



STANDING ADVISORY COMMITTEE

MINUTES

June 5, 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 3:01 p.m.

1. ROLL CALL

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

Alternates Present: Jordan Hastings, Dale Sanderson, and Jim Smith.

Primary Members and Alternates Absent: Ken Becker, Bob Chambers, Harry Culbert, Kevin Haddock, Bill Hughes, Don Kowitz, Scot Munns, and Jonnie Pullman.

**Member Schmidt arrived at 3:03 p.m.*

Staff Present: Matt Bowman, Robert Charpentier, John Enloe, Scott Estes, Sonia Folsom, Mark Foree, Andy Gebhardt, Joe Petrelli, Danny Rotter, Shawn Stoddard, Michele Sullivan, Sandra Tozi, John Zimmerman, and Legal Counsel Debbie Leonard.

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE APRIL 3, 2018 MEETING

Upon motion duly made by Member Schulewitch and seconded by Member Litster, and carried by unanimous consent of the members present, the Committee approved the April 3, 2018 meeting minutes.

5. PRESENTATION ON THE MOUNT ROSE WATER TREATMENT PLANT

John Enloe, TMWA Director of Natural Resources and Planning, informed the Committee that TMWA is in the final design phase for the Mount Rose Water Treatment Plant (MRWTP) and is in final review at the Washoe County Health District. It will be approximately a 20-month construction schedule, beginning in September 2018, and staff anticipates it will be operational by spring 2020.

6. PRESENTATION OF THE TMWA FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2019 AND CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2019 THROUGH 2023

Michele Sullivan, TMWA Chief Financial Officer (CFO), informed the Committee there was an increase of \$1.3 million in net position from the tentative budget due to projects approved by the Federal Emergency Management Agency (FEMA) for funding and a small adjustment related to the bond refunding.

Joe Petrelli, TMWA Principal Financial Analyst, presented the final 2019-2023 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.

Member Schmidt noted March was a record month for precipitation resulting in increased hydro revenue sales. Ms. Sullivan stated it may be a record year, staff anticipates good river flows and budgeted \$2.8 million for the year.

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

Ms. Sullivan reported there was \$74.2 million in the commercial paper program, and \$30 million was left in the program, which will be paid off over 5-years through the anticipated \$35 million of sales of will-serve commitments. The letter of credit for the commercial paper program expired in May and due to lower long-term interest rates increasing, there was an opportunity to fix \$44.2 million of the commercial paper in bonds. On the day of the bond pricing, April 25, 2018, there was great interest, but only in the 2035-39 series bonds, and not the 2040-42 term. Ms. Sullivan presented the idea of restructuring the deal to sell all the bonds in the 2035-39 timeframe. As a result, it was successful as the bonds were 2.4x oversold and TMWA's debt service coverage ratio remained within the debt covenant 1.25x with a 1.45x ratio, and 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.

Members Schmidt and McNeil congratulated Ms. Sullivan on a successful strategy and expressed the trust they have in the CFO and staff of doing a good job and ensuring TMWA's successful financial future.

Mark Foree, TMWA General Manager, commended Ms. Sullivan in presenting the idea to restructure the bond to our financial advisors and bankers, which resulted in a very successful bond issuance on a very volatile day in the market.

8. PRESENTATION OF FINANCIAL PERFORMANCE OF THIRD QUARTER FISCAL YEAR 2018

Matt Bowman, TMWA Financial Controller, presented the financial performance for the quarter ended March 31, 2018 and stated TMWA is in good financial position: operating revenues slightly better than, and operating expenses slightly lower than, budget; less interest costs than budget; higher development contributions. He noted that subsequent to the third quarter financial statements, there have been lower water sales revenues in Apr/May due to increased precipitation (saw \$1.3 million less than budget in these months with lower demand), and if June water sales revenue is in line with budget, water sales revenue will be within 1% of budget. Cash position is \$8.8 million higher than in the beginning of the fiscal year, but \$6.3 million less than the second quarter due to low water sales; and operating expenses is 10% under budget.

Discussion followed regarding: the \$1 million decrease in employee benefits (employee post-retirement trust was adjusted based on the actuarial analysis); due to the decrease in water sales revenue, if the hydro generation revenue could cover the difference (no, because hydro sales are expected to be on track as budgeted); new business projects have decreased, but the rate is consistent with the 5-year funding plan; rate of development and affordability is the issue, not the workforce; and SAC members agreed that the new format for Mr. Bowman's staff report is easy to follow and understand.

9. PRESENTATION OF THE 2018 SUMMER COMMUNICATION CAMPAIGN

Andy Gebhardt, TMWA Operations & Water Quality Director, stated there was positive response to last year's plan. Staff is building on the success of the Smart About Water campaign in the community.

Chair McGuire asked what was the budget. Mr. Gebhardt replied the conservation budget is approximately \$400,000-450,000.

10. DISCUSSION AND POSSIBLE RECOMMENDATION TO THE TMWA BOARD OF DIRECTORS REGARDING THE POTENTIAL REPURPOSING OF THE METER RETROFIT FUND PROGRAM

John Zimmerman, TMWA Water Resources Manager, reported the Board of Directors, at the March meeting, received both the staff and Committee recommendation. As such, the Board directed staff to reserve the current fund for future retrofits and continue collecting the fee until there is an official change of the fee. Currently, there are \$24 million in projects over the next 5-years described in TMWA's 2019-2023 Capital Improvement Plan (CIP) that will improve drought resiliency and water sustainability in TMWA's system and are the type of projects for which the changed fee could be used. Staff will also reassess the current fee of \$1830/acre-foot fee if directed by the Board to change the fee and evaluate what would be an appropriate fee amount.

Member Schmidt expressed concern with the cost of housing and pressure from developers to get rid of the fee entirely.

Member Hayes asked staff to consider the impact on housing affordability and that the fee not be set at an arbitrary amount.

Discussion continued around the \$24 million of projects that came out of the CIP. Rather than allocating the costs between developer fees and customer rates, staff would also allocate some costs to the new fee, which would be applied similarly to how TMWA currently allocates costs.

Member Schmidt expressed approval of the water resiliency fee, which originally promoted conservation, and the current fee is not sustainable going forward.

Mr. Zimmerman explained there is \$3.9 million in the existing fund, which will be reserved for future meter retrofits over the next 10 years. Andy Gebhardt, TMWA Operations & Water Quality Director, added no one would be forced into obtaining a meter, but TMWA would take advantage of any modifications being made to a building or street repairs; and there will be properties that will not be retrofitted because of the difficulty and extreme cost.

Member Pidlypchak asked if any of the customers who still need to be retrofitted are in the Virginia Hills area. Mr. Zimmerman replied no.

Member McNeil stated he liked the proposed changes to Rule 7.

Member Gescheider inquired about the fee amount. Mr. Zimmerman said next steps would be to seek direction from the Board on a formal rule change to implement the fee and during that process staff would determine at what amount to set the fee.

No action taken.

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

September / October meetings:

1. Water supply update
2. Presentation of the unaudited financial performance for FY 2018
3. Update on the meter retrofit fund program and resource sustainability fee
4. Update on the West Reno water system
5. Presentation on water usage

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 August 7, 2018 meeting.

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

12. STAFF ITEMS

Sonia Folsom, TMWA SAC Liaison reminded the Committee of TMWA's annual BBQ to be held on Saturday, July 14th, 2018 from 11am-3pm.

Mr. Zimmerman informed the Committee of the Board's direction to staff on the Farad property: to obtain the cost of an appraisal; to publish in newspapers outside of the region; to consult with Nevada County planning staff; and the possibility of obtaining a conservation easement.

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 4:13 p.m.

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

Sonia Folsom, Recording Secretary

**Member Schmidt was present for agenda items 4 thru 15 only.*