WESTERN REGIONAL WATER COMMISSION ("WRWC")
AGENDA
Friday, February 11, 2011 @ 1:30 p.m.
Sparks Council Chambers, Legislative Building,
745 Fourth St., Sparks, Nevada

NOTICE OF POSSIBLE QUORUM OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY ("TMWA"),
BOARD OF COUNTY COMMISSIONERS OF WASHOE COUNTY ("BCC"), AND BOARD OF TRUSTEES OF THE SOUTH TRUCKEE
MEADOWS GENERAL IMPROVEMENT DISTRICT ("STMGID")
(See ‘Notes’)

Notes: Because several of the WRWC Trustees are also members of the Board of Directors of TMWA, it is possible that a
quorum of the TMWA Board may be present. Such members will not take action at this meeting as members of the TMWA
Board, but may take action solely in their capacity as WRWC Trustees. A quorum of the BCC and STMGID may also be in
attendance but will not be taking action.

1. Public comment will be taken on agenda items upon request by submittal of a Speaker Information Card. There is a
three-minute time limit per person.
2. Items on the agenda without a time designation may not necessarily be considered in the order in which they appear.
The WRWC may take action on any of the action items listed.
3. Facilities in which this meeting is being held are accessible to the disabled. Persons with disabilities who require
special accommodations or assistance (e.g. sign language interpreters or assisted listening devices) at the meeting
should notify TMWA at 775-834-8002 at least 24 hours prior to the meeting.
4. In accordance with NRS 241.020, this agenda has been posted at the following locations: Reno City Hall (1 East First
Street), Sparks City Hall (431 Prater Way), Sparks Justice Court (630 Greenbrae Dr), Sun Valley GID (5000 Sun Valley
Blvd.), TMWA (1355 Capital Blvd.), Washoe County Administration Building (1001 E. 9th Street), Washoe County
Clerk’s Office (Court and Virginia Streets), Washoe County Central Library (301 South Center St.), Washoe County
Department of Water Resources (4930 Energy Way), Galena Market (19990 Thomas Creek Rd.), Galena High School
(3600 Butch Cassidy Way), South Valleys Library (15650A Wedge Parkway), and the WRWC website: http://wrwc.us.

1. Roll Call and Determination of presence of a Quorum*
2. Pledge of Allegiance*
3. Approval of Agenda (ACTION)
4. Public Comment* (Three-minute time limit per person)
5. Approval of the minutes of the January 14, 2011 meeting (ACTION)
6. Discussion and possible designation of Schettler, Macy & Silva, LLC as the WRWC’s
external auditors for the Fiscal Year 2010-2011 financial statement audit —Ben Hutchins, Washoe County Department of Water Resources ("DWR") Finance Manager
7. Presentation on potential strategies to protect Regional Water Management Fund ("RWMF") cash reserves, including: a) proposed funding for certain Truckee Meadows Regional Planning Agency activities, programs, and studies related to or impacting regional water planning, and; b) proposed purchase of Truckee River water rights to support certain aspects of the Truckee River Operating Agreement requiring acquisition of 6,700 acre-feet; discussion and possible direction to staff — Rosemary Menard, DWR Director (ACTION)

8. Update on the WRWC Legislative Subcommittee and report on legislative activities, including Bill Draft Requests in the 2011 Nevada Legislature that may affect the WRWC* — John Rhodes, Legal Counsel

9. Discussion and possible direction to staff regarding agenda items for the March 11, 2011 meeting and other future meetings (ACTION)

10. Commission Comments*

11. Staff Comments*

12. Public Comment* (Three minute time limit per person)

13. Adjournment (ACTION)

*Indicates a non-action item
The regular meeting of the Western Regional Water Commission ("WRWC") Board of Trustees was held on Friday, January 14, 2011, at Sparks Council Chambers, 431 Prater Way, Sparks, Nevada.

1. **Roll Call and Determination of presence of a Quorum** – Chairman Carrigan called the meeting to order at 1:50 p.m. There was a quorum present.

   **Members Present:**
   - Mike Carrigan, Chair
   - Dave Aiazzi, Vice-Chair
   - John Breternitz (arrived at 1:56 p.m.)
   - Steve Cohen
   - Geno Martini
   - Margaret Reinhardt

   **Representing:**
   - Truckee Meadows Water Authority (TMWA)
   - City of Reno
   - Washoe County
   - South Truckee Meadows General Improvement District (STMGID)
   - Truckee Meadows Water Reclamation Facility (TMWRF)
   - Sun Valley General Improvement District (SVGID)

   **Members Absent:**
   - Bob Cashell
   - Bob Larkin
   - Ron Smith

   **Representing:**
   - Truckee Meadows Water Authority (TMWA)
   - Truckee Meadows Water Authority (TMWA)
   - City of Sparks

2. **Pledge of Allegiance**

   Chairman Carrigan asked Member Martini to lead the Western Regional Water Commission in the Pledge of Allegiance.

3. **Oath of Office for newly appointed WRWC Trustees.**

   Chairman Carrigan reported that Margaret Reinhardt was appointed as the Sun Valley General Improvement District ("SVGID") representative to the Western Regional Water Commission ("WRWC"). He stated that Ms. Reinhardt was sworn in by the County Clerk earlier in the day.

4. **Approval of Agenda**

   Chairman Carrigan stated that he would like to move items 8 and 9 to the beginning of the agenda if needed in order to open the public hearing at 2:00 p.m. **Commissioner Martini made a motion to approve the agenda as amended.** Commissioner Aiazzi seconded the motion, which carried unanimously.

5. **Public Comment**

   Chairman Carrigan called for public comments and hearing none, closed the public comment period.
6. Approval of the Minutes of the November 12, 2010 and December 10, 2010 meetings.

The minutes of the November 12, 2010 and December 10, 2010 meetings were presented for approval. Commissioner Martini made a motion to approve the minutes as submitted. Commissioner Aiazzi seconded the motion, which carried unanimously.

7. Election of Chairman, Vice-Chairman, Secretary and Treasurer for the 2011 calendar year.

Chairman Carrigan invited input from the Board. Commissioner Martini made a motion that the members currently serving in the positions continue. Chairman Carrigan stated that the previous Secretary was Patricia Lancaster, whose term expired. He asked Commissioner Reinhardt if she would be willing to serve as Secretary, and she stated she would.

Commissioner Cohen made a motion that Chairman Carrigan continue to serve as Chair, Commissioner Larkin serves as Vice-Chair, Commissioner Reinhardt serves as Secretary, and he would continue to serve as Treasurer. Commissioner Martini seconded the motion, which carried unanimously.

8. Presentation and final review of the 2011-2030 Comprehensive Regional Water Management Plan recommended by the Northern Nevada Water Planning Commission for adoption by the WRWC, including previous action and public review process.

Jim Smitherman referred to a brief PowerPoint presentation, which provided an outline of the contents of Regional Water Plan. He reported that a notice of today's public hearing was published on December 14, 2010 and January 3, 2011 as required by statute. He reported that no public comments were received at the December 1, 2010 NNWPC public hearing. He added that the complete document is on file with County Clerk's office as required. He summarized that today's public hearing would complete the legal process required for the Water Plan unless the WRWC suggests edits, which would have to be taken back to the NNWPC.

Mr. Smitherman reported that the Plan consists of nine chapters, an introduction, various charts, graphs and maps, 10 appendices and an executive summary, which was provided in the staff report. He provided a brief overview of the chapters, which include:

- **Chapter 1 - Regional Water Planning Policies and Criteria** - This section provides policies and practices of the member agencies, state and local government and other planning agencies and assists in the development of their own plans.
- **Chapter 2 - Water Resources** - This chapter contains highlights from TMWA’s Water Resources Plan and addresses the sustainability issue. It also covers water rights held by the Washoe County Department of Water Resources (DWR), as well as regional reclaimed water. He stated that the Water Resources Baseline Table was developed and is included in the Chapter, which summarizes the available water resources for the region.
- **Chapter 3 - Water Purveyors and Other Water Providers** - This section includes information on infrastructure, capacity, reclaimed water and domestic wells.
- **Chapter 4 - Wastewater and Watershed-based Water Quality Planning** - This chapter contains information on all wastewater service providers, as well as infrastructure, water quality, reclamation and water quality of the watershed. The section also includes information on compliance with state and federal requirements for water quality, such as the Clean Water Act.
• Chapter 5 - Flood Management and Storm Water Drainage - This section defines the types of flood that affect the area; federal programs including the Federal Emergency Management Agency and the Army Corps of Engineers; elements of the flood plan; and local government drainage programs.

• Chapter 6 - Population Forecast and Projections of Water Demand, Peak Day Requirements and Wastewater Flow - A number of the findings in the Water Plan are results of the analysis described in Chapter 6, related to the consensus population forecast. A Regional Water Balance model was developed by ECO:LOGIC Engineering (now Stantec) to determine water demands, wastewater flows, available water, and effluent disposal needs on a basin-by-basin basis. A model was run for current conditions as well as the projected needs to 2030. He summarized that one output of the model is that most likely more effluent disposal capacity will be needed by 2030.

• Chapter 7 - Water Conservation Plan - Efficient Use of Water - This chapter did not have many revisions; however, TMWA’s new drought standard was included, along with the three-day-per-week watering program as opposed to two days. He gave kudos to TMWA for its success in metering at least 90% of their system.

• Chapter 8 - Cost and Financing - This chapter summarizes future facility and repair costs. He stated that the utilities are currently focusing on repair and replacement programs. He added that existing water and wastewater infrastructure value based on estimates from Reno, Sparks, Washoe County, TMWA and the GIDs is estimated at $2.5 billion. He stated that the flood project is currently engaged in a flood funding study to examine fees for the local share of the flood project. The five-year capital improvement program of each of the local entities was used to estimate future funding needs. Approximately $321 million for water, wastewater and storm water facilities, plus $400 million for the Flood Project is the projected need for repair and replacement or anticipated new facilities to serve new growth.

• Chapter 9 - Issues and Action Plan - This chapter was compiled to provide a guide for the WRWC and NNWPC activities over the next five years. He stated that Table 9-1 includes a list of 21 action items, related to water resources, water conservation, wastewater management, storm water, water quality, water rights and land use planning.

Mr. Smitherman summarized that he thinks the Regional Water Plan is a good piece of work that covers all of the requirements of the WRWC Act. He stated that the Plan provides regional guidance in the form of planning goals and policies; it identifies our sustainable water resources; it projects 20-year water-related needs using currently accepted planning assumptions; it provides an interactive Regional Water Balance model for scenario planning; it estimates five-year costs for facilities; and it lists issues to be identified in the next five years and the next 20 years, which will provide the Work Plan for the WRWC and NNWPC.

Mr. Smitherman stated that the Regional Water Plan is available on the website www.nnwpc.us.

Chairman Carrigan thanked Mr. Smitherman for the update and stated that he thought staff did a great job on the Regional Water Plan. He stated that the legislature added a lot of caveats to be covered in the Plan and commended staff for the great job.

9. Public Hearing on the 2011-2030 Comprehensive Regional Water Management Plan; possible approval of the Resolution adopting the 2011-2030 Plan, or possible remand to the NNWPC with any proposed change or action.
Chairman Carrigan opened the Public Hearing at 2:07 p.m. He invited comments from the public, of which there were none. He called for comments from staff of which there were none. He closed the public hearing 2:08 p.m.

Chairman Carrigan turned discussion over to the Board. Commissioner Breternitz made a motion to approve WRWC Resolution No. 4, adopting the 2011-2030 Comprehensive Regional Water Management Plan. Commissioner Cohen seconded the motion, which carried unanimously.

10. Presentation of potential strategies to protect Regional Water Management Fund (“RWMF”) cash reserves, including proposed funding for certain Truckee Meadows Regional Planning Agency activities, programs and studies related to or impacting regional water planning; discussion and possible direction to staff.

Chairman Carrigan suggested continuing this item to the next meeting when Commissioner Larkin could be present since it was his idea. Commissioner Breternitz made a motion to continue the item. Commissioner Aiazzi seconded the motion, which carried unanimously.

11. Presentation of potential alternative funding for the Truckee Meadows Storm Water Quality Management Program; possible increase in previously approved funding, from $75,000 to $218,000 from the RWMF for Fiscal Year 2010-11, and, if approved, authorize the Chairman to execute an Interlocal Agreement with the City of Reno to support the Program; further discussion and possible direction to staff.

Chairman Carrigan invited Terri Svetich to present this item. Ms. Svetich, Regional Storm Water Coordinator and Engineering Manager for City of Reno Public Works, stated that at the November WRWC meeting, she made a request for $75,000 for the Storm Water Quality Management Program Update. She reported at that time she was asked to come back with the Storm Water Program’s full budget needs. She stated for the remainder of this fiscal year, $218,000 would be needed on an ongoing basis. She stated that the annual budget has been approximately $262,500, which covers items such as public outreach, water management assessments, monitoring, consultant fees, best management practices for municipal operations, and administrative services.

Ms. Svetich stated that today she is requesting an increase in the amount from the Regional Water Management Funding from $75,000 to $218,000 to cover expenditures for the Fiscal Year 2010-11. She stated that she is also requesting that staff include in next year's budget $262,500 for next year's program. She invited questions from commissioners.

Commissioner Aiazzi asked for clarification that these funds would shift the burden from local governments to the WRWC. Ms. Svetich stated that is correct and added that it covers this fiscal year as well as the next.

Commissioner Martini made a motion to approve an increase in funding from $75,000 to an amount not to exceed $218,000 from the Regional Water Management Fund for consultant services to update the Truckee Meadows Storm Water Management Program and support additional Fiscal Year 2010-11 expenses of the Storm Water Permit Coordinating Committee (“SWPCC”) as described in the Storm Water Interlocal Agreement, and direct staff to include in the Fiscal Year 2011-12 WRWC budget, $262,500 from the Regional Water Management Fund to support the Truckee Meadows Storm Water Management Program, and SWPCC activities related to the implementation of the storm water drainage provisions of the Comprehensive Regional Water Management Plan. Commissioner Aiazzi seconded the motion, which carried unanimously.
12. Presentation on status of the pending report from the Legislative Committee to Oversee the WRWC (“LOC”), to the Legislative Council Bureau, concerning the LOC’s review of the programs and activities of the WRWC; summary of key points to present to the 2011 Nevada Legislature in response to inquiries regarding status of consolidation of TMWA and DWR; discussion and possible direction to staff.

Rosemary Menard, Director of Washoe County Department of Water Resources (“DWR”), stated that she had spoken with Pat Guinan, staff to the LOC. Mr. Guinan stated that the report has been prepared but is being edited currently and is not ready for release. Ms. Menard stated that the report covers consolidation issues and the Water Plan update and is very consistent with what staff presented to the LOC in past meetings.

Ms. Menard stated that two bill draft requests (BDRs) have been requested, one for adjusting the language of the County bond bank to allow for refinancing; and the other to revise Assembly Bill (AB) 54 to allow bond funding.

Ms. Menard stated that at the last meeting she was directed to develop some “talking points” related to the TMWA/DWR consolidation, which she provided to commissioners today to review. She requested that commissioners review the documents and provide any questions or comments to her via e-mail.

13. Discussion and possible formation of a WRWC Legislative Subcommittee for the 2011 session of the Nevada Legislature.

Ms. Menard stated that during the last legislative session, a subcommittee was formed for the WRWC, which included the same representatives of the TMWA Board. She asked if the subcommittee should be re-created for the upcoming session. She stated there are number of water-related bills slated for the session. She clarified that the representatives were Chairman Carrigan, Commissioner Aiazzi and Commissioner Cohen.

Commissioner Martini made a motion to retain the same representatives for this Legislative Session as the last. Commissioner Breternitz seconded the motion, which carried unanimously.

14. Discussion and possible direction to staff regarding agenda items, and date, time and location, for future meetings.

Ms. Menard stated that the next agenda would include the item that was continued from today's agenda and presentation of a draft work plan for the next year by Mr. Smitherman.

Ms. Menard stated that the WRWC meetings have been scheduled on the second Friday afternoon of the month, and asked if members preferred to move the meeting to be back-to-back with the Regional Planning Governing Board. Chairman Carrigan stated that he likes the schedule the way it is. Members agreed that the schedule will not change.

15. Commission Comments

None

16. Staff Comments

None
17. Public Comment

Chairman Carrigan called for public comments and hearing none, closed the public comment period.

18. Adjournment

With no further business, the meeting was adjourned at 2:19 p.m.

Respectfully submitted by,

Niki Linn, Recording Secretary

Approved by Commission in session on ______________ 2011.

____________________________
Mike Carrigan, Chairman

Note: DRAFT Minutes not approved by Board.
Western Regional Water Commission

Staff Report

DATE: February 2, 2011

TO: Chairman and Members, Western Regional Water Commission

FROM: Ben Hutchins, Finance & Customer Services Manager, Washoe County Department of Water Resources

SUBJECT: Discussion and possible designation of Schettler, Macy & Silva, LLC as the WRWC’s external auditors for the Fiscal Year 2010-2011 financial statement audit.

SUMMARY
Schettler, Macy & Silva, LLC has performed the Western Regional Water Commission (WRWC) audit for the past two fiscal years. Staff is recommending that WRWC designate Schettler, Macy & Silva, LLC as the auditor for fiscal year 2010-2011, approve the Engagement Letter, and direct staff to report this designation to the State of Nevada by the March 31, 2011 deadline.

PREVIOUS ACTION
On April 9, 2010 the Commission ratified the WRWC Program Manager’s designation of Schettler, Macy & Silva, LLC as the external auditors for fiscal year ended June 30, 2010.

On March 13, 2009 the Commission selected Schettler, Macy & Silva, LLC as the external auditors for fiscal year ended June 30, 2009.

BACKGROUND
NRS requires the selection of external auditors to be made and communicated to the State no later than March 31st of each year. In keeping with this deadline, Washoe County’s Department of Water Resources (DWR) secured an engagement letter and price proposal from Schettler, Macy & Silva, LLC since they performed the audit for fiscal years ended June 30, 2009, and June 30, 2010.

For the past two years Schettler, Macy & Silva, LLC charged a fee of $7,800 to perform the annual audit. Their current proposal increases their audit fee to $8,000, which is still much lower than another audit firm that submitted a proposal for the 2008/09 audit ($14,000 - $15,300). Since they performed the audit for fiscal years 2008/09 and 2009/10 in a professional and cost effective manner, and did not propose a fee increase for the 2009/10 audit, staff recommends that WRWC designate Schettler, Macy & Silva, LLC as the external auditors for fiscal year ending June 30, 2011.
FISCAL IMPACT
The proposal received from Schettler, Macy & Silva, LLC indicates audit services would be billed based on their standard hourly rates, plus out-of-pocket costs, with a not-to-exceed total fee of $8,000.

RECOMMENDATION
Staff recommends that the WRWC designate Schettler, Macy & Silva, LLC as the external auditors for fiscal year ending June 30, 2011, approve the related Engagement Letter, and direct staff to report the designation to the State by the statutory deadline.

POSSIBLE MOTION
Should the Commission agree with the above noted recommendation, a suggested motion is: “Move to designate Schettler, Macy & Silva, LLC as the WRWC’s external auditors for the Fiscal Year 2010-2011 financial statement audit, approve the related Engagement Letter, and direct staff to report the designation to the State by the statutory deadline.”
November 29, 2010

Mr. Ben Hutchins, CPA  
Western Regional Water Commission  
c/o Washoe County Department of Water Resources  
4930 Energy Way  
Reno, NV 89502

Dear Ben,

Thank you for asking us to provide you with an engagement letter for the 2011 audit of the Commission. We are pleased to do so and have enclosed two copies.

Please note that page 4 of the engagement letter indicates a fee of $8,000, which is a modest increase of $200 over the 2010 fee. You’ll recall that we did not request an increase this past year.

We thank you for your support of our firm and look forward to working with you again on the 2011 audit. In the meantime, please feel free to contact either of us with any questions you might have.

With best regards,

[signatures]

David E. Silva  
Zeth M. Macy
Mr. Ben Hutchins, CPA  
Western Regional Water Commission  
c/o Washoe County Department of Water Resources  
4930 Energy Way  
Reno, NV 89502

Dear Ben,

We are pleased to confirm our understanding of the services we are to provide the Western Regional Water Commission (WRWC) for the year ended June 30, 2011. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of WRWC as of and for the year ended June 30, 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to accompany the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to WRWC’s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management’s Discussion and Analysis
2) Budgetary Comparison Schedule

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of WRWC and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance.
If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that WRWC is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the WRWC and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees,
former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management’s views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain
controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of WRWC’s compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to WRWC; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Schettler, Macy & Silva, LLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the State of Nevada or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Schettler, Macy & Silva, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the State of Nevada.

David E. Silva is the engagement partner and is responsible for supervising the engagement and signing the reports. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed $8,000. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect
to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the WRWC and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Thank you.

Very truly yours,

SCHETTLER, MACY & SILVA, LLC

David E. Silva, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Western Regional Water Commission.

By: __________________________

Title: __________________________

Date: __________________________
Western Regional Water Commission

STAFF REPORT

DATE: February 1, 2011
TO: Chairman and Commission Members
FROM: Rosemary Menard, Director, Washoe County Department of Water Resources
SUBJECT: Potential strategies to protect Regional Water Management Fund (RWMF) cash reserves, including proposed collaborative funding for the Truckee Meadows Regional Planning Agency’s Regional Data Development and Analytical Program

SUMMARY

At its December 10, 2010 meeting members of the Western Regional Water Commission (WRWC) requested that staff explore opportunities for working with the Truckee Meadows Regional Planning Agency (TMRPA) on activities of mutual benefit. WRWC staff met with TMRPA staff twice and has developed a collaborative funding proposal for the WRWC’s consideration.

At the direction of the Regional Planning Governing Board, TMRPA staff is working on a Regional Data Development and Analytical Program that involves multiple phases and stakeholders, including staff and members of Regional Transportation Commission and Community Development Department staff from Reno, Sparks, and Washoe County. The data base development and scenario planning and modeling tools that are being developed by TMRPA in this initiative are, with the addition of appropriate supplemental elements related to water, wastewater, reclaimed water and storm water components, readily applicable to the regional water planning, administration, and implementation issues and tasks required by the Western Regional Water Commission Act. This proposal supports completion of the data base by next fall and then funds the staff, professional services and related costs required to develop and add the water planning element to the system. The details of the proposal for the WRWC to support this project are laid out on Table 2 on page 3 of this staff report. The proposal involves providing $710,000 in funding to the project over the remainder of this fiscal year and through the next 2 fiscal years.

BACKGROUND

In general terms, the TMRPA project consists of three broad phases. The first involves baseline data collection and refinement along with the development of a population and employment model methodology. The second phase builds upon the core work in phase one to begin developing alternative growth scenarios and performance measurement criteria. The final phase is focused on community outreach and draft policy development.
This final phase relies on data and analyses from the first two phases to inform community dialogue and support regional decision making on critical planning policy issues. A summary of this general project plan is provided in Table 1 below.

### Table 1

<table>
<thead>
<tr>
<th>Project Phase</th>
<th>Summary of Work</th>
<th>Major Milestones</th>
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| 1             | Population and Employment Model Data and Methodology Development | ▪ Develop core land use datasets  
▪ Complete population and employment model |
| 2             | Develop Decision Support Tools Engage Regional Stakeholders in Scenario Planning and Performance Management Development Process | ▪ Develop draft performance measures  
▪ Develop alternative scenarios  
▪ Prepare draft Benchmark Report  
▪ Present preliminary scenarios and performance criteria to regional stakeholders |
| 3             | Community Outreach Policy Refinement and Formulation | ▪ Undertake robust community outreach process regarding preferred growth scenario and desired performance targets  
▪ Publish final Benchmark Report  
▪ Engage regional stakeholders to consider new Regional Plan policies  
▪ Prepare draft Regional Plan policies based on public feedback and RPGB direction |

The tool being developed by TMRPA is basically a decision-support tool that will allow planners and decision-makers in the region to look at a range of options for how and when growth might occur in the region and consider how costs and benefits of the various options might vary depending on the factors such as infrastructure cost. By adding a water planning element to the model, issues such as sewer treatment capacity or discharge constraints can be more explicitly included in decision-making about where and how we grow as a community.

For example, at the height of the growth boom, planners estimated that capacity constraints in the Reno-Stead wastewater plant might require an investment as large as $250 million to serve planned new growth in the plant’s service area. The need for such a capital intensive investment would require a substantially higher sewer connection fee in the Reno-Stead plant’s service area than would be required for development connecting to one of the area’s other sewer treatment plants. If the cost differential to developers was such that it created a disincentive to develop in the Reno-Stead wastewater treatment plant sewer area or substantially disadvantaged development that did occur in that area, development pressures in other parts of the community that hadn’t been anticipated might occur. Being able to consider and compare a robust range of alternatives as part of the initial land-use planning process will provide decision-makers with improved information and result in better results for our community in the long range.

In addition to adding value to the regional land use planning process, the parcel based development potential data base being developed (and presumably maintained) by TMRPA provides an excellent tool to use in developing future water and wastewater demand forecasts. The current approaches to demand forecasting do incorporate assumptions about population and employment but haven’t had access to a clean, up-to-date data set on build out potential of current zoning and land use designations. This value-added benefit of TMRPA’s first phase
work supports RWMF expenditures to reimburse TMRPA for costs during this fiscal year as well as investing in software and hardware needed to support the system over time.

Table 2

<table>
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<tr>
<th>Project Phase</th>
<th>Summary of Work</th>
<th>Cost Reimbursement or New Funding</th>
<th>In Kind Services (Loaned Staff)</th>
</tr>
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</table>
| 1             | Population and Employment Model Data and Methodology Development | ▪ Reimbursement for 1.3 FTE of TMRPA staff time from 1/1/11-12/31/11  
▪ Value: $76,000 for 1 year (reimbursement for existing cost)  
▪ Purchase of software and data storage devices needed to support development and operation of the data base and modeling tools  
▪ Value $70,000 (new funding) | |
| 2             | Part I: Develop Decision Support Tools for Water  
Part II: Baseline Training  
Part II: Engage Regional Stakeholders in Scenario Planning and | ▪ Part I: Professional services to support development of water-specific model parameters, databases, and analyses water-specific data analysis  
▪ Value: $150,000 (new funding)  
▪ Part II - Baseline Training: Training for regional, local government, water planning, transportation, and other interested staff regarding the basic steps and strategies for implementing a regional scenario planning program  
▪ Value: $95,000 (new funding)  
▪ Part II – Strategic Program Development Support: Professional support for the development of a scenario planning program in the Truckee Meadows, including detailed needs assessment, data development, action plan development, and budget  
▪ Value: $95,000 (new funding) | ▪ 60% of Jim Smitherman’s time to support development and inclusion of water, wastewater, reclaimed water and stormwater elements into the model, including working with water providers in the region to coordinate development of the approach, data collection, and scenario planning processes.  
▪ Value: $112,000 per year for 2 years ($224,000/in kind) |
PREVIOUS ACTION

None

FISCAL IMPACT

The proposed collaborative funding plan would involve committing $146,000 in the current fiscal year, and $564,000 over the next two fiscal years ($282,000 per year, with $112,000 being in-kind contributions and the remaining being specific project funding). Staff has evaluated the fiscal impacts of making this fiscal commitment to collaboratively fund this work with the TMRPA and determined that it can be accommodated without impeding the WRWC’s ability to address its other priorities.

RECOMMENDATION

Staff recommends that the WRWC approve the proposed collaborative funding plan for work with the TMRPA on its RPGB approved Regional Data Development and Analytical Program and direct staff to develop an interlocal agreement with the TMRPA to commit funding and related resources to the effort for the WRWC’s review and action at its February 2011 meeting.

POSSIBLE MOTION

Should the WRWC agree with the staff recommendation, a possible motion is: “Move to approve the proposed collaborative funding plan for work with the TMRPA on its RPGB approved Regional Data Development and Analytical Program and direct staff to develop an interlocal agreement with the TMRPA to commit funding and related resources to the effort for the WRWC’s review and action at its February 2011 meeting.”

RCM
Western Regional Water Commission

STAFF REPORT

DATE: February 1, 2011
TO: Chairman and Members, Western Regional Water Commission
FROM: Jim Smitherman, Program Manager
SUBJECT: Presentation on potential strategies to protect Regional Water Management Fund ("RWMF") cash reserves: proposed purchase of Truckee River water rights to support certain aspects of the Truckee River Operating Agreement requiring acquisition of 6,700 acre-feet, discussion and possible direction to staff.

In November 2010, The Western Regional Water Commission ("WRWC") requested that staff provide options for protecting the Regional Water Management Fund ("RWMF") cash balance identified in the fiscal year 2009-10 financial statements. At the December 2010 WRWC meeting, staff reported that options might include water rights purchases in pursuit of the 6,700 acre-foot ("af") commitment required by the Truckee River Operating Agreement ("TROA"). Such purchases would be consistent with and support the carrying out of the 6,700 af requirement of TROA, and the implementation of the surface water quality provisions of the 2011-2030 Comprehensive Regional Water Management Plan recently adopted by the WRWC.

Reno, Sparks and Washoe County, under an existing interlocal agreement, have accumulated approximately 3,200 af toward the 6,700 af requirement by way of a program to recover and convert inactive Truckee River water rights appurtenant to city-owned or county-owned public roads and rights of way. Depending on the disposition of other resources held by the entities, the shortage is estimated to be about 3,300 to 3,400 af.

One suggestion is that TMWA could purchase Truckee River water rights and, through an interlocal agreement with the WRWC for reimbursement from the RWMF, manage those rights for the benefit of Reno, Sparks, and Washoe County to partially satisfy their 6,700 af obligation under TROA. A separate interlocal agreement between Reno, Sparks, Washoe County and TMWA would be required to establish the understanding for the management, ownership, and commitment of the purchased water rights. TMWA currently employs trained staff with the expertise required for complex water rights transactions and the management of water rights under TROA.

Staff has identified two alternatives for discussion and consideration by the WRCW:

A) Use a portion of the unrestricted cash balance to buy water rights. This option would further the goal of protecting cash reserves, but only a limited number of water rights could be purchased with the available funds. Existing funds are not sufficient for purchase of the entire 3,300 to 3,400 af balance required.
B) Use a portion of RWMF annual revenues to reimburse TMWA, or other WRWC member agencies, for financing the proposed water rights purchases, either by bonding or other low interest available borrowing. Although legal counsel has advised that the WRWC does not have the individual statutory authority to issue bonds or borrow funds, it may be possible for one or more of the WRWC member entities to secure a low interest loan or use their bonding capability. Staff estimates that, for example, a $325,000 annual payment, based on 3.25 percent interest for 20 years, would fund approximately $4.5 million in water rights purchases. The annual payment could be reimbursed to the borrowing entity or entities, from the RWMF, through an appropriate interlocal agreement with the WRWC.

Staff is requesting direction from the WRWC regarding the above proposals.
Western Regional Water Commission
STAFF REPORT

DATE: February 1, 2011
TO: Chairman and Members, Western Regional Water Commission
FROM: John Rhodes, Legal Counsel
SUBJECT: Report on legislative activities, including Bill Draft Requests in the 2011 Nevada Legislature that may affect the Western Regional Water Commission ("WRWC") / Northern Nevada Water Planning Commission ("NNWPC")

The following staff report lists Bill Draft Requests ("BDR's") in the 2011 Nevada Legislature, as of January 28, 2011, that may affect or are of interest to the WRWC and NNWPC. BDR's that have been drafted are noted with an "AB" (Assembly) or "SB" (Senate) designation.

Bill Drafts Requested

19--107 Assemblyman Carpenter
Revises provisions governing the open meeting law. (6/10/2010)

48--206 Legislative Committee on Public Lands (NRS 218E.510)
Revises provisions governing the use of water for evaporation in a pit lake or gravel pit. (8/04/2010)

48--207 Legislative Committee on Public Lands (NRS 218E.510)
AB115 Revises provisions governing certain notices and hearings concerning applications to appropriate water for beneficial use.

48--208 Legislative Committee on Public Lands (NRS 218E.510)
Repeals provisions requiring a public hearing before the issuance of an order granting domestic well credits to a public water system. (8/04/2010)

19--226 Assemblyman Ohrenschall
Revises provisions regarding the Open Meeting Law. (8/10/2010)

20--243 Legislative Committee to Oversee the Western Regional Water Commission (SB 487)
Authorizes the issuance of bonds to finance loans made to provide financial assistance to persons to connect to the public water or sewer system in certain counties. (8/19/2010)

20--244 Legislative Committee to Oversee the Western Regional Water Commission (SB 487)
Allows issuance of County Bond Bank bonds for refunding of securities previously issued to an entity other than the County Bond Bank. (8/19/2010)
285  **Senator Rhoads**
Provides for temporary water use for restoration of burned areas. (8/30/2010)

19--288 **Attorney General**
**AB59** Makes various changes to the Open Meeting Law. 8/30/2010

299 **Assemblyman Goicoechea**
Revises provision relating to ground water basins. (8/31/2010)

312 **Assemblyman Goicoechea**
Revises provisions relating to stock water. By Request  (8/31/2010)

347 **Assemblyman Ohrenschall**
Revises provisions relating to water. (8/31/2010)

48--360 **Assemblyman Goedhart**
Revises provisions relating to the filing of a protest to an application to appropriate water. (9/01/2010)

48--467 **Water Resources, Division of-Conservation and Natural Resources**
**AB73** Clarifies provisions governing notices and the right of entry by State Engineer and staff for inspection and eliminates hearings for domestic well credit programs. (9/01/2010)

32--468 **Water Resources, Division of-Conservation and Natural Resources**
**AB46** Clarifies requirements for payment of State Engineer assessments for the management of water. (9/01/2010)

48--525 **Eureka County**
**SB68** Includes participation by local governments in monitoring, management and mitigation of water resources. (9/01/2010)

527 **Assemblyman Bobzien**
Joint Requester: Assemblywoman Kirkpatrick
Revises provisions governing the use of websites by local governments to comply with the Open Meeting Law. (9/02/2010)

681 **Assemblywoman Kirkpatrick**
Allows for public water agencies to lease water. (12/12/2010)

R--730 **Assemblyman Elliot Anderson**
ACR: Provides for the study of water. (12/14/2010)

829 **Senator McGinness**
Makes various changes relating to water. (12/15/2010)
R--895  **Assemblyman Goedhart**  
AJR: Urges the Federal Government to enter into discussions with the State of Nevada and Nye County concerning mitigation for contamination of certain waters in the State. (12/15/2010)

926  **Senator Schneider**  
Makes various changes relating to the regulation and use of water. (12/15/2010)  By Request