



STANDING ADVISORY COMMITTEE

MINUTES

September 4, 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: Bob Chambers, Harry Culbert, Colin Hayes, *Bill Hughes, Don Kowitz (via phone), Carol Litster, Neil McGuire, Ken McNeil, Mike Pidlypchak, Mike Schulewitch, **Fred Schmidt and Jerry Wager.

Alternates Present: Fred Arndt, Ken Becker, Karl Katt, Dale Sanderson, and Jim Smith.

Primary Members and Alternates Absent: Kevin Haddock, Jordan Hastings, Scot Munns, and Jonnie Pullman.

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

***Member Schmidt arrived at 3:05 p.m.*

Staff Present: Matt Bowman, Robert Charpentier, John Enloe, Scott Estes, Bill Hauck, Sonia Folsom, Mark Foree, Joe Petrelli, Shawn Stoddard, Michele Sullivan, 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 Pidlypchak 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 JUNE 5, 2018 MEETING

Upon motion duly made by Member McNeil and seconded by Member Culbert, and carried by unanimous consent of the members present, the Committee approved the June 5, 2018 meeting minutes.

Chair McGuire moved up agenda item #6 to be heard before agenda item #5 as Bill Hauck, TMWA Senior Hydrologist had stepped out of the room.

6. PRESENTATION OF PRELIMINARY FISCAL YEAR 2018 UNAUDITED FINANCIAL PERFORMANCE

Matt Bowman, TMWA Financial Controller, presented this item to the Committee. Mr. Bowman reported that change in net position was \$26.4 million more than budgeted (\$38.8 million) due to developer contributed assets, lower operating expenses, higher-non-operating revenue and higher developer contributions. Operating revenues were higher-than-budgeted due to strong water sales revenue in the first half of 2018 and hydroelectric sales revenues that were \$0.8 million or 26% over budget, finishing a record year. Operating expenses were \$4.2 million, or 5%, less than budgeted due to decreases in services and supplies costs and employees' salaries and wages, and lower chemical costs due to improved water quality in the Truckee River. Capital spending was approximately \$10 million below budget due primarily to the delay in the start of construction of the Mt. Rose Water Treatment Plant due to delays in permitting and satisfying regulatory requirements.

Discussion followed regarding the slow rate of water sales revenue increase due to growth (indicates a 15-year trend of customers using less water); the number of new connections averaging 180 per month; the increased amount in the meter retrofit program fund due to dedicating and selling more surface water rights than groundwater rights (the meter retrofit fee is only collected on surface water rights).

5. WATER SUPPLY UPDATE

Mr. Hauck reported that reservoir storage is excellent, only down 7% in overall reservoir storage compared to last year; Lake Tahoe is down a little over one foot below the maximum capacity; and anticipate normal river flows through 2020.

7. DISCUSSION AND RECOMMENDATION TO BOARD REGARDING THE UPDATE TO TMWA FINANCIAL MANAGEMENT AND RESERVE POLICY, AND THE RATE STABILIZATION FUND

Michele Sullivan, TMWA Chief Financial Officer, presented this item, which includes the most current reserve requirements required by current TMWA Senior Lien Debt. Both the Government Financial Officer's Association (GFOA) and the American Water Works Association (AWWA) recommend that a policy related to unrestricted cash should be developed to address the needs of a municipality based on local conditions. By consistently having solid unrestricted cash balances, TMWA has retained good credit ratings, and a policy related to these balances will ensure continued attention to a solid working capital position. In addition, the Rate Stabilization Fund (RSF) has been requested by board members to act as a type of financial reserve that can cushion the impacts of occasional revenue shortfalls. The current policy allows for a maximum of \$7.5 million for the fund, but a new maximum would be determined by a new

metric of three years of projected water sales at 3% for a total of approximately \$9 million for three years of coverage.

Discussion followed regarding the assurance that the funds are discretionary and could be utilized for the purposes of deferring a rate increase when water sales revenues decline for any reason. Ms. Sullivan replied that the RSF purpose is to do just that.

Upon motion duly made by Member Schmidt and seconded by Member McNeil, which motion duly carried eight to one with Chair McGuire dissenting, the Committee approved the rate stabilization fund specifically to avoid a rate increase.

Upon motion duly made by Member Schmidt and seconded by Member Schulewitch and carried unanimously, the Committee approved the proposed changes to TMWA Financial Management and Reserve Policy.

8. UPDATE ON THE ACQUISITION OF THE WEST RENO WATER SYSTEM AND DUE DILIGENCE PROCESS

John Zimmerman, TMWA Water Resources Manager, presented an update on this item. Mr. Zimmerman stated staff has spent a considerable amount of time evaluating the system, assessing the land and corresponding easement requirements, evaluating water quantity (three out of five pumping wells produce sufficient capacity and water quality and there are currently no violations existing), inspecting facilities and collaborating with partner agencies to move the process along and determine additional requirements. The due diligence process is more than half completed, ending in October, but may require an extension beyond that date.

Discussion followed regarding the easement required through the River Oaks Homeowners Association (HOA); seeking assurance that water quality meets TMWA standards; and expressing appreciation for the level of due diligence conducted by staff.

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

November meeting:

1. Presentation on water usage
2. Presentation on the 5-year Funding Plan
3. Update on the acquisition of the West Reno Water System
4. Update on the Stonegate annexation
5. Update on the Funding Policy and Rate Stabilization Fund action by the Board
6. Update on the Other Post-Retirement Employee Benefit (OPEB) program
7. Presentation on TMWA's treatment costs and processes for varying water quality
8. Presentation on TMWA service area and existing private water systems

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 agenda items for future meetings.

Upon motion duly made by Member Litster and seconded by Member Culbert, and carried by unanimous consent of the members present, the Committee approved to cancel the October 2, 2018 meeting.

10. STAFF ITEMS

Mr. Zimmerman informed the Committee of the Board's direction to staff on the Farad property: to grant an easement to the Tahoe-Pyramid Trail, to obtain an appraisal, and hold discussions with Truckee Donner Land Trust.

John Enloe, TMWA Director of Natural Resources and Planning, informed the Committee of the effluent pipeline from the Truckee Meadows Water Reclamation Facility (TMWRF) to the Tahoe Reno Industrial Center General Improvement District (TRIGID) system, which will be financed through a \$35 million bond issue by Storey County through the State of Nevada Bond Bank and the TRIGID will be responsible for maintaining the pipeline from TMWRF to TRIGID.

Scott Estes, TMWA Director of Engineering, updated the Committee on the Stonegate development. Mr. Estes stated that Stonegate filed for annexation into TMWA's service territory and is making progress. The development is for about 5,000 units, which construction is tied to Nevada Department of Transportation improvements along Highway 395.

11. COMMITTEE ITEMS

Member Pidlypchak informed the committee of his resignation effective December 31, 2018. He thanked the members and staff for a great experience serving on the TMWA Standing Advisory Committee.

12. PUBLIC COMMENT

There was no public comment.

13. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:35 p.m.

Approved by the Standing Advisory Committee in session on November 6, 2018.

Sonia Folsom, Recording Secretary

**Member Hughes was present for agenda items 4 thru 13 only.*

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