



STANDING ADVISORY COMMITTEE

MINUTES

February 2, 2016

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority (TMWA) in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chair McGuire called the meeting to order at 3:01 p.m.

1. ROLL CALL

Members and Voting Alternates Present: Bob Chambers, Harry Culbert, Bruce Gescheider, Colin Hayes, Karl Katt, Neil McGuire, Jonnie Pullman, Fred Schmidt, Ron Turner, and Jerry Wager.

Alternates Present: Bill Hughes, Karl Katt, Carol Litster*, Mike Pidlypchak, and Mike Schulewitch.

Members Absent: Kevin Haddock, Mike Heffner, Lee Leighton, Pat Martinez, Ken McNeil, and Jim Smith.

Staff Present: Tabitha Carlisle, Robert Charpentier, Laine Christman, John Erwin, Scott Estes, Sonia Folsom, Mark Foree, Andy Gebhardt, Bill Hauck, Kim Mazeres, Paul Miller, Pat Nielson, Shawn Stoddard, Michele Sullivan, Jeff Tissier and Legal Counsel Debbie Leonard.

2. PUBLIC COMMENT

There was no public comment.

**Carol Litster arrived at 3:02 p.m.*

3. APPROVAL OF THE AGENDA

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the agenda.

4. APPROVAL OF THE MINUTES OF THE JANUARY 5, 2016 MEETING

Upon motion duly made and seconded, carried by unanimous consent of the members present, the Committee approved the minutes of the January 5, 2016 meeting.

5. PRESENTATION ON COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015

Jeff Tissier, TMWA Chief Financial Officer, introduced Michele Sullivan, incoming TMWA Chief Financial Officer, and Tabitha Carlisle, TMWA Financial Controller.

Mr. Tissier provided a brief overview of the Comprehensive Annual Financial Report (CAFR). He reported on two newly adopted accounting standards, Government Accounting Standards Board (GASB) 68 and 69. GASB 68 required all local governments throughout the United States to absorb a portion of unfunded pension liabilities of the Public Employee Retirement Systems, most specifically (NVPERS). The impact to TMWA was to record \$22.3 million of net unfunded liability.

Jonnie Pullman asked if it is a statutory requirement for TMWA to assume liability of the pension. Mr. Tissier replied no.

Mr. Tissier further explained that due to the merger accounting requirements, Washoe County (the County) was fully incorporated into the CAFR; operating revenues were on budget and operating expenses net of GASB 68 effects were underspent by 5.5 percent. Senior lien debt coverage ratios increased from 1.57 to 1.66; all financial metrics were met as a result of the merger; and there was no negative impact on any customer class.

Fred Schmidt asked for clarification regarding the \$311 million net position at the beginning of FY2016 in light of the merger. Mr. Tissier replied that the net position changed and was restated as a result of the merger of South Truckee Meadows General Improvement District (STMGID) into TMWA, and the \$29 million from STMGID was all the assets, including cash balance, as measured as of July 1, 2014.

Mr. Schmidt asked how much unrestricted cash does TMWA have. Mr. Tissier replied TMWA has \$105 million in unrestricted cash, up from \$63 million.

6. BUDGET PRESENTATION OF AUGMENTED AND AMENDED BUDGET FOR FY 2015/2016 FINAL ADOPTED BUDGET

Mr. Tissier presented the amended budget for FY 2015/2016. He reported water sales reduction of approximately \$7.8 million; about \$5.3 million for additional conservation and \$2.5 million for conversion of flat rate customers to metered billing in October rather than July 1. Capital contributions are greater than expected as a result of the sale of \$7 million in water rights to implement TROA. Interest paid on financing decreased by \$637,000 due to lower-than-expected interest rates on the commercial paper program. He informed the SAC of the upcoming refunding of the \$148 million of the Series 2006 Revenue Refunding Bonds.

Ron Turner inquired what the impact on revenue loss would have been had the Board approved the flat rate conversion as of July 1, 2015. Mr. Tissier replied it would have been about \$1-1.2 million less revenue loss, but anticipates recovering some of the negative impact. John Erwin, TMWA Director of Natural Resources, added the last time they calculated revenue loss it was estimated they would lose about \$1.5 million permanently.

During further questions and discussion regarding the amended budget, Mr. Tissier noted that developer fee contributions are based on conservative assumptions and interest on the refunding bond will be about 3.5-4 percent, which will be reflected in the 2017 budget. As part of the refunding, rating agencies look at the 5-year projection of what possible rate increase(s) will be necessary to meet Board adopted policies and the impact of those rates. In anticipation of the merger, the County had to change its rate philosophy to not rely on developer fees to be in line with TMWA.

7. PRESENTATION ON THE INTERLOCAL AGREEMENT BETWEEN THE CITY OF RENO AND TMWA FOR FIRE HYDRANT MAINTENANCE

Pat Nielson, TMWA Distribution Maintenance and Generation Manager, reported TMWA has entered into an agreement with the City of Reno for fire hydrant maintenance, which is very similar to the existing agreement with the City of Sparks. This will assist TMWA in maintaining water quality and avoid issues with surge pressures in water mains during hydrant testing. The agreement will have an annual cost of about \$900,000 per year and will require three additional crews.

Chair McGuire inquired about the cost of service for City of Reno compared with City of Sparks. Mr. Nielson replied Sparks is about a third of the cost. The Board has directed staff to provide the same service to all three agencies. TMWA is currently in discussions with the County to provide similar services, but part of the merger was to honor an old agreement with the County.

Discussion ensued regarding the cost of service in relation to rates, City of Reno assets and private fire hydrant maintenance. Mr. Tissier responded that it is not identified in our rate structure and Mr. Foree added it is about 1 percent of our cost of service. Mr. Nielson replied the City of Reno did not have assets dedicated to fire hydrant maintenance, and TMWA did not want to compete with private companies to service private fire hydrants.

8. DISCUSSION REGARDING POTENTIAL UPCOMING RATE ADJUSTMENT PROPOSAL

In response to the SAC's inquiry at the January 5 meeting regarding a potential rate increase, Mr. Tissier referred to the revenue loss discussed during agenda item 6, the FY2015/2016 budget augmentation. Mr. Foree added that TMWA is currently analyzing revenue requirements and has yet to make a decision to move forward with a potential rate adjustment, which may be in the fall 2016.

Discussion followed regarding the use of customer information for calendar year 2015 to address a potential rate increase and develop TMWA's 5-year plan, as well as having a clearer understanding of the development community using our developer fees application process, which is cash funded.

9. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, stated Nevada is in a better situation than other western states, the Truckee Basin is about 111 percent and Tahoe Basin at 133 percent of average; recently Mt. Rose received 27 inches of snow, and Lake Tahoe rose about 2 inches, but Lake Tahoe is still about one foot below the natural rim. Also, TMWA has been able to credit store about 5,000 acre feet (AF) since implementing TROA on December 1, 2015, water that TMWA would not have been able to store otherwise. TROA has allowed TMWA to put about 25,000 AF in storage.

Kim Mazeres, TMWA Director of Customer Relations, asked what we had in storage going into last summer. Mr. Hauck replied we started with 27,000 AF and for this upcoming summer we could have up to 38-39,000 AF of storage, which is 11,000 AF more than what we started with last summer.

Jerry Wager inquired why this El Niño is different if in the past it has been said El Niño does not produce significant amounts of precipitation. Mr. Hauck replied in El Niño years, when the sea surface temperature is at least 2 degrees Celsius above normal, there is a greater correlation with a significant amount of snow, which what we are currently experiencing.

10. UPDATE ON THE PUBLIC AND SPECIAL USE PERMIT PROCESS FOR THE MT. ROSE WATER TREATMENT PLANT

John Enloe, TMWA Director of Natural Resources, reported staff is in the process of obtaining a special use permit to build a small water treatment plant on the Mt. Rose Fan that would use water from Thomas and Whites Creeks to sustain the groundwater resources in that area. Mr. Enloe detailed the extensive public outreach conducted by staff, which began with the first letter sent out in June 2015 informing residents about the issue and how TMWA is planning to address those issues. A second letter sent in January regarding an open house held on January 11 inviting over 1500 households, with 76 people attending. An additional letter sent to 6,000 households advised of the Community Advisory Board meeting held last week and the Board of Adjustment meeting to be held February 4th. Mr. Enloe discussed the public's concerns about maintaining instream flows and wildlife habitat. Mr. Enloe reported construction is anticipated to begin in spring 2017 for operations to commence in winter 2017/18.

Mr. Wager inquired about the use of the Tenant Method to determine instream flows. Mr. Enloe replied it is used throughout the United States and involves the consideration of different flow regimes in natural creeks and different categories of flow to satisfy wildlife habitat and instream fisheries. TMWA will maintain minimum summertime flows and will not divert during periods of the heavy spring

runoff. Rather, it will divert water when ample water is available in order to rest the wells for conjunctive use, and, if there is extra capacity, to recharge the wells. He further explained TMWA will equip the plant for two or three million gallons per day (mgd) to obtain operating experience before investing in full capacity.

Chair McGuire asked about the irrigation rights along the creeks. Mr. Enloe replied TMWA has about 90 percent of the water rights on Whites Creek and between TMWA and the County, they control about 50 percent on Thomas Creek, but there are a lot of downstream water rights holders. They will leave downstream water rights in the creeks during the irrigation season, which satisfies the minimum instream flow requirement for Thomas Creek. TMWA will mostly be diverting during the non-irrigation season.

11. PRESENTATION ON TRUCKEE-RENO INDUSTRIAL CENTER (TRICENTER) WASTEWATER PIPELINE

Mr. Enloe reported TRICenter is looking to obtain about 4,000 AF of treated effluent from Truckee Meadows Water Reclamation Facility (TMWRF). There has been substantial work evaluating the feasibility of providing effluent to TRICenter, what the benefit of this resource means to the community, and the associated water rights challenges.

Mr. Foree added TMWA is involved in a working group with the Cities of Reno and Sparks and the County to provide input in the process and look at it from a resource standpoint. Those entities will make a decision as to whether to provide treated effluent to TRICenter, not TMWA.

Discussion ensued regarding the following topics: revenue that would be generated from the sale of treated effluent to TRICenter, which would be received by TMWRF); return flow to the river, which is still being addressed; the impact on water rights, which would require a pipeline to TRICenter and a long-term agreement; if TMWA is planning to sell water rights for this project, which Mr. Foree informed the SAC they are not considering selling water rights at this time; and at what point does TMWA get involved regarding effluent. Mr. Foree explained that currently the Joint Powers Agreement (JPA) does not allow for TMWA to be involved in reclaimed water. TMWA's Board is asking very similar questions, and they do consider future uses of reclaimed water a water resource issue.

Mr. Schmidt asked if the SAC could be informed if water rights become involved and if TMWA has any agreements with Storey County. Mr. Foree replied yes, staff can inform the SAC and no, TMWA does not have any agreements at this time.

12. PRESENTATION OF TMWA 2016-2035 WATER RESOURCE PLAN AND POSSIBLE RECOMMENDATION TO BOARD

John Erwin began by noting changes to the plan presentation stemming from some customers' suggestions that staff: break up the plan into volumes; discuss the plan's relationship to regional

planning, WC-3 and the Western Regional Water Commission (WRWC); and what the plan is and what it is not.

Bruce Gescheider commented that the Abstract was very good.

Mr. Erwin provided an overview of the changes shown in the redline version that were made in Chapters 1 thru 6, focusing on the substantive changes made in Chapters 1, 2, and 3 in response to public comments made, letters received and suggestions provided by both the SAC and TMWA's Board of Directors.

Mr. Schmidt stated he liked the pre- and post-merger maps, but asked if the plan could show how other utilities are planning since they are using the same resources. Mr. Erwin replied this is TMWA's plan, and those issues and topics are addressed in the regional plan.

Mr. Erwin highlighted the implementation of TROA as of December 1, 2015 and its positive long-term impact on drought storage capacity for TMWA and the community as described in the 2035WRP. Implementation of TROA confirms that TMWA has sufficient resources to meet the planning horizon for the next 20 years.

Ms. Pullman inquired if TMWA has the capability to use some of the storage for recharge, how much can be used for recharge, and what prevents TMWA from recharging more. Mr. Erwin replied that TMWA has been using storage for recharge and is in the process of calculating what can be used for recharge. The ability to recharge is determined more by distribution facilities, is more advantageous to do in the winter, but it is dictated more by geology than by availability of water. Mr. Enloe added that TMWA recharged about 3,600 AF last year. Mr. Foree also stated in the wintertime, TMWA can supply areas with surface water in the former County areas and shut off wells, which allows for passive recharge. Last year, passive recharge was about 3,300 AF, resulting in almost 7,000 AF not pumped out of groundwater wells last year.

Mr. Schmidt inquired about the redlined changes regarding TROA and the outstanding litigation by TCID and other parties. Mr. Erwin replied the agreement with TCID regarding the purchase of the other half of Donner Lake is not final. The City of Fallon and Churchill County, who filed similar lawsuits as TCID, are the other parties in the litigation; once TCID drops their litigation the City of Fallon and Churchill County most likely will do so as well. Staff anticipates closing escrow at the end of February.

Mr. Wager commended Mr. Erwin and staff on the effort made to respond to the public comments.

Debbie Leonard, TMWA Legal Counsel, noted this agenda item was for possible action. Mr. Erwin replied the SAC does not have to take action today, but at some point staff would like the SAC to make a recommendation to the Board for approval.

Vice Chair Turner asked what are the next steps in the process regarding those who made public comments and suggestions. Mr. Erwin replied they will have the final document for the Board meeting on February 17. Mr. Foree added the final document will be linked to the Board packet for the public.

Mr. Schmidt asked if it is Staff's preference for the SAC to provide a recommendation to the Board in support of the plan. Mr. Erwin replied yes.

Upon motion duly made and seconded, carried by unanimous consent of the members present, the Committee recommended that the TMWA Board of Directors approve the 2016-2035 Water Resource Plan.

13. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING AGENDA ITEMS FOR FUTURE MEETINGS

1. Presentation of First Half FY2016 Financial Report
2. Revenue sufficiency in regard to rates
3. Water Supply Update
4. Bond Refunding Update
5. Presentation on Vidler/Fish Springs Project

14. STAFF ITEMS

There were no staff items.

15. COMMITTEE ITEMS

Mr. Schmidt appreciated the quality and quantity of work presented in the 2035WRP.

16. PUBLIC COMMENT

There was no public comment.

17. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 5:10 p.m.

Approved by the Standing Advisory Committee in session on March 1, 2016.

Sonia Folsom, Recording Secretary

****Carol Litster was present for agenda items 2 thru 17 only.***