

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE JANUARY 18, 2024
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Thursday, January 18, 2024 at Washoe County Commission Chambers. Chair Dahir called the meeting to order at 10:08 a.m.

*Chair Dahir noted, for the purposes of Open Meeting Law, that staff tried to connect to Zoom, but due to technical difficulties were unable to; the meeting is still broadcast via YouTube.

1. ROLL CALL

Directors Present: Paul Anderson, Clara Andriola, Jenny Brekhus, Kristopher Dahir, Naomi Duerr, Alexis Hill, and Devon Reese.

A quorum was present.

2. PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Director Brekhus.

3. PUBLIC COMMENT

There was no public comment.

4. POSSIBLE BOARD COMMENTS OR ACKNOWLEDGEMENTS

Director Hill expressed her sympathies for the passing of Jason Geddes, Washoe County School District Energy Conservation & Sustainability Program Manager, who passed away recently. She thanked him for his service, sent her condolences to his family, and paid tribute to him and his dedication to the environment and TMWA.

Chair Dahir stated that he has asked John Zimmerman, TMWA's General Manager, to bring forth a Chair Award and to provide him with employees for recognition at the Board meetings. This month, Chair Dahir commended Juan Esparza, Principal Engineer, since joining TMWA in July 2001 and his work on various capital improvement projects from transmission pipelines, booster pumping and pressure regulator stations, and well improvements; including the Donner Lake Dam structure. Mr. Esparza thanked TMWA, stating he enjoyed his time, and will retire soon. Director Hill thanked him for his service, expressed her appreciation, and knows the community does as well for all his hard work behind the scenes.

Chair Dahir commended Steve Volk, Principal Engineer, who started at Sierra Pacific Power Company (SPPCO) and came over to TMWA at its creation. Mr. Volk managed TMWA's street and highway program, working closely with partner agencies such as RTC, Washoe County, Sparks, Reno and NDOT,

among other utilities, replacing aging water mains all over town ahead of roadway projects. Staff tried to tally up how many miles of water mains he has replaced, but got tired and started planning his retirement party instead. He has left an impression and will be missed; especially his karaoke at the holiday party. Mr. Volk thanked the Board for their recognition and said he started at SPPCO and then came over on June 11, 2001 they took over the old PSA call center on Capital Blvd, and they just had rows of tables with computers, which is how they started TMWA. Director Hill thanked him for his service and carrying TMWA from the beginning to where we are today; many of our community members cannot believe TMWA has been around for 20 years.

Chair Dahir said that Mr. Esparza and Mr. Volk will get lunches with their team on behalf of TMWA.

5. APPROVAL OF THE AGENDA

Upon motion by Director Andriola, second by Director Duerr, which motion duly carried by unanimous consent of the Directors present, the Board approved the agenda.

6. APPROVAL OF THE MINUTES OF THE DECEMBER 14, 2023 MEETING

Upon motion by Director Reese, second by Director Hill, which motion duly carried by unanimous consent of the Directors present, the Board approved the December 14, 2023 minutes.

7. WATER SUPPLY UPDATE

Bill Hauck, TMWA Water Supply Supervisor, reported that last year was a record snowpack year in the Tahoe Basin (which ended the three-year drought), ending with a 250% of normal on April 1st; all reservoirs in the Truckee River system filled and spilled (Lake Tahoe filled about 90% capacity); a significant amount of reservoir storage carried over into this winter, setting up the region for the next couple of years or so; most of Nevada is not in drought conditions; the region is off to a slow start, at 62% of median (above 2015 median), but only about a third of the way in the snowpack season; the recent storms have added about 3" of water; projected normal river flows through the end of this year and into 2025; and the region is still well positioned from a water supply perspective.

8. REPORT AND DISCUSSION ON THE RESULTS OF TMWA'S 2023-2024 CASH OPTIMIZATION REFINANCING

Matt Bowman, TMWA Chief Financial Officer, referred to the August/September Board meetings last year where he laid out a plan to refund about \$75m in outstanding senior lien debt. They closed on that transaction today. Mr. Bowman explained the process of refunding the debt (in December) and issuing new debt (early January); along with PFM, financial advisors, and Wells Fargo, underwriters, they continued to monitor rates and timed it as such that resulted in a net present value of \$12m (17%) in savings, which will be realized over time in reductions in interest payments and principal. Mr. Bowman

added that this was a new process and the fact that the Board extended trust, and flexibility to TMWA to execute this new type of transaction and execute it at the most optimal time was instrumental. Even though the refinancing was successful, staff is not recommending any changes to the proposed rate increases especially since water sales are \$4.5m lower than budget so far this fiscal year and TMWA's debt service coverage ratio (DSCR) is lower than 1.5x Board policy, but this gives staff flexibility while developing the FY25 budget and considering aging infrastructure for the Capital Improvement Plan.

Chair Dahir informed the Board that staff had been in constant communication with him regarding this process and if there were any issues that arose, he would have informed the Board, but it went well.

Director Brekhus appreciated Mr. Bowman updating the Board on how it went since they would have to answer for it if it went poorly, confirmed the debt was not pushed out, and inquired how he managed the process. Mr. Bowman replied no, the debt was not pushed out and when they defeased the debt, they were committed to issuing new debt to cover it by working with PFM to monitor interest rates and that the Board directed staff to not move forward unless they had 5% return. Finally, it would not have been possible had TMWA not had unrestricted cash reserves in the bank to carry them through the process.

Mr. Zimmerman mentioned that Mr. Bowman was key to seeing this process through and put together a great team.

Mr. Bowman thanked Sandra Tozi, Senior Financial Analyst, who worked on the mechanics, paperwork and analysis behind the scenes.

9. PUBLIC HEARING ON RATE AND RULE AMENDMENTS

OPEN PUBLIC HEARING

Chair Dahir opened the public hearing.

A. PRESENTATION ON RESULTS OF TMWA OPEN HOUSES (AND CUSTOMER COMMENTS) REGARDING THE PROPOSED RATE ADJUSTMENTS

Robert Charpentier, TMWA Communications Specialist, provided an overview on the public process, which included four public meetings, mailings, and press releases, to inform the community of the upcoming proposed rate adjustments. Staff did not receive a lot of public comments, those they did receive are in the staff report.

Director Hill requested staff respond to public comments submitted so the customers know they were received. Mr. Charpentier replied that when they submitted their comments, they automatically received a reply. Mr. Bowman added they did not respond to those individual comments, but can do so. Director Hill agreed that especially for the comments that include a bit of misinformation.

Director Anderson agreed and those who attended the public open houses had their questions and concerns answered about how the rate increase would impact them. No one wants a rate increase, but

those customers understand the how and why and would like staff to respond to the e-newsletter responses, explaining that the reason for the increase is inflation.

Vice Chair Duerr said, at Western Regional Water Commission, they conducted a series of workshops that included both in-person and Zoom. The Zoom workshops had well over 100 attendees and the acceptance of virtual technology has been accepted and TMWA should add at least one or more and at different times moving forward.

Director Brekhus said she would err on the side of staying in-person as much as possible, these are important conversations to have that affect people's budget and they want to have the discussions face-to-face; one Zoom workshop would be okay. She asked if people were 'hotter' than the last time we had a rate increase. Mr. Bowman replied that he was not part of the last rate increase, but yes, could say they appeared less so this time, but they explained the reason for it and there was less contention this time.

B. RATE AMENDMENT, INTRODUCTION: INTRODUCTION AND FIRST READING OF A POTENTIAL WATER RATE ADJUSTMENT, INCLUDING POSSIBLE MULTI-YEAR ADJUSTMENTS, WITH PROPOSED INITIAL IMPLEMENTATION FOR THE FIRST BILLING CYCLE IN JUNE 2024

Mr. Bowman presented the proposed rate adjustments, of 4.5%, 4% and 3.5% over the next three years, followed by annual increases, maximum of 4% and minimum of 1%, tied to the Consumer Price Index for All Urban Consumers (CPI-U) for the western region, and recommended the Board refer to a second reading in February. Mr. Bowman explained tying future CPI increases is not a "set it and forget it" policy, rather staff will bring the five-year funding plan to the Board and Standing Advisory Committee (SAC) every fall to review, and the Board can modify, defer or skip a rate increase. The main driver for the proposed rate increases is due to inflation issues, CPI has gone up over 20% over the last year and TMWA had increased rates by only 7.5% in that same time period. Prudent fiscal management, including rate increases, is important for financial stability as well as with rating agencies. He touched upon rate affordability and the proposed rate increases achieved that; TMWA's DSCR is right at 1.5x using the rate stabilization fund.

Director Hill appreciated Mr. Bowman working with the Board since they challenged staff to return with different scenarios and it shows the Board is considering all options, and the consequences of delaying or implementing different percentages of increases. She asked if there could be another workshop scheduled via Zoom, but not if it is too late. Chair Dahir said they could do so, but expressed his concern that it could delay it another month.

Director Brekhus said she was absent at the September meeting and clarified the three-year increment and confirmed it would be a policy to annually increase between 4.5% (maximum) and 1% (minimum) based on CPI-U. Mr. Bowman replied that is correct. Director Brekhus replied she would not support that type of policy.

Chair Dahir confirmed it is not a 'set-it and forget' policy, it will be brought back to the Board for review prior to implementation; it is just direction to include it in the budget.

Upon motion by Director Reese, second by Director Hill, which motion duly carried six to one with Director Brekhus dissenting, the Board approved referring the proposed water rate adjustment, including possible multi-year adjustments, with proposed initial implementation for the first billing cycle in June 2024.

C. PUBLIC COMMENT — LIMITED TO NO MORE THAN THREE MINUTES PER SPEAKER

There was no public comment.

CLOSE PUBLIC HEARING

Chair Dahir closed the public hearing.

10. GENERAL MANAGER'S REPORT

Mr. Zimmerman introduced Nate Allen, TMWA's incoming director of natural resources and noted that John Enloe will continue as outgoing director of natural resources for three months and then remain with TMWA to continue working on projects such as the Advanced Purified Water Facility. Mr. Allen provided a brief introduction of his past experiences, especially at WaterStart.

Mr. Zimmerman also updated the Board on TMWA's hydro team, which had another production record second quarter and reported on a customer's positive experience with Justin Greenland, TMWA Inspector, and TMWA's call center.

Mr. Zimmerman informed the Board of the passing of Chuck Swegles, Water Conservation Coordinator II, who came to TMWA as his second career, and meant a great deal to many of us at TMWA. He will be deeply missed.

11. PUBLIC COMMENT

There was no public comment.

12. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

The Board held a moment of silence for Jason Geddes and Chuck Swegles.

13. ADJOURNMENT

With no further discussion, Chair Dahir adjourned the meeting at 10:56 a.m.

Approved by the TMWA Board of Directors in session on Wednesday, February 21, 2024.

Sonia Folsom, Board Clerk.