

TRUCKEE MEADOWS WATER AUTHORITY
DRAFT MINUTES OF THE SEPTEMBER 21, 2011
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, September 21, 2011, at Sparks Council Chambers, Legislative Building, 745 Fourth Street, Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:02 a.m.

1. ROLL CALL

Members Present: Dave Aiazzi, John Breternitz Mike Carrigan, Bob Cashell, Mike Cate and Geno Martini and Kitty Jung, alternate for Bob Larkin. Member Absent: Bob Larkin. A quorum was present.

2. PLEDGE OF ALLEGIANCE

Led by Member Cate.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

Upon motion by Member Martini, second by Member Cashell, which motion duly carried by unanimous consent of the members present, the Board approved the agenda.

5. APPROVAL OF THE JULY 7, 2011 MINUTES

Upon motion by Member Cate, second by Vice Chairman Aiazzi, which motion duly carried by unanimous consent of the members present, the Board approved the July 7, 2011 minutes.

6. UPDATE, DISCUSSION AND DIRECTION TO STAFF ON WATER SERVICE DELIVERY AND BILLING ISSUES WITH RENO SPARKS INDIAN COLONY, INCLUDING CONVERSION TO MASTER METER BILLING AND DELINQUENT ACCOUNT COLLECTIONS

Mike Pagni, TMWA Legal Counsel, presented this item. On July 7, 2011 the Board directed staff to implement master meter billing for the Reno Sparks Indian Colony (Colony) effective December 1, 2011 and to work with the Colony on a contract for water service delivery. The Board offered incentives to the Colony if they were able to get that contract executed by September 7, 2011 including providing 70 meters and waiving penalties and interest on the delinquent accounts from the Colony residents. On September 2, 2011 TMWA received a letter

from the Colony indicating they would not be able to make the September 7, 2011 deadline but were still interested in moving forward with the implementation on December 1, 2011. In that letter, the Colony disputed any liability for the individual residents' delinquent accounts. The Colony also contended the Colony had previously conveyed the Colony system to Sierra Pacific Power Company, however, TMWA has no documentation to support that claim.

Given the Board's prior direction and the inability of the Colony to meet the September 7, 2011 deadline, staff asked the Board for further direction; specifically, whether to retain the December 1, 2011 implementation date, whether to continue contract discussions with the Colony, how to handle the delinquent accounts of the Colony residents, and whether they still wanted to offer to provide the Colony 70 meters at no cost.

Chairman Carrigan asked for comment from Colony Tribal Chairman, Arlan Melendez. Chairman Melendez thanked the Board for giving him the opportunity to speak directly to the Board. He stated that when the Colony makes a major change like taking over a whole system there is a due diligence to determine the costs that that would be incurred. As a tribal government, there are many constituents to satisfy, including the Tribal Council and the Indian Health Service, and receiving buy-in from them takes time. He said he had not before made the commitment to master meter billing but seeing the reasons for the Colony to take over the system, he has now made this commitment and was hopeful this could be accomplished by December 1, 2011.

Chairman Melendez stated if TMWA would still provide the meters, the Colony would incur the installation costs. As to the Colony being responsible for arrearages, the Tribal Council asserts it has no legal liability for the debts of individuals that live within the Colony. Chairman Melendez asked the Board to consider writing off those arrearages as a good will gesture; otherwise, it will still be TMWA's responsibility to collect them.

Chairman Carrigan asked Chairman Melendez if TMWA moved forward with the contract, would TMWA have the right between now and December 1st to enter Tribal Land and shut off an individual's meter? Chairman Melendez replied yes. Vicky Oldenburg, Colony Legal Counsel, stated that the Colony has conveyed that they will help in any way possible and they are certainly ready willing and able to assist in those efforts where there is a meter.

Chairman Carrigan asked Chairman Melendez to clarify this agreement can be accomplished by December 1, 2011 and TMWA could have the right to shut off somebody for non-payment in this interim period, if TMWA would provide the 70 meters for unmetered residences and TMWA would waive the fees that are in arrears. Chairman Melendez agreed that was what he said.

Vice Chairman Aiazzi wanted to clarify ownership of the system. He asked if the Board and Chairman Melendez could agree that the Colony owns the system. Ms. Oldenburg said that it appears from the scant historical documents she has that Sierra Pacific took ownership of the mains and the Colony took ownership of the laterals. She said she would provide those documents to Mr. Pagni. She would like language in the contract to say that after the contract is

signed, the Colony would own and control the mains and the laterals in the Colony system. Vice Chairman Aiazzi suggested that TMWA could assign the past arrearages to the Colony and the Colony could try to recoup those monies as partial payment for installing the meters. Chairman Melendez said he thought the Tribal Council would not agree to this because the Colony had not been in charge of billing and therefore it wasn't their responsibility.

Vice Chairman Aiazzi asked again, if TMWA provided the meters, would the Colony pay for the installation? Chairman Melendez replied yes.

Member Breternitz asked what would happen if the deal wasn't done before December 1? Mr. Pagni replied that from a legal perspective the Board would have the ability to simply implement a master meter billing for this customer during a Board meeting. He added that the benefit of going forward with the contract is that there is a written agreement between the parties that resolves some of the potential disputes that have come up.

Vice Chairman Aiazzi asked what TMWA would charge the Colony for water. Mr. Foree replied that TMWA will charge them the General Metered Water Service (GMWS) rate, the same rate schedule applicable to any other similar commercial or industrial customer.

Vice Chairman Aiazzi asked if the Colony had looked into the costs of this project. Chairman Melendez said that was part of their due diligence. Ms. Oldenburg added that the Colony was in the process of making those assessments. She also wanted to clarify that in some of the earlier correspondence from Mr. Pagni there was an issue with a couple of the homes on Second Street that need to be connected into the master meter and that TMWA was going to do that. Mr. Pagni stated that issue will be discussed if there are contract negotiations to determine whether the homes that are upstream of the master meter will be billed separately by TMWA or if they would be retrofitted to put them downstream of the master meter.

Vice Chairman Aiazzi asked for clarification on the master meters. Mr. Gebhardt stated that there are two master meters: one is on tribal land and one is not. Vice Chairman Aiazzi then asked if the agreement would include wording so that TMWA could enter tribal land if needed to work on or shut off that master meter. Both Mr. Pagni and Chairman Melendez agreed that would be included.

Upon motion by Vice Chairman Aiazzi, second by Alternate Jung, which motion duly carried by unanimous consent of the members present, the Board directed that TMWA enter into an agreement with the Colony, recognizing the Colony owns and is responsible for the Colony system (including mains and laterals) and that TMWA would provide water service to the Colony and bill through TMWA master meters, and further providing that TMWA would agree to write off the delinquent water costs and penalties due TMWA from Colony residents, TMWA would provide up to 70 meters which the Colony will install at the Colony's cost, and TMWA would have rights to

enter Colony land to read and operate TMWA's master meters, with an implementation date of December 1, 2011.

7. PRELIMINARY FY2011 FINANCIAL PERFORMANCE

Jeff Tissier presented the preliminary FY2011 financial report. Total operating revenues were approximately \$76.2 million or \$1.6 million less than budget. Water Sales were \$2.0 million, or 2.7%, less than budget even with the rate increase. Offsetting the reduction in water sales was a \$0.6 million, or 24%, greater than expected hydroelectric revenues. As a testament to the work of TMWA employees, expenses have been reduced by almost 10% over FY2010, resulting in operating expenses at FY2005 levels. Developer fees have been minimal, approximately \$600,000 for the year, primarily for commercial activity. The debt load is \$32 million per year. Investment income remains low. The Commercial Paper Program continues to perform extremely well, and the weighted cost of capital on nearly \$79 million of outstanding notes is 0.18% which helps offset the impact of lower investment income and is very beneficial for TMWA customers. The Capital expenses were \$19.1 million, \$2 million less than budget. Only \$300,000 in unrestricted cash was spent in FY2011.

8. REQUEST FOR BOARD AUTHORIZATION FOR REALLOCATION OF THE FY2012 BUDGET TO FUND CONSTRUCTION OF THE GLENDALE BUILDING EXPANSION

Jeff Tissier presented this item. The \$3.5 million Plumb Lane Main Replacement Project has been postponed to 2013 due to a change in the Regional Transportation Commission's street repaving schedule. Staff is recommending a reallocation of those dollars to the Glendale Building Expansion Project. The Glendale Building, originally built in 1974 with modifications made in the early 1990's, is TMWA's primary operations center and provides work and office space for many departments, including the Water Quality Laboratory, a State of Nevada Certified Laboratory. In early September, bids were accepted to determine whether pricing for the project was advantageous. Six bids were received with the apparent low bid from K7 Construction at \$1.956 million. Mr. Tissier said that any funds not expended on the Glendale Building Expansion Project would not be used for other projects this fiscal year. Mr. Pagni assured the Board that TMWA has modified its bid form documents to comply with the new state statutes on bidding procedures.

Upon motion by Vice Chairman Aiazzi, second by Member Cashell, which motion duly carried by unanimous consent, the Board authorized the reallocation of the FY2012 budget to fund construction of the Glendale Building Expansion Project

9. PRELIMINARY REVENUE REQUIREMENT AND REQUEST FOR BOARD DIRECTION TO STAFF TO MOVE FORWARD WITH A PROPOSED RATE ADJUSTMENT PROCESS AND SCHEDULE

Jeff Tissier presented this item. He stated that even with deep reductions in operating expenses and even with the concerted effort by staff in controlling costs, including the benefit of the

commercial paper program, water sales for the last two years have not generated the expected revenues due to reductions in demand. As an organization, TMWA continues to face financial challenges and must maintain financial stability. That includes reviewing current rates. The cost-study process involves gathering input from the Standing Advisory Committee (SAC) and the public at several public meetings and workshops. Recommendations, findings, and the input gathered would then be presented to the Board for the first reading of the proposed rate adjustments during the November 16, 2011 Board meeting.

Mr. Tissier stated that during the coming year, TMWA must renew the liquidity facility that supports the commercial paper program, which is vital to TMWA's structural financial health. Rating agency reviews will occur in January 2012 and, again, it is imperative to the financial health of TMWA to maintain current ratings. Unless some type of action is taken, TMWA will have to spend part of its unrestricted cash reserves. He said that TMWA enjoys a relative amount of financial stability right now which must be preserved.

During the rate review process, all tiers including flat rate and the customer charge will be carefully considered.

Chairman Carrigan emphasized to the public that this is a review and does not necessarily indicate that rates will be increased.

Public Comment from Cathy Brandhorst, Reno resident. She stated that she was hopeful that TMWA would stay in business. She said there was a wide problem with shoplifting which causes business to fail.

Vice Chairman Aiazzi asked that the wording on the schedule for the meeting on Wednesday, January 18, 2012 be changed to read a public hearing and (*possible*) adoption of rate adjustments.

Upon motion by Vice Chairman Aiazzi, second by Member Cashell, which motion duly carried by unanimous consent, the Board authorized staff to move forward with a proposed rate adjustment process and amended schedule

10. GENERAL MANAGER'S REPORT

Mr. Foree informed the Board of an impressive accomplishment by the TMWA staff in hydroelectric generation and energy management for FY2011. For the first time, more power was generated than was consumed in the entire operation. He commended the hydro generation team for doing a great job of keeping those plants on line throughout the year. He recognized the joint efforts of the treatment/distribution operations and maintenance team and the engineering staff who took energy management and time-of-use pumping to a new level, saving millions of dollars for TMWA customers. Two years ago, the annual power bill was \$7.2 million and this year it was \$4.3 million. He thanked Pat Nielson and the hydro team, Scott Estes, Jack Byrom and the engineering team, and Paul Miller, Ryan Dixon and Dennis Dobyns and the treatment/distribution operations and maintenance team for enabling TMWA to produce great

results that significantly reduced costs this year. He went on to explain TMWA still has an expense for power, because in the purchase power agreement with NV Energy, TMWA receives 7¢ per kilowatt hour for the power generated but pays 10¢ to 12¢ per kilowatt hour for the power consumed. He again praised the staff for reducing costs over the last few years from 12¢ per kilowatt hour to just under 10¢ in FY2011.

Vice Chairman Aiazzi commented that this was an issue the legislature should work on because he’s heard this imbalance has stopped a lot of production on wind farms and solar farms.

11. PUBLIC COMMENT

Cathy Brandhorst, Reno resident, voiced her opinion on child molesters and how children suffer at their hands.

12. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Vice Chairman Aiazzi commented on a recent meeting regarding consolidation in which a decision was made not to hold a joint meeting with TMWA and Washoe County in October. He stated that before the joint meeting is held, he and Chairman Carrigan requested that several items be addressed by Washoe County, including whether or not STMGID will be included in the merger and the enactment of a County Bond Bank ordinance that would allow for Washoe County Department of Water Resource’s privately issued bonds to be refinanced through a Washoe County Bond Bank.

14. ADJOURNMENT

With no further business to discuss, Chairman Carrigan adjourned the meeting at 10:44 a.m. to a closed door session.

Approved by the TMWA Board of Directors in session on _____.

Respectfully submitted,

Corinne Cassell, Recording Secretary