I am with Gary to postpone until we get more information.

Member Tavernetti – Does Washoe County have a copy of the developer's agreement? Can it be provided to the Board?

Vice President Schumacher – At the end of the day, no check is going to be written to any developer and we are just discussing transfer of funds to the water purveyor responsible for the water system.

Ben Hutchins, WCCSD – The funds will go to Washoe County as a house cleaning item and ultimately to TMWA as a part of the merger.

9. Presentation by the merger negotiation committee members regarding their recommendations for the merger agreement between STMGID and Truckee Meadows Water Authority and approval of or other action on merger agreement. (for possible action)

Rew Goodenow, PBL – The Board appointed a sub group to discuss with TMWA on the agreement. The appointed sub group consists of Rew Goodenow, Rod Savini, Mike Schulewitch, Gary Tavernetti, Bob Acheson and thank you for your efforts. They have developed finer points to discuss with representatives of TMWA, and met with their counsel. The draft circulated to the Board is the product of that meeting. The recommendation of the negotiation subcommittee is that the Board adopts the printed inter-local agreement. After this Board acts, it goes to resolution with the Washoe County Commissioners to adopt the ordinance in compliance with NRS, and then approval with its merger with TMWA which leads to the conditions in 3.1.

Member Tavernetti – I am in support of this agreement. I would like to thank TMWA and staff for their cordial and fair negotiations. Thank POW officially for their help and the volunteer work that Mike Schulewitch and the rest of the POW put in.

Mark Foree, TMWA, General Manager – The merger agreement will be presented to the TMWA board on December 11, 2013. As with the Board, we also appreciate the STMGID subcommittee and POW. It was a professional effort with a happy outcome. The target date for that merger is December 2014. We have allowed lead time for items that are scheduled to take 9 months to complete. Up to this point, STMGID has taken a majority of our time.

Public Comment - Closed

Member Acheson motions to accept presentation by the merger negotiation committee members regarding their recommendations for the merger agreement between STMGID and Truckee Meadows Water Authority and approval of, or other action on merger agreement, and turn it over to TMWA and direct Washoe County Board of Trustees to sign the ordinance; Member Tavernetti seconded the motion. The motion carried unanimously.

Chairman Cohen – I know he is not here tonight however we need to give a big thanks to Mal Horan for getting this whole thing started two years ago.

10. Discussion and possible direction to Washoe County Community Services regarding the possible abandonment of Well 9. (for possible action)

Dwayne Smith, WCCSD – The staff report is written in a phased approach to abandoned Well 9. Phase I: Well abandonment and reallocation of water rights; Phase II: Water treatment equipment reuse or disposal; and Phase III: repurpose the building and land. The figure from Washoe County is a conservative figure. STMGID will be charged the actual amount for the mob and de-mob of the driller.

Public Comment - Open

Kathy Bowling – Tropicana 360 acre feet of water rights to transfer to another STMGID well. I hate to see any arsenic water transferred to a good well.

Public Comment - Closed

Dwayne Smith, WCCSD – Water rights are challenging and it might be better talking to Kathy after the meeting.

Chairman Cohen – When a well has been approved for use and later it contains arsenic, the area will still get water.

Vice President Schumacher motions to direct Washoe County Community Services regarding the Phase I abandonment of Well 9; Member Tavernetti seconded the motion. The motion carried unanimously.

11. Discussion and possible decision regarding customer appeal for being moved from the unmetered rate for domestic service to the metered rate for domestic service per STMGID policy resulting from high water usage at 14310 Riata Circle. (for possible action)

Dwayne Smith, WCCSD – The homeowner apologizes for not being here tonight and will not be available for the next meeting. She asked for understanding. STMGID policy requires conversion from flat to metered rate if one exceeds 75,000 gallons for two months. She had lots of water leaks in her irrigation system and difficulty with her landscaper. She asks to be placed back to the flat rate.

Public Comment - Closed

Member Acheson - I live near her and it is a small lot, I do not think she can run this much water.

Vice President Schumacher – We need to table this until we see receipts of correction. She needs to address the Board, even if it is in a letter.

Chairman Cohen – She needs to come back to the February meeting.

Member Tavernetti – She needs to stay at the metered rate until she addresses the Board.

Vice President Schumacher motions to postpone the decision regarding customer appeal for being moved from the unmetered rate for domestic service to the metered rate for domestic service per STMGID policy resulting from high water usage at 14310 Riata Circle; Member Tavernetti seconded the motion. The motion carried unanimously.

12. Discussion and review of the Developer Fund Account. (for possible action)

Dwayne Smith, WCCSD – We are asking for a letter directing Washoe County Department of Water Resources and also to hold us harmless. We need to have clear direction and to release us of liability because, in this case, we are acting as your consultants.

Chairman Cohen – Rew, can we set a meeting with the DA and table until next month?

Vice President Schumacher motions to table item until a letter is drafted to Washoe County; Member Tavernetti seconded the motion. The motion carried unanimously.

13. Discussion about the disbursement or use of funds that will not be included in the assets transfer under terms of merger with Truckee Meadows Water Authority (for possible action)

Rew Goodenow, PBL –We propose a method that was circulated this afternoon. It was a product of the subcommittee and summarized. The rate offset will be for STMGID rate payers that are connected to water meter or a service supply line to their property. The monthly credit to the rate payer should equal the fee charged for the service size to the property. The recommendation is that each customer receives a credit to their monthly statement in the amount of the monthly service charge until the rate offset funds are exhausted. This is estimated to be 8-12 months. Exception to this is the fire protection service. This method of disbursement is acceptable to TMWA accounting.

Public Comment - Open

Ted Short – I feel that if you are in the system for two months you should not get the same rebate.

Mike Schulewitch – The reason we came up with this method of disbursement was to save on administration fees to process the individual accounts. Everyone has a service line, and the most efficient

would be to predicate to service lines.

Public Comment - Closed

Chairman Cohen – I am fully against giving the money back. It is for infrastructure. I do not want to support his.

Member Tavernetti motions to table item until the next meeting; Vice President Schumacher seconded the motion. The motion carried unanimously.

14. Discussion and approval to submit the revised STMGID service boundary map to the Office of the Washoe County Registrar of Voters. (for possible action)

Dwayne Smith, WCCSD – Since this is a Board voted by the citizens, it is requested by the Office of the Washoe County Register to update and correct the boundaries before the next election cycle in November 2014. And if there is not a merger we need to go through business as usual. Once the Registrar's office updates their GIS, they will present a map to the Board to approve that include the boundary lines that are within the STMGID service district.

Public Comment - Closed

Secretary Saunders motions to approve to submit the revised STMGID service boundary map and signatures to the Office of the Washoe County Registrar of Voters; Vice President Schumacher seconded the motion. The motion carried unanimously.

15. Discussion and possible recommendation regarding a professional service contract with Lumos & Associates to complete Board of Trustee meeting administration for the period January through December 2014. (for possible action)

Chairman Cohen – As background, we hired Rod to provide meeting administration with Gray & Associates and he has moved positions to Lumos & Associates. He will serve the Board in the same capacity.

Rod Savini, GA – Gray & Associates was retained for the feasibility study and as a part of that took on the meeting administration through the conclusion of the study. GA provided a proposal for meeting administration through the 2013 calendar year and it was accepted by the BOT. The GA team consisted of Lori Bigham and myself along with administrative personnel from Gray & Associates. Throughout that period, we budgeted \$36,600 for meeting administration. There was some additional task funding to support the board activities in the amount of \$15,415. The approved contract amount for 2013 was \$52,015. Through November we have billed \$ 40,075. We will have some billings for the subcommittee meetings, agenda creation, and preparation of agenda and minutes from this meeting. I will conclude my activities with Gray & Association after the completion of the December meeting activities. The January meeting administration will begin with Lumos & Associates. Lori Bigham has been a subconsultant to Gray & Associates and has agreed to continue activities with STMGID as a subconsultant to Lumos & Associates. In our proposal from Lumos, the hours have not changed to support BOT meeting administration however my hourly rates have increased due to the change of firms' standard billing rate. Our proposal for 2014 is a not-to exceed billing estimate and STMGID will only be billed for work performed. Also, there is additional support work for completion of documents as we have seen tonight: subcommittee group representation, coordination with DWR, for billings that are approved, Trustee compensation, and signatory documents for formal filing. It is our effort to under run the budget this year and it is our intention to do the same for next year. It has been a process assisting the Local Managing Board to transition into the Board of Trustees. The goal has always been to keep the Board informed. I want to thank you for the opportunity for Lori and I to provide services for you and would appreciate the opportunity to continue through 2014. The schedule may have some changes due to voting in June. We have already scheduled 2014 at the South Valleys Library for the 2014 meetings. In the event that I am unable to perform activities under this contract, Tom Young from Lumos will be able to substitute in my absence. We also would like to thank Mr. Smith and the staff at DWR and specifically Mary Vidor. She has provided STMGID support to file the formal documents and post agendas and minutes on the website.

Public Comment - Closed

Member Acheson motions to approve the professional service contract with Lumos & Associates to complete Board of Trustee meeting administration for the period January through December 2014; Secretary Saunders seconded the motion. The motion carried unanimously.

16. Management Report (non-action)

A. Presented by Washoe County Utility Operations Division -

- I) **Dwayne Smith, WCCSD** – I am comfortable with the 7% water balance, however we will have my staff do a verification audit. Budget – Professional contract services is low because Rod Savini is performing some of the tasks that would normally fall in this budget line item. Work order report - There was a customer comment for the work on Chamy Drive; they said, “Your guys in the field went above and beyond to take care of the customer.” I want to call to attention to the board on one issue regarding the right-of-entry for Verizon to the Timberline tank. They needed to install a fiber optic cable in the access road. We asked them to pot hole their work and during their work they hit a water main. They worked feverously to turn off the valve however during the loss of water, it flooded a customer’s backyard landscape and now the contractors’ insurance company is working to repair the landscape. Well production – status quo.

17. BOT member/alternate meeting reports of the: (non-action)

- A) **Western Regional Water Commission – No attendance**
B) **Northern Nevada Water Planning Commission - No attendance**
C) **Truckee Meadows Water Authority - No attendance**
D) **Other meetings - Member Tavernetti and Member Acheson attended the CAC meeting and they will be pleased we approved the merger tonight.**

18. Public Comment. Comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the BOT agenda. The BOT will also hear public comment during individual action items, with comment limited to three minutes per person. Comments are to be made to the BOT as a whole. (non-action)

Ted Short – Thank you everyone for your time. It took time to get this all together. When this over I want one of you on the TMWA board.

Mike Schulewitch – Once the agreement is signed, I would recommend the STMGID meeting become a bi-monthly meeting. The responsibilities will be lessened for the Board and this would be a fiscally responsible thing to do. Annexing will be done and we will be a closed system.

Bill Majora – I am looking for some documents that I would like copies of. I am looking for the legal opinion that was presented at the January 2013 meeting, 8 page mailer that was sent out in October 2012, and inter-local agreement dated April 27, 2004 that was referenced in the June 30, 2011 financial statement.

Kathy Bowling – The transfer of water rights from the abandonment of Well 9 has me concerned. If they have water rights for unusable water, it should not be exchanged for good water up on the hill.

Public Comment - Closed

19. BOT member/staff announcements, requests for information, topics for future agendas and statements relating to items not on the agenda. (non-action)

Chairman Cohen – We have come a long way in the last two years and I would like to thank POW Board members and continue on to make the merger happen. I agree with Mike for bi-monthly meetings once the actions required by the Board are lessened. If we do not need a meeting, we will not have one.

The following items need to be on future agendas:

- Transfer of tank funds
- February agenda – flat rate
- Development fund
- Approval of STMGID boundary map for the Office of the Registrar
- Approve refund process

Member Acheson – It has been discussed with the TMWA Board that is it a good possibility that a representative of STMGID to sit on the TMWA Board.

Rew Goodenow, PBL – On the January agenda, you may want to discuss legal counsel. You do not need a lawyer at my rate going forward however we can send someone at a lower rate and equally competent.

Dwayne Smith, WCCSD – I would like to extend an invitation for any representative from the Board or POW to sit down with DWR to look at the developer funds. Ben Hutchins and I are able to assist with transparency and we would be willing to take the time necessary to explain water rights and the history.

20. Adjournment

Member Tavernetti moved to adjourn the meeting; Secretary Saunders seconds the motion, all in favor. Motion carried unanimously.

Approved by:

Member E. Sue Saunders, Secretary

Minutes transcribed by:
Lori Bigham, Project Coordinator
Gray and Associates