



STANDING ADVISORY COMMITTEE

MINUTES

February 6, 2018

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 3:00 p.m.

1. ROLL CALL

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

Alternates Present: Fred Arndt, Ken Becker, Karl Katt, Scot Munns, and Dale Sanderson.

Primary Members and Alternates Absent: Kevin Haddock, Bill Hughes, Mike Pidlypchak, Jonnie Pullman and Jim Smith.

Staff Present: Matt Bowman, Robert Charpentier, John Enloe, Scott Estes, Mark Foree, Sonia Folsom, Andy Gebhardt, Bill Hauck, Joe Petrelli, Pat Nielson, Danny Rotter, Shawn Stoddard, Michele Sullivan, John Zimmerman, Marlene Olsen, GoodStanding, and Legal Counsel Debbie Leonard.

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

Upon motion duly made by Member Kowitz and seconded by Member Chambers, and carried by unanimous consent of the members present, the Committee approved the agenda.

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

Upon motion duly made by Member Hayes and seconded by Member Chambers, and carried by unanimous consent of the members present, the Committee approved the December 5, 2017 meeting minutes.

5. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, reported that this winter year has seen above average temperatures and below average precipitation which is 50-70% of normal; the snow water content is 45% and 29% of normal in the Truckee Basin and Tahoe Basin, respectively; 2017 winter year was the biggest on record in terms of runoff (surpassing 1983); the current situation is only slightly better than in 2015, but all reservoirs are at flood control, highest legal limits (to allow for runoff during snowmelt); Lake Tahoe is one foot below maximum capacity; and normal river flows are expected for at least the next year, possibly two years, regardless of this winter's precipitation.

Mr. Hauck also provided an update on the Donner Lake outlet channel. He explained the outlet channel had to be dredged up to the dam. After multiple permits were approved with seven different agencies, TMWA worked with five consultants and the contractor to complete removal of 6,000 cubic yards of debris, silt and sand from the outlet channel. As they work with the Army Corps of Engineers, a more permanent bank stabilization solution is pending.

6. PRESENTATION ON THE FIRST BUDGET AUGMENTATION AND BUDGET REVISIONS FOR FISCAL YEAR ENDING JUNE 30, 2018

Michele Sullivan, TMWA Chief Financial Officer, informed the Committee that the Board approved this augmentation at the January Board meeting. Ms. Sullivan explained \$2.6 million is needed for unexpected maintenance expenses at Donner Dam in order to retain the value of the dam, and to remove sediment and debris from the outlet channel.

7. PRESENTATION OF FINANCIAL PERFORMANCE FOR FIRST HALF FISCAL YEAR 2018

Matt Bowman, TMWA Financial Controller, reported the financial performance for first half fiscal year 2018: better than expected revenues and lower than expected operating expenses resulting in Operating Income of \$19.6 million (\$4.5 million over budget); Year over year, revenue was higher by \$2.5 million and operating expenses were lower by \$0.7 million; hydroelectric sales were up \$1.1 million compared to last year due to better river flows; Services and supplies expenses were lower by \$1.3m due to the Chalk Bluff shutdown, employee salaries and wages were less than budget by \$600,000 due to bargaining unit wage freezes and delays in MPAT wage increases, but was offset by overtime wages of \$300,000 higher than budget; capital contributions were approximately \$1.8 million higher than budget but down approximately \$1.0 million compared to prior year; and total cash on hand is \$189.1 million, with \$144.2 million of this being unrestricted to be used for operating/maintenance expenses, principal/interest payments and construction project payments.

Discussion followed regarding augmenting the water sales revenue budget due to having a dry winter (would only do so if it was a significant change, but not now); the next rate increase will be effective May 1st this year, which is still applicable to help close the \$10 million funding gap; the increase in overtime will continue due to the limited number of water operators, but Ms. Sullivan stated they will

budget for 20 operators rather than the 17 in the next budget cycle; and capital contributions in the Statement of Changes are paid for by developers and pay TMWA back for facilities constructed for growth.

8. UPDATE ON THE AGREEMENT FOR WATER SYSTEM ACQUISITION BETWEEN
WEST RENO WATER COMPANY AND TMWA

John Enloe, TMWA Natural Resources Director, reported that the Board approved the acquisition agreement at the January meeting. Mr. Enloe stated when the agreement is signed by both parties there will be a 120-day due diligence period to review, approve, and finalize all the assets, land easements, water rights and water resources, and facilities, etc. The Reno Land developer has agreed to pay the facility charges of \$2.54 million to TMWA. For the offsite improvements, the City of Reno may establish an assessment district since it is out of TMWA's authority, but TMWA staff will work with the City of Reno and/or Washoe County to provide necessary information.

9. UPDATE ON STONEGATE RETAIL SERVICE REQUEST

Mr. Enloe reported StoneGate is another City of Reno project located in Cold Springs, and planned for the development of 5,000 residential homes, commercial space, open space and schools. This project is again going before the Reno City Council on Feb 14th for consideration. Initially, a wholesale agreement was considered, but the developer has since requested retail service from TMWA. The Great Basin Water Company, which already serves Cold Springs, does not have water resources to provide to the planned development. Mr. Enloe explained the water resource would be from Fish Springs with a future emergency interconnection to Great Basin Water Company; there are 8,000 acre feet of water rights available from Fish Springs, and StoneGate needs about 2,500 acre feet; and the developer and staff are working to develop the local groundwater resource. The issues the Reno City Council has expressed are not the question of enough water resources, rather with the infrastructure, primarily transportation, that needs to be addressed with any new development.

10. PRESENTATION ON STAFF RECOMMENDATION ON POTENTIAL ESTIMATE AND
TIMELINE TO RETROFIT ALL UNMETERED SERVICES AND ALTERNATIVE OPTIONS
FOR THE METER RETROFIT FUND PROGRAM

John Zimmerman, TMWA Water Resources Manager, reported that staff presented a status report on Meter Retrofit fund program to the Board in August. Member Brekhus requested a feasibility study and report on which remaining nonmetered services could be metered and the cost estimate for metering those services, as well as options for transitioning the retrofit fee to other purposes. Mr. Zimmerman reported that there are 253 remaining nonmetered services, of which, 110 are small unit duplexes that are not feasible. Of the remaining 143 only 82 services were feasible for a cost of \$6 million. Currently there is \$3.2 million in the fund that would cover approximately 45 services. Staff will recommend to the Board to use the \$3.2 million to retrofit 45 services and consider changing the fee to a more applicable and practical purpose such as drought resiliency, water resources sustainability projects; to do so would require a rule change. The options for consideration were:

1. Reserve Current Fund Balance for Future Retrofits and Change Fee Purpose
2. Reserve Current Fund Balance for Future Retrofits and Terminate Fee
3. Terminate Fee After Remaining Feasible Services Are Retrofitted

Discussion followed regarding when the remaining nonmetered services would change to metered service (when the building is torn down or one of the owners wanted a separate line); duplexes' water usage being similar to that of multi-family services; the remainder of the retrofits will be conducted over a number of years, not immediately; and Member Gescheider suggested staff should strengthen the language regarding changing the purpose of the fee going forward.

Upon motion duly made by Member Schmidt and seconded by Member Kowitz, and carried by unanimous consent of the members present, the Committee approved recommending to the TMWA Board of Directors option #1, to reserve current fund balance for future retrofits and change fee purpose.

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

April meeting:

1. Presentation on the tentative budget for fiscal year ending June 30, 2019
2. Presentation of the draft Capital Improvement Plan for fiscal years 2019 through 2023
3. West Reno and Stonegate update
4. Water supply update
5. Meter Retrofit Fund program update

Upon motion duly made by Member Gescheider and seconded by Member Wager, and carried by unanimous consent of the members present, the Committee approved to cancel the March 6, 2018 meeting.

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

12. STAFF ITEMS

Pat Nielson, TMWA Distribution, Maintenance & Generation Director, provided background information on the Farad Statement of Interest the members received in January. Mr. Nielson explained that the Farad Hydroelectric Power Plant incurred damage during the 1997 flood and was not transferred to TMWA until recently because of litigation regarding insurance coverage. Mr. Nielson also reported that TMWA has looked at the net present value of rebuilding the plant and it appears it would not be feasible if TMWA were to bring the hydro plant back online, as it would operate at a deficit. Mr. Nielson described a settlement agreement with NV Energy in which NV Energy agreed to give TMWA proceeds from litigation that totaled \$21.5 million. Mr. Nielson is conducting studies to see if it is feasible to send more water through the Fleish hydroelectric plant and is considering a possible small

hydro plant at Chalk Bluff fed by the Highland Canal when excess capacity is available during the winter. Members asked about removing existing structures from the river at Farad and Mr. Nielson responded that he has been contacted by contractors who are interested in the salvage value of the materials that need to be removed if the plant is not rebuilt. Mr. Nielson also reported that the water right associated with Farad is one of the oldest established water rights on the California side of the Truckee River, but are for non-consumptive use only and cannot be used for municipal and irrigation (M&I).

13. COMMITTEE ITEMS

There were no committee items.

14. PUBLIC COMMENT

There was no public comment.

15. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:41 p.m.

Approved by the Standing Advisory Committee in session on April 4, 2018.

Sonia Folsom, Recording Secretary