



STANDING ADVISORY COMMITTEE

MINUTES

September 5, 2017

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 3:06 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Harry Culbert, Bruce Gescheider, Colin Hayes, Karl Katt, Don Kowitz, Carol Litster, Neil McGuire, Ken McNeil, Mike Pidlypchak, Fred Schmidt**, Mike Schulewitch, and Jerry Wager.

Alternates Present: Fred Arndt, Ken Becker*, Jordan Hastings, Bill Hughes, Scot Munns, Dale Sanderson, and Jim Smith

Primary Members and Alternates Absent: Bob Chambers, Kevin Haddock, and Jonnie Pullman.

Staff Present: Jack Byrom, Robert Charpentier, Laine Christman, Scott Estes, Andy Gebhardt, Mark Foree, Bill Hauck, Daniel Morley, Joe Petrelli, Shawn Stoddard, Michele Sullivan, Sandra Tozi, Marci Westlake, John Zimmerman, and Steve Walker, TMWA Lobbyist, and Legal Counsel Debbie Leonard.

**Ken Becker arrived at 3:07 p.m.*

***Fred Schmidt arrived at 3:13 p.m.*

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

Member McNeil inquired, since agenda item #10 is not an action item, could the committee choose to communicate to the Board in some manner other than a motion, by way of a consensus vote instead. Debbie Leonard, TMWA Legal Counsel, replied if it is not listed as an action item on the agenda it is not something SAC can take action on. Ms. Leonard reminded members that only the Chair or Vice Chair or designee can speak to the Board on behalf of the SAC, but staff can raise any issues discussed by the SAC to the Board on the SACs behalf.

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 4, 2017 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the April 4, 2017 meeting minutes.

5. SUMMARY OF RESULTS OF THE 2017 LEGISLATIVE SESSION

John Zimmerman, TMWA Water Resources Manager, referred to the list of bills that passed and failed that TMWA had been monitoring in the legislative session; specifically, AB193, requiring the fluoridation of the water system, did not pass.

Steve Walker, TMWA Lobbyist, reported to the SAC that it was a good legislative session, with the most water bills introduced than in any other session, and all bills TMWA opposed did not pass.

6. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, reported the region experienced precipitation that was more than 200% of average; new record of snowpack on April 1st on Mt. Rose where 82 inches of water was measured, 243% of normal back to 1910; Lake Tahoe saw a record rise in water level for one season, beating the record by 1.65 feet; and all reservoirs, except Prosser, remain full.

7. PRESENTATION ON THE FINAL FY 2018 BUDGET AND THE CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2018 THROUGH 2022

Michele Sullivan, TMWA Chief Financial Officer, presented the staff report including the changes to the tentative budget the Board had requested at its April meeting. Employee benefits incurred additional expenses of \$195k because of GASB 75 implementation. Services and supplies budget decreased by \$958k; per the Board's request, staff reduced Truckee River Fund (TRF) funding to \$450k instead of \$850k and eliminated funding of \$210k for the cloud seeding program for FY2018; additional savings because money was set aside for TROA administration that will last through FY2018, (but will be brought back in FY2019). Interest expense savings because of the bond refunding. TMWA had additional money come in from will-serve commitments in FY2017 to pay down commercial paper in FY2018. Beginning of FY2018 cash balance is higher due to \$11.8 million received from insurance as partial settlement for flood damage at the Farad Hydro Plant in FY 2017.

Member Wager asked about the reason for the reduced funding to TRF and about the reduction of TROA administration fees by TMWA or other agencies. Ms. Sullivan replied there was concern due to the rate increase and the Board was looking to cut expenses where they could and another agency has the money to pay for the TROA administration fees, but TMWA will have to make payments beginning in FY2019.

8. PRESENTATION ON PRELIMINARY FINANCIAL PERFORMANCE FOR FY 2017

Ms. Sullivan reported on the preliminary financial performance for FY 2017. She stated water sales ended at \$1.5M ahead of budget at the end of FY 2017; operating expenses were on track; employee benefits increased based on GASB 68 in addition to the increase in the number of employees; operating income was \$5.4M higher than anticipated due to savings in operating expenses of \$2.5M, \$1.1M lower depreciation, and \$1.8M higher operating revenue; developer infrastructure contributions were \$10.8M. Overall net change in position was \$21M higher than anticipated and cash balances decreased \$13M or \$10.5M less than the anticipated decrease of \$23.5M.

Vice Chair Schmidt asked how much revenue was attributed to the rate increase and how much is anticipated for a full year of revenue. Ms. Sullivan replied \$500,000, but anticipate about \$2.5M in additional revenue for a full year.

Discussion revolved around whether the second-year rate increase was necessary. The topic will be addressed during the presentation of the 5-year funding plan update at the October Strategic Planning Workshop as well as to the SAC in October.

Vice Chair Schmidt asked if connection fees and the number of customers were anticipated to increase. Ms. Sullivan replied current numbers align with the budget right now, but anticipated an increase for the next year.

Member Becker inquired if the rate increase had been approved and suggested not going so long without a meeting. Ms. Sullivan replied yes, it was approved in April and Chair McGuire replied that if there was not much going on, meetings get cancelled.

Member Schulewitsch asked about the rate of new connections per month and existing connection fees. Mr. Foree replied the forecast was 200 per month, but running a bit behind and Ms. Sullivan added it is about 1800 or 1900 for the year.

9. INFORMATIONAL REPORT REGARDING THE METER RETROFIT FUND PROGRAM

John Zimmerman, TMWA Water Resources Manager, presented the staff report, which was requested by Board Member Jenny Brekhus at the June Board meeting. Mr. Zimmerman reported that the current fund balance as of June 30, 2017 was \$2,425,647 and the estimated fund revenue by the end of fiscal year 2022 will be between \$4.2M and \$9.7M.

Discussion followed regarding flat rate multi-unit customers not being on a meter because of the high cost associated with retrofitting. The amount of water being used is monitored. The Board is looking to staff to make a recommendation on what to do with the meter retrofit fund once all remaining flat rate customers that can be feasibly retrofitted are completed and the possibility to end the developer fee or repurpose the fee.

Vice Chair Schmidt commended staff on retrofitting 99% of services and confirmed the remaining 253 services would cost about \$25K per meter. Mr. Foree replied the Board is looking to address this

situation and what is financially reasonable to be retrofitted, but did not recommend retrofitting the small unit flat rate customers.

Member Wager asked if these customers were low-water users. Andy Gebhardt, TMWA Water Operations and Quality Director, replied most are, but some mobile home parks use more, and there is no place to put a meter.

Vice Chair Schmidt requested that staff recommendations be presented to the SAC for consideration prior to it being presented to the Board. Mr. Foree replied yes, it would be towards the end of the year.

10. UPDATE REGARDING THE DRAFT WHOLESALE WATER SERVICE AGREEMENT BETWEEN TMWA AND WEST RENO WATER COMPANY AND REQUEST FOR BOARD AUTHORIZATION FOR GENERAL MANAGER TO FINALIZE AND EXECUTE THE AGREEMENT

Mr. Foree reported this agenda item was presented to the Board at its August meeting, but no action was taken and the item was continued to a future meeting. He referred to the staff report regarding the development in the Verdi Area, how the Boomtown water system, how West Reno Water Company (West Reno) is expanding its service to the residences, that the City of Reno approved development for an additional 270-unit subdivision, which TMWA was not involved with, and an additional tentative subdivision for approximately 80 units will be going before the City of Reno Planning Commission for approval. Currently, Boomtown is in the process of applying to the Public Utilities Commission (PUC) to become a regulated utility once it acquires more than 25 bill-paying customers. The Reno City Council expressed desire to potentially require TMWA to be the retail service provider in Verdi, but West Reno did not want to give up its system to TMWA under the conditions presented to it. Discussions are under way about a wholesale agreement to provide treated water service to the area. There is concern about the groundwater sustainability, as well as water quality, in the basin.

Vice Chair Schmidt stated this was contrary to the policy of the last 15 years where the Nevada State Legislature made clear TMWA was to ensure planning and developing the water resource for the whole area, including consolidation of the water resources from Washoe County. He recommended that TMWA or the Board intervene at the PUC to question whether or not it is best to have another private water company and urged TMWA to be more proactive. Mr. Schmidt also pointed out the PUC can force Boomtown to work with TMWA to resolve the issues and let the PUC mediate to enter a resolution, and continue to add services to TMWA as directed by the legislature. He stated he would be willing to go to the Board to discuss this issue to ensure water resources are planned conjunctively. Mr. Foree replied the application has not been submitted to the PUC, there is no way for TMWA to cost effectively serve the area without acquiring the Boomtown water system, agreed that conjunctively managing the resources is paramount and addressed the question of how the customer would be billed. Mr. Foree continued that TMWA plans to intervene but cannot do anything right now since the application has not been filed.

Vice Chair Schmidt asked if staff planned to have a wholesale agreement in place and, if so, would it ensure that existing customers not be required to subsidize new development. Mr. Foree replied that it would be up to the Board and provided the City of Reno put a condition on the development that it is a

retail service provided by TMWA, address how to do that without parallel infrastructure, and yes, existing customers would not be required to subsidize this service area.

Member Gescheider asked if the new developments were inside city limits and where they would be getting the water service. Mr. Foree yes, within the sphere of influence and/or city limits and Mr. Estes replied the Boomtown Water System.

Chair McGuire noted that Boomtown water system had been sued numerous times due to issues with the wells and he would be happy to discuss with the Board.

Member McNeil expressed his concerns about providing service at a wholesale rate, when Boomtown would be using the same booster pumps and pipelines that supplies water to existing customers, whereby existing customers would be subsidizing them paying a lesser rate. Also, he referenced the Mortenson Development Standards handbook, which is no longer in effect, but originally it stated TMWA was to be the water provider and can do a better job in providing water service to residential customers.

Chair McGuire stated that would fall under cross-subsidization, which is not supported by any policy.

Member McNeil questioned the efficacy of the water company and whether they had a crew and resources to take care of residential system and customer issues or would they call TMWA for assistance; it makes more sense for TMWA to provide service. He noted developers state they cannot afford the improvements a utility requests, but there is proof they continue making improvements.

Chair McGuire stated the SAC should wait and see what the Board decides to do. Mr. Foree replied staff will not bring this back to the Board until the meeting in October and will get input from the SAC in October as well.

Chair McGuire reminded Member McNeil that he could attend the Board meeting and voice his concerns as an individual.

Member McNeil replied he would be attending the meeting and stated that if the Board approved this it would be a step in the wrong direction, that TMWA should be the water purveyor in this area and not to allow private water companies to expand. He commented that Boomtown is not in the greatest financial position and TMWA would probably have to take it over if it goes under in the future.

Vice Chair Schmidt asked if the wholesale service agreement negotiations included providing service to individual lots or wholesale, and if acquiring Boomtown was the right option. Mr. Foree replied its model is similar to the County agreements, which provide that everything behind the meters was the County's responsibility. In the end, staff will do what the Board directs. Mr. Foree added, no, currently it would be the only way to provide service.

Ms. Leonard reminded the SAC they are entitled to attend and speak at any public meetings but should make it clear on the record they are not speaking on behalf of SAC but rather as individuals.

Mr. Foree added the reason staff agendized this was to initiate discussion of the issues and ask what the Board and City of Reno wanted to do.

Member Becker verified this agenda item was not an action item. Ms. Leonard replied correct, it was an action item for the Board, not the SAC.

Member Gescheider stated sending treated water out to Verdi is a huge capital expenditure and asked if it was included in the Capital Improvement Plan (CIP). Mr. Foree replied that the currently planned Verdi Main Extension project is not a huge expenditure and Mr. Estes added it would be about \$2M. Ms. Sullivan replied the Mogul booster pump project was included and Mr. Estes added the extension of the main from West Meadows to Riverbelle was included.

Member McNeil asked how much of the \$15M would be required by TMWA to provide water service. Mr. Estes replied all of it; right now, we are extending the water main and providing temporary water service from the Mogul system to the Boomtown system. To supply water to the entire Verdi area TMWA would need to build the entire backbone system including a new pump station at Mogul and new pipeline from Mesa Park to Sommerset Ridge Parkway.

Member McNeil asked if developers would pay for some of the costs. Mr. Estes replied staff has been waiting for the developers to get organized and to discuss cost-sharing possibilities, which has not happened yet.

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

Vice Chair Schmidt asked if the meter retrofit staff report would be ready for October. Mr. Foree replied no, it would be too soon.

October meeting:

1. Discussion on the West Reno Water Company wholesale agreement
2. Presentation of the 5-year funding plan, including discussion on the next rate increase
3. Smart About Water Day update
4. Update on new development and number of connections

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

12. STAFF ITEMS

Chair McGuire inquired about the letter of credit. Ms. Sullivan stated there is a letter of credit on commercial paper which will have to go to request for proposal (RFP) or negotiation in 2018.

13. COMMITTEE ITEMS

Member Wager presented copies of the book "The Big Thirst" for any SAC member who may be interested in reading the book.

14. PUBLIC COMMENT

There was no public comment.

15. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:21 p.m.

Approved by the Standing Advisory Committee in session on October 3, 2017.

Sonia Folsom, Recording Secretary