

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE OCTOBER 17, 2007
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met at the Fish Hatchery Building, Galena Creek Park, 18350 Mt. Rose Highway, Reno, Nevada. Chairman Mike Carrigan called the meeting to order at 9:36 a.m.

1. ROLL CALL

Members Present: Chairman Mike Carrigan, Vice Chairman Dave Aiazzi; Bob Cashell, Mike Cate, Bob Larkin*, Geno Martini and Ron Smith**.

2. PLEDGE OF ALLEGIANCE

Led by Member Martini.

Member Larkin arrived at 9:38 a.m.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

**Upon motion by Member Martini, second by Member Smith,
which motion duly carried by unanimous consent, the Board
approved the agenda for October 17, 2007.**

5. APPROVAL OF THE MINUTES FROM THE SEPTEMBER 19, 2007 BOARD MEETING

**Upon motion by Member Martini, second by Member Cashell,
which motion duly carried by unanimous consent, the Board
approved the minutes from September 19, 2007.**

6. REPORT ON INTEGRATED PLANNING EFFORTS, FINANCIAL PERFORMANCE, AND DISCUSSION AND POSSIBLE DIRECTION TO STAFF ON CUSTOMER WATER RATES AND DEVELOPER FEES

Jeff Tissier, Chief Financial Officer, stated that TMWA has more than achieved the financial policy goals established in August 2003. TMWA revenues for FY2007 have funded customer cost of service, surpassed minimum established debt service coverage ratio of 1.50x for purposes of future issuance of senior lien debt, and maintained bond credit ratings in the "A" category. Positive financial results are expected to continue through FY2008, although senior lien debt coverage is expected to decline. Through the efforts of the Board in allowing TMWA to cost effectively refinance most of the outstanding Series 2001-A bond maturities, TMWA has been able to successfully defer a previously planned phased-in water rate increase thus meeting the goal of the TMWA Board in 2003 to stabilize customer rates and put TMWA on solid financial footing. TMWA is cycling through its planning processes to ensure the long-term resource, facility, and funding mechanisms are in place to meet current and future demand conditions.

Member Martini read into the record the following statement, “With these financial results in hand, pressure on customer rates has been abated, which not only lead to a deferral of action on customer water rates last fiscal year, but provides reason for continuing this deferral position this fiscal year with a review of financial position again next fall.”

Mark Foree, Director of Operations, then spoke about development and there was a discussion about some of the current projects, such as the North Virginia Street /Stead Pipeline expansion to Sun Valley and Golden Valley which are in the TMWA service area and replacement of existing facilities. Vice Chairman Aiazzi pointed out that the water that Washoe County is bringing in is for the growth of the North Valleys and existing water is for the in-fill development which is wanted by the Cities of Reno and Sparks. There was a discussion on options and opportunities on the aquifers and ditches in the region. Chairman Carrigan said these are issues that might be looked at by the newly formed Western Regional Water Commission. Staff is now updating the Facility Plan and looking at facility fees, which will probably need to be increased based on the recent bids received on current projects. The 10-Year Funding Plan will then be completed and presented to the Board so as to give them the entire financial picture.

Upon motion by Member Martini, second by Member Larkin, which motion duly carried by unanimous consent, the Board voted not to raise customer rates this year.

7. UPDATE, DISCUSSION AND POSSIBLE BOARD DIRECTION REGARDING THE WATER METER RETROFIT PROGRAM

John Erwin began the discussion by reporting that TMWA has had meter facilities installed on all single-family residences for at least a year and has good usage data on these premises. The usage data is valuable to evaluate how TMWA revenue might be impacted if everyone was switched to the metered rate. There are approximately 11,000 households with meters that are paying a flat monthly fee. Remaining to be retrofitted with meters are approximately 4,000 premises that have extenuating or special facility requirements: small unit duplexes (including the old Stead military housing), condos and some apartment buildings. Of these, plans are to install meters to approximately 1,600 of these premises by July, 2008. Discussion ensued on the various options to converting all customers paying on the flat-rate to paying at the metered rate. The Board requested that staff bring a plan forward to convert all flat-rate customers to the metered rate. Ms. Williams noted that staff would prefer to implement the change at one time rather than doing it incrementally.

The Board asked for a plan which would include financial impacts, obtaining public comments and communications with customers.

The Board discussed its policy set in 2002 to switch customers to paying at the metered rate as tenants changed and the timing as to when to convert the remaining flat-rate customers.

There was no motion made. The Board directed Staff to bring them a comprehensive plan by January, 2008 including recommendations for implementing metered billing for all residential customers

8. PRESENTATION OF 2006-2007 TMWA GOALS AND OBJECTIVES RESULTS

Lori Williams, General Manager, presented the FY2007 results which had been presented and accepted at the August Board meeting. She reported that when final billings were received and during closing of the fiscal year, it was discovered that the Operations and Maintenance (O&M) expenses exceeded what the Board had authorized by \$95,000. The single biggest driver of the additional expense was power costs which exceeded budget by \$500,000 and occurred mostly from additional demand charges when the Highland Canal was out of service due to major construction projects and a flume fire in June. However, revenue was also nearly \$3 million dollars higher than budgeted. As TMWA is in the municipal utility business, increased expenses cannot be offset by better-than-expected revenues, so this needed to be reported to the Board. Staff is reviewing all services and supplies expenditures carefully to ensure this O&M overrun does not happen again this year.

Upon motion by Vice Chairman Aiazzi, second by Member Cashell, which motion duly carried by unanimous consent, the Board moved to accept the report.

8A. TMWA'S 2007 CUSTOMER SATISFACTION STUDY PRESENTATION

Sara Hart, Director of Research for Infosearch International, presented Customer Satisfaction Survey results for 2006-2007. Infosearch has surveyed TMWA customers for the past six years, assessing customers' overall level of satisfaction and attitudes toward water-related issues, including water sufficiency, security and quality. They've looked at the differences between customer groups and identified trends over that six-year period. The findings show that four out of five customers are satisfied, or an 81 percent favorable rating. There is an additional 13 percent who report they are somewhat satisfied. Six percent of customers give TMWA unfavorable ratings. When compared to the national benchmarks, TMWA scored at or above all categories surveyed and had improved over the previous two years. Ms. Hart reported that the overall satisfaction is significantly correlated to perceptions of water quality, and differs between metered and non-metered customers, which is especially significant at this time as the Board is considering switching to metered rates for all customers. Using the results of these surveys, TMWA can target areas in which to improve service and drive savings by providing information or offering services that address customer concerns. Member Cashell noted that this survey together with the two audits that TMWA underwent last year show TMWA to be a strong, well-managed, altogether superior organization.

A few ideas that came out of the discussion were to enlarge the font size of the boilerplate tag line to continue to improve perception of TMWA as a not for profit entity overseen by the local governmental entities; and to show on payment envelopes that payment is being sent to Texas to save over \$500,000 per year; and for TMWA and Washoe County Department of Water Resources to work together to continue to educate people about the growth issue and the source of our water supply.

No action was taken.

10. (taken out of order) PRESENTATION, DISCUSSION AND POSSIBLE DIRECTION REGARDING METHODS FOR ESTIMATING PERENNIAL YIELD OF HYDROGRAPHIC BASINS AND PROPOSED GROUNDWATER IMPORTATION PROJECTS IN NORTHERN NEVADA.

John Erwin, Director of Resource Planning and Development, Shawn Stoddard, Ph.D., Senior Resource Planner, Steve Walker, TMWA Consultant, and Valid Behmaram, Washoe County Water Rights Manager, presented the report as requested by the Board on potential importation projects and their estimated yields. The discussion opened with an overview of the many scientific tools, methods and measurements used to estimate the perennial yields of hydrographic basins. They stressed these methods are imperfect and data is subject to error. They explained how the State Engineer considers new applications for water projects. Several proven methods of evaluating yield in the hydrographic basins were explained.

It is TMWA's concern as a water utility to ensure that new water sources and projects have real water that can be pumped and are naturally recharged year after year. TMWA and Washoe County Department of Water Resources need long-term pumping data so that when the project developers are gone, the utilities can continue to provide water without any short fall and without risk of additional cost to existing customers. Also, all water utilities in the area would like to be on the same or similar page in communicating to developers about what information is required and what risks the utilities are not willing to assume. With a region-wide process, it is believed there would be fewer opportunities to divide and conquer, and "shop" for the answer the developers want to hear among the various utilities. It is important for TMWA that when someone brings an importation project, they have pumping history and science that shows the water is actually there.

The Board discussed a number of proposed groundwater importation projects as outlined in the staff report and Mr. Erwin pointed out the disconnect, as shown in the board report, between the estimated annual yield and the maximum proposed importation quantity.

The Board decided after some discussion, that it was a moot point for TMWA to further pursue the development of new groundwater supplies at its own cost; for TMWA to go out on its own and make new applications for water; for TMWA to prove and research its own projects because the cost of doing so could be in the millions of dollars, the risk would be on TMWA; and most if not all of the future resource already has applications that are ahead of any application TMWA would file. All Board members were interested in the region adopting a joint process for looking at new projects and evaluating their resources and risks in a common way. The Board will look to the new Western Regional Water Commission to develop such a joint process.

No action was taken.

9. (taken out of order) PROPOSED TMWA GOALS AND OBJECTIVES FOR FISCAL YEAR 2007/2008 AND REQUEST FOR BOARD DIRECTION REGARDING ADOPTION OF GOALS AND OBJECTIVES

Lori Williams presented the proposed goals and objectives for FY2008, highlighting some of the differences between last year and this year. The Call Center Service Level goal was aligned with the new contract extended last spring with Alliance Date System. TMWA is seeing great results from the polybutylene replacement efforts over the last five years with reductions in overtime call outs. Water Meter retrofits goals have been increased. The cost for production of water is being increased due to the cost of chemicals and cost of power.

Member Cashell asked about alternate energy sources. The Board then discussed looking at

solar energy as a way to save money. An extensive study was done last year on putting in some solar panels on the roof of the Glendale Operations Facility; however even with rebates from SPPCO, the project would have a greater than 10-year payback and this was not an effective solution at that time. However, as the cost and availability of technology comes down, alternate sources of energy do become more cost-effective. Staff would like a 5-year payback. Wind Technology has not been researched; however our hydro generators are energy efficient. Vice Chairman Aiazzi recommended staff do a serious study of alternate energy sources because 10-year payout seemed viable to him. He suggested that some money be budgeted each year for alternate energy sources. He said if something is budgeted every year, this would put TMWA in a better financial position and there will never be a payoff unless TMWA starts somewhere. Ms. Williams suggested that instead of putting in a yearly monetary goal, staff would bring back some alternative energy projects in addition to the Capital Improvement Projects (CIP) to the Board for their review.

The Board also added the goals of converting all flat-rate residences with a non-billing meter installed to metered billing and reviewing the utilization of alternative energy sources that would save money for TMWA over the long run.

Upon motion by Vice Chairman Aiazzi, second by Member Martini, which motion duly carried by unanimous consent, the Board moved to accept the report with the addition of two goals: Converting all flat-rate residences with a non-billing meter installed to billing at the metered rate and to review the utilization of alternative energy sources that would save money for TMWA over time.

Member Smith left at 12:00 p.m.

The Board took a 10-minute recess for lunch

11. BRIEFING, DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING EVALUATION AND ANALYSES OF CONSOLIDATION OF REGIONAL WATER RESOURCE FUNCTIONS

Lori Williams presented the Board with a list of the various information that needs to be gathered, prepared, understood and evaluated for any complete consolidation analysis and stated that this would be a good starting point for discussion at the Western Regional Water Commission workshops and with the SB487 Legislative Committee. This study would best be conducted by a team of outside professionals who are experienced in doing such in-depth reviews and analyses.

No action was taken.

12. UPDATE, DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING THE IMPLEMENTATION OF SB487 AND THE ACTIVITIES RELATED TO THE INTERIM WESTERN REGIONAL WATER COMMISSION

Ms. Williams gave a short report on interim activities to date at the State Legislature. Members of the SB487 Legislative Committee have been named and include Senators Mark Amodei,

Bernice Mathews, and Maurice Washington and Assembly Members Bernie Anderson, David Bobzien and Heidi Gansert. Their first meeting is set for October 29 at 9am at Sparks Council Chambers.

No action was taken.

13 GENERAL MANAGER PERFORMANCE AND COMPENSATION REVIEW FOR 2006/2007 CONTRACT YEAR INCLUDING POSSIBLE COMPENSATION ADJUSTMENT AND POSSIBLE EXTENSION OF GENERAL MANAGER'S CONTRACT

Ms. Williams stated that most items had been addressed except for the development and implementation of a Workforce Strategic Plan that was delayed due to staffing the Human Resource Administrator function until late in the year. However, now that that position is filled, this can be completed. Staff is also working on updating the Administrative Instructions, including legal reviews. She also noted that Legislative activities and work on the Western Regional Water Commission has been very time consuming this year.

The Board noted that they were very pleased with both the customer satisfaction and the financial results and were very complimentary to Ms. Williams and to staff.

Upon motion by Member Larkin, second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board extended the contract of the General Manager by four years and approved a 4 percent salary increase.

Vice Chairman Aiazzi stated that he believed that bonuses are important and must be based on the goals and objectives given to Ms. Williams and how well those goals and objectives have been accomplished and also what had been accomplished over and above those given goals and objectives. Again, the Board stated that Ms. Williams had done an outstanding job in the midst of all the additional activities that were required during the past year.

Upon motion by Member Martini, second by Member Cashell, which motion duly carried by unanimous consent of the members present, the Board approved a 7.5 percent bonus for the General Manager.

14 REQUEST FOR BOARD INPUT AND ACCEPTANCE OF GENERAL MANAGER PERFORMANCE OBJECTIVES FOR CONTRACT YEAR 2007/2008

Ms. Williams submitted the objectives for the goals for the next contract year. She stated that the Western Regional Water Commission will be a focal point to some of the activities for the next year and another major goal will be the fire hydrant negotiations with the City of Reno. She gave an update on the transfer of the hydroelectric facilities from Sierra Pacific Power Company, which hopefully will begin by the end of the year.

By the end of the year we expect to start transferring the hydroelectric facilities, one at a time. We are currently waiting for escrow instructions from SPPCO for Fleisch and Washoe, and they

can be transferred once we receive the instructions and move through that process. The Verdi plant is being held up with a boundary line adjustment that is working its way through the process at the City of Reno, where the property we are getting for the Verdi canal requires some rezoning so that is about 120 days out. As far as the Farad Plant, we have been pushing hard with SPPCO and we'll have more to report on that. SPPCO has set a procedural schedule in the lawsuit with their insurance company and we believe that SPPCo has an obligation to start working now on final permitting for construction. SPPCO has most of the permits with the exception of the environmental plan that needs to be approved.

Upon motion by Vice Chairman Aiazzi, second by Member Larkin, which motion duly carried by unanimous consent of the members present, the Board accepted the goals for the General Manager for the contract year 2008.

15. SET MEETING TIMES AND DATES FOR 2008 INCLUDING SELECTION OF A DATE FOR THE 2008 STRATEGIC PLANNING WORKSHOP

Upon motion by Member Larkin, second by Vice Chairman Aiazzi, which motion duly carried by unanimous consent of the members present, the Board set the meeting times and dates for 2008 per the staff report. The Board canceled the November Board meeting and rescheduled the December Board meeting to December 14 or another agreed to date earlier in the month.

16. GENERAL MANAGER'S REPORT

Ms. Williams noted the response to Mr. Lentini's comments regarding run-off of irrigation at Somersett from the September 19, 2007 Board meeting. She also reported that the water supply is in good shape and because of low temperatures evaporation at Lake Tahoe has turned and the system is gaining, rather than losing, water.

17. PUBLIC COMMENT

There was no comment.

18. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no comments.

19. ADJOURNMENT

With no further business to discuss, the board meeting was adjourned at 12:30 p.m.

Approved by the TMWA Board of Directors in session on December 14, 2007.

Respectfully submitted,

Corinne Cassell, Recording Secretary

*Note: Member Larkin was present for items 3 through 19.

**Note: Member Smith was present for items 1 through 10.