



FLOOD PROJECT COORDINATING COMMITTEE

February 4, 2011, 8:30 A.M.

**Sparks City Council Chambers
Legislative Building
745 Fourth Street, Sparks, Nevada**

MINUTES

1. CALL TO ORDER, PLEDGE OF ALLEGIANCE, AND ROLL CALL - Determination of a Quorum

Chair Smith called the meeting to order at 8:32 a.m. A quorum was established.

Voting Members Present:

Ron Smith, Chair
Robert Larkin, Vice-Chair
David Aiazzi
Robert Dickens
David Humke
Geno Martini
Jessica Sferrazza

Voting Members Absent (Excused):

Ron Zurek

Voting Alternates Present:

Ed Lawson
Troy Miller

Voting Alternates Absent (Excused):

Kitty Jung

Non-Voting Members Present:

John Flansberg
John Jackson
Neil Krutz
Burnham Moffat
Austin Osborne
Dean Schultz
John Sherman

Non-Voting Members Absent (Excused):

Shaun Carey
Franco Crivelli
Jeff Cronk
Donna Dreska
Jill Olsen
Dan St. John
Katy Simon

Staff Present: Naomi Duerr, Mimi Fujii-Strickler, Greg Salter, Danielle Henderson, Laura Bayer, Lisa Diebler, Ed Evans, Melissa Faigeles, Paul Urban, Lori Williams (arrived at 8:40 a.m.)

2. PLEDGE OF ALLEGIANCE – 8:33 a.m.

Member Sferrazza led the Flood Project Coordinating Committee (FPCC) in the Pledge of Allegiance.

3. ANNOUNCEMENTS – Director Duerr deferred her announcements to the end of the meeting.

Chair Smith welcomed Members and guests. He invited announcements.

4. PUBLIC COMMENT – 8:34 a.m.

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

5. REPORT ON FLOOD PROJECT STATUS, FUND BALANCE ALLOCATION, AND RELATED FINANCIAL ACTIVITIES – 8:34 a.m. - Naomi Duerr, Director, Truckee River Flood Project and Lori Williams, Senior Fiscal Analyst, Truckee River Flood Project

Update on year-to-date revenues and expenditures and related financial activities of the Truckee River Flood Project. Discussion of Fund Balance Allocation status, including land and relocation (planned and in-progress), TRAction Projects (planned and in-progress), debt service, and operations. Possible action to accept the report and/or provide direction to staff on related financial matters.

Chair Smith invited Director Duerr to present this item. Director Duerr referred to a handout that was distributed at the meeting, "Proposed Revised Fund Balance Allocation - Updated". She reported that the numbers are very similar to those reported at the last meeting. She reported that the current fund balance is \$22.2 million . She discussed the different fund accounts and stated that a new line item was set up entitled, "Required Reserves per Joint Powers Authority (JPA)".

Director Duerr referred to the items in blue and stated that if the amount for all of the optional projects was channeled to debt reduction, plus the \$1.5M already scheduled, \$13 million worth of total debt could be retired. She provided a brief summary of the line item allocations, which included \$4.5 million for acquisition and relocation of tenants on Edison Way. Chair Smith stated his understanding was that if the tenants were allowed to remain in the building rent-free, there would be no relocation fee. Director Duerr acknowledged that the concept had been discussed; however, it was found that legally it could not be done.

Director Duerr reported that previously \$8 million was set aside for the University of Nevada, Reno escrow good faith payment, which was reduced to \$4 million. She then reviewed the components of the required reserves for the JPA and explained the reasons behind the amounts.

Director Duerr summarized that the fund balance totals \$25.7 million, leaving zero in unallocated funding. She reminded members that there would still be \$3.9 million in the fund for required reserves.

Vice Chair Larkin recommended opening items six, eight and nine for discussion at the same time.

Member Larkin moved to accept the report.

Member Aiazzi asked what the status is on Edison Way land acquisition. Director Duerr stated that the property required a second appraisal, which was received about a week ago. She added that the Uniform Relocation Act requires that a first offer be held open for at least 30 days; however, in an effort to keep the process moving, she sent a request to the property owner requesting a response by February 9, 2011, before the next FPCC meeting and Finance Subcommittee meeting. Member Aiazzi asked if the second appraisal was higher or lower, to which Director Duerr stated higher. Mr. Salter stated that the original appraisal came in at \$3.1 million; and the second came in at \$3.485 million. Chair Smith asked when the first appraisal was performed. Director Duerr stated about six months ago, which would need to be updated anyway for a new offer. The appraisals are only good for 6 months.

Mr. Salter explained that the property owner provided additional information after the first appraisal; therefore, the same appraiser was asked to reappraise the property based on the original appraisal and the new information. He added that he *did* seek a new appraiser; however, he was not able to find one without conflicts or other issues with the property. Member Aiazzi expressed his concern over material differences not accounted for in the first appraisal being re-appraised by the same person.

Member Aiazzi asked if such appraisals are normally under the purview of staff. Director Duerr stated they are and added that there is a list of potential properties for land acquisition that has been approved by this Board, as well as the Board of County Commissioners (BCC). She stated that the process is normally for willing sellers to approach the Flood Project. She added that the property being discussed is a high priority acquisition for the Flood Project.

Member Aiazzi asked if the \$4.5 million set aside for the acquisition could be used for something else. Director Duerr stated that her suggestion would be to keep the money available until February 9 when a response is due from the property owner.

Chair Smith stated there is a motion on the floor to accept the report. Member Martini seconded the motion, which carried unanimously.

Chair Smith stated that items six, eight and nine would be opened together for discussion. He added that item 7 would be continued to the next meeting on February 11.

6. PRIOR REDEMPTION OF A PORTION OF THE WASHOE COUNTY 1998 SALES TAX REVENUE BONDS FOR PUBLIC SAFETY AND FLOOD CONTROL IN AN AMOUNT NOT-TO-EXCEED \$15 MILLION - 8:58 A.M. - John Sherman, Director, Finance Department, Washoe County; Naomi Duerr, Director, Truckee River Flood Project, and Lori Williams, Senior Fiscal Analyst, Truckee River Flood Project

Discussion regarding use of a portion of Truckee River Flood Project's Fund Balance to retire a portion of the Washoe County 1998 sales tax revenue bonds for public safety and flood control. Discussion of financing alternatives and options. Possible action to approve early repayment of debt in an amount not-to-exceed \$15 million.

Director Duerr reported that staff worked with John Sherman, Director of the Finance Department for Washoe County to develop some financing alternatives and options for presentation to the FPCC. She referred to the staff report which summarized the series of debt obligations of the Flood Board and possible options available to deal with the debt. She reported that in 1998 the first Flood Project bond was issued in the amount of \$21,915,000. She explained that the remaining principal balance on the bond is \$16,875,000 with the term

ending in June 2029. She added that its purpose was to fund construction of the Regional Emergency Operations Center (EOC). She reminded members that the first tasks under the 1/8-cent sales tax were to build the EOC and the Regional Public Safety Training Center.

Chair Smith stated that legal staff spoke with members representing UNR, who agreed to abstain from voting on all items related to UNR in order to prevent a conflict of interest. Member Dickens stated that Member Miller and he would step away from the dais during voting discussion. Chair Smith asked for confirmation that it would not affect the Board's consensus voting. Mr. Salter stated that it would not.

Director Duerr continued her discussion on bonds and added that the first bond currently has a debt service of \$25,660,691. She reported that the second bond issued in 2006 in the amount of \$21 million, was to fund construction of the Truckee River Flood Project and land acquisition. She reported that the remaining principal balance is \$19,445,669 with the term ending June 2036. She added that this bond resets every five years is not negotiable at this time. Mr. Sherman explained that there are provisions to pre-pay principal and interest; however, the pre-payment dates are still in the future.

Director Duerr reported that in 2000, a Certificate of Participation (COP) was sold for \$16,950,000 for the term of 10 years to construct the Regional Public Safety Training Center. She added that the COP was paid off in fall of 2010.

Director Duerr reiterated that staff requested Mr. Sherman and financial advisors' assistance in developing a series of options for reducing debt for the purpose of using cash flows associated with the prospective JPA implementation and to reduce long-term interest costs. She referred to graphs that were provided to members. She reminded members that approximately \$13 million is available for fund allocation. She summarized that the point of this agenda item is for the FPCC to determine whether to reduce the debt, and if so, to determine the preferred option. She turned the discussion over to Mr. Sherman.

Chair Smith asked Mr. Sherman to explain the "front-to-back" versus the "back-to-front" option. Mr. Sherman agreed and explained that the debt was issued in \$5,000 coupons and can be paid back in that increment. He explained that in reviewing the options, it was determined that an even amount could be applied to the principal balance for the term of the debt service, which would lower the annual debt service by a fixed amount or the FPCC could choose to pay off more principal in the upcoming years. He noted that interestingly by doing the front-to-back method, the interest on the principal still must be paid in the latter years. He stated that in doing the back-to front-method, future principal is paid off earlier, thereby reducing the total interest cost. He stated that in terms of maximizing the reduction of total debt payment, the back-to-front method makes the most sense. He added that in terms of increasing current cash flow, the front-to-back method would be appropriate. Mr. Sherman stated that there is also an option of using a combination of methods.

Director Duerr stated that the staff report does not include every option and every combination for paying off the debt; however, it does provide a range of alternatives. She reported that coming into the next year there would be very little in the fund balance, other than the required reserves. She reviewed options for early redemption of \$3 million, \$6 million, \$9 million, \$12 million, and \$15 million, of the 1998 sales tax revenue bonds using cash in Fund 211. She explained the benefits of each option which include interest savings from \$415,000 up to \$6.4 million depending on the repayment option. She reiterated that in the front-to-back option, the interest cannot be paid off.

Mr. Sherman stated that staff was very mindful that regardless of the options there will still be outstanding debt to pay, for which the sales tax is pledged. He added that the sales tax money would not be vulnerable to others because it is pledged to repay the outstanding debt, which was discussed with Bond Counsel. Mr. Sherman explained that related to the 1998 bond, the County must provide no earlier than 30 days or later than 60 days notice to repay the debt.

Chair Smith called for questions or comments. Member Martini referred to Mr. Sherman and the fact that he serves as the FPCC's consultant on such financial matters and asked for his recommendation. Mr. Sherman stated that when discussion centered on the State's access to local funds, options were explored that included debt repayment or land acquisition. He stated that one of his concerns is potential use of the money, for instance negotiations with UNR Farms are still ongoing and has not been completed with a signed escrow agreement. He summarized that there are risks associated with the funding allocations. He added for instance, there is no risk with *designing* the Virginia Street Bridge; however, there is no guarantee that money will be available for construction. He explained that in reviewing the risk assumptions, repaying debt is a no-risk option. He reiterated that debt repayment would encumber the funds, reduce future costs and free up cash flow. He added that as a financial representative, he would go for the biggest bang for the buck, which would be paying off \$12 million in debt; however, he realizes there are competing needs for that money.

Member Aiazzi asked what the interest rate is on the bonds. Mr. Sherman stated on the 1998 bond it is 4.5 to 5%. Member Aiazzi asked if the bonds were paid off and new bonds were requested, what the new interest rate would be. Mr. Sherman stated a little more than 5%, which varies. Member Aiazzi stated that another consideration would be the cost for bond issuance in the future. Mr. Sherman agreed that in doing revenue bonds, a higher rate would be paid; however, he added that based on its bond rating, the County is very competitive in the market.

Member Aiazzi asked Mr. Sherman for clarification that he believes the funds are safe from the State taking them. Mr. Sherman clarified that he is not saying the funds would not be sought; however, there would be a good legal case to stop it.

Member Larkin asked when the 30 to 60 day period would be available. Mr. Sherman stated it is available at any time as long as it is under the parameters of no sooner than 30 days or no later than 60 days notice of repayment. He added that it would have to be approved by the BCC, which meets on February 22. Member Larkin asked what happens if the JPA is ratified and when that might be. Director Duerr stated that potentially the JPA could move forward on March 1 although many details will have to be worked out. Member Larkin stated it does not sound like time is of the essence if Bond Counsel believes the funds are safe. Mr. Sherman clarified that the revenue stream is safe, as opposed to the fund balance.

Director Duerr stated that staff's recommendation was to present the options to the FPCC, on which it could base its recommendation on potential debt reduction. She added that a decision on an exact amount and alternative does not have to be made at this meeting.

Member Larkin reiterated that the uncommitted fund balance is vulnerable to the legislature until committed for certain purposes. Member Sferrazza stated that she believes the issue is whether the funds are allocated for debt service, which may result in increased interest costs, or purposes such as land acquisition. Member Larkin summarized that he thinks this issue needs to be further discussed; however, it does not need to be resolved today.

Mr. Sherman stated that the most significant point is that in order to build the flood project, whether locally or in conjunction with the Corps, local debt will need to be issued significantly more than what could be freed up in the revenue stream by repaying debt. Member Larkin agreed and added that the Flood Project will need its operational cash flow. He reiterated that the FPCC needs to make a decision on the timing.

Chair Smith stated that based on the following agenda items, some of the funds could be allocated for other needs, such as a \$4 million escrow agreement with UNR. Director Duerr reiterated that the purpose of this agenda item was to bring the range of options before this Board. She added that decisions could be made up to the February 22 BCC meeting and could include a combination of options.

Member Sferrazza referred to future JPA financing and asked what the County's bond rating is compared to the City of Reno. Mr. Sherman stated the County's rating is AA, which he believes is higher than City of Reno's. Member Sferrazza stated she believes City of Reno's rating is AA2. Mr. Sherman stated that the better the bond rating, the lower the interest rate although he cannot speculate what the interest rates might be in the future. Director Duerr added that when issuing bonds previously, costs were compared for the different entities based on credit ratings, which found the County bond bank to be the most cost effective.

Member Sferrazza referred to the JPA and asked Mr. Sherman if it is possible for Washoe County to issue the full obligation for the Flood Project or if each local government would need to do their part. Mr. Sherman stated that Washoe County does not have the legal basis currently to impose fees, such as the flood fee. Member Sferrazza clarified that under the JPA, the Authority could move forward and pledge bonds with the help of Washoe County. Mr. Sherman stated that is correct.

Member Smith asked if there were further questions or comments on item 6, and hearing none moved onto item 8.

7. AMENDMENT 1 TO THE INTERLOCAL AGREEMENT BETWEEN WASHOE COUNTY AND THE CITY OF RENO FOR DESIGN AND PERMITTING FOR THE VIRGINIA STREET BRIDGE TRACTION PROJECT, FOR AN ADDITIONAL AMOUNT NOT-TO-EXCEED \$3 MILLION, FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$4.8 MILLION.

Member Martini made a motion to continue this item to the next meeting on February 11, 2011. Member Sferrazza asked how much money has been spent on the Virginia Street Bridge project to date. Chair Smith stated that \$1.8 million has been approved by the FPCC. Member Sferrazza asked for clarification that an additional \$3 million is being requested for design. Chair Smith stated that is correct. **Member Humke seconded the motion, which carried unanimously.**

8. AUTHORIZATION TO INITIATE ACQUISITION ACTIVITIES, OPEN ESCROW AND PROVIDE UP TO \$4 MILLION AS A DOWN-PAYMENT FOR THE ACQUISITION OF A PORTION OF UNR FARMS. - Naomi Duerr, Director, Truckee River Flood Project and Greg Salter, Deputy District Attorney, Washoe County

Discussion and possible action to initiate formal activities to acquire portion of UNR farms (land, facilities and easements); authorize the opening of escrow; provide up to \$4 million as a down-payment; authorize the Director of the Truckee River Flood Project to execute and deliver all documents and funds (subject to County policies and limits on contracts), to complete due diligence and surveys, and negotiate a purchase agreement

for consideration by the Flood Project Coordinating Committee; authorize the use of the 1/8-cent sales tax dedicated to the Truckee River Flood Management Project for the acquisition; and forward these actions to the Board of County Commission for consent.

Member Duerr reported that the staff report includes the background on the acquisition of a portion of UNR Farms, recommendations, draft escrow instructions, and maps of the property. She reported that in the last couple of years the Flood Project and UNR have been actively engaged in developing a memorandum of understanding (MOU) and purchase agreement to purchase UNR farms property to construct terraces along the riverbank to slow and store flood waters, and to restore the eroded riverbank to a more natural floodplain with vegetation. She reported that the process has been challenging, not because of UNR representatives, but rather the future of UNR Farms.

Director Duerr referred to maps of the property and stated that berms would need to be constructed. Based on the need for the land, it was agreed to move forward with an appraisal. Two appraisals are underway (one for the bare minimum property needed, and the other for a larger parcel) and are expected to be completed within 90 days.

Director Duerr stated that based on the length of time this project has been considered, it is suggested that a good-faith refundable deposit in the amount of \$4 million should be authorized by the FPCC. Staff also recommends authorizing the Director to execute and deliver all documents and funds to complete due diligence and surveys; negotiate a purchase agreement for consideration by the BCC; and authorize use of the 1/8-cent sales tax dedicated to the Truckee River Flood Management Project Fund 494. Mr. Salter explained that this is purely a monetary transaction that could be signed by the Chancellor.

Member Aiazzi asked if staff has been in touch with the Regional Transportation Commission (RTC), which is involved in work on Clean Water Way. Director Duerr stated that specific issue has not been discussed; however, staff has been in discussions with RTC in the last couple of days regarding Southeast Connector. Member Aiazzi stated that City of Reno also owns land in the floodplain that has not been discussed for purchase. Director Duerr stated that the city owned property has not been added to the acquisition list- it is expected to be contributed; however, a future agenda item will provide for discussion of the issue.

Member Aiazzi stated he is confused that some properties require purchase, while he heard that the Reno property would only require an easement to use the land while it remains in the ownership of City of Reno. Member Sferrazza explained that originally the City of Reno planned to turn over the land to the Flood Project; however, things have changed. Director Duerr stated that when she was hired in 2005, her understanding was that the Cities and County would donate land. She stated that through research, minutes from 1998 were found (copies of which are available) which basically states that a County Resolution was adopted to provide for the County to provide land at no charge for the Flood Project. She added that she was not able to find similar resolutions for the cities, although she believes they exist.

Chair Smith stated that generally RTC will purchase property in order to build a project and then deed it back to the entity. Director Duerr briefly explained how easements for the Flood Project work; when an easement is granted for a levee, the property basically becomes unavailable for any other use. She added that properties for terracing or restoration areas will require free title acquisition of the land per Corps policies.

Chair Smith asked if a decision is made to purchase property from the Cities or County, if it could be purchased with cash and credit. Director Duerr stated yes. Member Sferrazza stated

she believes City of Reno did take action on a resolution to donate land. Director Duerr distributed copies of minutes from a prior meeting, as well as maps of the properties needed by the Flood Project reflecting current ownership. She explained that an option was discussed where the Flood Project could potentially purchase land from the City of Reno, which could then be used by Reno as a credit against the Flood Project's future fees.

Member Sferrazza stated she is not sure that a resolution exists for City of Reno; however, she does remember discussions about the issue. She added that she previously recommended encumbering funds for Reno's land contribution to the Flood Project.

Member Larkin stated that in 2005, he participated in discussions about use of County land for the Flood Project in a non-compensable way.

Member Martini stated he was unsure whether Sparks passed such a resolution. Neil Krutz, Public Works Director for City of Sparks, stated he believed they did. Member Martini stated that in the spirit of cooperation, it makes sense to provide property.

Director Duerr reported that Flood Project staff is aware that many of the areas needed for the project in Sparks include bike paths, trails and other amenities. She stated that staff is very clear that any property needed for levees may need to include those amenities.

Chair Smith called for further discussion or a motion on items six, eight or nine. Member Aiazzi stated that it makes sense to purchase the property from UNR Farms. He added that negotiations with the other entities should be further discussed related to property needed for the Flood Project. He referred to the \$1.5 million in debt retirement and stated he is not sure if that is the safest thing to do and suggested possibly moving the amount to the escrow account. Member Larkin agreed on possibly moving the \$1.5 million to the UNR escrow account. Chair Smith stated that the agenda item today is transferring \$4 million to the UNR escrow account; however, discussion of additional amounts could be heard at the next meeting if desired.

Member Aiazzi made a motion to authorize payment of a \$4 million refundable, good-faith deposit to UNR. Member Larkin seconded the motion. Member Aiazzi asked if the Virginia Street Bridge item was to be included in his motion. Chair Smith stated no - that item was continued to the next meeting. Director Duerr stated that prior to the next meeting on February 11, the Finance Subcommittee should have a response from the landowner of the Edison Way property. Director Duerr suggested that the motion be to deposit \$4 million into the UNR escrow account. Chair Smith called for a vote on Member Aiazzi's motion, which carried unanimously with two abstentions.

Director Duerr stated that the BCC has an item on their agenda for next week to approve depositing \$4 million into the escrow account.

9. DISCUSSION AND POSSIBLE ACTION ON ACQUISITION OF LAND FROM LOCAL GOVERNMENTS FOR FLOOD PROJECT FACILITIES - Naomi Duerr, Director, Truckee River Flood Project

Discussion regarding initiation of activities to acquire local government owned lands needed for the flood project. Discussion of alternatives to fee title acquisition. Possible direction to staff to initiate acquisition of lands, explore alternatives, or other direction.

Discussion of this item was already covered under items six and eight.

10. COMMITTEE MEMBER COMMENTS, REQUESTS AND FUTURE AGENDA ITEMS – 9:55 a.m.

Possible action to approve items for future agendas.

Chair Smith called for committee member comments. Member Aiazzi requested an update on the purpose of the Finance Subcommittee and added he would also like information on the bell that was recently moved.

Director Duerr stated that when the Flood Project purchased the Bristlecone property, a clause was included that the bell would remain the property of the Catholic Church with an opportunity to move the bell upon 30-day notice. She stated that the 2,000 pound bell that was created in the 1800s in England has been moved to various locations in Nevada, including Goldfield, Yerington, and Manogue High School, and would now be relocated to its original location in Yerington. She stated that the Flood Project is very happy to be part of the process of reuniting the bell to its owners.

Director Duerr stated that staff is hard at work on reviewing the Environmental Impact Statement (EIS) and General Re-evaluation Report (GRR) and to date has made about 300 comments. She added that the Corps has 15 staff in different districts reviewing the 2,000 page packet and has made about 25 comments. She stated that comments are due on Monday, February 7.

Director Duerr reported that the Corps recently provided an opportunity for the Flood Project to provide additional project information to justify a higher federal cost share of the Flood Project. She stated that she met with local economists, demographers and others to discuss the impact to our community in terms of regional economic development, social impacts of flooding, and other issues. She stated that this weekend she would be writing an essay to include all the information to be submitted in an effort to receive up to an additional \$250 million for the project from the Corps.

Chair Smith reported that next Friday's meeting would be held in the same location in Sparks. He stated that on February 28th the Sparks City Council will consider appointment of members to the JPA.

12. ADJOURNMENT

With no further business, Member Martini made a motion to adjourn. Member Larkin seconded the motion, which carried unanimously. The meeting was adjourned at 9:58 a.m.

Respectfully submitted by,

Niki Linn, Recording Secretary

Approved by FPCC in session on March 11, 2011.