



# STAFF REPORT

**Report To:** Board of Supervisors

**Meeting Date:** June 15, 2017

**Staff Contact:** Jason Woodbury, District Attorney

**Agenda Title:** For Possible Action: Action to adopt Resolution No. \_\_\_\_\_, a resolution approving and authorizing the Mayor to sign the "INTERLOCAL AGREEMENT TO PROVIDE WHOLESALE WATER SERVICE" an agreement by and between Carson City, the Town of Minden, Douglas County, and the Indian Hills General Improvement District restating and superseding all previous agreements by and between the parties relating to water delivered to Carson City through the project referred to as the "North Douglas County and Carson City Water Line Intertie Project." The terms of the agreement under consideration would require Carson City to pay a total of \$1.5 Million in equal, annual installments of \$75,000 over 20 years commencing July 1, 2018, as consideration for the purchase of a beneficial interest in water totalling 187.5 acre feet per annum (\$8,000 per AFA). The terms of the agreement under consideration would also require Carson City to pay a rate per thousand gallons of water delivered pursuant to the agreement. The total fiscal impact to Carson City for rate payments would depend upon the quantity of water delivered.

**Staff Summary:** . If approved, the 187.5 AFA would be added to the existing 2,690.00 AFA of water in which Carson City already holds the beneficial interest, and which have been the subject of previous agreements with the Town of Minden and Douglas County. The terms of the agreement under consideration would also establish rates for the delivery of water as well as the methodology for calculation and adjustment of rates in the future. The rates are charges per thousand gallons of water delivered. The rates are the cumulative sum of several different categories of costs charged by the Town of Minden and Douglas County. In regard to the rate charged by the Town of Minden, those categories are: "Operations and Maintenance ("O&M")"; "Pass-through Heybourne Operations"; "Repair and Replacement"; "Future Treatment"; and "Rate Stabilization." In regard to the rate charged by Douglas County, those categories are "Depreciation" and "O&M and Power." The following tables reflect the rates proposed by the agreement under consideration for Fiscal Year 2017-18 and estimates of the rates for in the following fiscal years through Fiscal Year 2021-22. Carson City will pay the rate per thousand gallons to Douglas County. Table 1 reflects the total rate per thousand gallons Carson City will pay, as well as the two rate components attributable directly to Douglas County. Table 2 reflects the individual components of the colum in Table 1 entitled "Minden Total rate per k/gal" which are the portion of the rates Carson City will pay to Douglas County and Douglas County will pass through to the Town of Minden.

TABLE 1:

Fiscal Year	Depreciation	O&M and Power	Douglas County Total Rate per k/gal	Minden Total Total Rate per k/gal	Douglas County Wholesale Rate to Carson City per k/gal
2017-18	0.101	0.081	0.182	0.69	0.872
2018-19	0.151	0.081	0.232	0.71	0.942
2019-20	0.151	0.081	0.232	0.73	0.962
2020-21	0.202	0.081	0.283	0.75	1.033
2021-22	0.202	0.081	0.283	0.77	1.053

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TABLE 2:

Fiscal Year	O&M	Passthrough Heybourne Operations	Rate Stabilization	Repair and Replacement	Future Treatment	Douglas County Total Wholesale Rate per 1000 gal
2016-17	0.42	0.04	0.02	0.19	0.01	0.68
2017-18	0.43	0.04	0.02	0.19	0.01	0.69
2018-19	0.44	0.04	0.02	0.19	0.02	0.71
2019-20	0.45	0.04	0.02	0.19	0.03	0.73
2020-21	0.46	0.04	0.02	0.19	0.04	0.75
2021-22	0.47	0.04	0.02	0.19	0.05	0.77

The terms of the agreement under consideration call for an annual reconciliation of rates paid versus actual costs incurred and an annual review and adjustment, if necessary, to the rates estimated for future fiscal years. The terms of the agreement under consideration also establish the standard of quality of water to be delivered. Upon approval of the agreement under consideration by all parties, the Town of Minden will deposit at least \$700,000 into the "Wholesale Water Repair and Replacement Reserve" which is restricted to providing funds for repair, replacement, and maintenance of wholesale water infrastructure of the Town of Minden.

**Agenda Action:** Resolution                      **Time Requested:** 30 minutes

**Proposed Motion**

I move to adopt Resolution No. \_\_\_\_\_, a resolution approving and authorizing the Mayor to sign the "INTERLOCAL AGREEMENT TO PROVIDE WHOLESAL WATER SERVICE" an agreement by and between Carson City, the Town of Minden, Douglas County, and the Indian Hills General Improvement District.

**Board's Strategic Goal**

Sustainable Infrastructure

**Previous Action**

January 7, 2010, Action to adopt Resolution No. 2010-R-2 approving and authorizing the Mayor to sign an Interlocal Agreement by and between Carson City and Douglas County Relating to Water Service. This agreement took effect January 21, 2010.

January 7, 2010, Action to adopt Resolution No. 2010-R-3 approving and authorizing the Mayor to sign an Interlocal Agreement by and between Carson City and the Town of Minden for the Sale and Transfer of Water Rights and the Delivery of Water. This agreement took effect February 5, 2010.

July 3, 2013, Action to adopt Resolution No. 2013-R-31, a resolution approving and authorizing the Mayor to sign the "FIRST AMENDMENT TO INTERLOCAL AGREEMENT RELATING TO WATER SERVICE (North Douglas County and Carson City Water Line Intertie Project) BETWEEN DOUGLAS AND CARSON CITY" an amended interlocal agreement by and between Carson City and Douglas County Relating to Water Service. This amendment took effect July 18, 2013.

July 3, 2013, Action to adopt Resolution No. 2013-R-32, a resolution approving and authorizing the Mayor to sign the "FIRST AMENDMENT TO INTERLOCAL AGREEMENT RELATING TO WATER SERVICE BY AND BETWEEN CARSON CITY AND THE TOWN OF MINDEN FOR THE SALE AND TRANSFER OF WATER RIGHTS AND THE DELIVERY OF WATER CARSON CITY" an amended interlocal agreement by and between Carson City and the Town of Minden. This amendment took effect July 18, 2013.

On August 18, 2016, the Carson City Board of Supervisors ("Board") considered a "SECOND AMENDMENT TO INTERLOCAL AGREEMENT RELATING TO WATER SERVICE (North Douglas County and Carson City Water Line Intertie Project)" by and between Carson City and Douglas County relating to water service ("SECOND AMENDMENT"). The Board rejected the proposed SECOND AMENDMENT and directed the District Attorney's Office to initiate the dispute resolution process set forth in the original agreement preceding the proposed SECOND AMENDMENT. The terms of the agreement presented to the Board in this agenda item were negotiated among the staff of the involved parties in the course of that dispute resolution process. This is the Board's first opportunity to review the terms and conditions of the agreements negotiated in the dispute resolution process.

### **Background/Issues & Analysis**

In 2010, Carson City purchased from the Town of Minden a beneficial interest in Carson Valley water rights owned by the Town of Minden. In conjunction, Carson City also contracted with the Town of Minden and Douglas County to deliver that purchased water, together with additional Carson Valley water owned by Carson City to a point of delivery in exchange for Carson City's payment of a rate per thousand gallons for that delivery.

In 2013, the rate was adjusted and the adjusted rate was memorialized through amendments to Carson City's original agreements with the Town of Minden and Douglas County. In late 2015 and early 2016, the rates for delivery were again reviewed. The Town of Minden and Douglas County agreed to an adjustment of the rates which were subsequently presented to the Carson City Board of Supervisors as the SECOND AMENDMENT on August 18, 2016.

The negotiated rate for Fiscal Year 2017-18 is reflected in the Interlocal Agreement and incorporated appendices. Estimates of the rate for Fiscal Year 2018-19 through Fiscal Year 2021-22 are also reflected in the Interlocal Agreement and incorporated appendices. Those estimates as well as rates going forward after Fiscal Year 2021-22 are subject to adjustment through an annual review and reconciliation process between the parties as addressed in the Interlocal Agreement. The components of the calculated rate consist of: (1) "Operations and Maintenance"; (2) "Passthrough Heybourne Operations", more particularly described as expenses related to chlorination and providing power at the facility known as the Heybourne Booster Station; (3) "Repair and Replacement" of wholesale water infrastructure; (4) "Future Treatment"; and (5) "Rate Stabilization", all of which are more particularly described in the Interlocal Agreement. In addition, Carson City will pay an additional rate as reflected in the Interlocal Agreement to Douglas County to deliver water from the point of delivery to Carson City.

The rate proposed in the SECOND AMENDMENT included an additional component identified as "Construction Loan Repayment". That component has been eliminated in the Interlocal Agreement. Additionally, the proposed agreement includes a term that would require the Town of Minden, upon the approval of the agreement by all parties, to deposit at least \$700,000 into the "Wholesale Water Repair and Replacement Reserve" which is restricted to providing funds for repair, replacement, and maintenance of wholesale water infrastructure of the Town of Minden.

### **Applicable Statute, Code, Policy, Rule or Regulation**

NRS 277 Cooperative Agreements

### **Financial Information**

Is there a fiscal impact?  Yes  No

If yes, account name/number: Water Fund / 520-3502-435-04-54

Is it currently budgeted?  Yes  No

Explanation of Fiscal Impact: Payments of \$75,000 per year for twenty consecutive years from Carson City to Town of Minden beginning July 1, 2018; Payments of rates on a monthly basis in an amount to be determined for delivery of water from the Town of Minden and Douglas County to Carson City.

**Alternatives**

(1) Modify the terms of the proposed agreement and direct staff to propose the modified terms to staff of the other involved parties; (2) Reject the proposed agreement and direct staff to resume the "Meet and Confer" requirement of the dispute resolution process; or (3) Reject the proposed agreement and direct staff to proceed to the mediation stage of the dispute resolution process.

**Board Action Taken:**

Motion: \_\_\_\_\_

1) \_\_\_\_\_

2) \_\_\_\_\_

Aye/Nay

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(Vote Recorded By)