

TRUCKEE MEADOWS WATER AUTHORITY  
**DRAFT** MINUTES OF THE MARCH 21, 2012  
MEETING OF THE BOARD OF DIRECTORS

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The Board of Directors met on Wednesday, March 21, 2012, at Sparks Council Chambers, Legislative Building, 745 Fourth Street, Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:04 a.m.

1. ROLL CALL

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

2. PLEDGE OF ALLEGIANCE

Led by Geno Martini.

3. PUBLIC COMMENT

Neil McGuire, Reno resident, commented on Agenda Item 15 Low-Income Program Research. He said that as a residential water customer, he was concerned about cross-subsidization between the rate classes if TMWA initiated a program to aid low-income customers. He said if the Board adopted a program, they should do so outside the scope of the rate schedule.

4. APPROVAL OF THE AGENDA

**Upon motion by Member Larkin, second by Member Jung, which motion duly carried by unanimous consent of the members present, the Board approved the agenda.**

5. APPROVAL OF THE MARCH 21, 2011 MINUTES

**Upon motion by Member Cate, second by Member Cashell, which motion duly carried by unanimous consent of the members present, the Board approved the March 21, 2012 minutes.**

6. WELCOME KITTY JUNG AS NEW MEMBER OF THE BOARD REPRESENTING WASHOE COUNTY

The Board welcomed a new member to the Board – Kitty Jung, Washoe County Commissioner, who replaced John Breternitz. She attended several meetings as the County’s TMWA Board alternate over the years.

7. PRESENTATION OF APPRECIATION PLAQUE TO JOHN BRETERNITZ FOR SERVICE ON THE BOARD

Mr. Breternitz was unable to attend the meeting so this item was postponed.

8. NV ENERGY'S PRESENTATION OF SURE BET PROGRAM INCENTIVE PAYMENT TO TMWA IN RECOGNITION OF THE ENERGY SAVINGS PRODUCED BY THE HIGHLAND CANAL IMPROVEMENTS

Mark Foree said the award was given for the recent phase of projects that expanded the capacity of the Highland Canal from 55 million gallons per day (MGD) to 95 MGD, allowing TMWA to maximize the gravity flow to the Chalk Bluff Treatment Plant and minimizing electrical pumping costs from the Orr Ditch Pump Station. He thanked and recognized the following staff members who worked diligently on this project that saved so much money.

- Ron Penrose, Project Manager for the master planning and also Project Manager for the reinforced concrete box installation between the railroad tracks west of Mogul, a very difficult project
- Tim Grover, Project Manager of the Mogul Bypass Syphon and Flume 18 rebuild, also a very difficult project
- Juan Esparza, Project Manager for the Chalk Bluff parallel syphon
- Scott Benedict, Senior Project Engineer for Flume 1 rebuild
- Jim Puccinelli and Brent Eisert for construction management; along with Greg Bates, Kevin Comphel, and Rick Pickworth who assisted with the pipeline inspection; and, Roy Callahan and Bob White who assisted with the flume projects
- Heather Edmunson for right of way and permitting which was very extensive and difficult
- The Distribution Crews for the work performed on the monitoring sites on the canal
- Keith Ristinen, Senior Engineer, for doing the energy saving calculations and putting the comprehensive application package together
- Ryan Dixon and the Water Operations staff, working closely with the Engineering staff, in taking full advantage of the improvements to drive out the savings day in and day out.

Doug Johnston, Major Account Executive, and Bruce Bullock, Vice President of Customer Relationship, from NV Energy presented the award and rebate check in the amount of \$82,556. Mr. Bullock stated the award was presented for the improvements and energy efficiency savings for the Highland Canal Improvement Project. This project resulted in one of the largest incentive payments from the Sure Bet Commercial Incentive Program in northern Nevada. The project's unique improvements to a water canal, resulting in a decreased pumping load, was a first for the program. With an annual savings of approximately 2.9 million kilowatt hours, or enough electricity to power more than 300 homes for one year, this project saves TMWA \$243,000 a year in electricity expenses.

9. REQUEST FOR APPROVAL OF NEW APPOINTMENTS TO THE STANDING ADVISORY COMMITTEE (SAC) AND FUTURE APPOINTMENT OF SUN VALLEY GENERAL IMPROVEMENT DISTRICT AS THE WHOLESALE REPRESENTATIVE TO THE SAC WHEN THE MERGER OF THE WASHOE

COUNTY DEPARTMENT OF WATER RESOURCES WATER UTILITY (DWR)  
AND TMWA TAKES PLACE

Kim Mazeres presented this item. The Standing Advisory Committee (SAC) is composed of a variety of customers and customer classes. The current primary multi-family representative, Jeannie Redinger, had requested changing to the alternate representative. An application was received from Ms. Jonnie Pullman who is willing to serve the SAC as the multi-family primary representative. Ms. Pullman owns a multi-family complex and has a history of public involvement and service to our community.

Ms. Mazeres also asked the Board to consider the request made at the December 2011 Board meeting by Darrin Price, General Manager of Sun Valley General Improvement District (SVGID) to appoint SVGID as the SAC wholesale customer representative at the time TMWA and DWR merge.

**Upon motion by Member Larkin, second by Member Jung, which motion duly carried by unanimous consent of the members present, the Board appointed Ms. Pullman as the primary multi-family representative to the SAC, with Ms. Redinger as alternate; and appointed SVGID as the wholesale customer representative to the SAC at the time TMWA and DWR merge.**

10. REQUEST FOR APPROVAL OF ACQUISITION OF WATER SYSTEM ASSETS OF VERDI BUSINESS PARK COOPERATIVE AND AUTHORIZATION FOR THE GENERAL MANAGER TO NEGOTIATE FINAL TERMS AND CONDITIONS AND EXECUTE AGREEMENT TO ACQUIRE THE WATER SYSTEM ASSETS OF THE VERDI BUSINESS PARK WATER COOPERATIVE

Scott Estes explained to the Board that the Verdi Business Park Water Cooperative (VBP) serves a total of 15 commercial and industrial parcels on about 17.5 acres located near the roundabout on US 40 at the intersection with Somerset Ridge Parkway. The system is served by a single groundwater well which has been found to have water quality problems. After much study and research by VBP consultants and the TMWA engineering staff, a recommendation was made to connect to the TMWA system after construction of facilities and improvements necessary to integrate the VBP system with TMWA's and meet current fire flow requirements are concluded. Mr. John Collins, P.E., representing VBP, was present to answer questions from the Board. There was some discussion on jurisdictional issues in regard to service territories, spheres of influence and the Verdi Settlement Agreement, and how the plan would hold up in light of those issues. Legal Counsel Mike Pagni assured the Board that this is a private business transaction and no existing law, regulation or agreement related to service territories precluded TMWA from acquiring this system. Since VBP is required to construct the necessary improvements prior to close of escrow and because VBP intends to take out a Drinking Water State Revolving Fund Loan (DWSRF) in order to construct the improvements, the question was asked whether TMWA will be responsible for that debt. Mr. Estes said that the agreement allows TMWA to impose a special assessment or surcharge on those customers to pay the debt and if any of the existing 15 business owners goes out of business, the surcharge would be increased to the remaining owners. Mr. Collins agreed that that is what he had

explained to the VBP owners. Chairman Carrigan asked if, after the agreement is signed, they would go on TMWA rates. Mr. Estes said they would and Mr. Collins said that with TMWA rates and the debt from DWSRF, they owners would end up with a smaller bill than what they currently pay to keep the system running.

**Upon motion by Member Cashell, second by Member Larkin, which motion duly carried by unanimous consent of the members present, the Board authorized acquisition of the Verdi Business Park Cooperative and authorized the General Manager to negotiate final terms and conditions and execute the agreement to acquire the water system assets of the Verdi Business Park Water Cooperative**

**11. PRESENTATION OF FINANCIAL PERFORMANCE FOR FIRST HALF FISCAL YEAR 2012**

Mr. Tissier reported that TMWA's first half year-over-year financial performance was better than in 2010 and was doing well against budget. Total operating revenues are above expectations and operating spending is under budget. He thanked staff for managing the treatment chemical aspects of the operating costs and, and as validated by the NV Energy award and check, management of power costs. Developer fees are modest and investment income was on budget. Staff is now focusing its attention on debt management.

Member Cashell commended staff for their outstanding work in managing TMWA, in spite of serious challenges in the local economy and for keeping rates down.

**12. PRESENTATION OF AUGMENTED AND AMENDED BUDGET FOR FISCAL YEAR 2012 AND REQUEST FOR ADOPTION OF RESOLUTION NO. 183: A RESOLUTION TO AUGMENT AND AMEND THE BUDGET FOR FISCAL YEAR 2012**

Mr. Tissier said that the FY2012 budget was developed using conservative assumptions, known as a "stress test". This budget was also provided to the rating agencies, who received it very favorably. At the end of the first six months, the budget was reviewed and then adjusted to more appropriately reflect actual first-half results and expected year-end results. He emphasized two of the adjustments made in the revised budget. Water sales were revised to reflect the approved rate increase that went into effect in February 2012 for approximately \$1.2 million in increased sales and warmer than expected fall weather increasing sales by approximately \$0.8 million for the fiscal year. Operating expenses were reduced by nearly \$1.5 million due to continued power and treatment chemical cost controls.

Mayor Cashell again thanked all TMWA employees, for not only the great financial management of TMWA, but for all the expert operational management.

**Upon motion by Member Cashell, second by Member Larkin, which motion duly carried by unanimous consent of the**

**members present, the Board adopted Resolution No. 183  
approving the augmented and amended budget for FY2012**

**13. REQUEST FOR APPROVAL OF THE TENTATIVE BUDGET FOR TMWA AND  
THE TMWA POST-RETIREMENT MEDICAL TRUST FOR FISCAL YEAR 2013  
AND DRAFT CAPITAL IMPROVEMENT PLAN FOR FISCAL YEAR 2013  
THROUGH 2017**

Mr. Tissier presented the FY2013 tentative budget. The tentative budget reflects the increases that were proposed and approved by the Board on water sales thereby showing an improvement in water sales revenue from FY2012. Operating expenses are budgeted conservatively. Investment income is minimal, developer fees are modest, and debt continues to be diligently managed. Cash reserves are expected to be maintained as they will be necessary when it is time to exit the tax-exempt commercial paper program and pay off that debt. This has not been done because with the current liquidity facility and remarketing fees, the cost of capital is well under 1%. That program is being actively monitored and is well set up for significant debt management in the next four years.

Chairman Carrigan asked about the senior lien debt coverage ratio. Mr. Tissier said it is estimated to be at 1.45x to 1.50x by the end of FY2013 to comply with the Board's financial policy established in 2003.

Member Larkin asked if the merger of TMWA and DWR has had any effect on TMWA's credit rating. Mr. Tissier said the credit rating agencies have asked questions about the merger because they are concerned that the merger have no financial detriment to the combined agency. He said he felt the rating agencies see a combined water entity as favorable for this community. TMWA tried to show them that there is no expected detrimental effect to either group of customers or to the combined group of customers. He said they also saw the establishment of the Washoe County Bond Bank to be favorable. After recent defeasance analyses on the Washoe County debt, it appeared that market conditions have changed now making defeasance of the debt a viable option. Washoe County is making progress in resolving a number of matters that will take some time, but we are making positive steps moving forward.

**Upon motion by Member Martini, second by Member Larkin,  
which motion duly carried by unanimous consent of the  
members present, the Board approved the tentative budget for  
Fiscal Year 2013.**

**14. PRESENTATION OF PROPOSED PROJECTS AND DISCUSSION AND ACTION  
ON RESOLUTION NO. 184: A RESOLUTION TO APPROVE FUNDING FOR THE  
PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY  
COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY  
FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS**

Ron Penrose presented three projects recommended for funding by the Truckee River Fund Advisors at their meeting on February 24, 2012. The projects are as follows:

1. The Negro Canyon watershed restoration project. This watershed is immediately north of Donner Lake and has contributed sediment and erosion affecting the water quality of Donner Lake and exacerbates sediment buildup in front of the dam at Donner Lake.
2. The Washoe Drive Fire restoration work. This is for support for emergency treatment of the burned areas impacted by the fire.
3. Lacey Meadows watershed assessment evaluation. The meadow is experiencing a lot of erosion immediately to the west of Weber Lake which contributes into the Little Truckee and then into the Truckee River.

The Board asked for clarification of the ownership and the match for the Negro Canyon watershed restoration project. Mr. Penrose said the project was being sponsored by the Truckee River Watershed Council which had received independent commitments for land purchases of that particular watershed so that represented their match. He thought the Canyon was either Bureau of Land Management or Forest Service property.

**Upon motion by Member Cashell, second by Member Jung, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution 184: a resolution to approve funding for the projects recommended by the Truckee River Fund Advisory Committee and authorization for the Community foundation to fund such projects from Fund proceeds**

15. REPORT ON LOW-INCOME PROGRAM RESEARCH

Kim Mazerer presented this item, as requested by the Board at the January meeting. She introduced Catherine Hansford, a consultant who researched the programs of 14 other Nevada water and wastewater organizations and prepared the report. Ms. Mazerer said that staff did not recommend instituting a low income program at this time because not only are water bills very low in comparison with other utilities, but staff already works extensively with customers who are having difficulty paying their bills. She explained that the flat rate, which a lot of senior customers are on, is where a lot of water waste is found. She described how staff works with these customers to help them understand the savings they would realize if they eliminated waste and/or fixed leaks and moved to the metered rate.

Member Martini said that he felt TMWA is already addressing those problems with staff and the rate structure. He complimented the staff on the job that they are already doing. Member Jung added that she would support the staff recommendation because of her personal experience. Before serving as a County Commissioner, she was a community liaison for the City of Reno, working on many of these types of customer and community issues. She said she had confidence in TMWA, because *“TMWA’s customer service is one of the best in the community, working hard to solve customers’ issues.”*

No action was taken.

16. GENERAL MANAGER’S REPORT

Mr. Foree said that the last set of storms had helped the water supply picture some, increasing the snowpack from 30% to about 50% of average. Because of the great winter last year, the water supply remains in great shape, with Lake Tahoe at approximately two-thirds full.

17. PUBLIC COMMENT

There was no public comment.

18. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no Board comments.

12. ADJOURNMENT

With no further discussion, Chairman Carrigan adjourned the meeting at 10:44 a.m.

Approved by the TMWA Board of Directors in session on \_\_\_\_\_.

Respectfully submitted,

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Corinne Cassell, Recording Secretary