

Truckee River Flood Management Project

TRUCKEE RIVER FLOOD MANAGEMENT AUTHORITY BOARD OF DIRECTORS

Friday, October 14, 2011, 8:00 A.M.

**Washoe County Commission Chambers
1001 East Ninth Street
Reno, Nevada**

MINUTES

1. ROLL CALL, PLEDGE OF ALLEGIANCE, AND ESTABLISHMENT OF QUORUM

Ron Smith called the Truckee River Flood Management Authority Board of Directors (TRFMA) meeting to order at 8:10 a.m. A quorum was established.

Voting Members Present:

Ron Smith, Chair
Robert Larkin, Vice-Chair
David Aiazzi (left at 10:45 a.m.)
David Humke (arrived at 8:21 a.m.)
Geno Martini
Jessica Sferrazza (left at 11:30 a.m.)

Voting Members Absent (Excused):

Staff Present: Jay Aldean, Ed Evans, Melissa Faigeles, Mimi Fujii-Strickler, Danielle Henderson, Laura McAuley, Eric Scheetz, Paul Urban and Lori Williams

Greg Salter, General Counsel, led the TRFMA in the Pledge of Allegiance.

2. PUBLIC COMMENT – 8:11 a.m.

Chair Smith called for public comments.

Cathy Brandhorst made several comments not related to the agenda.

Chair Smith called for further public comments and hearing none, closed the public comment period.

3. APPROVAL OF THE AGENDA – 8:14 a.m.

Director Sferrazza made a motion to approve the agenda as posted. Director Martini seconded the motion, which carried unanimously.

4. MINUTES - Approve Provisional Minutes of FMA meeting of September 9, 2011.

Director Martini made a motion to approve the minutes of the TRFMA meeting of September 9, 2011 as submitted. Director Larkin seconded the motion, which carried unanimously.

5. INTERVIEWS OF CANDIDATES FOR THE POSITION OF TRFMA EXECUTIVE DIRECTOR

Mimi Fujii-Strickler, Administrative Services Manager, TRFMA

A. Orientation to the Interview Process to be Conducted

Ms. Fujii-Strickler reported that under this item, two candidates would be interviewed for the position of Executive Director.

Chair Smith welcomed candidates, Jim Litchfield and Jay Aldean. He explained that candidates would be interviewed separately and added that each would be asked the same seven questions.

Director Sferrazza asked why only two candidates were interviewing. Mr. Fujii-Strickler stated that four candidates were selected to interview; however, two from out of the area declined the interview.

Individual responses to the questions are on file at the TRFMA office.

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| 8:15 a.m. | B. | Interview of Candidate Jay Aldean, P.E. for the Position of TRFMA Executive Director with Possible Discussion of Interview |
| 8:30 a.m. | C. | Interview of Candidate James B. Litchfield for the Position of TRFMA Executive Director with Possible Discussion of Interview |
| 8:53 a.m. | D. | Discussion of and Possible Offer of Employment and Appointment of the TRFMA Executive Director |

The questions asked were as follows:

- 1) Tell us about your relevant education and experience in Federal Water Projects, policy development and negotiating Federal Policies to get the project you want. Please be specific in regard to project size, which Federal agencies, size of budgets and policy development initiatives.
- 2) The Truckee River Flood Management Authority, in cooperation with the US Army Corps of Engineers is developing documents to recommend an approved project plan and environmental impact statement (EIS). Describe your experience in developing a feasibility study and EIS that has complied with the NEPA and Corps policies. Be specific in how you represented your Board to the Federal Agency and how you communicated federal policy decisions back to your Board.
- 3) The Executive Director is expected to represent the TRFMA on many different levels, including Congressional Delegations, Federal Agencies, State Legislature, County Commission, City Council, public outreach and media. Describe your related training and experience in these areas.

- 4) Tell us about a time you collaborated with community stakeholders in a public process to achieve an important community public safety objective. Please be specific. What went well, and what would you do differently in future collaborative efforts to achieve a better outcome?
- 5) The Flood Management Authority Executive Director faces challenges on many levels that require coordination and multi-tasking. What do you consider your greatest strength and what do you consider to be the area in which you need the most improvement? What steps have you taken to improve in these areas?
- 6) The Executive Director oversees the budget for the agency and for the overall project. Please explain your experience with budgeting and financial planning.
- 7) Please tell us what attracted you to the TRFMA, and why you are interested in the Executive Director position.

Chair Smith thanked Mr. Litchfield and Mr. Aldean and stated they are both good candidates and turned the discussion over to the Board.

Director Larkin suggested that directors could state their preferences. He agreed that both are excellent candidates with great strengths. He mentioned that Mr. Litchfield's Masters in surface water is impressive, as is his experience with the Corps and U.S. Fish and Wildlife, and his involvement in multi-million dollar projects. He added that Mr. Litchfield has also been involved in the EIS process, as well as having experience with the Truckee River. He mentioned Mr. Litchfield's involvement with the Board of County Commissioners and state legislature and his awareness of flood issues. He also congratulated Mr. Litchfield for not only working for large companies but also for running his own business.

Director Larkin mentioned Mr. Aldean's experience in San Antonio, Coyote Springs, North Truckee Drain, as well as serving as the TRFMA Deputy and Interim Director. He also mentioned the Home Elevation Program and the current operation of the Flood Project. He stated that Mr. Aldean has extensive experience with the EIS process and has reviewed the administrative draft of the Flood Project EIS. He noted that he did not realize that Mr. Aldean served as the Public Works Director in Carson City. He referred to Mr. Aldean's comment that he had no formal training with the media and added that he recently felt that sting, as other members of the Board have experienced. He stated that his experience in producing videos is impressive, as is his collaboration in Sparks and the Hidden Valley projects, as well as the Flood Project. He also mentioned Mr. Aldean's Masters of Business Administration (MBA) and stated he was impressed.

Director Larkin reiterated that both candidates are extremely qualified; however, he offered his recommendation of Mr. Aldean for the position, based on his extensive experience with the projects.

Director Martini agreed with Director Larkin's comments. He stated that Mr. Litchfield did a great job with City of Sparks although the project took longer than anticipated. He added that he believes Mr. Litchfield qualifies for the position although he has not worked on projects of the magnitude performed by Mr. Aldean. He stated that Mr. Aldean has better experience and better administrative quality and his preference is for Mr. Aldean.

Director Aiazzi agreed that we have two good candidates and he believes he could work with either. He stated that they have similar, gentle personalities that he likes. He stated that item 10 on the agenda shows that we are facing huge problems with flood control. He added that personalities and past practices get involved and suggested it might be helpful to have a new face for flood control in working with the Corps. He stated that while Mr. Aldean has worked on larger projects, Mr. Litchfield has worked on projects from the beginning through completion. He stated that what is needed now is a way to get through the Corps process. He mentioned that he liked Mr. Litchfield's answer that he would be flexible and work with the Board creatively (not to say that Mr. Aldean would not do so).

Director Aiazzi stated he thought it would be great for Mr. Litchfield and Mr. Aldean to work together since each has strengths. He stated for the reasons he mentioned, he recommends Mr. Litchfield for the position.

Director Sferrazza agreed with Director Aiazzi that the organization needs a fresh face. She stated that the Flood Board has been in existence for eight years and had issues with the Corps. She mentioned when she first joined the Board, the white water rafting course was being implemented. She stated that Mr. Litchfield was very innovative in that no funding was available for a period and Mr. Litchfield brought all the pieces together to get loans from the casinos to finish the project. She added that he was also able to bring the Sparks project to fruition. She stated that she thinks that is what it will take to bring the Flood Project to fruition by working with the Corps. She mentioned that some of the flood elements were taken out, which is a big concern to her, specifically those in downtown Reno.

Director Sferrazza stated that one of Mr. Litchfield's first answers referred to changing when things in Washington, D.C. are definitely changing. She mentioned that she thinks Mr. Aldean has done a great job but she "gives a leg up to Jim" because coordination will be absolutely key to bring the Flood Control Project online. She stated that members in the audience are very skeptical about the project, budget and whether it will ever come to fruition. She stated we have to do whatever it takes to bring the project to fruition and stated that her preference is to go with Mr. Litchfield.

Director Humke stated that Director Larkin laid out the experience level of both candidates very well, as well as providing commentary as to what both gentlemen have done with that experience and progress made. He added that he agrees with Director Larkin's interpretations and analysis. He stated that one factor he noted is a greater variety of experience with Mr. Aldean in working for government and the private sector, which is a worthwhile difference. He reiterated that both candidates are very well qualified; however, he supports Mr. Aldean.

Chair Smith agreed with the comments made and stated he was impressed with Mr. Litchfield's give and take attitude. He stated that sometimes change is desired for the sake of change, a new face or new venue. He explained that he does not know that is the case in this situation. He agreed that both candidates are highly qualified and he could go with either. He stated that he agrees with Director Aiazzi's suggestion that the two candidates would work well together if possible down the road. He stated that his recommendation is for Mr. Aldean. He added that he appreciates all the work from Mr. Aldean and staff. He also thanked Mr. Litchfield and stated that all of his previous work has turned out fantastically.

Chair Smith stated that options in moving forward include making a motion to select one of the candidates or not select either and continue the search process.

Director Aiazzi stated that he believes the State Legislators dropped the ball in not redistricting and he does not want to see that here. He stated that “Our job is to get an executive director and I can see where the votes are and I don’t want to postpone this any longer and taking a key from actually Mr. Litchfield’s comment is ‘sometimes you have to give a little to get more’ I would be willing to change my vote to Jay.”

Director Larkin seconded the motion. Chair Smith asked Director Aiazzi if his comment was a motion. He stated he would make that motion. Chair Smith stated that there is a motion from Director Aiazzi and a second from Director Larkin. He called for any further discussion.

Director Sferrazza agreed with Director Aiazzi that she likes the idea of Mr. Aldean and Mr. Litchfield working together. She stated she would like to see that happen at this level because she believes that Mr. Litchfield would be great for this organization by bringing in an outside approach. She said that since the start of this Board we have been stalled and stalled. She explained that she understands that the vote must be consensus and does not want to hold this up but would like something regarding the both of them.

Director Aiazzi stated he could modify the motion to choose Mr. Aldean although it still depends on the contract he has to sign. We can ask him if he would talk to Mr. Litchfield about coming onboard. He added that Mr. Litchfield might not want to do that for some reason but I think he has heard what we are saying. He stated that they could go outside after the meeting and have a conversation.

Director Sferrazza asked for Mr. Aldean’s comments to the question. Chair Smith stated he did not believe that was appropriate at this time. Director Larkin asked for clarification from Greg Salter, Legal Counsel that if an Executive Director is selected, is there an approved position for a Deputy Director. He added that it would be up to the Executive Director to appoint a Deputy Director; it would not be a Board decision.

Director Martini referred to Director Sferrazza’s comment about being on this Board for a long time and added that he was appointed while serving on the Sparks City Council in 1999. He added that the group started out as the visioning group, on which Mr. Litchfield was involved. He agreed that we have stalled but added that he does not believe that is Mr. Aldean’s fault. He stated that we had another Director here for the entire time that he believes was most responsible for the stalling. He stated that Mr. Aldean did not cause the problems and if you are looking for a new face as a new Director, he would be a new face.

Chair Smith agreed and added that Mr. Aldean has only served as the Interim Executive Director for five months. He reiterated that there is a motion on the table and called for the vote, which carried unanimously. The Board congratulated Mr. Aldean and stated that his contract would be discussed. Mr. Aldean thanked the Directors.

Director Larkin stated that although it is not agendaized, he wished to ask what the Director’s intention is for the Deputy Director position. Mr. Aldean stated that he has had several conversations with Directors on organization and staffing levels and wishes to entertain the desires of this Board. He stated that he thinks there needs to be some reorganization of staff and intends to look to the Directors to help. He added that he intends to hold the Deputy Director position open for the time being.

Mr. Aldean stated that the Flood Project has sufficient staff to cover our needs; however, the desires of our Directors needs would certainly be taken into consideration. He stated that he would like to have conversations individually with Board members.

Director Larkin stated that it is part of the budgetary process and agreed that we need to examine the organization as a whole and evaluate that key role. He stated that he differs with Mr. Aldean on the Deputy Director position because there is too much work to be done.

Mr. Salter explained that the conversation is appropriate under Item 15 of the agenda but further discussion might be pushing the line. He suggested perhaps placing it on the next agenda for further discussion.

Director Larkin stated he would like to see the item of Deputy Director, as well as staff organization, discussed at the Board Retreat.

Director Humke mentioned that he was not serving on the legislature when it approved the measure of this very public process of selecting candidates for high-ranking positions. He stated that the process sometimes has an effect on how questions are posed. He suggested that since we have selected a Director, it is his obligation to get to know the job, to work with the Board and to evaluate some of these issues. He added that doing such in a hurry is not a good idea.

6. ANNOUNCEMENTS – 9:13 a.m.

Newly appointed Executive Director Aldean referred to photos of 105 Edison Way that was recently demolished. He showed before and after pictures showing how floodwater could be conveyed following the building demolition. He stated that the demolition contract for the property adjacent to 105 Edison has been signed and the next property demolition would be bid today. He added that the Flood Project does not own the DiFrancesco properties at the end of North Edison. Chair Smith asked for clarification that the demolition project funding was provided by grants. Executive Director Aldean stated that is correct.

Director Larkin asked about the DiFrancesco property and stated he remembered seeing an email stating that the County is involved in the process. Executive Director Aldean stated that the County is involved because they still have the money. He stated that at this time there are no standing offers or agreement for the property. Director Larkin asked who would make an offer. Executive Director Aldean stated it would be the Flood Project if desired. Chair Smith clarified that the Flood Project made an offer; however, it was turned down. Executive Director Aldean stated that negotiations for the property stalled because the owner's appraisal did not agree with the Flood Project's appraisal.

Mr. Salter stated that negotiations are occurring with the primary negotiator being OPC, which is having discussions with Mr. DiFrancesco to reach an agreement on the price range. He stated that if an agreement can be made on the ballpark figure, an offer would be made by the County or TRFMA (when funds are transferred).

Director Sferrazza stated she is glad that Director Larkin brought up the issue and suggested scheduling further discussion at the Retreat. She suggested making the Retreat a joint meeting of the (TRFMA) and (Flood Project Coordinating Committee) because one group has the authority to make those decisions. She suggested possibly holding off on certain expenditures (that she has in mind) "until we find out what's truly going on with the Corps and where we are

as far as funding because I'm not sure that it is prudent to move forward with this type of expenditure and I don't know if I can say that amount on the public record, or range of that amount, Mr. Salter. But that type of expenditure and the cost of that expenditure, until we know where we are with the Corps and I'm hoping at our retreat we are going to prioritize based on our existing budget what we are going to move forward on because we may have to look at reprioritizing certain things under the 1/8 cent sales tax and maybe this is one that comes off the table quite frankly. But I think we need to have that discussion, along with particularly the UNR piece as well and the home elevations at Hidden Valley. But I think all these need to be discussed during our retreat, no different than our other budgets on what we are going to prioritize as far as our existing funding and until we know what is going on with the Corps and what level we are going to be funded at."

Director Aiazzi referred to the particular piece of property and the legal issues regarding offers and acceptance. He stated that timing is important and suggested not having further discussions with the property owner until discussion has occurred at the Retreat. Mr. Salter stated that we are starting to deliberate on something that is not on the agenda, but acknowledged that the comments were heard. Director Aiazzi reiterated that his personal opinion is that nobody should be talking to the property owner at this time. Mr. Salter stated there is no offer or anything binding. He added that the County would not take any action without direction from the TRFMA.

Executive Director Aldean reported that the Reno-Sparks Indian Colony landscaping is underway and almost finished.

Executive Director Aldean stated that the Flood Project received a contract from Kafoury, Armstrong to complete their work in establishing policies and assisting with procedures. He stated that they are also performing minor Chief Financial Officer (CFO) responsibilities. He added that the contract would be brought before the TRFMA next month. He clarified that Kafoury, Armstrong can continue to work under the initial \$25,000 contract through the end of October. Chair Smith asked if Kafoury provided a timeframe for completion. Mr. Aldean stated they are almost finished with the policies and will begin work on the procedures (working with Lori Williams). He stated that he expects the policies to be completed by next month and barring any major problems (i.e. insurance), the funds would be transferred to the TRFMA. He added that work is ongoing on the financial software, database and training.

7. CONSENT ITEMS – 9:21 a.m.

None

8. CARMEN GROUP / LOBBYIST UPDATE – 9:22 a.m.

Mimi Fujii-Strickler, Administrative Services Manager, TRFMA

Report on lobbyists' activities. Possible action to accept the report and/or provide direction to staff on related lobbying matters.

Mia O'Connell provided an update via telephone. Ms. O'Connell reported that new information from the September 20 internal Corps meeting (that was supposed to be the Alternatives Formulation Briefing [AFB]), is that the AFB was postponed based on the volume of comments from Headquarters while reviewing the General Re-Evaluation Report (GRR) for the first time. She added that Headquarters felt it was appropriate to discuss the issue with District staff prior to involving the TRFMA.

Ms. O'Connell reported that earlier in the week, she heard that local team conferences were to be scheduled internally between Headquarters and District staff. She stated that staff requested involvement in the meeting and were told that Executive Director Aldean could attend; however, they preferred it to be an internal meeting.

Ms. O'Connell stated that the project at a 50-, 75- or 100-year level is potentially not as Headquarters sees it so they directed the District to do an incremental analysis feature by feature and then develop the project. She stated that her opinion is that it is bad public policy and partnering. She added that the process is not how to end up with a project desired by the community. She stated that her perspective is that Headquarters is not pleased with the District or their product. She stated that if District staff is not defending the project, the key features and issues on which the TRFMA worked so hard and the underlying assumptions, they are allowing Headquarters to move forward with a bad project.

Ms. O'Connell reported that she spoke with Mr. Aldean and staff the prior day and agreed that a plan going forward might include the following:

- Ms. O'Connell requested a meeting with Corps Headquarters' Chief of Planning Brown when it was learned earlier in the week that we would not be fully included as participants. The meeting is scheduled for Wednesday, October 19, 2011. She stated that her purpose will be to explain in no uncertain terms that she believes the course being taken by Headquarters is "making decisions in a vacuum", which is completely unacceptable to the sponsors and will end with a result that will not be affordable. She stated that as a sponsor, we need to be actively involved and a full partner in the high-level meetings with Headquarters.
 - She stated that critical elements of the project, such as downtown features, obviously provide significant flood benefits and have always been part of the plan. She added that replacing the bridges is a responsibility of the Corps under the agreement with Nevada Department of Transportation (NDOT) as part of the project. She stated that she does not believe the issue is being actively advocated.
- Ms. O'Connell added that she also believes and will tell Chief Brown that the Assistant Secretary of the Army (ASA) needs to be involved in the meetings.
 - She spoke with Senator Reid's office about the issues and suggested that she or staff from the Senator's office, or both, brief the ASA's office and tell the Corps that they need to be involved in eye-level meetings.
- Ms. O'Connell suggested moving forward with TRFMA staff visiting Washington, D.C. in November as discussed previously. She offered a date of November 1st and 2nd. She added that it is a critical time to make the case to the elected officials, as well as Headquarters, the Office of Management and Budget (OMB) and all of the key players.

Director Larkin reported that Darren Suen, Corps District Project Manager, was present and stated it might be appropriate for Mr. Suen to provide input on Ms. O'Connell's comments.

Mr. Suen concurred with Ms. O'Connell's comment that Headquarters was not ready to move forward with the AFB based on the number of comments. He stated that District staff is working to clarify and address the concerns raised by Headquarters and expects to have answers by next week, which he will share with Flood Project staff. Mr. Suen stated that he disagrees with Ms. O'Connell's comment that the District is not addressing the issues as they should. He stated he believes the District's "heart is in it" and they are doing whatever they can. He added that he believes Headquarters is committed to finding a project and that there is agreement between Headquarters and the District that there is a federally justifiable project. He stated that

at this time the scope is not final. He added that Headquarters is trying to get a handle on what was presented by the District and stated that District staff continues to provide any information and clarification requested.

Mr. Suen reported that Headquarters' reviewers committed to visit the Sacramento District office in the near future, possibly early November for a planning workshop to get through the process.

Mr. Suen stated that the Corps is constrained by funding across the nation, with limited funds for G.I. projects, for which there is heavy competition.

Director Larkin stated that TRFMA worked with the District and Headquarters to assemble a "vertical team" in place that was to "RESET" the project and eliminate some of the communication barriers. He added that there are fundamental differences in the benefit cost analysis between Headquarters and the District on some of the flood features. He stated his understanding was that these issues resulted in Project RESET and asked what happened since that time. He requested a reply from Mr. Suen first and then Ms. O'Connell.

Mr. Suen stated he is familiar with Project RESET; however, he is not familiar with the genesis of it. He stated that from his perspective, the process was obviously not successful and resulted in the products produced by the District in the short timeframe, which raised more questions for Headquarters. He added that he could not speak to the decision-making process agreement; however, he reiterated that the end result raised more questions.

Ms. O'Connell stated from her view, the RESET coincided with what was happening to the Corps on a national level, which was that the planning took too long and sponsors were being flooded while too much time was spent on unprogressive studies. She explained that she believes that Project RESET showed the Corps that feasibility analyses is required and that performing concurrent reviews to expedite the process did not work. She added that not every player understood the concept of RESET. She added that perhaps some of the people in the field and at Headquarters lost sight of the objective and it is hard to change the system over one project. She summarized that not everyone was as committed to the Project RESET concept as TRFMA and she have been.

Ms. O'Connell referred to Mr. Suen's comment that District staff is doing all it can to respond to Headquarters and stated she does not disagree; however, she stated that is not enough. She stated that based on the history of the project and a number of others involving the Sacramento District, there is a difficult history between the Sacramento District and Headquarters. She added that perhaps the Sacramento District is a "little too beat down" to advocate in the manner needed for this project as the sponsor and the sponsor needs to "step up". She stated that became apparent a couple of weeks ago and she saw how we need to deal with this project. She stated that even though Headquarters does not want more involvement by the sponsor, the sponsor needs to take a bigger role.

Ms. O'Connell stated she appreciates the fact that a workshop has been scheduled; however, she believes the ASA and leaders at Headquarters need to understand that the sponsor needs to provide direction as a true partner and not take whatever is dictated.

Director Aiazzi stated that he is hearing "we just didn't get there" and asked how close we are on the scope of the project at this time. Ms. O'Connell stated we are not starting from scratch even though we were not at the table with Headquarters this week. She stated the best we can surmise is that Headquarters is directing the field staff to examine the project feature by feature

to determine which features “pencil out”. She reiterated that the process is “more of a vacuum” looking at the features piece by piece, not understanding that the heart of the project to the local sponsor and the downtown community, of which she is not aware of Headquarters discussing. She added that we need to lay out our principles in a powerful way, which has not been allowed in the recent intensive look by Headquarters. She reiterated that we are not going back to the drawing board; however, we need to stand by the policy positions we have.

Vice-Chairman Larkin suggested opening Item 8 in conjunction with this item since they are tied in.

Vice-Chairman Larkin stated that he believed Director Aiazzi was posing his question to Mr. Suen but added that he appreciated Ms. O’Connell’s response.

Mr. Suen agreed that we are not starting over; however, much clarification is needed based on the huge volume of information provided to Headquarters. He stated that District staff is attempting to address the issues based on Corps policies. He stated that he was not comfortable in speculating about percentages of completion in an effort to prevent false expectations. He explained that in reference to real estate appraisals for example, if costs can be lowered that is good. He mentioned that the Corps has a contract in place to further examine the North Truckee Drain and possible increased benefits. He summarized that many moving parts are ongoing that could impact the project and the net effect is unknown at this time.

Director Aiazzi referred to Attachment K – the cost estimates prepared by the Corps in June 2011. He asked what the amount would be to make this project a 1.0. Mr. Suen stated it would be part of the ratio figures, which he could not estimate because of the unknown benefits. Director Aiazzi suggested reviewing the list provided by the Corps in order to determine if items are over or under-estimated. He agreed that the TRFMA feels shut out from the process even though we could help determine the costs and benefits (for instance for bridge replacement). Mr. Suen agreed and stated that the District is soliciting input and assistance from staff where possible. He added that the District’s general goal is to maximize benefits and lower costs.

Director Martini stated that his biggest concern with the Sacramento District or Headquarters is that all of the sudden we are addressing problems that have been there since the inception of the project. He added that these issues should have been discussed three years ago, which makes him angry. He stated that most of issues and impediments should have been recognized long ago.

Vice-Chairman Larkin asked Mr. Suen if he had additions in his Monthly Report update. Mr. Suen stated that his comments were addressed; however, he addressed Ms. O’Connell’s comment about Headquarters and stated they are trying to work with District staff. He clarified that he is not saying they would care more about the project than those in this room; however, he stated they are doing their best to work with the District, which is evidenced in their commitment to come to Sacramento to work with staff. He stated he understands and empathizes with Ms. O’Connell’s perception and frustration; however, he knows that Headquarters is doing the best they can. Ms. O’Connell stated that the hope is to help Headquarters wherever possible. Mr. Suen agreed and stated that Corps staff is working on a list for Mr. Aldean and staff of issues on which they can assist or provide additional information.

Director Sferrazza asked Mr. Suen what the Corps’ intent is based on allocating \$42 million toward the project and then deciding to not meet with the TRFMA and staff. She asked if he

feels that the Corps actually wishes to move forward with the project or to decide it does not meet the federal criteria. She stated she wants to know what is the Corps' commitment. Mr. Suen stated that his personal observation is that the Corps' intention is to determine whether we have a federally justifiable project. He stated that the District certainly believes we do and he thinks that Headquarters believes that as well. He stated that the other part of that question is, does the federally justifiable project meet the needs of the local sponsors. He added that the Corps' priority is to figure out what the scope is for the federally justifiable project.

Director Sferrazza asked how those questions could be answered without having TRFMA at the table and added that she believes we would be a helpful partner. She added that decisions could be made if certain components do not meet the national criteria, some projects could be paid locally. She stated that for instance, locals understand that Virginia Street Bridge is one of the worst rated bridges in the state of Nevada that must be fixed whether or not there is a flood control project. She added that it would enhance the flood control project to rebuild the bridge; however, it might be done via a transportation mechanism. She summarized that we need to get to the heart of the matter and go line by line to determine what is required as part of the flood project.

Mr. Suen stated that he views the TRFMA as the "homeowner" of the project on which to put 20% down. Director Sferrazza reiterated that the Corps has already spent \$42 million and that it makes no sense to decide that the project does not meet the federal criteria for funding. She stated that this is what the public complains about concerning federal waste and encouraged the Corps to get the project finished. She stated that the TRFMA needs to know with whom to meet and what to do to get the project completed.

Mr. Suen reiterated that he believes that this is a federally justifiable project and agreed that the TRFMA needs to have a seat at the table. He offered to share whatever information is available and to continue to include TRFMA to the extent possible. Ms. O'Connell reiterated her suggestion that TRFMA members come to Washington, D.C. to meet with Headquarters. She stated that a follow up to the trip would be a working session where staff from the Corps meets with local staff to work under any direction from the ASA's office.

Director Sferrazza expressed her concern that legislation is in place on the issue of credit for water rights, which has not been recognized by the Corps. She again asked what it would take to get the Corps to recognize the issue.

Ms. O'Connell expressed her frustration that we should be to the point of making recommendations but instead we are getting pushed back. She suggested pushing the policy makers, who can tell the working level people what is needed. She reiterated that they need to provide direction.

Ms. O'Connell mentioned Mr. Suen's comment about re-appraisals of real estate and stated that the issue is significant although she is not aware that Headquarters has recognized the issue. She added that the associated savings will help the benefit cost ratio, as will the North Truckee Drain. She stated that by recognizing those benefits, we would probably have a positive benefit cost ratio for the 75-year National Economic Development (NED) plan, which we thought we had. She summarized that we need to do everything within our power as we approach final decision-making.

Director Sferrazza stated that in addition to the appraisal amount, the cost of construction would be significantly lower than initially estimated. She asked if those reduced costs are being

considered in the benefit cost ratio. Ms. O'Connell agreed with the comments and stated she does not believe the needed attention has been given to the issues.

Chair Smith stated that the TRFMA (and formerly the FPCC) and the entire region has fully committed to partnering with the Corps on this project although we are not kept informed of decisions. He asked to whom we need to speak to find out why Headquarters prefers to not have the local sponsor involved in the meetings and discussions.

Mr. Suen stated that he believes Ms. O'Connell is speaking with the appropriate personnel, such as the Chief of Planning. He explained that the Corps is working under policies for their internal processes. Chair Smith stated that every time Board members and staff have visited Washington, D.C. they hear apologies and embarrassment that the project has not been implemented, which led to Project RESET, and now we are back to the drawing board.

Executive Director Aldean stated that he would get the names of those with whom to speak; however, three-party negotiations are tough. Headquarters has internal policies that allow them to self-protect. He agreed that Headquarters staff tells District staff what they must do and how to do it. He stated that District staff attempted to question the policies but were "slapped down" by Headquarters. He agreed that while in Washington, D.C. we need to specifically address the decision-makers on the technical side, while the legislative side is being examined.

Ms. O'Connell stated that the visits would begin with the ASA's office, then with the Corps Civil Works Director, as well as the Chief of Planning.

Mr. Suen reiterated that he believes that Headquarters is doing all they can in working with District staff. He referred to Chair Smith's question about how to get involved and stated that the Corps is working within their internal process, which involves the local sponsors and partners when it is appropriate. Ms. O'Connell stated that is why it is important to work with our elected officials, who work closely with Corps Headquarters and the ASA's office.

Mr. Suen referred to the internal process and used selection of the Executive Director as an example of a process for which the Corps was not involved. Vice-Chairman Larkin stated the difference is that selection of a director was a public process with transparency. He added that although only the Board was allowed to ask questions and make a selection, the public was allowed to see and hear the process. He stated that is what the TRFMA is requesting – transparency.

Director Aiazzi stated that the Corps has dropped the project cost from \$1.8 billion to \$1.6 billion and now to \$1.2, which has saved the government \$400,000 (or ~10%). He stated the local cost share would be \$120 million. He added that locally the same process has occurred where money was spent to evaluate a project and if it does not work, it is dropped. He believes that is money well spent. He stated he does not believe we have wasted \$42 million; it was used to determine the local project components. Mr. Suen agreed and added that the federal government does not view it as a waste and he reiterated that they believe the project is federally justifiable.

Director Humke made a motion to accept the report. Director Aiazzi seconded the motion, which carried unanimously.

Chair Smith called for public comments.

Cathy Brandhorst made several comments not related to the agenda.

Chair Smith called for public comments and hearing none, closed the public comment period.

9. ARMY CORPS OF ENGINEERS MONTHLY REPORT – 9:55 a.m.

Darren Suen, Project Manager, Civil Works Branch, ACOE

Report on activities related to the Truckee River Flood Management Project, including but not limited to, project scheduling and funding. Will include update on documents and process for Internal Technical Review currently underway. Possible action to accept the report and provide direction to staff related to flood project scheduling and other items as set forth in the report.

This item was discussed in conjunction with agenda item 8.

10. DISCUSSION OF PROJECT PLANNING ISSUES AND REASSURANCE OF PROJECT FEATURES TO FMA PARTNERS

Jay Aldean, Deputy Director, TRFMA

Discussion regarding new information that was made available to Flood Project staff from the Corps Internal Progress Review (IPR) meeting held in-lieu of the Alternative Formulation Briefing (AFB) on September 20, 2011. Discussion and possible action to reaffirm the makeup of flood features that will ultimately be included in the plan that will be submitted to the Corps of Engineers for construction. Possible action to provide direction to staff.

Executive Director Aldean referred to Director Aiazzi's comments about the decreased cost of the project. He stated he asked Eric Scheetz, Flood Project, to perform some high-level benefit/cost analysis. He stated that Mr. Scheetz estimated that approximately \$100 million to \$150 million would need to drop from the project cost while keeping the same benefits. Director Aiazzi stated that does not seem unreasonable to him and stated that locals could pick up a higher share.

Executive Director Aldean stated that Ms. O'Connell and Mr. Suen provided an overview of the status of the project. He stated his intent for this agenda item was to be able to explain the current process. He added that the improvements in downtown Reno have now been dropped from the Corps' plan. He stated that it is very important to work toward a unified project for the community.

Chair Smith asked if Ms. O'Connell had any additional comments. Ms. O'Connell stated this is what Headquarters staff decided although it is not a done deal. She reiterated that this is why the sponsor needs to be at the table.

Director Sferrazza stated that perhaps in looking at a rate structure, some of the elements dropped by the Corps could be funded by local contributions. She added that the community understands the importance of the elements to the overall project. She stated that the Corps would need to determine those elements to be part of our local contribution. She mentioned that we also need to prioritize the elements during the rate discussions with community input. She stated that we also need to explore other funding sources, such as the Federal Highway Administration, NDOT or others. She agreed that these issues need to be discussed with the Corps.

Director Sferrazza reiterated her suggestion that we prioritize the elements and funds, including downtown, UNR property, home elevation and Edison Way property. Executive Director Aldean agreed and thanked Director Sferrazza for providing that direction.

Director Larkin summarized that the FPCC and TRFMA in July voted (ratified) that our Locally Preferred Plan (LPP) is the option on which we are moving forward; however, the local cost share is capped at \$525 million. Executive Director Aldean stated that is correct; however, the TRFMA also entertained the notion of Alternative 3C (100-year) plan. He mentioned that components were removed under Alternative 3C, including downtown Reno protection and others; however, the project would still be a flood risk management project with features to keep downtown Reno dry.

Executive Director Aldean explained that the purpose of this item is to reaffirm that this is a regional project and will serve as a regional solution. He added that downtown Reno would be represented and protected. He stated that once we determine what the Corps project includes, we could determine what needs to be done locally.

Director Larkin summarized Mr. Aldean's comments as follows: We are going to do this project and seek out all avenues of revenue to make it happen and if the Corps decides to participate, we will open our arms to them, understanding that it would be a federal project that meets the requirements of their internal Corps procedures, which are vague, opaque and non-transparent. He clarified that we would participate up to a cap of \$525 million. He suggested that we might want to revisit that cap as we see the reaction from various other partners throughout the community. He reiterated that as a community, the bridges and elements for downtown would be included.

Chair Smith called for public comments.

Ric Frost, Pyramid Lake Paiute Tribe (Tribe), congratulated Mr. Aldean on his appointment as Executive Director. Mr. Frost reported that he is a water specialist with the Tribe's Water Department and added that he manages the irrigation district for the entire reservation. He stated that a couple of the irrigation dams are located at the lower end of the river and are part of the project to be funded by the Corps. He stated that as long as the fight continues with the Corps, the two dams are in egregious condition and he has lost a lot of soil (approximately 150 yards in length by 30 yards deep) from the Truckee River streambank because of the degraded condition. He added that he is aware that the project includes reinforcing two of the dams and adding fish passage.

Mr. Frost summarized that the longer that the lack of transparency and foot-dragging continues at the Corps level, the more his infrastructure continues to degrade. He encouraged more participation by our regional partners at the table with the Corps.

Chair Smith agreed that the two dams have been part of every project considered. He thanked Mr. Frost for his comments. Director Aiazzi asked who pays for the dams when they are reconstructed. Mr. Frost stated his understanding from former Director Duerr was that the Tribe would deal with the Numana end of the project and that the Flood Project would deal with the other two dams. Executive Director Aldean agreed that the Flood Project would pay for the fish passage elements of the project. He added that Senator Reid's office is seeking funds for the Numana dam because originally the Bureau of Reclamation (BOR) was to provide funding; however, BOR lost its funding.

11. ORGANIZATIONAL AND TRANSITIONAL ITEMS

A. EMPLOYMENT AGREEMENT FOR GENERAL COUNSEL POSITION

Mimi Fujii-Strickler, Administrative Services Manager, TRFMA

Discussion and possible action to approve an Employment Agreement between the Truckee River Flood Management Authority, the County of Washoe, and Michael Wolz to fill the General Legal Counsel position for the Authority; approve and authorize the Chairman to sign the Employment Agreement and forward to the Board of County Commissioners for approval; and/or provide direction to staff.

Director Sferrazza made a motion to approve the agreement with certain clauses stricken. She clarified that her suggestions would be to strike:

- Item 2C – Cost of Living increases – She believes the item is addressed under 2B, which allows the TRFMA to set the salary for the position
- Item 2D – She believes the employee should cover the cost of increases in the Public Employees Retirement System (PERS), which is what is being done locally
- Item 2N – Career incentive pay

She iterated that her motion is to adopt the contract with those changes. Director Aiazzi seconded the motion.

Chair Smith asked Mr. Salter if this contract differs from what the County offers employees. Mr. Salter stated he did not know. Ms. Fujii-Strickler reported that she developed the three-way agreement in an effort to bring Mr. Wolz on board as the Legal Counsel for the TRFMA, although he would be administratively attached to the County. She stated that the contract has been provided to the County Manager's Office, District Attorney (DA)'s Office and Human Resources (HR). She stated she had received no comments from the DA or HR. She stated that if desired by the Board, the contract could be amended based on Director Sferrazza's motion. She added that the contract is scheduled to go before the Board of County Commissioners (BCC) on October 25.

Director Sferrazza asked why comments are needed from the DA & HR departments when Mr. Wolz would be employed by the TRFMA. Executive Director Aldean stated that staff was trying to ensure appropriateness and completeness of contracts.

Director Larkin stated that the County is also moving away from the cost of living language so it is consistent. He stated that the suggestion for striking the PERS percentage clause is also consistent with the County, although the percentage might differ between the entities. He stated that the clause related to career incentive pay is at the discretion of the TRFMA. He agreed that the TRFMA has the right to approve the contract as they wish.

Chair Smith asked what the County's policy is in relation to career incentive pay for attorneys. Ms. Fujii-Strickler clarified that legal counsel for the TRFMA would purposely not parallel the positions in the DA's office. She said the position was separated from the bargaining unit of the DA's office. She explained that the legal counsel position is a stand-alone position.

Director Sferrazza stated that the issue is based on longevity, which some of the entities are trying to get away from and reiterated that salary adjustments are already covered under the contract. Director Larkin agreed that the County is doing the same.

Director Larkin asked if Director Sferrazza's motion includes authorizing the Chairman to present the contract to Mr. Wolz. Chair Smith asked Mr. Salter if based on approval, he could ask Mr. Wolz to sign the agreement. Mr. Salter stated that the County has some issues with the wording of the three-way agreement, of which Mr. Wolz is aware. He explained that the County feels a stronger employment relationship is needed in order for the County to offer benefits.

Director Sferrazza stated that she sits on the Housing Authority Board, which had to write a similar agreement and added that it cannot be that hard. She asked what the language changes are. Mr. Salter stated he is not the decision-maker on the issue and cannot speak to it. Chair Smith reiterated that Mr. Wolz is aware of the issue and agreeable to changes.

Director Larkin stated he is not sure he is okay with the changes. He added that he is aware of the County's language regarding a particular program. Mr. Salter stated that the County is concerned over the legality of offering medical insurance under the terms of the contract.

Chair Smith called on Mr. Wolz to speak. Mr. Wolz stated he is aware of the issue and had a brief conversation regarding the underlying legal issue, which he agreed needs to be fixed. He added that he believes it can be repaired relatively quickly. He stated he has full confidence that the issue could be resolved.

Director Sferrazza asked Mr. Wolz if he was agreeable to her suggested edits. Mr. Wolz stated he is certainly agreeable to the edits and added that he did not insist on any contract language. Director Larkin briefly explained the responsibility of any PERS increase. Mr. Wolz suggested that he discuss the issue with Mr. Salter since it has not been part of any previous discussion.

Director Aiazzi asked who else needs to approve the contract. Chair Smith stated no one else. Ms. Fujii-Strickler stated that it is important to provide the contract in full disclosure to the BCC, which has a deadline for submission of noon today for the October 25 meeting. Director Larkin said to not worry about the deadline; we would deal with it. He stated that contracts must be signed between Mr. Wolz and the TRFMA and one between the TRFMA and the BCC to provide certain benefits.

Mr. Salter stated that the contract language said that the TRFMA shall provide insurance equal to what the County would provide. He stated that if the intent is that the County actually provides the insurance, the language needs to be modified.

Director Sferrazza recommended moving forward with the contract today and to provide direction that the BCC resolve the issue with the County related to providing health benefits. Director Aiazzi asked what the effective date of the contract would be. Chair Smith stated November 7; however, he added that Mr. Wolz is not in a hurry. Director Aiazzi stated that the TRFMA has no money and therefore cannot pay Mr. Wolz or Executive Director Aldean. Mr. Salter agreed that unless the TRFMA enters into an agreement with the County, an employee of TRFMA could not be paid. He added that was the intention of the three-way agreement.

Director Aiazzi asked for clarification that the motion is contingent on the County approving the contract. Director Sferrazza stated it is.

Director Sferrazza restated her motion to approve the agreement contingent on County approval with the following clauses stricken.

- **Item 2C – Cost of Living increases**

- **Item 2D –The employee should cover the cost of increases in the Public Employees Retirement System (PERS), which is what is being done locally**
- **Item 2N – Career incentive pay**

Ms. Fujii-Strickler stated that the contract for the Executive Director position would be in the same situation so hopefully we can get the situation smoothed out. Director Larkin asked for clarification that the contract would go before the BCC on October 25. Ms. Fujii-Strickler stated it is on the BCC agenda.

Chair Smith called for a vote on the motion, which was seconded by Director Aiazzi. The motion passed unanimously.

Chair Smith invited Mr. Wolz to come forward. Mr. Wolz thanked the Board and agreed to work with the County to reach agreement on the language.

**B. REVIEW AND POSSIBLE ADOPTION OF POLICIES FOR THE AUTHORITY –
10:46 a.m.**

Felicia O’Carroll, Shareholder, Kafoury, Armstrong & Co.

Susan Nuckles, CPA, Kafoury, Armstrong & Co.

Discussion and possible action to adopt the following policies for the Truckee River Flood Management Authority:

P-1 Internal Control

P-2 Cash Management

P-3 Investments

P-4 Procurement

P-6 Expenditures

Chair Smith invited Lori Williams, Senior Financial Analyst, to present this item. Ms. Williams reported that Kafoury, Armstrong has been the driving force in getting policies written and reviewed. She introduced Felicia O’Carroll and Susan Nuckles and invited them to present the policies.

Ms. O’Carroll reiterated that Kafoury, Armstrong has been working with staff to put policies in place so that funds may be transferred to the TRFMA. She stated that the policies for review are very simple; however, the procedures to follow will be more detailed.

Ms. O’Carroll reviewed the Guiding Principles for the purposes of setting up the TRFMA organization:

- P-1 Internal Control – Designed to provide assurance that it shall safeguard assets, execute transactions appropriately and assure that legal and contractual requirements are met
 - Segregation of duties so that one is not performing incompatible functions
 - Review by another person so one person does not have full control over any particular aspect of the financial activity
- P-2 Cash Management – The policy is to establish the general framework for how money is received by the entity, how it is spent by the entity and what should be done to protect the remaining amount in the budget or for investment.

- Establishment of bank accounts and who will perform bank reconciliation, which would include involvement by the Executive Director
- P-3 Investments – There is an Interlocal Agreement (ILA) in place with the County to provide investment services for TRFMA. This policy establishes that the ILA will be followed and that a quarterly report on investment activity will be presented to the Board.
- P-4 Procurement – This policy is to ensure adequate control over how purchase orders are issued and checks drawn and the associated functions (which are covered by Nevada Revised Statutes [NRS]). There are requirements that certain amounts have to be bid (formally or informally). She stated that Kafoury's role would be to approve payments, not to sign checks.
- P-6 Expenditures – Cash disbursement is the actual process for establishing purchase orders, drawing checks, and ensuring reconciliation of the checking account by someone other than the check writer.

Ms. O'Carroll reiterated that the above policies are very general and added that they have been submitted to the County Comptroller. She stated that Kafoury would continue to work on policies for:

- Purchase of property and relocation – She stated that Mr. Salter took an initial stab at the policy and Kafoury will meet with him to build on the policy.
- Debt and payment of debt – Currently handled through the County
- Budget or Audit, which are required under NRS so a policy might not be necessary

Ms. O'Carroll stated that Susan Nuckles, who worked closely with Ms. Williams on the policy development, was also present. She commended Ms. Williams for being the driving force behind the policies. She offered to bring more policies back to the November meeting. She invited questions.

Chair Smith clarified that Kafoury, Armstrong is setting up the "business" of the TRFMA. Ms. O'Carroll stated that they are setting up the financial parameters to get the TRFMA established. Chair Smith asked once the procedures are in place, what the next step would be. Executive Director Aldean stated that the procedures would dictate the timing of reporting and other issues. He stated that the transfer of funds could occur once the policies are in place, which is Ms. Williams' top priority. He added that he expects the process to be complete within thirty days.

Director Larkin thanked Ms. O'Carroll for her efforts and asked about Kafoury's previous role as TRFMA auditor. Ms. O'Carroll stated that John Sherman, former CFO, requested Kafoury's assistance in standing up the agency; however, that precludes Kafoury from being the auditor for the TRFMA. She explained that under current contract, Kafoury is strictly helping the TRFMA to establish internal controls and procedures. She added that TRFMA requested that Kafoury work as a part-time, temporary CFO, which would result in more of a managerial role if accepted. She clarified that under a revised contract, Kafoury would become part of TRFMA's internal control structure.

Executive Director Aldean clarified that the contract is the one he mentioned during Announcements that would be brought back to the November meeting.

Director Larkin made a motion to accept and authorize the Executive Director to implement the policies and procedures as presented in the staff report. Director Martini seconded the motion, which carried unanimously.

C. GENERAL LIABILITY AND ERRORS AND OMISSIONS INSURANCE

Mimi Fujii-Strickler, Administrative Services Manager, TRFMA

Report and discussion regarding actions taken to secure general liability and errors and omissions insurance coverage for the Truckee River Flood Management Authority. Possible action to accept the report and provide direction to staff to move forward with accepting quotes and securing insurance coverage for the Authority.

Chair Smith invited Ms. Fujii-Strickler to present this item. Ms. Fujii-Strickler stated this issue is critical to setting up the TRFMA. She explained that insurance for the agency must be in place; however, the process has been tougher than expected. She stated that an application was submitted to the "Nevada Public Agencies Pool Pact" in Carson City, which was denied. She stated that Gary Roberts and Brandon Lewis from Wells Fargo Insurance marketed TRFMA's application to at least fifteen carriers, eleven or twelve of which have denied quoting coverage. She stated that staff is awaiting responses from the other carriers as to whether they would even provide a quote. She stated that the process has been very disappointing.

Ms. Fujii-Strickler stated that one quote came in today although she does not find it favorable to the TRFMA. She added that she has contacted a risk manager who specializes in this area and will meet with him the following week.

Ms. Fujii-Strickler invited Mr. Roberts and Mr. Lewis to speak. She added that Wells Fargo takes care of insurance for City of Reno, City of Sparks and Washoe County so they are familiar with the entities.

Director Sferrazza asked what the issue is and what needs to happen to get it rectified, perhaps with involvement by the local jurisdictions.

Mr. Roberts reported that Wells Fargo has been working on this project since May. He stated that when Ms. Duerr was serving as Director, the understanding was that the Pool Pact would accept TRFMA as an insured. He reported that the Pool Pact held a Board meeting and determined that the risk was too great. He stated that "flood" and "river" create the problems. He referred to flooding in the mid-west, as well as the Fernley flood, which cost the Pool Pack millions of dollars because they insured Fernley.

Mr. Roberts stated that insurers are worried about levees or dams breaking, undermining of levees and are afraid of lawsuits. He added that insurers are also worried about the various construction risks, which would include bridges, levees, the Living River and all the related exposures involved in construction. He stated that another concern is Errors and Omissions of the engineers and architects. He added that the same concerns continue to crop up. He stated that Mr. Lewis would explain the quote from Lexington Insurance, which is \$54,000 annually. He turned the discussion over to Mr. Lewis.

Chair Smith stated that what we have heard all along is that anyone can get insurance if they are willing to pay for it. He asked if it is possible to be self-insured. Mr. Roberts stated that in this case, the first million dollars is what is called self-insured retention, which equates to a deductible. He added that City of Reno has \$1 million in self-insure retention, Washoe County has \$1.5 million and City of Sparks has \$300,000 self-insured retention on most of their

coverage and \$100,000 on some others. He stated that in many ways, TRFMA is self-insured; any insurance policy would provide excess insurance. He stated that he and Mr. Lewis would apprise the TRFMA of the amount of coverage and some of the major exclusions. He turned the discussion over to Mr. Lewis.

Mr. Lewis reiterated Ms. Fujii-Strickler's comment that 15 insurance companies were approached, 11 of which declined to quote based on Mr. Roberts' list of risks. He stated that three insurance companies are still reviewing applications; however, Wells Fargo is not optimistic that another quote would be received although they are speaking with underwriters.

Director Larkin referred to the quote from Lexington and mentioned this agency is relatively new with no previous experience so quotes for insurance limits were provided based on zero experience. He asked Mr. Roberts if in his experience as a broker, typically as an agency gains experience, do premiums decrease or limits of insurance increase. Mr. Roberts stated yes and added that interestingly, in discussing the quote with Lexington, they were unsure what their risks are so they decided for the first year to only provide \$5 million in coverage with the \$1 million self-insured rate (or deductible). He added that their direction was to begin to get comfortable with the TRFMA, knowing that considerably more construction and changes would occur in the future, at which point they could recognize the risk and price accordingly. He explained that when construction begins, the price for insurance would increase. Director Larkin reiterated his question of TRFMA's continued experience and whether it would result in higher limits of coverage. Mr. Roberts stated it would most likely increase. He added that Wells Fargo asked for a limit of \$10 million or a deductible of \$500,000; however, this was the quote from Lexington. He stated that other carriers were asked if they would provide in excess of the \$5 million in coverage quoted by Lexington, to which one carrier stated it would consider.

Mr. Roberts stated that he knows many of the Board members personally and that he is still trying to get increased limits of insurance. Director Larkin asked if Mr. Roberts' recommendation would be to move forward with Lexington. Mr. Roberts asked to review the quote prior to actually providing a recommendation.

Chair Smith referred to the quote, which on the first page shows coverage for errors and omissions in the amount of \$5 million; however, on the next page it stated coverage for errors and omissions for architects or engineers is excluded. Mr. Roberts stated that is correct and explained that the work would be protected; however, the individuals would not be professionally insured.

Director Humke referred to the policy limits and asked if the relationship of TMWRF with Washoe County could carry over in the insurance coverage. Mr. Roberts stated that interestingly, Lexington's sister company insures the City of Reno and Washoe County so Wells Fargo attempted to do that. He explained that Travelers and the Insurance Company of Pennsylvania (which insure the County and Reno) viewed TRFMA as a separate entity with its own separate risks. He stated that Lexington stepped up to the plate because the same underwriter insures Reno and the County, which is a benefit. He stated that Lexington has a little more flexibility in premiums, as well as with the terms and conditions of the policy.

Director Humke referred to the exclusions and mentioned defense expenses and costs and stated he assumed it was the same issue based on TRFMA being a new entity and asked if that exclusion might be eliminated based on experience. Mr. Roberts stated it probably would be. He suggested inviting a Lexington representative to a meeting to better understand what their exposures would be. He stated that he would view this policy as a "living policy" that would

renew annually and adjustments could be made. He added that there is no requirement that if initial insurance was provided by Lexington that TRFMA would have to stay with them although he encouraged long-standing relationships.

Director Humke referred to the exclusion of architects and engineers and stated that it is normal to require in contracts co-insurance of engineers and architects. He stated that the issue might require consultants to provide higher liability coverage based on no coverage for the TRFMA. Mr. Roberts explained that Lexington was not willing to provide the coverage for any amount at this point.

Mr. Roberts commended Ms. Fujii-Strickler on doing a wonderful job in the process. He added that she provided all of the needed information and that it is a pleasure working with her. He also took a moment to congratulate Mr. Aldean on his new position.

Mr. Roberts explained that TRFMA would be buying time and providing coverage that he believes would be adequate for the time being for the Board, as well as to satisfy the operational requirements of the TRFMA.

Director Humke referred to the exclusion of the levee and floodwall due to rupture, busting, overtopping and flooding and referred to the Fernley flood (which was in part due to rodents hollowing out the levees) and asked if that is part of the problem. Mr. Roberts stated it is a big consideration of the insurance companies due to the losses. He added that in reality the insurance company is putting up \$5 million for an annual premium of \$54,000 (or ~1%).

Director Humke asked about the intent of excluding “overtopping”. Mr. Roberts stated he would defer that question to the insurance company although they are trying to protect their own assets. Executive Director Aldean stated that in overtopping, there are two issues: 1) water going over the levee creating flooding, and 2) typically when a levee is overtopped, it breaches so the flood hits that one small area. He added that even if a levee is constructed for 100-year protection, there could be a 200-year event that could overtop.

Director Humke referred to the third-party administrator requirement and asked if that simply reduces the policy to dollars and cents. Mr. Roberts stated that is correct; it is for a claims administrator. He suggested that he could set up a meeting with Executive Director Aldean and staff to determine the cost of an administrator to be assigned to the account. He explained that Reno and the County are self-administered based on their track record, legal teams and risk managers.

Director Humke suggested a possible remedy by having someone serve as the third-party administrator that Reno or the County have utilized. Mr. Roberts stated that the legal teams and risk management have typically settled all their own claims. He added that if a claim reaches the 50% level of the deductible, the insurance company has the right to take over the claim although they are flexible.

Director Sferrazza requested that prior to her leaving, a decision be made on the \$5 million policy offered by Lexington. She agreed that most likely we would not have exposure over the next year.

Mr. Roberts stated that we could move forward once a third-party administrator is selected. Director Larkin stated he seconded the motion.

Chair Smith stated there is was a motion and second on the floor; however, he still had questions. He stated that the Flood Project has completed many restoration projects but only one flood feature (the Reno Sparks Indian Colony levee). He asked if the insurance would cover what has been done by the Flood Project or what is already in place.

Ms. Fujii-Strickler stated that once the TRFMA is stood up with its own assets, TRFMA would own the levee and floodwall. She added that her understanding is that the levee and floodwall are not covered by the policy. Director Larkin stated that the land is owned by City of Reno. Chair Smith asked if each entity insures its own levees or floodwalls. Mr. Roberts stated the policy liability has an exclusion for the levees in the event they break. Ms. Fujii-Strickler explained that once the agency is stood up, the levee and floodwall would be transferred to the TRFMA, which will own it.

Chair Smith asked what the policy covers. Director Larkin stated that in order to stand up the TRFMA with the transfer of funds, a general liability insurance policy is required, which would be met by this policy. He added that currently the TRFMA does not own anything; however, as the flood features are transferred to TRFMA, the coverage would have to increase. Chair Smith asked if a flood occurred tomorrow and our insurance took effect today, who would be liable for damage. Mr. Roberts stated that subject to the terms and conditions of the policies, for example if a levee broke, it would not be covered through this policy. He stated that for instance, City of Sparks' policy excludes coverage for breakage or breaching of the levees within Sparks. Chair Smith referred to the overtopping issue and asked if it would be covered.

Mr. Roberts stated he would have to research the issue and get back to the Board. Ms. Fujii-Strickler stated that under this policy, because Executive Director Aldean is an engineer, separate coverage would be necessary to cover him as an employee of the TRFMA. Executive Director Aldean explained that professional liability insurance for engineers usually follows a signature on a plan set. He stated he would be more concerned over Paul Urban, Licensed Engineer, than for himself because his position does not require an engineer. He reiterated that by signing plans as an engineer, the engineer is confirming that the project could be built based on the plans. He added that the Corps would hold the liability for the Flood Project design. He agreed with Director Larkin's comment that this policy is sufficient to stand up the TRFMA.

Mr. Roberts recommended requesting a quote to be brought back to the TRFMA. He stated that his understanding is that the TRFMA would contract the design to a consultant that would work with the Corps. Executive Director Aldean agreed and reiterated that the Flood Project staff would provide no design or studies requiring signature of an engineer or architect.

Ms. Fujii-Strickler stated that at times staff does write ordinances, for instance for floodplain mitigation, that are adopted by the local agencies. She added that policy decisions are made that are policy-related, which is why she believes professional liability insurance is needed. Director Martini stated that the Flood Project provides opinions; however, it is up to the entities to develop codes or ordinances or pass laws. Ms. Fujii-Strickler agreed that is correct.

Director Larkin reminded the Board that all of the Flood Project features are being built in the flood zone identified by the Federal Emergency Management Agency (FEMA), in which every business is required to maintain flood insurance. He added that currently TRFMA is at minimal risk although it is understood that eventually greater insurance coverage will be necessary.

Director Humke mentioned that Mr. Roberts stated he had one actual quote from Lexington and some pending. He asked if the motion should include discretion to use equal coverage at the

best price. Director Larkin agreed and stated he did not believe the motion was specific to a company.

Chair Smith clarified that there is not a motion at this point. Mr. Roberts requested that the Board give permission for Wells Fargo to work with staff and seek the best deal.

Director Larkin made a motion to move forward with the \$5 million insurance policy and provide authorization to Wells Fargo to negotiate the best deal within the specified parameters. Director Humke seconded the motion, which carried unanimously. Chair Smith clarified for the record that Reno representatives were not present for the vote.

12. POSSIBLE USE OF COOPERATIVE EXTENSION FOR OVERFLOW HOMELESS SHELTER – 11:39 a.m.

Mimi Fujii-Strickler, Administrative Services Manager, TRFMA

Discussion and possible action to authorize use of the Cooperative Extension building for a temporary overflow homeless shelter for the upcoming winter months.

Director Larkin stated that this is something that has been done in the past and it is a temporary, seasonal process and conditional upon no flooding.

Ms. Fujii-Strickler explained that this proposal was brought forward because the previously utilized buildings have been demolished. She added that City of Reno and Washoe County approached her regarding housing the overflow homeless shelter. She stated that her request is to offer use of the Cooperative Extension building although funding for the shelter is undecided at this point. She stated that if Washoe County agrees to fund the shelter, an ILA would not be necessary because it owns the building; however, if another agency provides funding, she would bring back an ILA.

Director Larkin asked what if the funding was provided by Catholic Services. Ms. Fujii-Strickler stated that she needs direction from the Board before entering into an ILA with a non-profit. Chair Smith stated that it was done previously with Bristlecone so he does not see any issues with it.

Director Martini made a motion to accept. Director Humke seconded the motion, which carried unanimously.

13. RETREAT PLANNING

Jay Aldean, Deputy Director, TRFMA

Discuss a date for a retreat regarding the rate plan.

(Discussed under agenda item 11) Chair Smith stated that he has further questions related to insurance; however, Director Sferrazza needs to leave for a Council meeting. He asked for suggestions for the date for a Retreat. Director Sferrazza asked if it could be scheduled on the regular TRFMA meeting day. Executive Director Aldean stated that it could; however, he stated that he was hoping for a longer meeting to address many issues. Director Sferrazza referred to the proposed schedule, which was for Thursday, November 10 at 2:00 p.m. and asked if it could begin earlier, perhaps at noon. Executive Director Aldean stated that would fine and lunch could be provided. Director Humke stated that he could commit to 1:00 p.m. Director Larkin stated that the BCC has a retreat on November 10. Chair Smith suggested scheduling the Retreat for Thursday, November 17 and cancel the TRFMA meeting of the 10th. Director Sferrazza suggested scheduling the meeting for 10:00 a.m.

Chair Smith summarized that the Retreat would be scheduled for Thursday, November 17 at noon with lunch provided. Suggestions for the meeting location were made, which included the building at the Galena fish hatchery. Ms. Fujii-Strickler agreed to check on availability.

Director Martini requested scheduling the meeting locally because driving back and forth from Sparks to Galena adds an hour. Chair Smith agreed.

14. FLOOD PROJECT MONTHLY REPORTS

Presentation on flood project events, activities, and schedules. Possible action to accept reports and/or provide direction to staff.

A. MONTHLY REPORT ON FLOOD PROJECT FINANCIAL STATUS AND RELATED FINANCIAL ACTIVITIES

Lori Williams, Sr. Financial Analyst, TRFMA

Update on monthly and year-to-date revenues and expenditures and related financial activities of the Truckee River Flood Management Authority. Possible action to accept the report and/or provide direction to staff regarding possible allocation, appropriation or encumbrance of funds.

Ms. Williams stated that she provided a detailed report in the agenda packet and called for questions or comments. She reported that TRFMA received its first sales tax payment for the County, which was 5% higher than estimated.

Director Martini made a motion to accept the report. Director Larkin seconded the motion, which carried unanimously. Chair Smith thanked Ms. Williams for her update.

B. WORKING GROUP MONTHLY REPORT

Melissa Faigeles, Natural Resource Planner, TRFMA

Report on the Working Group meeting of September 28, 2011

Chair Smith invited Melissa Faigeles to provide an update on the Working Group. Ms. Faigeles reported that the Working Group report was provided in the agenda book and welcomed any questions.

Director Martini made a motion to accept the report. Director Humke seconded the motion, which carried unanimously. Chair Smith thanked Ms. Faigeles for her update.

C. CLIPPINGS FOR JUNE 2011

Director Humke made a motion to accept the clippings. Director Martini seconded the motion, which carried unanimously.

15. COMMITTEE MEMBER COMMENTS, REQUESTS AND FUTURE AGENDA ITEMS

Possible action to approve items for future agendas.

Chair Smith reported that this item was covered under agenda item 13. Executive Director Aldean offered to provide a preliminary agenda soon in order to provide time for TRFMA members to provide comments. He added that the November Retreat would not preclude the possibility of an additional Retreat in January.

16. PUBLIC COMMENT

Chair Smith called for public comments and hearing none, closed the public comment period.

17. ADJOURNMENT – 11:41 a.m.

With no further business, Member Humke made a motion to adjourn. Member Martini seconded the motion, which carried unanimously. The meeting was adjourned at 11:41 a.m.

Respectfully submitted by,

Niki Linn, Recording Secretary

Approved by FMA in session on December 9, 2011.