



**STANDING ADVISORY COMMITTEE
DRAFT MINUTES
MAY 3, 2011**

The Standing Advisory Committee met at Truckee Meadows Water Authority in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Vice-Chairman Schmidt called the meeting to order at 3:06 p.m.

1. ROLL CALL

Members Present: Kevin Bloomgren, Colin Hayes, Neil McGuire, Jeannie Redinger*, Ron Turner, Fred Schmidt and Barry Winzeler**.

Alternates Present: Robert Chambers (voting), Harry Culbert, Bruce Gescheider (voting), Mike Heffner, Jim Maass (voting), Paul Rose and Jim Smith.

Staff Present: John Erwin, Scott Estes, Mark Foree, Kim Mazeres, 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

There was no public comment.

4. APPROVAL OF THE MINUTES OF THE APRIL 5, 2011 MEETING

Mr. Heffner asked that Page 7 be corrected at the asterisk to read "Mr. Heffner as Mr. McGuire's alternate was present and..."

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of the April 5, 2011 meeting as amended.

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

Mr. Foree reported that the status of the merger had not changed significantly during the past month. DWR continues to work on their financial analyses. Mr. Tissier reported that Public Financial Management (PFM) will review the financial information from TMWA and DWR during June and that information would then be presented at a joint meeting of the TMWA Board and the Board of County Commissions on July 7, 2011

Mr. Tissier assured the SAC that he is working closely with the Finance Director of Washoe County to aid in a timely completion of DWR's projections and analyses. The Capital Improvement Plans will be refined to determine the financing needed to defease debt and prefund construction projects, and ensure that any incremental costs be attributed to either TMWA or DWR so existing TMWA customers are not negatively impacted by the merger.

Discussion ensued about a rate structure for the merged entity. Mr. Erwin pointed out that any rate differentials could be in the form of a surcharge to the bill, not necessarily as a new customer class. Mr. Foree commented that it was not uncommon in the water industry to have differential rates for areas outside city limits.

There was a discussion about the problems Washoe County has encountered in the South Truckee Meadows, how those problems could affect the merger, what the continued liability might be to the merged entity, and how any liability could be mitigated.

Mr. Turner asked when the SAC would be able to review the financial information. Mr. Tissier said the schedule was not as important as accuracy and was hopeful the SAC would be able to review the information at their July meeting.

6. PRESENTATION OF TENTATIVE BUDGET FOR FY2012 AND 2012-2016 CAPITAL IMPROVEMENT PLAN

Mr. Tissier presented the tentative FY2012 budget and 5-year Capital Improvement Plan, which was approved by the TMWA Board at their April 10 meeting. He stated that the FY2012 budget is also the first year of the five-year forecast which is part of the merger analysis. Mr. Tissier explained that it was important for all TMWA's financials analyses to be consistent and able to be defensible to the Board, to the rating agencies, to the public and able to be used for the merger. As all these venues have different concerns and perspectives, this is an interesting challenge.

The five-year forecast was furnished to Fitch ratings during the credit rating review process. Fitch reaffirmed the AA- rating and retained the negative outlook due to Nevada's economic condition, not because of TMWA. If TMWA can demonstrate another year of financial performance similar to FY2011, Fitch will be very much inclined to remove the negative rating. TMWA's debt coverage ratio could reach the 1.40 level which would be a positive development to TMWA.

In answer to a question on why the budget did not include a rate increase, Mr. Tissier explained that it was not appropriate for staff to include a rate increase that had not been approved by the Board; therefore, revenues were projected without any rate increase. He also said that the results from FY2011 needed to be determined and analyzed before any decisions are made regarding a rate proposal.

There was some discussion about a rate increase, but Mr. Tissier again reiterated that any discussion or development of a rate proposal was premature until all the financial reports for FY2011 are complete.

Mr. McGuire asked about the line items for meter replacements and meter retrofits. Mr. Tissier explained that meters have an expected service life of at least 15-years, and the meter replacements are now being budgeted for those meters installed in the mid-1990s. As for meter retrofits, there are still approximately 450 of the most complicated and difficult water service configurations left to complete. There is still some money available from the developer fees that fund the retrofit project, but not enough to complete all 450 of the remaining retrofits. At present retrofits are scheduled when requested by a customer or due to street and highway work at the site.

7. PRESENTATION ON TMWA CONSERVATION PROGRAMS

This item was tabled until next meeting.

5. STATUS REPORT ON THE 2011 NEVADA LEGISLATIVE SESSION

Steve Walker, TMWA lobbyist, reported on the status of bills being heard in the Legislature. He said the majority of the water bills were being heard on May 4. TMWA had been instrumental in presenting amendments to help ensure the language of the bills met TMWA needs and, as some of the bills change basic operational law, TMWA wanted to have input into the process.

There were a number of employment bills which went through the Legislative process very rapidly without much of an opportunity to react to them.

There were a number of worker's compensation bills that TMWA was watching because passage would place a burden of data tracking and data reporting on existing personnel.

There were a few bills regarding violations of the Open Meeting law resulting in fines which could affect TMWA and its Board members.

AB471, which revises provisions relating to enterprise funds, was important to TMWA because of the proposed merger with Washoe County DWR, which is an enterprise fund. An amendment was proposed to have all enterprise funds rate increases be approved by the Local Government Finance Committee (LGFC) As the LGFC only meets quarterly, this would put a heavy burden on the LGFC, create massive delays, be extremely cumbersome for the enterprise funds and could jeopardize bond covenants. There had been a commitment by the amendment's sponsor to pull the amendment.

Mr. Erwin mentioned that TMWA had been influential on AB114 (Revises State Engineer's fees), AB115 (Revises State Engineer's noticing practices), and SB153 (Revises determination of beneficial use of municipalities' water rights) by submitting amendments to clarify language and by explaining the unintended consequences of these bills.

In answer to a question on which bills were introduced by the Legislative Committee to oversee the Western Regional Water Commission, Mr. Erwin said they were AB237 (Authorizes and broadens use of County Bond Bank) and AB238 (Eliminates some limitations on County Bond Bank). If asked, TMWA will state its position in support this legislation. These bills were important to TMWA because of the potential merger with Washoe County and the effect they will have on refinancing TMWA's initial debt.

9. FUTURE SAC AGENDA ITEMS

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee cancelled the June 7, 2011 meeting and scheduled the next meeting for Tuesday, July 5, 2011 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 and presentation of the financial information to be presented to the joint meeting of the TMWA Board of Directors and the Board of County Commissioners**
- **Financial report for year-end FY2011**
- **Update on Final Budget FY2012**
- **Educational presentation on water supply, water rights ownership, enforcement, ground water, surface water**
- **Report on TMWA Conservation programs**
- **Status Report on the 2011 Nevada Legislative session**
- **Presentation on Water Quality and legal counsel's response on assisting with erroneous water quality reports by Environmental Working Group**
- **Discussion on rate setting practices (how TMWA sets rates)**

10. COMMITTEE ITEMS

Mr. McGuire asked about the water supply to Lake Lahontan. Mr. Erwin replied water is supplied through the Truckee Canal by water diverted at Derby Dam from the Truckee River. The Truckee Canal has not been operational since December 2010 and it may be late summer or early fall before it has a water supply. Mr. Maass asked about the level of the pond at the Grand Sierra Resort. Mr. Erwin replied the Truckee River is for the most part a sealed river channel, in that there does not appear to be significant leakage of water through the river bottom and therefore the source for the pond is groundwater which helps explain why the level of the pond remains relatively constant.

11. STAFF ITEMS

Mr. Foree said that staff is planning an appreciation barbeque for the first or third Friday of August. A confirmation will be sent as soon as the date is set.

12. PUBLIC COMMENT

There was no public comment.

13. ADJOURNMENT

With no further items for discussion, Vice-Chairman Schmidt adjourned the meeting at 4:58 p.m.

Approved by the Standing Advisory Commission in session on _____

*Jeannie Redinger left at 4:30 during # 6

**Barry Winzeler left at 4:45 during # 9