

TRUCKEE MEADOWS WATER AUTHORITY
DRAFT MINUTES OF THE MAY 17, 2012
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, May 17, 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: Dave Aiazzi, Mike Carrigan, Bob Cashell, Kitty Jung and Geno Martini.
Members Absent: Mike Cate and Bob Larkin. A quorum was present.

2. PLEDGE OF ALLEGIANCE

Led by Bob Cashell.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

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

Chairman Carrigan opened the public hearing on the FY2012-2013 Budget.

6. PUBLIC COMMENT ON ITEM 7

There was no public comment.

7. DISCUSSION AND REQUEST FOR ADOPTION OF RESOLUTION #185: A
RESOLUTION TO ADOPT THE FINAL BUDGET FOR FISCAL YEAR 2012-2013
AND THE 2013-2017 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Mr. Tissier presented the proposed budget stating there were no major changes from the tentative budget as presented and approved by the Board on March 21, 2012. The only change was the

addition of reconstruction of the Daniel Webster Pump Station whose operation will be impacted by the Regional Transportation Commission (RTC) Plumb Lane roadwork.

Chairman Carrigan commented that he had read an editorial in the Reno Gazette-Journal that said TMWA's bonds were rated as junk bonds and asked for clarification. Mr. Tissier replied that TMWA bonds had never been rated as junk bonds. When TMWA was formed, the ratings were A- and BBB+; Standard & Poors assigned the lower rating. TMWA now has an AA- rating, a very solid investment grade rating.

Upon motion by Vice Chairman Aiazzi, second by Member Cashell, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution #185 and adopted the final budget for Fiscal Year 2012-2013 and the 2013-2017 Five-year Capital Improvement Plan

Chairman Carrigan closed the public hearing on the FY2012-2013 Budget

8. FINANCIAL PERFORMANCE REPORT FOR THE THIRD QUARTER FY2012

Mr. Tissier stated that TMWA's financial performance had improved over the course of the last nine months that ended March 31, 2012, with total operating revenues 0.3% greater than the revised budget and operating spending 2.9% under the revised budget. Water demands are slightly ahead of last year and the fourth quarter should show very positive results. Expenses are expected to increase in the fourth quarter due to two major main breaks and with demands increasing, power and treatment chemical costs increase accordingly. Overall, TMWA is doing very well financially.

Vice Chairman Aiazzi asked when the major bonds will be paid off. Mr. Tissier said they would primarily be paid off in 2034. He added that as the call dates approach in 2015, 2016 and 2017 and as market conditions allow, staff would like to bring the Board a plan to restructure TMWA's debt, which could have the positive outcome of reducing the cost of service to customers. Vice Chairman Aiazzi said "I think people are going to be happy in a few years. We took on a huge debt to purchase TMWA, but to keep it whole and to keep it local was a big deal for the community. I believe that in a few years when that debt gets restructured, people will see significant changes." Mr. Tissier thanked the Board for their support of staff's proposals, adding, "As you can see from our credit ratings, we can access the credit markets very cost effectively."

9. REQUEST FOR ADOPTION OF RESOLUTION #186 TO SUBSTITUTE LIQUIDITY FACILITIES FROM JP MORGAN BANK N.A. AND WELLS FARGO BANK N.A.: A RESOLUTION APPROVING CERTAIN REIMBURSEMENT AGREEMENTS, CERTAIN LETTERS OF CREDIT, CERTAIN FEE LETTERS, CERTAIN BANK NOTES, AN AMENDED AND RESTATED 2006A DEALER AGREEMENT, AN AMENDED AND RESTATED 2006B DEALER AGREEMENT, AN AMENDED AND RESTATED 2006A ISSUING AND PAYING AGENT AGREEMENT, AN AMENDED AND RESTATED 2006B ISSUING AND PAYING AGENT AGREEMENT, AND AN OFFERING MEMORANDUM RELATING TO THE TRUCKEE MEADOWS WATER

AUTHORITY, NEVADA, WATER REVENUE COMMERCIAL PAPER NOTES,
SERIES 2006A AND SERIES 2006B AND OTHER MATTERS RELATING
THERE TO

Mr. Tissier presented this item saying that work began on this significant and complex endeavor in February 2012 and involved an extensive negotiation process. He introduced Scott Shaver with Swendseid and Stern and Brian Thomas with Public Financial Management's Los Angeles Office. He also expressed his appreciation to David Lucas of Sherman and Howard in Denver for his hard work. Twenty-three (23) banks were approached to propose on providing liquidity support to TMWA, replacing the Letter of Credit from Lloyds TSB Bank, and responses were received from Wells Fargo Bank and JP Morgan Bank, syndicated to provide the original support. Mr. Tissier stated he had read through the documents thoroughly, had independent counsel read the documents thoroughly, and tried to negotiate as favorable terms for TMWA as possible.

Mr. Tissier referred to the reimbursement agreement from JP Morgan in the packet which indicated an A+ rating for that company; however two days ago JP Morgan's rating was downgraded to an A rating with a negative watch. This still allows TMWA to remarket its commercial paper effectively but the negative watch is of concern. Mr. Tissier proposed the Board continue with these transactions and close the reimbursement agreements but wanted it noted that TMWA will be vigilant and monitor JP Morgan's credit ratings. TMWA needs to be prepared because if there is any more bad news that comes out of JP Morgan's poor risk management, TMWA needs to be positioned accordingly.

Chairman Carrigan asked to clarify whether or not Wells Fargo Bank wanted to do the entire transaction. Mr. Tissier said they did not. TMWA had an \$87 million Letter of Credit with Lloyds TSB Bank and Wells Fargo and JP Morgan syndicated to each take \$43.5 million.

Chairman Carrigan asked about the difference in the terms of the Liquidity Facility. Mr. Tissier said the rate is 0.80 percent, up from 0.65 percent. With the remarketing fees, current interest rates on the Tax Exempt Commercial Paper and the facility fee, the total rate is approximately 1.1 percent all in.

In answer to a question from Chairman Carrigan as to the line of credit, Mr. Tissier said that the Liquidity Facility itself is \$160 million; the original authorization for issuance of commercial paper notes. He explained that only \$79.4 million has been issued and notes could be issued to the \$160 million. However, because of the tight credit market conditions at this point in time, he proposed to explore strategies to exit out of the Tax Exempt Commercial Paper program over the next few years.

Upon motion by Vice Chairman Aiazzi, second by Member Cashell, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution #185 to substitute liquidity facilities from JP Morgan Bank N.A. and Wells Fargo Bank N.A., approving certain reimbursement agreements, Certain Letters of Credit, Certain Fee Letters, Certain Bank Notes, an Amended and Restated 2006A Dealer Agreement, an Amended And Restated 2006B Dealer Agreement, an Amended And Restated 2006A Issuing And Paying Agent Agreement, an Amended And Restated 2006B

Issuing and Paying Agent Agreement, and an Offering Memorandum Relating to the Truckee Meadows Water Authority, Nevada, Water Revenue Commercial Paper Notes, Series 2006A and Series 2006B and other matters relating thereto

10. DISCUSSION AND REQUEST FOR APPROVAL OF WHOLESALE AGREEMENTS BETWEEN TMWA AND WASHOE COUNTY FOR THE SOUTH TRUCKEE MEADOWS WHOLESALE AGREEMENT AND THE TIERRA DEL SOL TEMPORARY WATER SERVICE AGREEMENT; AND AUTHORIZE GENERAL MANAGER TO EXECUTE AGREEMENTS

There was no discussion on this item.

Upon motion by Vice Chairman Aiazzi, second by Member Cashell, which motion duly carried by unanimous consent of the members present, the Board approved the wholesale agreements between TMWA and Washoe County for the South Truckee Meadows Wholesale Agreement and the Tierra del Sol Temporary Water Service Agreement; and authorized the General Manager to execute agreements

11. PRESENTATION OF THE FY2013 COMMUNICATIONS PLAN, DISCUSSION AND POSSIBLE DIRECTION TO STAFF

Frankie Vigil with Good Standing Outreach presented this item. She referred to the FY2013 Communications Plan (Plan) included in the packet and reviewed the highlights of the Plan. The Plan is developed by Good Standing Outreach with the communications team at TMWA. This year the team looked at the business goals approved by the Board in October 2011 to determine whether or not communications could help TMWA achieve those departmental goals. The five communications goals are: 1) to position TMWA as the experts in the water industry; 2) continue fostering public understanding of the value and quality of water that TMWA delivers; 3) continue fostering public understanding of the complexities of the water industry and our water system; 4) strengthen trust among audiences; and, 5) become the recognized leader in open communications and public access among utilities and public agencies in northern Nevada. While developing the Plan, the team also looked at the quarterly Customer Satisfaction Report which monitors the satisfaction of both residential and commercial customers. Ms. Vigil reported that satisfaction is over 90% but said there is always room to improve. She pointed out the list of tactics in the report noting that TMWA has many different channels of communications with which to reach their audiences and to help achieve their goals. The Plan is a living document that is reviewed on a regular basis to see if there are any other audiences that need to be approached and to try to find ways for improvement. The document can be changed or amended if necessary.

Chairman Carrigan emphasized how important it is when erroneous or invalid information is reported in the media to contact the source as soon as possible. They will then have correct information for future stories or to correct their error. Ms. Vigil agreed and said this was already being done.

Upon motion by Vice Chairman Aiazzi, second by Chairman Carrigan, which motion duly carried by unanimous consent of the members present, the Board approved the FY2013 Communications Plan as presented

12. GENERAL MANAGER'S REPORT

Mr. Foree reported that water demands are up from last year. As of May 13, water usage has increased by 12.5 percent over last year (calendar year to date).

13. PUBLIC COMMENT

There was no public comment.

14. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no Board comments.

15. ADJOURNMENT

With no further discussion, Chairman Carrigan adjourned the meeting at 10:21 a.m.

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

Respectfully submitted,

Corinne Cassell, Recording Secretary