

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE MARCH 15, 2017
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, March 15, 2017, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Vice Chair Hartung called the meeting to order at 10:13 a.m.

1. ROLL CALL

Members Present: Jenny Brekhus, Naomi Duerr, Vaughn Hartung, Jeanne Herman, and Neoma Jardon.

Members Absent: Geno Martini and Ron Smith.

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by John Zimmerman, TMWA Water Resources Manager.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

Upon motion by Member Jardon, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved the agenda.

5. APPROVAL OF THE MINUTES OF THE FEBRUARY 15, 2017 MEETING

Upon motion by Member Herman, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board approved the February 15, 2017 minutes.

6. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING 2017 LEGISLATIVE ACTIVITIES AND CURRENT BILLS

John Zimmerman, TMWA Water Resources Manager, informed the Board that the TMWA Legislative Subcommittee met on March 3 to review the staff recommendations on positions on proposed bills. The legislative subcommittee approved all recommended positions. Staff is continuing to track bill draft

requests (BDRs) as they become bills and will continue to update both the TMWA legislative subcommittee and Board.

Steve Walker, TMWA Lobbyist, provided an overview of all bills, but highlighted two bills: SB134, revises provisions of water in 3M (monitoring, management and mitigation) planning, which TMWA opposes as it is too restrictive. TMWA is working with Southern Nevada Water Agency (SNWA) to refine their own bill which is more accommodating for all involved; and SB197, extends the deadlines of bonds for improvement projects at Lake Tahoe, which TMWA supports.

Mr. Walker informed the Board that AB193, fluoridation of the water system in Washoe County (County), was heard on March 7 in the Assembly on Natural Resources, Agriculture and Mining, and Michael Pagni, TMWA General Counsel, represented TMWA providing testimony in opposition based on circumventing the vote of the people and the fiscal impact on TMWA's customers. Mr. Walker stated AB193 will go before the Assembly on Ways and Means, but because of the fiscal note, it is exempt from all deadlines, and the fiscal note, the rate impact on TMWA customers, would be addressed at that time.

Member Jardon noted that not hearing the fiscal impact is ignoring a significant part of the bill's impact and that many constituents have reached out to her supporting the Board's decision in opposing AB193, and inquired whether the Pyramid Lake Paiute Tribe (PLPT) has provided a position on AB193. Mr. Walker replied he has contacted the PLPT's lobbyist, and they are conducting their own study on the impact of AB193 on Pyramid Lake.

Member Brekhus commented when she, along with Mr. Walker, Mr. Pagni and Mark Foree, TMWA General Manager, met with committee members before the hearing, there was high support for AB193. She expressed her concerns about the cost, inquired about the effective date if passed and suggested TMWA be prepared with a rate schedule if it were to pass, as well as to consider options of providing fluoride outside of the water system. Mr. Pagni replied the effective date is upon passage for purposes of authorizing the state health board to adopt regulations to implement it, but that the actual requirements of fluoridation would not be effective until October 1, 2019.

Member Herman remarked she supports the concept of providing fluoride drops to families who desired it, but not to everyone by putting it into the water system.

Member Jardon stated TMWA's customer outreach was done very well, but suggested conducting a customer survey to understand customers' positions, and provide the results to legislators. Mr. Foree pointed out several comments were included in the General Manager's report, the majority said no to fluoridation of the water system; in addition, a bill insert and E-Newsletter was sent out informing customers of the Board's position. Andy Gebhardt, TMWA Director of Operations and Water Quality, added staff replied to all comments received and mentioned that the TMWA Board was not the final authority, and for customers to contact their respective legislator.

Mr. Gebhardt informed the Board that all messaging has been neutral with regards to the health benefits of fluoridation, rather the messaging has focused on the circumvention of the public vote and fiscal impact.

Discussion followed regarding the parameters of the customer survey, how it should be distributed and who should conduct it. It was decided that the survey would be a randomized scientific-based survey conducted by InfoSearch (a third party who conducts TMWA's annual Customer Satisfaction Survey),

and the questions asked would pertain to the circumvention of vote of the public and the fiscal impact of the AB193, which would result in a more statistically accurate representation of the customer position.

Upon motion by Member Jardon, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved to conduct a qualitative scientific-based survey of TMWA customers regarding TMWA's legislative position on AB193.

Upon motion by Member Herman, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the TMWA legislative subcommittee's recommended positions on proposed bills.

7. DISCUSSION AND ACTION ON THE TMWA TENTATIVE BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2018 AND DRAFT CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2018 THROUGH 2022

Michele Sullivan, TMWA Chief Financial Officer, provided an overview of the FY 2018 tentative budget: water sale revenues are shown to increase by \$5.5 million over last year which revenues include the proposed 3% rate increase and is in line with the 5-year funding plan; hydroelectric sales revenue is shown to increase by \$1.2 million over last year due to the high river flows; \$660,000 in increased operating revenues are due to development; increased salary and wages include adding two employees for TMWA's facility control systems operation and maintenance; employee benefits would decrease in FY 2018 from the prior year because there will not be a liability accrual that is necessary to meet GAAP requirements in fiscal year 2017; interest expense will decrease with the 2017 bond refunding; in FY 2017 cash flow for capital projects was underspent due to weather; and \$7.2 million of Commercial Paper would be redeemed using unrestricted cash due to will-serve sales.

Member Hartung inquired if TMWA experienced any cash flow issues from developers not paying fees until the meter is set. Mr. Foree and Ms. Sullivan both replied no. Scott Estes, TMWA Director of Engineering, added developers can defer fees up to the point when they need the meter.

Member Brekhus inquired what revenue source was used to pay down the Commercial Paper; what was used as the basis of the growth projections (percent growth related to population growth); about the \$150,000 each year for water rights purchases in 2018-22, and did staff expect to spend that amount. Ms. Sullivan replied will-serve sales were used to pay down the Commercial Paper, and the growth projections were based on the number of connections which is based on the Water Resource Plan; the water rights purchases allocated for the 5-year CIP were projected, and spending the entire amount would be hard to predict now; Mr. Estes added the growth projections were included in the Water Resource Plan. Mr. Foree replied staff has only bought water rights recently when they could be purchased for a low cost; in the past year, water rights were purchased at approximately \$2,500 - \$3,000 per acre foot.

Ms. Sullivan referred to the draft FY 2018-22 Capital Improvement Plan (CIP) and stated the projected spending for capital projects for the 5-year plan would be \$169.5 million; of which, \$42.6 million is

expected for capital projects in FY 2018. Mr. Estes added that there are eight to ten one-time fairly large projects, totaling \$23 million, scheduled for FY 2018.

Member Hartung asked what the Street-Highway Replacement line item entailed. Mr. Estes replied TMWA capitalizes on when road rehabilitation occurs to replace water mains at the same time.

Member Brekhus commended staff on the quality of the CIP, but suggested adding a starting year to see if projects have taken an extended amount of time to complete. She inquired about the Bedell Flats project and proposed funding, if the public had been involved, and if not, suggested a public process with stakeholders in the relevant jurisdiction. John Enloe, TMWA Director of Natural Resources, replied money budgeted included the investigation to consider the overall evaluation of exceptional quality reclaimed water and optimal locations to recharge water. Reno-Stead discharges a portion of their effluent to the playa and is one of the reasons City of Reno has looked at this as an alternative disposal location. Being in the preliminary stages, all entities will budget about \$1 million a year over 5 years, and the research conducted by the University of Nevada, Reno (UNR) to look at treatment technologies has been part of the effort.

Member Brekhus inquired if the Booth and Sharon Way would improve access and make it ADA (Americans with Disabilities Act) compliant (it is in the design phase and ADA facilities would be considered if existing walkways are impacted); requested the designs be presented to the Board and the City of Reno Access Advisory Committee; what the \$200,000 for Disaster Recovery improvements entailed (to set up a secondary location for back up servers); and Verdi Main Extension (TMWA is responsible, but developers would pay for it.)

Upon motion by Member Duerr, second by Member Herman which motion duly carried by unanimous consent of the members present, the Board approved the TMWA Tentative Budget for the Fiscal Year ending June 30, 2018 and Draft Capital Improvement Plan for Fiscal Years 2018 through 2022.

8. PUBLIC HEARING ON RATE AND RULE AMENDMENTS

8.A PRESENTATION ON RESULTS OF TMWA OPEN HOUSE (AND CUSTOMER COMMENTS) REGARDING THE PROPOSED RATE ADJUSTMENTS

Mr. Gebhardt provided a summary of the public outreach and open houses for the proposed rate adjustments. He stated four open houses were held which were advertised in the bill inserts, printed on the bills, put on the TMWA website, and published in the Reno-Gazette Journal (RGJ) and the Sparks Tribune; 32 people attended in total; and an about 11 staff members were present for each meeting to answer any questions the public may have had about growth, conservation, financials, water rights, etc., and was well received.

Member Brekhus inquired about the complaint from a customer regarding a \$275 deposit required due to their low credit score and generally inquired about the process of refunding deposits. Mr. Gebhardt replied a deposit is refunded one year after becoming a TMWA customer if they have made timely payments. The

credit is based on their history with TMWA; TMWA uses a third party to review a new customers' history with other utilities and credit score to determine if they need to pay a deposit.

Vice Chair Hartung asked if a customer neglects to pay the water bill does it affect their credit score. Mr. Gebhardt replied no, it would affect their utility score and water service.

Public Comment

Chris Sanserevino, remarked that not everyone left the open houses satisfied with the answers provided. He noted that TMWA customers did a very good job to conserve and now they are being penalized.

8.B RATE AMENDMENT, INTRODUCTION: INTRODUCTION AND FIRST READING OF A POTENTIAL WATER RATE ADJUSTMENT, INCLUDING POSSIBLE MULTI-YEAR ADJUSTMENTS, WITH PROPOSED INITIAL IMPLEMENTATION FOR THE FIRST BILLING CYCLE IN MAY 2017

Vice Chair recommended hearing public comment before the Board voted on 8.B. The Board agreed.

Ms. Sullivan reminded the Board the reason for the proposed rate adjustments is because they have not had a rate adjustment in the last three years. She reported that for the last three years the Consumer Price Index (CPI) for water and sewer increased by 12.1% and the CPI for the western region increased by 5.6%; operating expenses have remained flat despite adding 7,000 new connections in the last four years; based on a national benchmark set by the American Water Works Association (AWWA), TMWA produces more water per employee than the highest AWWA benchmark, which shows staffing levels are lean; and the rate adjustments would close the funding gap, cash balances would remain around \$80 million, which maintains TMWA's credit rating, and the debt service coverage remains strong.

Ms. Sullivan noted TMWA has reduced its debt by \$100 million, or 20% of debt outstanding, in the last three years. The 2017 Bond Refunding, which sold \$147.4 million of water revenue refunding bonds to replace \$202.9 million of 2007 bonds, was very well received as it was oversold 5:1 which can be attested to TMWA's great credit ratings; achieving a net present value savings of \$15.9 million or 7.8%; as such, TMWA will be paying \$4.2 million less per year, for ten years, on the debt service of the bonds.

Vice Chair Hartung asked if had there not been a bond refunding, what the potential rate increase would have entailed. Ms. Sullivan replied it would have been an additional 5 or 6%. Staff worked very hard and TMWA received an upgrade from AA to AA+ from Standard & Poor's. It is important to note TMWA will continue to be rated regardless of a bond refunding.

Member Duerr stated without a rate increase in the last three years, TMWA has had to draw down its cash reserves to operate efficiently, but it is also important that TMWA maintains its great credit rating. Ms. Sullivan agreed, and added TMWA should not rely on development, which will not always be there; we need to pay for the cost to deliver water with the price we charge for water.

Member Jardon stated for the record, TMWA has not had a rate increase in the last three years, and drew down its cash reserves, but now a rate increase is imminent to remain fiscally stable. Had they not chosen to defer the last rate increase in 2015, or had a cost of living adjustment (COLA), and approved smaller adjustments in the last three years, would they still be in this position. Ms. Sullivan replied no.

Member Jardon asked if we anticipate an increase in water usage this year to close the water sales gap for the last two years and to maintain the public's trust (so it does not appear that they are being punished), is it possible to save some of the revenue increase to offset future conservation measures. Ms. Sullivan replied if there is rebound in water sales, the Board has the option to reduce the percent increase in years 3 through 5 of the proposal, and can consider a CPI at a future time when rates are revisited, but the objective now is to close the funding gap.

Vice Chair Hartung noted when revenue issues arise, expenses need to reduce; TMWA addressed this with the bond refunding. Ms. Sullivan commented that the majority of expenses are fixed related to maintaining and updating infrastructure to deliver quality water; there is \$1.1 billion in infrastructure and customer rates cover maintenance, not growth or new projects. The largest expense TMWA has is its debt service. She stressed this increase could be worse considering there has not been an increase for 3 years.

Member Jardon suggested if it were possible to wait and see how much summer water usage sales rebound and the outcome of the fluoride bill before implementing a rate increase. Mr. Foree replied the Board would have the flexibility in the last three years to not increase rates or reduce the rate increase. However, it would be difficult to delay a decision since the proposed rate adjustment schedule and public process was written into the bond documents and if the Board delayed then it could adversely affect the bond refunding since it does not close until April 11.

Member Jardon recognized the significance of the bond refunding, the great credit rating, and staff dedication, but felt it imperative to have a rate adjustment program going forward that would be more predictable for customers.

Ms. Sullivan agreed with Mr. Foree and added the first two years of 3% rate adjustments are necessary, regardless of water sales rebound; confirmed the flexibility would be in the last three years; and finally, it would be prudent to keep any rate adjustments separate from the financial impact of the fluoride bill.

Mr. Foree reiterated that all water utilities in the west have had this issue and the water/sewer CPI in the last three year has been an increase of 12%; in that time TMWA has not raised rates, even during the worst drought in history, and anticipates a rebound of about 3% which still requires the rate increase.

Member Duerr stated the 12% CPI is the cost of the utility business and it is important to understand there are two issues: 1. There is a reduction in revenue due to conservation; and 2. Need a sustainable rates model so as not to draw down cash reserves; customers should be rewarded for being fiscally astute.

Member Jardon stated if TMWA established a "no rain fund" to offset future conservation measures, customers would respond positively when asked to conserve in the future. Ms. Sullivan replied staff could work on establishing such a fund and noted water sales are currently ahead of the budget, but if there is a wet spring, it may reduce water usage.

Vice Chair Hartung stated aging infrastructure inhibits the ability to effectively serve our customers.

Member Brekhus remarked how she does not like to defer debt, and in 2015 the rate increase did not go into effect because of the merger; she is a critic of automatically using CPI; and did not want to green light rate increases over time, rather put in fixed periods of time for the decision to be made based on current information and financial status.

Vice Chair Hartung called for a recess at 12:01 p.m.

The TMWA Board meeting resumed at 12:05 a.m.

8.C PUBLIC COMMENT

Steven Louis, recently moved to Reno from Albuquerque, New Mexico, and criticized the proposed rate adjustments after the request for conservation; TMWA has lost good will and trust with its customers.

Dian Carlson, Reno resident, was opposed to the rate adjustments.

Mr. Sanserevino, spoke on behalf of his elderly neighbors and opposed the rate adjustments, stating the drought is over, rates do not need adjusting now and recommending TMWA to monitor water usage over the next two years to see if revenues increase.

Malachy Horan, provided public comment in opposition of the rate adjustments. Please see attachment.

8.B (CONTINUED) RATE AMENDMENT, INTRODUCTION: INTRODUCTION AND FIRST READING OF A POTENTIAL WATER RATE ADJUSTMENT, INCLUDING POSSIBLE MULTI-YEAR ADJUSTMENTS, WITH PROPOSED INITIAL IMPLEMENTATION FOR THE FIRST BILLING CYCLE IN MAY 2017

Member Jardon stated they should approve the 3% for the next two years, but is encouraging staff to present a fund program for surplus revenues to help stabilize rates and ensure the public trust during future conservation efforts.

Member Brekhus stated the rate increase has been in motion for about two years, confirmed other western states increased rates after conservation, asked what was the percent of anticipated demand hardening and how consumption increased for the former flat-rate customers, but revenues decreased. Mr. Foree replied 3% rebound is projected from the drought, but weather plays a large role in water usage; revenues would be impacted if it the wet weather continues into the spring; and the slightly higher use was in a 12-month period on the metered rate.

Member Brekhus inquired if the increase in pension costs was because the merger or in response to GAAP rules. Ms. Sullivan replied the percent Nevada Public Employment Retirement System (PERS) requires TMWA to contribute has increased slightly over the last few years, but the large increases in PERS payments are due to the merger; new GAAP requires that TMWA expense an amount dictated by an actuarial report, and cash paid can differ from that amount.

Member Brekhus commented that TMWA made a policy decision to create the fire hydrant maintenance program, but suggested the Board could revisit the parameters, and stated it is hard to equally match utility costs because incomes are fixed.

Member Duerr thanked the audience for their participation and asked Mr. Pagni could the Board move forward today, gather more information and potentially change what is approved in April. Mr. Pagni replied, the final action is at the second reading in April, depending on the materiality of changes made in

April; he recommended for purposes of clarity, that the proposed increase for all five years be referred to a second reading with the Board retaining the ability to defer or cancel the last three-year rate adjustments.

Member Duerr asked if there was substantial change, could the last three years be cancelled or reduced to less than 3%. Mr. Pagni replied yes, if the Board cancelled or reduced the amount of a previously approved rate adjustment there is no need to go through additional public workshops and notice like with an initial rate adjustment.

Member Duerr stated on the record that it is an ill-timed coincidence that citizens were so successful in conserving and the response is to raise rates, but it is important to have a sustainability program. She is interested in considering alternate ways to increase revenues and requested examples of bills, for different types of customers, be presented at the next meeting and to better understand employee compensation. She is in favor of approving what is presented today and potentially adjust rates at the next meeting. Ms. Sullivan replied the average cost would increase by \$1.42/month, and for a person who did not have landscaping to maintain, it would increase by \$0.75/month.

Member Herman stated hindsight is twenty-twenty, but the reality is the situation we are in today and we need to consider the future of TMWA and how it operates; water is a necessity. She liked the views brought forward and believes that they can come to an understanding that would work. She requested to see reports of expenses at the next meeting.

Vice Chair Hartung stated rate adjustments are always difficult and asked if TMWA was contractually obligated to a 3% increase for wages and salaries. Mr. Foree replied the existing contract with IBEW is 2% for the current fiscal year, which concludes on June 30, and TMWA will begin negotiations on a new contract very soon. Ms. Sullivan added the 3% reflects an increase in number of employees' year over year, not just overall increase in wages.

Vice Chair Hartung would like to consider other possibilities where TMWA could cut costs. He is in favor of rebuilding Farad that would generate revenue in the future and confirmed connection fees are bound to cost recovery and could not be raised to generate revenue. Mr. Foree replied yes, it is based on cost.

Vice Chair Hartung inquired if the Board could decide, at the second hearing, to revisit the 3% rate adjustment next year in hopes that revenues rebound and growth continues. Mr. Pagni confirmed that is correct.

Member Jardon noted the discussion was valuable; flexibility in years 3 to 5, and staff to consider a dry-day fund program.

Upon motion by Member Brekhus, second by Member Herman, which motion duly carried by unanimous consent of the members present, the Board approved referring the proposed water rate adjustment, including possible multi-year adjustments, for a final hearing on April 19, 2017.

Member Jardon left at 12:42 pm.

CLOSE PUBLIC HEARING

9. DISCUSSION AND ACTION ON RESOLUTION NO. 249: A RESOLUTION TO APPROVE FUNDING FOR THE PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS

Mr. Enloe requested the Board adopt Resolution No. 249 approving the projects recommended by the Truckee River Fund (TRF). He highlighted the One Truckee River (OTR) Initiative program, which requested over \$300,000 and is very well supported in the community because it is addressing a variety of issues. One of the goals for this funding cycle is to find additional funding by other partners going forward and not solely rely on the TRF. An example of a similar program initially supported by the TRF was the boat inspections and aquatic invasive species program at Lake Tahoe; TRF started it, but the program no longer requires their funding.

Member Brekhus inquired if the TRF program is in statute and confirmed the Board has discretion to reduce funding and for what other purposes would the OTR use their funding. Mr. Enloe replied no, the Board implemented the program in 2004, and the \$850,000 per year helps leverage other funding that these programs would otherwise not have access to and is helpful to local agencies to secure additional funding to implement projects. He added the OTR funding would support the signage project, mapping efforts, finding a permanent home-base, other objectives and priority goals, and implementation of Phase 1.

Member Duerr remarked about the value of the program, but suggested delaying approval until after the rate increase. Mr. Enloe recommended moving forward with approval since the funds have been allocated to the TRF for this fiscal year, but suggested delaying the second round of request for proposals (RFPs) in summer FY 2018.

Member Brekhus supported Mr. Enloe's recommendation to move forward with approving these projects, but was open to considering all external funding programs as part of the budget review at the next meeting. Vice Chair Hartung agreed and confirmed the 3% rate increase would generate \$2.7 million and it was important to consider every possibility to reduce costs.

Mr. Enloe stated he could report on the uncommitted fund balance so that the Board could consider deferring or reducing the amount of funding in FY 2018.

Member Duerr assured that this would not impair current projects. Mr. Enloe replied no. Mr. Foree noted that in the proposed FY 2018 budget, TMWA has allocated \$850,000 for the TRF.

Upon motion by Member Brekhus, second by Member Duerr, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 249: A resolution to approve funding for the projects recommended by the Truckee River Fund Advisory Committee and an authorization for the Community Foundation to fund such projects from Fund proceeds.

10. GENERAL MANAGER'S REPORT

Mr. Foree had nothing further to report.

11. PUBLIC COMMENT

There was no public comment.

12. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus made comments about issues customers in Galena have with their water pressure and needing to install pressure relief valves. Mr. Foree noted TMWA received one inquiry; crew went out to investigate and the result was that there was normal pressure on TMWA's side. Mr. Gebhardt added it was an internal pressure issue, possibly due to an expansion tank on the water heater.

Member Duerr requested that staff revisit the tentative budget to possibly reduce the percent of the rate adjustments and to understand the staffing increases, wages and salaries. Vice Chair Hartung agreed, adding how the fire hydrant program is supported would be beneficial.

Member Brekhus suggested staff look at different rate designs in the future; remarked the comments on connection fees and buying water rights at an expensive rate needed further discussion; and how the dry-day fund would work, results from Truckee River Operating Agreement (TROA), past water rights purchased and other funds, be reserved for existing rate payers.

Vice Chair Hartung agreed with respect to cost-sharing in overall connection fees, but they are bound by Nevada Revised Statutes (NRS).

Member Duerr said she did not want staff to feel they were being penalized for being efficient.

13. ADJOURNMENT

With no further discussion, Vice Chair Hartung adjourned the meeting at 1:04 p.m.

Approved by the TMWA Board of Directors in session on April 19, 2017.

Sonia Folsom, Recording Secretary

**Member Jardon was present for agenda items 1 through 8.C only.*

**Truckee Meadows Water
Authority
2017/18 Proposed Rate
Increase**

**Malachy Horan
March 15, 2017**

TMWA Key Rationale For Rate Increase

- **TMWA has stated that they need more revenue due to water conservation**
- **TMWA has stated that they need the revenue to remain in compliance with their loan agreements**
- **90% of costs are fixed**

TMWA Operating Revenues (\$m)

- During 2015 a merger of STMGID and Washoe County Water Utility with TMWA occurred
- Significant differences in revenues resulted from:
 - Moving all flat rate users to residential users for TMWA and Washoe County. The loss in annual revenues for this decision was over \$1.9m per year while water consumption increased for these ratepayers (ltr did 12-06-16 to SAC)
 - A reduction in hydroelectric revenue due to a drought

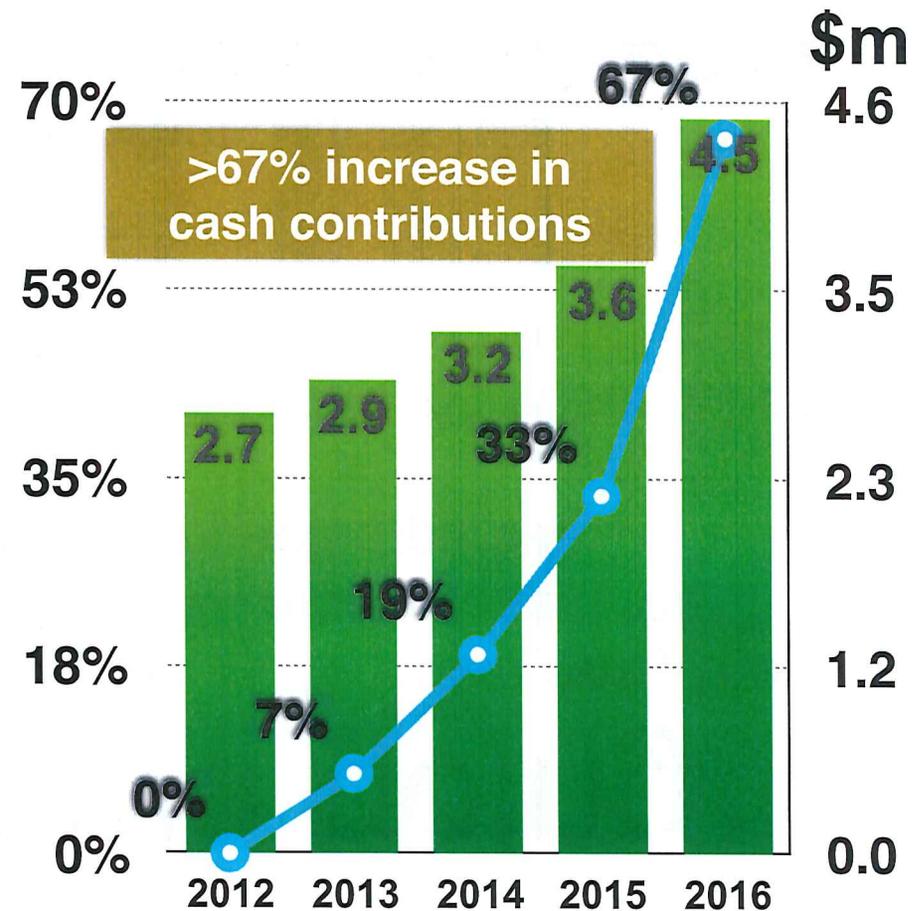
	2013	2014	2015	2016
Flat Rate	10.3	9.7	9.4	3.7
Res. Metered	44.0	44.1	51.8	60.2
Comm's Metered	10.9	10.8	11.3	11.0
Irrigation Metered	11.0	10.7	11.1	11.6
Wholesale Sales	3.7	3.9	2.5	1.0
Hydroelectric	3.6	3.0	1.4	1.2
Other Oper Rev	2.1	2.1	2.5	3.2
Total	85.6	84.3	90.0	91.9

Decisions Impacting Cash or Revenues

- Converting Flat Rate users to metered resulting in an annual loss of \$1.9m in revenues, e.g. cash per year
- Cash pension contributions have increased by over 67% since 2012 and for 2016 by \$1m (pension expense of \$3.5m and actual cash contribution of \$4.5m)
- Fire hydrant inspection for the City of Reno was assumed recently with an annual cost of \$.9m and an estimated capital cost for trucks, compressors, etc. of \$.4m. We did not request the Costs for the City of Sparks and do not know the annual costs but a realistic view would be \$.3m in operating costs per year
- The sum of the above decisions total approximately 4% plus of revenues, far in excess of the 3% requested. Decisions do cost the ratepayers money!

Pensions - Cash Payments and Unfunded Liability

- Pension expense is significantly less than cash contributions
- An Unfunded Pension Liability of \$26.9m as of 2016 has been recognized which assumes an 8% ROR. What are the plans for making this whole?
- Excludes for 2016 \$1m in Deferred Compensation and \$830k in Money Purchase Retirement Plan cash contributions.



Where are we going

- We are opposed to automatic increases as they take away the controls that are in place, e.g.: that TMWA must present the proposals to the ratepayers and other impacted parties
- We are opposed to approving multiple year rate increases when many of the assumptions are rough estimates and based upon minimal empirical evidence
- We need transparency on costs and what actions has management taken to reduce costs. **We need variable and not fixed costs**
- What are the intentions on funding the Unfunded Pension Liability?
- What are the intentions of reducing fixed costs? Do you have performance measures that are reviewed quarterly with the board?

Connection Fees

- **What is the policy for updating Connection Fees?**
- **The last study was completed in 2012 and what changes need to be considered?**
- **Did the study support these fees or was an increase required?**