



STANDING ADVISORY COMMITTEE

MINUTES

March 1, 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 3:02 p.m.

1. ROLL CALL

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

Alternates Present: Karl Katt, Carol Litster*, Mike Pidlypchak, Ken McNeil, and Jim Smith.

Members Absent: Kevin Haddock, Mike Heffner, Bill Hughes, Lee Leighton, Pat Martinez, and Jonnie Pullman.

Staff Present: Jack Byrom, Tabitha Carlisle, Robert Charpentier, John Enloe, Scott Estes, Sonia Folsom, Mark Foree, Andy Gebhardt, Kim Mazerer, Paul Miller, Pat Nielson, Shawn Stoddard, Michele Sullivan, Jeff Tissier and Legal Counsel Debbie Leonard.

***Bruce Gescheider arrived at 3:09 p.m.**

2. PUBLIC COMMENT

There was no public comment.

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 FEBRUARY 2, 2016 MEETING

Upon motion duly made and seconded, carried by unanimous consent of the members present, the Committee approved the minutes of the February 2, 2016 meeting.

5. WATER SUPPLY UPDATE

Chair McGuire acknowledged Bill Hauck, TMWA Senior Hydrologist, was not able to be present, but he had provided a brief report that was included in the committee's packet.

6. PRESENTATION OF FIRST HALF FY2016 FINANCIAL REPORT

Jeff Tissier, TMWA Chief Financial Officer (outgoing), announced that Michele Sullivan, TMWA Chief Financial Officer (incoming), will be presenting this item. Ms. Sullivan provided an overview of the Statement of Revenue and Expenses and Changes, stating the revenue budget was accurate and TMWA enjoyed \$2 million in savings in operating expenses mainly in services and supplies. Overall TMWA was \$4 million under budget.

Discussion followed regarding the unrestricted cash fund and increase in developer fees, mitigating the need for a rate increase. It was concluded that discussion would be referred to the next meeting when the 5-year funding plan is presented.

Fred Schmidt inquired about the status of the Donner Lake acquisition from Truckee-Carson Irrigation District (TCID) and will it affect TMWA's funds. Mark Foree, TWMA General Manager, replied that the sale is in escrow and closing is anticipated closer to the end of March. Ms. Sullivan added it will be taken out of the unrestricted funds.

A question arose regarding the reasons for the delay in closing escrow on the purchase and if there were any other legal issues that could impact the Truckee River Operating Agreement (TROA). Mr. Foree stated there is nothing impacting TROA, and TCID has agreed to drop all TROA challenges per the Donner Lake acquisition agreement.

7. PRESENTATION ON 2017-2021 TENTATIVE BUDGET AND 5-YEAR FUNDING PLAN

Mr. Tissier said that TMWA is in the process of finalizing the 5-year funding plan. Staff has projected water sales revenue based on calendar year 2015 consumption statistics extracted from the billing system, noting that there may be significant deterioration in water sales revenue going forward. No recovery in customer demand is anticipated in the projections. Staff will bring forward the 5-year funding plan at the April meeting.

8. TMWA WATER REVENUE REFUNDING BONDS, SERIES 2016 UPDATE

Mr. Tissier reported that he, Mark Foree, Michele Sullivan and Tabitha Carlisle travelled to San Francisco to meet with two credit ratings agencies, Moody's and Standard & Poor's, in anticipation of the defeasance of the Series 2006 Refunding Bonds. The credit agencies focused on the drought and its impact on TMWA, but the meeting went very well in light of the implementation of TROA. TMWA's drought storage has differentiated TMWA from other western regional water utilities. TMWA is going to refund approximately \$148 million. In light of future water sales being impacted by conservation related to the drought, TMWA is anticipating deferring 2017, 2018 and 2019 maturities beyond fiscal year 2034 so the total of those maturities is \$39.1 million, which will allow TMWA cash flow to be improved and minimize future rate impacts on the customer base.

Mr. Schmidt asked if the rating agencies inquired whether TMWA was going to pursue rate hikes. Mr. Tissier replied TMWA has not presented that information but rather presented the gaps between revenues and cost of service.

Chair McGuire commended Mr. Tissier in a very good job explaining TMWA's finances to the committee over the years, noting that a potential rate increase could be taken negatively by the public. Mr. Tissier replied TMWA staff presented to the rating agencies a unique opportunity to structure the bond deal in such a way that takes a lot of pressure off the organization for a potential rate increase and there is no need to ask for more conservation. TMWA is setting up for a favorable financial environment in order to successfully defease the Series 2007 Refunding Bonds for \$202 million. As long as interest rates remain low, Mr. Tissier noted, the savings on this future refunding could be considerable. Between the two defeasances and release of the debt service reserve fund, it could potentially reduce outstanding debt by \$50-75 million.

Bruce Gescheider asked if Mr. Tissier will return to the committee with a plan to reduce the debt load from \$515 to \$400 million and put in place some delayed structure for rate increase. Mr. Tissier replied yes, but the opportunity resides in Series 2007 Bond Refunding in order to give the organization leeway.

9. INFORMATIONAL REPORT ON THE OPERATION OF THE FISH SPRINGS RANCH/NORTH VALLEYS WATER IMPORTATION PROJECT ("VIDLER")

John Enloe, TMWA Director of Natural Resources & Planning, reported on the status of Fish Springs Ranch. To date no water rights have been sold by Vidler Water Company for new business in the Stead/Lemmon Valley area. In 2015, TMWA put the North Valleys Importation Project (NVIP) into operation. TMWA was able to tie it into TMWA's old system in Stead and the former Washoe County (the County) system, which allowed TMWA to not pump the County wells in Lemmon Valley. NVIP will be operational this summer if it is needed for drought protection. When Mr. Enloe presented this to the Board at last month's meeting, the Board requested an annual update on the Fish Springs project, including what is going on, how much water has been committed, water levels, etc.

Chair McGuire asked if Fish Springs is in a different watershed and where the water can be used. Mr. Enloe replied, yes, it is in the Honey Lake Valley and, under a settlement agreement between Vidler Water Company, the Pyramid Lake Paiute Tribe, and the United States, the water can be used anywhere in TMWA's service area with a couple of exceptions. TMWA uses the water in the North Valleys as much as possible, and if some water does return into Truckee Meadow Water Reclamation Facility (TMWRF) collection system, there is still a need to meet their discharge permit at all times. Mr. Foree added the State Engineer approved the inter-basin transfers over a decade ago.

Vice-Chair Turner asked about the history and the status of this project. Mr. Enloe replied that the NVIP project is the Lemmon Valley pipeline connection that will integrate the Vidler supply into the distribution system. TMWA got a bid at \$12.5 million instead of the estimated \$18 million. The original importation project was paid for, built, and dedicated by Vidler Water Company to The County. Mr. Foree added that the original project cost was \$100 million, not the \$12.5 million.

Mr. Tissier added as a prerequisite of the merger TMWA asked The County Department of Water Resources to put the Fish Springs system into service, because it was an idle asset on the County's books. TMWA wanted to verify it was operational to ensure there were no maintenance contingencies. Now, it is a fixed asset for TMWA and the project is being further integrated into TMWA's system.

Vice Chair Turner asked what is Vidler. Mr. Enloe replied it is a private water development company that owned the water rights and ranch property in Fish Springs. Vidler raised money, designed, built and paid for the importation project – on the order of \$80 million on infrastructure plus ranch and water rights. Mr. Tissier added some of the \$12.5 million TMWA has invested will be recovered through developer fees.

Mike Schulewitch asked if Vidler has brought new customers into the system and if TMWA did a population projection. Mr. Enloe replied no, but some developers are looking for water in Cold Springs where Utilities Inc. is the service provider. TMWA has been discussing potentially providing wholesale service using water from Fish Springs. Mr. Tissier added the funding plan will have those projections, which are consistent with the population projections in the 2016-2035 Water Resource Plan (2035WRP).

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

1. Water Supply Update
2. Presentation on tentative FY2017 budget and 5-year Funding Plan
3. Report on the Bond Refinancing
4. Donner Lake Acquisition Update

11. STAFF ITEMS

Sonia Folsom, TMWA SAC Liaison, informed committee members that TMWA's Annual Picnic will be held on Saturday, July 23rd at the Verdi Hydroelectric Power Plant.

Mr. Foree reported that the 2035WRP the SAC recommended to the TMWA Board of Directors to approve was not acted upon and was continued to the March Board meeting. He thanked them for their recommendation and will ensure it is relayed to the TMWA Board at the March meeting.

It was asked if it would be beneficial to have a SAC representative at the next TWMA Board meeting to speak in support of the 2035WRP. Staff replied that it is up to the Committee members.

12. COMMITTEE ITEMS

Chair McGuire reported that he is receiving many questions about the water quality issue in Flint, Michigan. He asked Paul Miller, TMWA Water Operations and Quality Manager, to address how TMWA tests its water on a monthly basis to ensure the highest quality water is delivered to its customers.

Debbie Leonard, TMWA Legal Counsel, recommended it can be put on a future agenda item.

13. PUBLIC COMMENT

There was no public comment.

14. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 4:00 p.m.

Approved by the Standing Advisory Committee in session on April 5, 2016.

Sonia Folsom, Recording Secretary

Mr. Gescheider was present for agenda items 6 thru 14 only.