



STAFF REPORT

TO: Chairman and Board Members
FROM: Jack Byrom, Jeff Tissier, Mark Foree, and Michael Pagni
DATE: January 13, 2015
SUBJECT: **Report on the consummation of the mergers of South Truckee Meadows General Improvement District and Washoe County Water Utility into TMWA**

Background:

The Western Regional Water Commission Act of 2007 (WRWCA) of the Nevada State Legislature required the public water purveyors in the planning area of the greater Reno and Sparks area to evaluate consolidation as a possible way to improve management of water resources, improve efficiency, and reduce costs. As a result of extensive studies, infrastructure evaluation, and public meetings, on Jan. 29, 2010 the Truckee Meadows Water Authority (TMWA) Board of Directors and the Washoe County Board of County Commissioners (BCC) entered into an Interlocal Agreement providing for the merger of the Washoe County Water Utility with TMWA and on Dec. 11, 2013 TMWA and the South Truckee General Improvement District (STMGID) entered into an Interlocal Agreement providing for the merger of STMGID into TMWA.

A joint project team was created with 11 teams that included Co-team leaders from each entity. There have been between 80 and 100 people from both entities supporting this effort while at the same time continuing their regular full time jobs. Numerous public meetings were held and actions taken by the various entities in anticipation of and to facilitate the implementation of the mergers. This was an extraordinary effort by all these people to complete these difficult merger tasks while still ensuring that the customers are receiving outstanding water delivery service. This project team worked for over 5 years (since Jan. 2010) on the due diligence reviews, financial assessment and arrangements, negotiations, and legal activities.

At a joint meeting on March 19, 2014, TMWA and Washoe County approved the remaining procedures to implement the consolidation which included the transition plan and implementation schedule, targeting a closing date of December 31, 2014.

Current Status:

The merger and consolidation of STMGID and Washoe County Water Utility into TMWA was successfully completed on Dec. 31, 2014. Assets and operational control over the STMGID and Washoe County Water Utility were transferred to TMWA effective December 31, 2014, and TMWA has been operating as a consolidated utility since that time. Some highlights of the consolidation include:

- Deeds conveying water rights and real property (tank parcels, pump stations, etc.) were recorded on December 31, 2014 transferring utility assets to TMWA.
- TMWA issued commercial paper and financial conditions to defease the County's bond obligations were satisfied. Final reconciliation of financial transfers will occur upon completion of the post-merger audit, anticipated in late March.
- The County employees who accepted positions at TMWA started their employment on Jan. 2, 2015 as new TMWA employees. There was an all employee breakfast on Mon. Jan. 5th to welcome the new employees. All employees are working very closely together.
- The new Customer Information and Billing System was fully functional on Jan. 2, 2015 and all calls for service are being managed thru the TMWA call center. Meter reading for former SMTGID and Washoe County Customers began on Fri. Jan. 2nd with teams of prior Washoe County Service Utility Workers paired with TMWA Service Utility Workers. Transfer of customer accounts was successfully completed and water utility bills are now being generated by TMWA with very few issues.
- The New SCADA (Supervisory Control and Data Acquisition) System was fully functional on Jan. 2nd and all combined facilities are now monitored and operated from the TMWA System Control room.
- The Fish Springs Ranch Project (aka Vidler System) has been operating smoothly for more than two months and providing water to the North Valleys.
- Welcome letters and Customer information packets to all the new customers were mailed on Fri. Jan 9th and Mon. Jan 12th. All customer inquiries are being processed thru the TMWA Customer Service Department.

Although very complex, the process of consolidating the three water utilities went extremely well and exceeded expectations.

Post-Merger Activities:

Of the original 275 tasks identified to complete the merger, all the required tasks were completed on schedule to complete the closing. Eighty (80) tasks were identified during the merger process which were not time sensitive to the closing date, and which are scheduled to be completed following closing. These items continue to be worked on by the merger teams, and include:

- Finance & Accounting: Complete reconciliation and audits of all accounting and financial records.
- Property, Easements, & Rights Of Way (R/W): Facilitate transfers of remaining real property, easements, and R/W's which required additional effort to clear title.
- Records Management: Continue with the inventory and filing of all files.
- Developer Agreements: Continue efforts to identify and resolve issues with respect to project specific obligations following merger with certain Developers (3 remain)
- Materials Inventory: Continue with the transfer of materials and restocking the warehouse.
- Warehouse Expansion: Continue the construction of the warehouse addition. On schedule for completion in March.
- Cross Services Agreement: Both entities will provide the service as described in the agreement.

The goals for consolidation have been or will be met. The goals are to achieve lower cost of service while allowing for a “conjunctive use” approach to area water-resource management. The goals include:

- Improved management and use of water resources
- More efficient infrastructure utilization and development
- Better service to customers due to coordinated rules of service and fees
- Long-term efficiencies and economies of scale
- No difference in water service to all customers
- No adjustments to water rates as a result of consolidation

Based upon the customer satisfaction surveys, both entities either maintained or improved the level of customer satisfaction with their water service.