



TRUCKEE MEADOWS WATER  
A U T H O R I T Y  
STANDING ADVISORY COMMITTEE  
**DRAFT** MINUTES  
NOVEMBER 2, 2010

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The Standing Advisory Committee met at Truckee Meadows Water Authority in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chairman Greg Vorreyer called the meeting to order at 3:05 p.m.

1. ROLL CALL

Members Present: Kevin Bloomgren, Ernest Buchner, Colin Hayes, Neil McGuire, Jeannie Redinger, Fred Schmidt, Greg Vorreyer and Barry Winzeler.

Alternates Present: Robert Chambers, Harry Culbert, Jim Smith and Ron Turner (voting).

Staff Present: John Erwin, Scott Estes, Mark Foree, Kim Mazereres, Lora Richards, Jeff Tissier and Debbie Leonard, Legal Counsel.

A quorum was present.

2. APPROVAL OF THE AGENDA

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the agenda.**

3. PUBLIC COMMENT

Mr. Buchner spoke on behalf of the flat rate members stating he felt that based on his personal experience most of them pay their fair share. He asked TMWA to consider offering equal payment plans which could help customers for budgeting purposes and provide TMWA a more constant cash flow. Ms. Mazereres responded that TMWA already works with any customer who requests an equal payment plan. She said it is not advertised as people tend not to pay attention to actual usage which then may cause problems for both the customer and TMWA when their account is adjusted every six months based on actual usage.

4. APPROVAL OF THE MINUTES OF THE MAY 4, 2010 MEETING

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of the May 4, 2010 meeting.**

5. STATUS REPORT ON THE MERGER OF THE WASHOE COUNTY DEPARTMENT OF WATER RESOURCES (DWR) WATER UTILITY FUNCTIONS INTO TMWA

Mr. Foree talked about the following points that were also presented to the TMWA Board at its meeting on October 20, 2010:

1. It's a matter of "when" not "if". There are a number of things that need to be lined up prior to the merger taking place.
2. Both water agencies are being positioned in a manner to effect the merger.
3. A tremendous amount of work has been done and is being done to prepare for the merger.
4. Find a way to achieve the merger without having an adverse effect on customer rates but recognize that rates and fees must reflect the true cost of service both for existing customers and for growth.
5. It is necessary to conduct a very detailed financial analysis of each water agency, due in large part to the erosion of water sales of both utilities over the last few years. Things have gotten worse over the last year and a half on the revenue side so it is challenging to ensure all areas have been thoroughly researched.
6. Use these independent financial analyses to compare with the combined water agency financial analysis.
7. A third party will review the financial analysis.
8. Currently it is not economical to refinance DWR debt at this time. Those publicly-sold bonds are not callable until 2016. If a refunding was desired, a bigger bond issue would be needed because if there are no interest rates being generated to pay the bond proceeds, a failure of escrow situation could result.
9. Two investment banks have been selected that that can work with us to develop creative financing options when market opportunities arise.

Mr. Foree said the Board did not give any other direction but requested the financial analysis and third-party review be completed and recommendations brought to them by March 31, 2011.

Mr. Tissier talked about various ways TMWA and Washoe County are exploring to develop creative financing options, such as to possibly expand the Tax Exempt Commercial Paper Program and to refinance Washoe County debt.

Mr. Schmidt asked if there are other aspects of the merger which could offset the cost of bonds being refinanced. Mr. Tissier explained that the Capital Improvement Plans of both entities have been reviewed to determine ways to not only reduce operating expenses but facilities also. Also, the reason to have an independent analysis of each entity and then the combined analysis comparative is to determine whether the merger would result in a net savings.

Mr. Turner asked if the SAC would have an opportunity to review the analysis prior to the March Board date. Mr. Tissier said it would be difficult to complete the financial analysis by the March SAC date; however the item would be placed on the SAC agenda as soon as possible. He said staff will be respectful of the SAC's comments and interest.

## 6. PRESENTATION OF UNAUDITED FINANCIAL REPORT FOR FY2010

Mr. Tissier said the auditors had completed their audit; therefore, the unaudited numbers will be the virtually the same as the audited numbers. Operating revenues were slightly under budget, keeping in mind that the operating revenues in the budget did *not* reflect the rate increase as the budget was approved by the Board prior to the effective date of the rate increase. Generally, the budget would be adjusted to reflect the rate increase but it was apparent that decreasing water demands had pretty much eroded the June 2009 4.5% general rate increase. Without the rate increase, revenues would have been even worse than they were. To address the situation of lower than expected water sales, TMWA engaged in every possible way to reduce operating expenses. Total operating expenses were \$3.6 million or 9.1% less than budget. The auditors agreed with TMWA's position to capitalize TROA related expenses as provided by *Governmental Accounting Standard 51, Accounting and Financial Reporting for Intangible Assets* which accounted for nearly \$0.7 million being removed from operating expenses to the balance sheet. TMWA experienced \$0.6 million less in power expenses due to lower water demands and also benefited from full gravity flow of raw water to the Chalk Bluff Treatment Plant in the fourth quarter of FY2010. There are also five vacant positions that have not been filled.

Investment income was significantly impacted by continued low investment yields on TMWA's debt service reserves. Offsetting the reduction in investment yields was a significant reduction in interest expense as a result of very low interest rates on TMWA's outstanding commercial paper.

The committee asked for a status on a possible rate increase as part of the merger. Mr. Tissier said that the FY2011 budget will be reforecast to more accurately reflect the cost-containment measures that have been implemented, then FY2012 budget and four-year forecast will be developed. That will tell the timing and magnitude of any potential rate change(s). He said if the operating expenses hadn't been controlled to the extent they were, future rate increases would have been more significant than what had been presented many months ago. But by focusing on operating expenses and managing those expenses it is possible to mitigate future rate increases. Mr. Schmidt cautioned against having a rate increase simultaneous with the merger saying "The public is not going to understand that the merger is a good idea if there is a rate hike at the same time". Mr. Tissier responded that staff was sensitive to the perception of rate hikes being a reflection of the merger action.

Mr. Tissier answered questions from the committee to explain and clarify the Schedule of Revenues, expenses and changes in net assets - budget and actual for FY2010.

## 7. REPORT ON OCTOBER 20, 2010 BOARD STRATEGIC PLANNING SESSION

Mark Foree said the items of note were the merger discussion as discussed earlier during agenda item 5; and the following goal results which were very good due in a large measure to the hard work and dedication of the TMWA staff.

He highlighted the following goals and objectives:

- Customer Satisfaction had an “excellent” overall satisfaction rating of 85% for residential customers and a “good” overall rating of 83% for commercial customers. He noted this rating coincided with implementation of a rate increase. Mr. Schmidt commented that the rate increase was modest and customers adjusted their behavior as shown with decreasing water usage, so the average bill probably didn’t increase noticeably.
- The call center goal requiring 80% of all calls to be answered within 35 seconds was exceeded with the call center answering 82.27% within 35 seconds.
- A new category “Efficiency” was added which included tracking the number of accounts per employee and million gallons per day (MGD) delivered per employee compared to national benchmarks. TMWA’s scores were between the median and the top quartile for the customer accounts/employee benchmark and in the top quartile for the MGD delivered/employee benchmark.
- The goal to analyze costs and benefits and funding opportunities for renewable energy for energy-efficient projects was exceeded as a 30 kilowatt solar system was installed for the Capital Blvd. building in June 2010. With the \$150,000 rebate from NV Energy and the expected energy savings, it appears to be a five-year payback. There is a display in the lobby of how much energy TMWA is generating with the solar system. A display showing power generated by the hydroelectric plants will be added so customers can see how TMWA is performing in producing renewable energy.
- TMWA’s medical safety incident rate was in the “excellent” rating with the low at 2.97 incidents per 200,000 hours worked; however, the preventable vehicle accident goal was not met.
- Expenses were underspent in Capital by approximately \$6.9 million and Operating and Maintenance by approximately \$3.6 million.
- The goal of updating the funding plan by December 2009 in advance of a bond refinancing was completed in early 2010, which resulted in a savings of \$2.3 million over a three and a half year period, was met. TMWA’s credit rating was maintained and the letter of credit was renewed for two years at very favorable terms, thereby meeting those goals.
- The treatment cost per million gallons (MG) was missed by \$1/MG (\$354/MG vs. a goal of \$353/MG) due in large part to the need to use more treatment chemicals than anticipated because of a very long runoff season. The treatment staff met the effluent turbidity total of less than 0.05 NTU’s 95% of the time.
- In the Distribution area, the goal in Hydro plant availability was exceeded (99.33% vs. a goal of 95%). Mr. Foree showed a slide which showed the electrical usage vs. hydro power generation over the past four years, illustrating that TMWA is very close to self-sufficiency by generating approximately 80% of its usage. With the expected power savings from the Mogul Bypass and expanded Highland Canal, TMWA could generate

100% of the power it consumes in the near future. Based on the long-term purchased power agreement with NV Energy, TMWA recoups about 60% of its energy cost.

- Ms. Mazeris reported there are still 640 services to be retrofit with meters, with almost 9,000 customers still being billed on the flat rate. The average call handle time goal of 5 minutes was missed with a result of 5 minutes 2 seconds, due largely to customers needing to make payment arrangements because of the economy. This has come down by about 20 seconds since the end of the fiscal year brought about by some system improvements. The goal for disconnects for non-payment (under .40) was met with a .32 result. The goal for Write-off to Revenue, was not met because of the economy; FY2011 is looking better in this area.
- Engineering and New Business markers continue to reflect capital projects completed on time and on budget, as well as meeting new business application turnaround goals.
- Natural Resources met all its goals, including the completion of the 2010-2030 Water Resource Plan that included the change to three day per week assigned day watering schedule which has been very successful.

Mr. Erwin talked about the factors that contributed to the decrease in revenues such as meter conversions leading to changes in behavior, the sluggish economy which led to the high number of vacancies and a long, wet spring which also contributed to a decrease in water use. Mr. Erwin said that although total customers have remained static for the past few years, the residential metered customer class grew and the residential flat rate class declined.

Because of the economic downturn, there are approximately 13,000 to 16,000 potential building lots to be developed before there will be any potential change in connections.

Mr. Erwin showed a slide comparing production in the years 2008, 2009 and 2010. There was not much change in actual water production but there was a reduction in peak day usage during the week. In answer to Mr. McGuire's question as to whether the average person is using less water this year with three-day watering than in year's past, Mr. Erwin said that attributing the decrease to three-day-a-week watering is a little premature and is more likely a weather driven response. A lot of folks were actually watering three days anyway so they really didn't change their behavior.

- Mr. Vorreyer asked who establishes the goals and measures. Mr. Foree replied that staff proposes the goals and the Board approves them.

Mr. Foree added that the goals for 2011 are similar to 2010. A new goal to identify and report on cost containment measures has been added.

## 8. UPDATE ON NEW ASSIGNED-DAY WATERING SCHEDULE

Ms. Richards presented this item. She said that twice-a-week watering had been in place for 20 years, so all literature and data had to be updated. A direct mailer and a number of workshops were used to inform customers of the change. During the summer, she spoke with many customers and as expected, customer reaction ran the gamut from those who were very grateful for the change and thought their lawns never looked better to accusations of conspiracy, primarily around anti-conservation methods. She said that the 2 full time equivalents (FTE) conservation staff perform water reviews, educate customers on a variety of issues, check high bill complaints and verify that equipment is functioning properly. Ms. Richards talked about finding water waste, which is the primary job of the seasonal water watchers. This year the water watchers found a number of people who weren't in the billing system. Because those people had not been getting a regular bill they didn't receive the bill insert, didn't realize the rules had changed and were watering on the wrong day, therefore they got caught. Ms. Richards defined water waste as water pooling or sheeting in streets or gutters. She said there needs to be some kind of flow to be considered as water waste.

## 9. FUTURE SAC MEETING DATES & AGENDA ITEMS

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee scheduled the next SAC meeting to be held on Tuesday, January 4, 2010 at 3 p.m. and requested the following items be placed on future agendas:**

- **Status Report on the merger of the Washoe County Department of Water Resources water utility functions into TMWA**
- **Presentation of the Comprehensive Annual Financial Report for FY2010**
- **Presentation of the restated budget for FY2011 and a review of the tentative Budget for FY2012 including the 4-year forecast**
- **Update on the 2011 Nevada Legislative Session, including any water-related bills and the restructuring of the Western Regional Water Commission**
- **Update on Standing Advisory Committee membership**

## 10. COMMITTEE ITEMS

There were no committee items.

11. STAFF ITEMS

Ms. Richards said that TMWA board meetings are broadcast live on Sparks Centennial TV215 by going to [www.tmh2o.com/about\\_us/meeting\\_center](http://www.tmh2o.com/about_us/meeting_center). Previous meetings can be viewed online through the [Meetings Archive](#).

Ms. Richards invited the committee members to attend a tour of the Glendale Water Supply Improvement Project to be later in November, 2010

Ms. Richards said the Water Facility Plan was adopted by the Board on October 20, 2010.

12. PUBLIC COMMENT

There was no public comment

13. ADJOURNMENT

With no further items for discussion, Chairman Vorreyer adjourned the meeting at 5:20 p.m.

Approved by the Standing Advisory Commission in session on \_\_\_\_\_.