



TO: Chairman and Board Members
FROM: Jeff Tissier, CFO and Mark Foree, General Manager
DATE: April 5, 2011
SUBJECT: Request for Board approval of the prior redemption of the outstanding 2001A Bonds maturing on July 1, 2012, 2015 and 2016 and authorizing the Trustee to give conditional notice of such prior redemption

Recommendation

Staff recommends that the TMWA Board of Directors authorize the General Manager and Chief Financial Officer to move forward with redemption of the remaining maturities of the 2001A Bonds and provide the bond trustee such notice.

Background and Discussion

TMWA has four remaining outstanding maturities of the original 2001A Bonds that were issued to acquire the water assets from Sierra Pacific Resources. These Bonds will be callable on July 1, 2011. These Bonds had a ten year no-call provision from the date of issuance. The economics related to the proposed redemption makes a compelling case to move forward with the redemption of two 2012 maturities, the 2015 maturity, and 2016 maturity. TMWA would issue commercial paper on a temporary basis to provide the necessary financial resources to call these bonds. Since interest rates on tax exempt commercial paper are at historical lows 0.30%-0.40% and the interest rates on the outstanding 2001A Bonds range from 4.65% to 5.5%, TMWA can realize the difference.

To offset the interest expense related to the TECP issuance, TMWA would reserve previously mandatory monthly installment payments to the bond trustee for the aforementioned bonds, and invest in taxable securities. TMWA expects to save on a net basis approximately \$450,000 from reduced interest expense for fiscal year 2012 on the 2012 maturities and approximately a net \$50,000 per year in fiscal year 2012 through 2016 on the redemption of the 2015 and 2016 maturities. The savings on the 2012 maturities are net of expenses related to the modification of the commercial paper resolution that the TMWA Board approved in January 2011 and limited expenses related to the TECP issuance. The net annual savings from the redemption of the 2015 and 2016 maturities is the difference between what TMWA can obtain on investments maturing in 2015 and 2016 at current investment rates, and the savings on annual interest expense related to these maturities.

**CONDITIONAL NOTICE
OF PRIOR REDEMPTION CERTIFICATE**

IT IS HEREBY CERTIFIED by the undersigned that:

1) I am a duly authorized officer of the Bank of New York Trust Mellon Trust Company, N.A., as trustee (the "Bank") for the "Truckee Meadows Water Authority Water Revenue (Tax Exempt) Bonds, Series 2001A" (the "2001 Bonds").

2) The action of the Board of Directors of the Truckee Meadows Water Authority, Nevada (the "Authority") on April 20, 2011, and subsequent written direction of the Chief Financial Officer of the Authority, requires the Bank to give conditional notice of prior redemption of the 2001 Bonds described in Exhibit "A" hereto (the "Redeemed Bonds").

3) On _____, 2011, I caused notice in substantially the form attached hereto as Exhibit "A" to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system available at <http://emma.msrb.org> and, unless requested to be given by another method, mailed by registered or certified mail, postage prepaid, and deposited in the mail of the United States, addressed to each of the following:

- a. The Depository Trust Company
55 Water Street, 25th Floor
Attn: Lotteries - Call Notification
New York, NY 10041
- b. Assured Guaranty Municipal Corp
as successor to Financial Security Assurance Inc.
31 West 52nd Street
New York, NY 10019

4) Such notice of prior redemption of the Redeemed Bonds was given at least 30 days and not more than 60 days prior to July 1, 2011, the date of redemption for the Redeemed Bonds.

DATED this _____, 2011.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

Title: _____

EXHIBIT "A"

**CONDITIONAL NOTICE OF PRIOR REDEMPTION
OF
TRUCKEE MEADOWS WATER AUTHORITY
WATER REVENUE (TAX EXEMPT) BONDS, SERIES 2001A**

MATURITY	CUSIP NUMBERS
2012	897825 AQ8
2012	897825 AR6
2015	897825 AU9
2016	897825 AW5

NOTICE IS HEREBY GIVEN that the Truckee Meadows Water Authority, Nevada (the "Authority") intends to deposit with The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), monies to pay and discharge the principal of and interest due on the "Truckee Meadows Water Authority Water Revenue (Tax Exempt) Bonds, Series 2001A" listed above (the "Redeemed Bonds").

Redeemed Bonds are called for redemption on July 1, 2011 (the "Redemption Date"). On such date the principal amount thereof plus accrued interest thereon to the Redemption Date will become due and payable at the office of the Trustee, and thereafter interest will cease to accrue. Such redemption of the Redeemed Bonds is conditional upon the Trustee receiving for deposit on or prior to the Redemption Date the monies authorized by the Authority to be deposited with the Trustee that are sufficient to pay the principal amount of the Redeemed Bonds plus accrued interest thereon to the Redemption Date. If such monies have not been received by the Trustee, this notice shall be of no force and effect, and the Authority shall not be required to redeem the Redeemed Bonds.

In compliance with the Comprehensive National Energy Policy Act of 1992 (H.R. 776) and Dividend Compliance Act of 1983, the Trustee is required to withhold at the current rate of withholding from payments of principal to individuals who fail to furnish valid Taxpayer Identification Numbers. A completed form W-9 should be presented with your Redeemed Bond.

The CUSIP numbers have been assigned to this issue by Standard & Poor's Corporation and are included solely for the convenience of the bondholders. Neither the Authority nor the Trustee shall be responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness on the Redeemed Bonds or as indicated in any redemption notice.

DATED on this _____, 2011.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

/s/ _____
Authorized Officer