



STANDING ADVISORY COMMITTEE

MINUTES

October 3, 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 3:02 p.m.

1. ROLL CALL

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

Alternates Present: Ken Becker, Jordan Hastings, Karl Katt, Scot Munns*, Dale Sanderson, and Jim Smith

Primary Members and Alternates Absent: Harry Culbert, Kevin Haddock, Bill Hughes, and Jonnie Pullman.

Staff Present: Jack Byrom, John Enloe, Scott Estes, Andy Gebhardt, Mark Foree, Sonia Folsom, Joe Petrelli, Danny Rotter, Shawn Stoddard, Michele Sullivan, Sandra Tozi, Marci Westlake, John Zimmerman, and Marlene Olsen, GoodStanding, and Legal Counsel Debbie Leonard.

* *Scot Munns arrived at 3:03 p.m.*

***Fred Schmidt 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 SEPTEMBER 5, 2017 MEETING

SAC members who were absent or present at the September meeting were corrected: Scot Munns, Bill Hughes and Jordan Hastings were all present and Jonnie Pullman was absent.

Upon motion duly made by Member Wager and seconded by Member Litster, and carried by unanimous consent of the members present, the Committee approved the September 5, 2017 meeting minutes with the amendments.

5. PRESENTATION ON THE SMART ABOUT WATER DAY EVENT

Andy Gebhardt, TMWA Operations & Water Quality Director, informed the committee about the Smart About Water Day event to be held at the Lazy 5 Community Center in Spanish Springs on Saturday, October 21. Mr. Gebhardt highlighted the topics to be discussed and presented and activities available. He noted that, in the past, most public events TMWA has hosted have been reactionary and this one is the first where the sole purpose is to engage with, and educate, the community. Mr. Gebhardt encouraged the members to spread the word and attend with their family and friends.

4. APPROVAL OF THE MINUTES OF THE SEPTEMBER 5, 2017 MEETING

Vice Chair Schmidt requested to reopen this agenda item to make a few corrections in the draft minutes regarding a few points he had made at the last meeting concerning the meter retrofit fund and the West Reno Water Company wholesale agreement

Upon motion duly made by Vice Chair Schmidt and seconded by Member Gescheider, and carried by unanimous consent of the members present, the Committee approved the September 5, 2017 meeting minutes adopted previously with the additional amendments.

6. INFORMATIONAL UPDATE ON NEW DEVELOPMENT AND NUMBER OF CONNECTIONS

Shawn Stoddard, TMWA Senior Resource Economist, presented on the current projections for new development and the number of connections.

Discussion followed regarding how water use was less in calendar year 2017 compared to calendar year 2016; a wet spring can fluctuate water use and revenue by 10-20%; the size of pipe for multi-family units makes a big difference in water usage (i.e. two inches versus 10 inches); TMWA's projections are consistent with the State Demographer's office; how the arrival of Tesla has driven the housing market up, which has resulted in a slight decline in population in Washoe County; average new connections per month is approximately 180; the majority of water services being requested are for multi-family; water usage is tied to the number of dwellings, which impacts revenues; and the increase in economic development has increased water sales, but only slightly since there is an incentive to use less water than before.

7. PRESENTATION OF PRELIMINARY FUNDING PLAN FOR FISCAL YEARS 2018 THROUGH 2023, DISCUSSION AND POSSIBLE RECOMMENDATION TO THE BOARD

Michele Sullivan, TMWA Chief Financial Officer, presented the preliminary funding plan for fiscal years 2018-2022. Ms. Sullivan reported the 3% rate increase implemented in May 2017 gave a slight boost in revenues, but rate adjustments are still necessary to close the funding gap at this time; the debt service will increase by \$10.6M in FY2020 due to deferred principal payments in FY2018 and FY2019; operating expenses over the 5-year funding plan are lower by \$879K; and capital spending is higher due to projects that were to be budgeted for completion in FY2017 but were moved to later years.

Vice Chair Schmidt inquired if developer funds could be considered as part of the revenue stream in order to reconsider the second-year 3% rate increase, and expressed his displeasure with having multi-year rate increases. Mark Foree, TMWA General Manager, responded it is TMWA's practice to use only recurring revenue to cover operating costs and debt and not rely on developer fees.

Discussion continued regarding the fact that capital spending has rarely exceeded \$30M and needs to be addressed; how a wet spring in any given year can negatively impacts revenues; as of year-end 2017, TMWA has spent more on capacity projects than what has been collected in developer fees; the increase in cash reserves in FY2017 was a result of the NV Energy settlement for Farad hydroelectric plant of about \$11.8M and the release of the forward delivery agreements (FDAs), which resulted in a payment received of about \$5M. The Board already has designs on how all of this revenue should be utilized, such as investing some in the rate stabilization fund, hydroelectric capital projects, and there are major repairs to Glendale diversion, access roads and Donner Dam due to flooding.

No action taken.

8. PRESENTATION ON THE DRAFT WHOLESALE WATER SERVICE AGREEMENT BETWEEN TMWA AND WEST RENO WATER COMPANY, DISCUSSION AND POSSIBLE RECOMMENDATION TO THE BOARD

John Enloe, TMWA Natural Resources Director, reminded the committee that the Board deferred taking action on this item at the August meeting and pointed out that TMWA does not have the ability to serve this community today and to do so would cost about \$14M in improvements. Mr. Enloe presented three options that would solve the issue of providing water to Boomtown in Verdi: 1. West Reno serves the new development in the area to the extent their groundwater resources allow; 2. West Reno serves the new development in the area to the extent their groundwater resources allow, supported by a TMWA wholesale agreement that would allow for conjunctive use management of groundwater and surface water; and 3. West Reno serves the new development in the area to the extent their groundwater resources allow, supported by a TMWA wholesale agreement that would transition to a TMWA acquisition of the West Reno water system at a future date, whereby TMWA would become the retail service provider in the long term.

Discussion revolved around which of the options was best for TMWA and its customers; TMWA requiring West Reno to upgrade, as it did for the Verdi Business Park, before acquisition; that West Reno meets all the water requirements and has the ability to serve, but still needs to know what the water quality and water quantity is after they have had a chance to run their wells; TMWA is agreeable to the

wholesale agreement at first to have the ability to observe any issues that may arise; the Reno Land agreement with Boomtown is for only 500 acre feet of water rights, which is not enough to serve the entire proposed development; TMWA continues to improve infrastructure, including improvements to the Mogul pump station to get 150 gallons per minute (gpm) of available capacity; it is too early to presume that the water system would fail, but a private water company still has to comply with the Public Utilities Commission of Nevada (PUCN) regulations; the TMWA Board had expressed similar concerns and that they want TMWA to be the retail service provider in the area; West Reno has agreed to build the system to TMWA's standards; existing wholesale rates would apply; the agreement would allow to expand the size and capacity of the pipe; and finally, there are too many unknowns to fully understand the implications of moving forward, but enough information to support the wholesale agreement with the stipulation that there is no impact on TMWA customers in the future.

Upon motion duly made by Vice Chair Schmidt and seconded by Member Chambers, and carried by unanimous consent of the members present, the Committee approved to support TMWA entering into a wholesale agreement with West Reno to provide wholesale water service so long as it does not negatively impact TMWA customer rates in the future.

**Karl Katt left at 4:41 p.m.*

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

Member Schulewitch suggested that a sub-finance committee be established with a few SAC members that meet a few times a year to discuss financials and bring summary reports to the full committee. Debbie Leonard, SAC Legal Counsel, said she would have to research the legality of whether the SAC can form a sub-committee. But that they can have a discussion which can be presented to the Board for consideration.

Next meeting:

1. Water Supply
2. Presentation of Board's decision on the 5-year funding plan
3. Presentation of Board's decision on the West Reno Water System wholesale agreement
4. Possible discussion to request to the Board to establish a Sub-Finance committee

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

10. STAFF ITEMS

Sonia Folsom, TMWA SAC Liaison, informed the members that she would be contacting those whose terms are expiring December 31, 2017 to see who is interested and willing to continue to serve.

11. COMMITTEE ITEMS

There were no committee items.

12. PUBLIC COMMENT

There was no public comment.

13. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 5:18 p.m.

Approved by the Standing Advisory Committee in session on December 5, 2017.

Sonia Folsom, Recording Secretary

**Karl Katt was present for agenda items 1 thru 8 only.*

***Fred Schmidt was present for agenda items 5 thru 13 only.*