



STANDING ADVISORY COMMITTEE

MINUTES

October 1, 2019

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: Harry Culbert, Jordan Hastings, Colin Hayes, Bill Hughes, Neil McGuire, Ken McNeil, Mike Schulewitch, and Jerry Wager.

Alternates Present: Ken Becker

Primary Members and Alternates Absent: Fred Arndt, Robert Chambers, Bruce Gescheider, Susan Hoog, Karl Katt, Don Kowitz, Carol Litster, Scot Munns, Jonnie Pullman, Dale Sanderson, Ann Silver, Fred Schmidt and Jim Smith.

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

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE JUNE 4, 2019 MEETING

Upon motion duly made by Member McNeil and seconded by Member Hughes, and carried by unanimous consent of the members present, the Committee approved the June 4, 2019 meeting minutes.

5. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, informed the Committee that the 2018-2019 snowpack was 200% of normal; all reservoirs have filled and/or spilled; TMWA conducted precautionary drawdowns at both Lake Tahoe and Lahontan Reservoir; Lake Tahoe is one foot below the natural rim; and the Truckee River Reservoir System storage is approximately at 80% capacity, which is enough reservoir storage for the next 2 years.

6. PRESENTATION OF PRELIMINARY, UNAUDITED FINANCIAL PERFORMANCE FOR FISCAL YEAR ENDED JUNE 30, 2019

Matt Bowman, TMWA Financial Controller, presented the preliminary findings and reported there were no major surprises in fiscal year 2019. Operating revenue was consistent with budget (\$0.2m higher due to \$0.8m more in water sales, offset by lower hydroelectric and other operating sales); investment earnings were better than budget (\$4.4m actual vs. budget of \$2.8m); capital contributions were \$25.5m higher than the budget of \$16.7m due to non-cash developer infrastructure contributions (approximately \$19.1m); hydroelectric revenue came in less than budget due to the Fleish hydropower plant closing for much of FY 2019 due to work on the spill structure and tail races; total operating expenses were \$0.9m less than budget; salaries and wages increased due to increase in head count (7% head count increase in preparation for 22 expected retirements occurring over the 3-5 years) and step increases; and non-operating expenses were down \$4.1m from budget due to higher investment earnings. Water sales were \$6.3m higher than in 2018 due to the 3% rate increase in May 2018; employee benefits were lower than in 2018 due to Governmental Accounting Standards Board (GASB) changes in Other Post-Employment Benefit (OPEB) and pensions in FY 2018. TMWA's total cash on hand is \$197.8m (\$152.9m unrestricted cash and \$44.9m restricted cash to pay for scheduled bond principal and interest payments).

At this time Committee members inquired about whether there was an increase in cost to TMWA due to the increase in service area (only the cost of maintaining additional assets in the expanded service area); where the new connection fees are shown on the documents presented to the Committee (the fees are shown under facility charges, but the new fees are not reflected in FY19); the impact of the increase in staff in FY19 (increase is due to employee overlap in anticipation of upcoming retirements and apprentice turnover internally); if there were any new incoming grants (there are \$1.9M in grant funds in the budget in FY20, a portion of which had been planned for receipt in FY19 but have been delayed); and whether TMWA has insurance (yes, general liability of \$300M, as well as property insurance).

7. PRESENTATION OF PRELIMINARY FUNDING PLAN FOR FISCAL YEARS 2020 THROUGH 2024, DISCUSSION AND POSSIBLE RECOMMENDATION TO THE BOARD

Ms. Sullivan provided a historical summary regarding the previous rate increases of 3% in May 2017 and 2018, with the first 2.5% rate increase being deferred in May 2019. TMWA deferred principal payments on Senior Lien debt in the 2016 Bond Refunding to allow for time to bring the rates in line with cost of service. Annual principal payments averaging \$11 million annually will resume in 2020,

and should be covered by recurring revenue, which is mainly water sales. Fitch ratings recently upgraded TMWA to AA- from A+, with an improved outlook of Positive from Stable, noting that TMWA's rates are low relative to median household income and there is room for inflation-like rate increases over the next few years. Staff recommends implementing the third phase rate increase of 2.5% in May 2020, which is in line with the Consumer Price Index (CPI).

The Committee discussed implementing the full 2.5% increase in May 2020 since TMWA did not have an increase in May 2019 and rate increases would still be under the CPI for two years, and would allow the debt service coverage (DSC) ratio to be kept in good standing. The Committee also discussed revisiting the two planned rate increases in 2021 and 2022 depending upon the state of the economy and CPI. The DSC ratio did not calculate the principal reductions that were deferred in 2017, which is why they were high. The DSC ratio will drop back down to 1.68 (closer to the 1.5 area, which represents the TMWA Board's policy goal) and include the \$11M formal payments of TMWA's debt. TMWA did not have a rate increase when it merged with Washoe County and South Truckee Meadows General Improvement District (STMGID) in 2015.

Mark Foree, TMWA General Manager, explained that water sales went down with the 10% reduction in 2015 and we have not seen a rebound in water sales to pre-2015 levels. Also, staff will be presenting this funding plan to the Board at its October meeting, and it will not go into effect until May 2020 and so there is time to provide formal action at a later date if so desired.

Upon motion duly made by Member Schulewitsch and seconded by Member McNeil, and carried by unanimous consent of the members present, the Committee recommended that TMWA staff present the funding plan to the Board as presented to the Committee.

8. PRESENTATION ON LARGE CAPITAL IMPROVEMENT PROJECTS

Danny Rotter, TMWA Engineering Manager, presented on a few high level capital improvement projects (CIP) TMWA has been working on recently, including: the Fleish Hydroelectric project, which included flume reconstruction, overflow/spill structure replacement and tailrace replacement, and was completed in June 2019; Glendale Diversion repairs and hardening, which were commenced in fall 2019 due to the damages caused by the 2017 flood and to ensure future damages caused by flooding are minimized or nonexistent; the Chalk Bluff additional backup generator project to ensure backup power for the water treatment plant; the Kings Row 1 Booster Pump Station project to replace the existing underground pump station with a new above ground pump station on TMWA property, which is expected to be completed in April 2020; and the Mt. Rose Water Treatment Plant (WTP) project, which will provide 4 million gallons per day (MGD) and will use Whites Creek water, with the potential to use Thomas Creek water in the future, and which was held up for most of February 2019 due to weather, which has delayed the project to be completed in summer/fall 2020.

At this time Committee members inquired how much hydro revenue is generated annually (about \$3.5m in a good year); if TMWA is selling the wood removed from the Fleish Hydroelectric project (Q&D construction was responsible for disposing of the material that was removed); if Mt. Rose WTP operating costs were going to be greater than those of Chalk Bluff WTP (yes, because it has lower

capacity, but it will be operated remotely which will help to reduce costs, and electricity infrastructure installation costs were reduced because electricity was put in with the subdivision and staff coordinated with development to install conduits ahead of time); and what percentage of creek water supply would be used by the Mt. Rose WTP (about 50% at peak flow, but it will always take in less than 100% of creek water supply, so there will always be water in the creek for habitat and water users downstream).

9. PRESENTATION OF BOARD DECISION REGARDING WATER SYSTEM FACILITY FEES AND BUSINESS SERVICE FEES

Scott Estes, TMWA Director of Engineering, informed the Committee that the Board approved increasing both the Water System Facility and Business Services Fees, which increases went into effect October 1; that the connection fees vary between areas due to different facility requirements; and that connection fees increased more (on a percentage basis) for multi-family than for single family residential. New business fees are collected upfront for review and inspection, but developers can defer facility fees for single family residential projects until the meter is set, but not for multi-family or commercial customers. For any development plans that were approved by September 30, the old fees were locked in.

10. STATUS UPDATE ON THE SALE OF FARAD PROPERTY

John Zimmerman, TMWA Water Resources Manager, provided a brief overview of the two-year history since the Board first heard staff present on this item in October 2017 (just before TMWA gained title to the property from NV Energy). Mr. Zimmerman informed the Committee that staff was directed to work with the Truckee Donner Land Trust (TDLT) to potentially transfer the property to TDLT, but that TDLT expressed concerns about liability and seemed uninterested in taking title to the property. The Board then directed staff to offer the property for sale. Staff received only two bids, the higher of which was \$63,000 by Mr. Bill Black, which he increased to \$127,500 after the August Board meeting. Staff will be bringing back this item to the Board at its October meeting for consideration.

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

Next meeting:

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

1. Presentation on first quarter FY20 financial performance
2. Presentation on Rule 7 demand estimates changes
3. Presentation on customer satisfaction survey results
4. Update on Verdi and Stonegate developments
5. Presentation on Interim Legislative Session activities

6. Discussion on Standing Advisory Committee membership

Upon motion duly made by Member Schulewitch and seconded by Member Hughes, and carried by unanimous consent of the members present, the Committee approved cancelling the November 5th meeting.

12. STAFF ITEMS

Mr. Foree informed the Committee that TMWA (due to Mr. Hauck's efforts) was awarded a grant of \$900,000 by the Bureau of Reclamation. Mr. Hauck stated the grant is for TMWA to conduct a climate change impact study on the region to work with the Federal Water Master and Army Corp of Engineers to consider changing winter time flood control conditions and drought storage since run-off is occurring earlier than the current 1985 manual stipulates that TMWA can capture run-off.

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 4:16 p.m.

Approved by the Standing Advisory Committee in session on December 3, 2019.

Sonia Folsom, Recording Secretary