

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE MAY 23, 2018
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, May 23, 2018, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Chair Martini called the meeting to order at 9:00 a.m.

1. ROLL CALL

Members Present: Jenny Brekhus, Naomi Duerr, Vaughn Hartung, *Neoma Jardon, Bob Lucey, Geno Martini and Ron Smith.

A quorum was present.

**Member Jardon left at 9:43 a.m.*

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Jardon.

3. PUBLIC COMMENT

Tammy Holt-Still, Lemmon Valley-Swan Lake Recovery Committee, stated that she had been lied to by a TMWA employee and she still has issues with TMWA, and presented information, with regards to the aquifer recharge program in Golden Valley and Bedell Flats.

Chair Martini acknowledged Alternate Kristopher Dahir in the audience and thanked him for filling in as alternate to the TMWA Board of Directors in his absence, as well as the fact that Alternate Dahir will officially be appointed to the TMWA Board of Directors after the elections in November.

Member Smith welcomed Chair Martini back to the TMWA Board of Directors after a long absence.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE MINUTES OF THE APRIL 18, 2018 MEETING

Upon motion by Member Duerr, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the April 18, 2018 minutes.

6. PUBLIC HEARING ON ADOPTION OF BUDGET

A. DISCUSSION AND ACTION ON REQUEST FOR ADOPTION OF RESOLUTION NO. 263: A RESOLUTION TO ADOPT THE FINAL BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2019 AND THE 2019-2023 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Michele Sullivan, TMWA Chief Financial Officer, reported on the final budget for fiscal year 2019, stating there are few changes from the tentative budget presented at the March Board meeting.

Joe Petrelli, TMWA Principal Financial Analyst, presented on the final 2019-2023 5-year capital improvement plan (CIP). Mr. Petrelli stated the current CIP spending for FY19 is \$48.4 million, a net increase of \$1.8 million, and for 2019-2023 spending increased from \$191.6M to \$195.8M, or \$4.2M due to delays in projects due to be completed in 2018, as well as higher costs related to several projects.

Vice Chair Hartung recommended staff work with the Reno Transportation Commission (RTC) when they start on road upgrades for the Eagle Canyon project. Ms. Sullivan replied they always coordinate efforts with RTC regarding road upgrades.

Member Brekhus inquired if staff tracks the progress of projects and spending on the CIP throughout the year and what is spent versus projected, requested a status update on the Mt. Rose Water Treatment Plant as a future agenda item, and stated the timing of the new rates, before the budget is set needs to be addressed, as she is seeing revenue is increasing. Mr. Petrelli replied 80 percent is realistic in terms of CIP spending v budget, and TMWA has consistently managed 70-80 percent year-to-year. Ms. Sullivan replied they will revisit the next rate increase in the fall and revenues are going to be below budget in the next quarter due to all the precipitation this spring.

B. PUBLIC COMMENT

There was no public comment.

CLOSE PUBLIC HEARING

Upon motion by Member Hartung, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 263: A resolution to adopt the final budget for the Fiscal Year ending June 30, 2019 and the 2019-2023 Five-Year Capital Improvement Plan.

7. REPORT AND DISCUSSION ON THE RESULTS ON TMWA'S 2018 REFUNDING BOND ISSUE AND FINANCIAL UPDATE

Ms. Sullivan reported the 2018 Series Bonds issuance was successfully priced for total proceeds of \$44.6 million which paid down outstanding commercial paper by \$44.2 million and covered the expenses of the

bond issuance. TMWA still has \$30 million remaining in commercial paper. On the day of the bond pricing, April 25, 2018, there was excellent interest, but only in the 2035-39 series bonds, while the 2040-42 term bond remained unsold. Ms. Sullivan stated the 10-year treasury rate increased to 3.0% which caused volatility on the market. After much discussion, Ms. Sullivan restructured the deal to sell all the bonds in the 2035-39 timeframe. As such, the bonds were 2.4x oversold in that timeframe and TMWA's credit rating was not negatively impacted since the debt service coverage ratio remained the same.

Member Brekhus asked: if the bond documents approved by the board allowed for the CFO to reset the structure; whether the early years of the bond issuance being higher would require staff to bring back a rate increase to the Board; if the issuance costs change; if staff expects commercial paper interest rates to increase; and is the letter of credit tied to commercial paper. Ms. Sullivan replied, the bond documents do allow her, as CFO, to reset the structure; there would be no reason for a rate increase because of the bond issuance, but the board will review the current rate structure again in the fall; the issuance cost did not change; commercial paper rates are consistently increasing and they need to roll it every 30-270 days, to safe guard against the rising interest rates is the reason for the bond issuance; and the letter of credit is tied to the commercial paper program.

8. PRESENTATION OF FINANCIAL PERFORMANCE FOR THE QUARTER ENDED MARCH 31, 2018

Matt Bowman, TMWA Financial Controller, presented the financial performance for the quarter ended March 31, 2018. Mr. Bowman reported the change in net position increased \$14 million from budget; year-over-year increase of \$10 million due to strong revenues in September – November; saw savings in operating costs; a decrease in operating sales and water usage in April, but saw an overall increase of 3% in water sales as a result of the rate increase; non-operating revenue and expenses were underspent by \$2 million; and capital spending year-to-date is \$23.1 million.

There was discussion regarding the necessity of the rate increase based on the financial performance presented and having a surplus over the next few years in preparation for a \$12 million increase in annual debt-service requirements beginning in fiscal year 2020. Vice Chair Hartung asked if staff should review the process of deferring developer fees now that the economy is strong since staff invests a lot of time prior to being paid. Ms. Sullivan agreed that they will bring this to the Board for review if problems start to arise.

9. GENERAL MANAGER'S REPORT

Mr. Foree commended Ms. Sullivan for her idea to restructure the bond issuance during pricing. Her actions mitigated any negative impacts on a volatile day in the markets. TMWA continues to work with Washoe County Health District (WCHD) and Nevada Department of Environmental Protection (NDEP) in order to give TMWA more autonomy in reviewing and approving simple distribution type water projects such as subdivisions without the need to submit such projects to the Health Department.

Member Brekhus asked the General Manager to report how the salary and the salary schedule for non-represented (Management, Professional and Technical, or MPAT) people is adopted in the budget. Mr.

Foree replied there was an agenda item several months ago based on the salary survey and adjustments to the MPAT salary structure were recommended, which was approved by the Board. Ms. Sullivan replied it was agreed that no one will receive a step increase this year, and only the Labor Market Index (an inflation index) would be applied to the MPAT wage bands.

Member Brekhus asked the General Manager a follow up question related to the water operations report. One of her constituents (Ward 1), uses water for retail and was experiencing water issues. When he brought it up to TMWA he was told there was something going on at Chalk Bluff and the change would not impact taste and quality, but the business owner had to improve his internal water system. Andy Gebhardt, TMWA Operations and Water Quality Director, replied the Chalk Bluff Water Treatment Plant was offline (for extensive maintenance work) in November. During that time, groundwater wells were utilized which also produce high quality water, meeting all water quality standards. However, certain people are more sensitive to taste difference between surface water versus groundwater.

10. PUBLIC COMMENT

There was no public comment.

11. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Member Brekhus requested an update on the Bureau of Reclamation's climate change study and stated that the Washoe County School District is re-zoning and 250 Verdi Elementary School students are going to Roy Gomm Elementary School. There has been discussion that the Verdi Water System, not connected to TMWA, may have some issues of quality and they have had discussions with the school district. She inquired if we have any knowledge about what's going on in Verdi with the school district water system and when we are going to connect to it as it may have rippling effects into other parts of the neighborhoods.

Member Duerr requested TMWA staff work with the City of Reno, Reno-Stead Reclamation Facility, and Truckee Meadows Water Reclamation Facility to conduct a water budget, a hydrologic cycle, of the discharge and rainfall into Lemmon Valley.

Member Smith stated the South-East Connector will open July 6th and the RTC will have a pedestrian safe opening the day prior to opening.

Vice Chair Hartung commended staff on all their work and putting the budget together; the crew on a great job with the hydro generation and it being a great source of renewable power and revenue for TMWA.

12. ADJOURNMENT

With no further discussion, Chair Martini adjourned the meeting at 9:48 a.m.

Approved by the TMWA Board of Directors in session on June 20, 2018.

Sonia Folsom, Recording Secretary

**Member Jardon was present for agenda items 1 thru 11 only.*