



STANDING ADVISORY COMMITTEE

MINUTES

June 7, 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, Neil McGuire, Jonnie Pullman, Jim Smith, Ron Turner and Jerry Wager.

Alternates Present: Mike Heffner, Karl Katt, Carol Litster, Ken McNeil, Mike Pidlypchak, and Mike Schulewitch.

Members Absent: Kevin Haddock, Colin Hayes, Bill Hughes, Lee Leighton, Pat Martinez, and Fred Schmidt.

Staff Present: Jack Byrom, Tabitha Carlisle, Laine Christman, John Enloe, Scott Estes, Sonia Folsom, Mark Foree, Andy Gebhardt, Bill Hauk, Kim Mazeres, Joe Petrelli, Michele Sullivan, and Legal Counsel Debbie Leonard.

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 APRIL 5, 2016 MEETING

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

5. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, reported that Lake Tahoe is 1 foot above the rim, the Truckee River flows are high due to the snowmelt and he expects approximately an additional 8-9,000 acre feet (AF) of upstream storage by September.

Chair McGuire asked if this projection includes groundwater. Mr. Hauck replied no, this is only surface water.

Mike Heffner inquired how much water can safely go above the rim in Lake Tahoe. Mr. Hauck replied about 6.1 feet of water can be stored behind the dam.

Mike Schlewitz inquired if we anticipate normal hydroelectric generation this year. Mr. Hauck replied yes, through September.

Jonnie Pullman remarked since we are not asking for additional conservation this year, if we have messaging to use water wisely. Mr. Hauck replied yes and Andy Gebhardt, TMWA Director of Customer Relations, agreed, adding that we always request customers to use water wisely.

Jim Smith inquired what we are typically able to store upstream for drought storage. Mr. Hauck replied typically we can fill all of Donner and Independence Lakes, 27,000 AF, but now with the Truckee River Operating Agreement (TROA) we can store about 60 per cent more.

Ken McNeil inquired if TMWA can sell stored water and who would the potential buyers be. Mr. Hauck replied yes, but we can only sell or lease privately owned stored water (POSW) which has a lot of flexibility in how we use it, but if we do sell POSW, under TROA we would lose some of that flexibility. He added we could sell the water to a number of different local entities.

6. PRESENTATION ON THE 2015 SUMMER DROUGHT CAMPAIGN SURVEY RESULTS

Laine Christman, TMWA Resource Economist, presented the survey results. The survey was designed to determine how customers responded to TMWA's request to reduce water use by at least 10 percent over the last two years. The sample size was approximately 20,000 customers with a response rate of about 2,100, 12 percent. The findings of the survey showed customers reduced water use through reducing irrigation times, changing landscape and other means.

Mr. Gebhardt added that it validated our messaging we have been putting out since Sierra Pacific Power Company for the last 20-30 years.

There was discussion about the possibility of analyzing the number of users, within each customer class, that reduced their water use.

7. PRESENTATION OF THIRD QUARTER FISCAL YEAR 2016 FINANCIAL REPORT

Michele Sullivan, TMWA Chief Financial Officer, provided an overview of the third quarter fiscal year 2016 financial report. The financial performance was very positive as compared to the budget as augmented by the Board of Directors in January, 2016. The total operating revenues were about \$800,000 or 1.2% over budget, the operating expenses were \$3.0 million, or 4.6% below budget and

developer contributions were \$3.5 million higher than budget. Capital outlays were approximately \$40.4 million, approximately \$7.0 million under budget. Cash and investment balances were \$183.7 million of which \$98.2 million was unrestricted.

8. PRESENTATION ON FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2017 AND THE 2017-2021 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Ms. Sullivan reported the final FY2017 budget increased by \$1.3 million as compared to the tentative budget. An additional \$1.2 million was added to street repairs, \$1.6 million added to replace the penstock at Fleish hydro plant. Refunding of the revenue bonds will save us about \$800,000 in interest expense. Also, about \$8.5 million will be used to pay down commercial paper, thereby reducing cash balances for year-end 2017.

Mr. Turner inquired about the source of funding (customer rates and/or developer fees) for capital projects and the timing of when the developer fees are paid. Mark Foree, TMWA General Manager, replied the rules changed in 2014 where some charges are deferred until just before the meter is set, but the cost of the will-serve letter is still paid upfront. Scott Estes, TMWA Director of Engineering, added that some projects are driven by other factors like pressure and fire flow deficiencies, so an appropriate portion of the project costs are charged to existing customers and if the project also creates capacity for growth, developer fees are collected as they come in.

Discussion ensued about the sources of funding for the capital improvement projects itemized in the 2017-2021 Capital Improvement Plan. Many of the projects are being funded through the Washoe County or the South Truckee Meadows General Improvement District (STMGID) treasuries, which came over through the merger, which will be reimbursed over time as developer fees are collected.

Mr. Schulewitsch inquired about the STMGID treasury. Ms. Sullivan replied about \$3 million is being used in FY17 and \$13.9 million will be spent over the next 5-years. Ms. Sullivan clarified that remaining STMGID funds will continue to be tracked in a separate account for STMGID projects.

Mr. McNeil inquired about cash and cash equivalent in future years. Mr. Foree replied the 5-year funding projections were presented at the March 1st meeting. He added there are several methods to reduce the funding gap: demand, refunding savings and rate adjustments.

9. PRESENTATION ON PROPOSED AMENDMENTS TO TMWA RATE SCHEDULE WATER SYSTEM FACILITY CHARGES (WSF) FOR CHARGE AREA 10

Mr. Estes presented the new proposed rate schedule and provided an overview of the area map and changes to the WSF Charges and boundaries for the new Charge Area 10.

Chair McGuire asked about the domestic wells in the area and if they will have to connect to the water system automatically or only when the wells fail. Mr. Estes replied if the domestic well has not failed, the homeowners only need to hook up if they choose to. If the well does fail and there is a water main directly in front of their property, they will likely be required to hook up to the TMWA system, but it is up to the State Engineer.

Mike Pidlypchak asked since surface water is used in this area, if it will help to recharge groundwater to relieve those who are on existing wells. Mr. Estes replied yes, TMWA has been doing artificial recharge for many years and we have plans to expand the recharge program in the area.

Mr. Gescheider inquired if developers will be paying more with these changes. Mr. Estes replied no, the fees have actually decreased. He added he made this presentation to the Builders Association of Northern Nevada (BANN) and did not receive any negative feedback.

Chair McGuire asked about the possibility of cross-subsidization. Mr. Estes replied the Stead Main Phase 2 project replaces an existing 70-year old 14-inch pipeline, for which 75 percent of the total cost will be charged to existing customers in the area, and we are expanding it to 18-inch pipeline.

Mr. Schulewitch asked if the domestic wells have any problems, does TMWA pay for them to connect to the system when they cannot deepen their wells. Mr. Foree replied no, there is no mitigation program other than in Mt. Rose-Galena Fan area. Mr. Estes added in the Heppner subdivision, which already has the infrastructure in place, the homeowners have a set fee in place to pay for connection to the TMWA system when their domestic wells fail.

Mr. Gescheider asked if there are domestic wells failing in the area. Mr. Estes replied not in the west Lemmon Valley area since it is being recharged, but there is no recharge currently being done in the Heppner area and some of those homeowners have had to connect to the TMWA system.

Ms. Pullman motioned to recommend to the TMWA Board to accept changes to the WSF for Charge Area 10.

Mr. Gescheider remarked there is no need to make a recommendation to the Board as this is an area the SAC does not have any expertise.

Mr. Turner agreed and noted he attended the Board meeting and Mr. Estes presented the proposal very well and the Board had no questions.

Upon motion duly made and seconded, four nays, four abstained. The motion did not carry to make a recommendation to the Board.

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

1. Water Supply Update
2. Summer 2016 water usage
3. Presentation on the final changes to Area 10 Developer Fees
4. Presentation on the rate of development as compared to FY 2016 projections

Chair McGuire proposed that these agenda items are not of critical time constraint and to cancel the July 5, 2016 meeting.

Mr. Schulewitch inquired if later this year the Board will be presented with a few rate increase proposals so that TMWA has the ability, through the financing document, to show what we have and will it assist with the financing package. Mr. Foree replied yes.

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

11. STAFF ITEMS

Sonia Folsom, TMWA SAC Liaison, reminded the committee of the TMWA Annual Picnic on July 16th for those who have not yet replied.

12. COMMITTEE ITEMS

There were no committee items.

13. PUBLIC COMMENT

Chair McGuire commented on the Slide the City event over the past weekend.

14. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:20 p.m.

Approved by the Standing Advisory Committee in session on October 4, 2016.

Sonia Folsom, Recording Secretary