



STANDING ADVISORY COMMITTEE WORKSHOP
DRAFT MINUTES
April 3, 2012

The Standing Advisory Committee met at Truckee Meadows Water Authority in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chairman Vorreyer called the meeting to order at 3:09 p.m.

1. ROLL CALL

Members Present: Kevin Bloomgren, Robert Chambers, Ben Hutchins, Denise Jacobsen, Neil McGuire, Jonnie Pullman, Susan Ralphe, Greg Vorreyer and Barry Winzeler

Alternates Present: Harry Culbert, Bruce Gescheider and Fred Schmidt

Staff Present: John Erwin, Scott Estes, Mark Foree, Bill Hauck, Kim Mazerres, Lora Rose Richards, Jeff Tissier and Mike Pagni, Legal Counsel

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE FEBRUARY 7, 2012 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of February 7, 2012.

5. UPDATE ON STANDING ADVISORY COMMITTEE MEMBERSHIP

Ms. Richards welcomed Jonnie Pullman, the new Multi-Family primary representative who was appointed by the Board on March 21, 2012. Ms. Redinger will become the Multi-Family alternate representative as she requested. Ms. Richards reported that the Board appointed Sun Valley General Improvement District (SVGID) as the Wholesale Representative when the merger between TMWA and Washoe County Department of Water Resources occurs.

6. UPDATE ON WATER SUPPLY

Mr. Hauck summarized the past year's weather stating that snow pack for the year end in the Truckee Basin is 60% of average and the Tahoe Basin is 50% of average. The water supply for the coming year is good with Lake Tahoe at approximately two-thirds full.

7. STATUS REPORT ON THE MERGER OF THE WASHOE COUNTY DEPARTMENT OF WATER RESOURCES WATER UTILITY FUNCTIONS INTO TMWA

Mr. Foree said that work continues on the details of the merger, such as identifying assets and developing schedules. Work has also begun on preparing the necessary addenda to the Interlocal Agreement. He and Mr. Tissier met with the State Treasurer regarding the Washoe County debt. Mr. Tissier said that a defeasance analysis of the \$26.1 million has been completed. For a long time, refunding of the Washoe County (County) bonds was not economical, but it now appears that refunding that debt using the current structure can be accomplished with a neutral outcome. A joint meeting with the Board of County Commissioners and the TMWA Board could possibly be held in the fall, with the goal of receiving approval to proceed with the merger.

In response to a question regarding South Truckee Meadows General Improvement District (STMGID), Mr. Foree said that the County is in the process of merging STMGID into DWR. This was brought about due to the budget constraints of the County. The timeframe for completion of this merger is in the fall, and prior to the merger of TMWA and DWR. There was a discussion about this merger, the issues, and how it could affect TMWA customers.

Mr. Pagni, Legal Counsel, said that any discussion regarding potential effects on TMWA customers was speculative because the STMGID merger is between the County and STMGID and the terms of that merger have not been finalized. TMWA staff is monitoring the progress of that merger, and anticipates the STMGID assets will be included in the assets to be acquired by TMWA, but those details have yet to be determined. It has been made clear from prior SAC discussions and Board directives that TMWA staff will continue to proceed with the intention of avoiding adverse impacts to TMWA customers.

The Committee asked for further information about the merger of STMGID into DWR. Mr. Hutchins and Mr. Winzeler are involved in the negotiations and agreed to give an update at the next meeting.

8. PRESENTATION OF FINANCIAL PERFORMANCE FOR FIRST HALF FISCAL YEAR 2012

Mr. Tissier presented this item. TMWA's financial performance was very good for the six months ended December 31, 2011 with total operating revenues 2.5% greater than budget and operating spending 6.8% under budget. Personnel continue to do an excellent job managing operating expenses while there is finally seeing some improvement in water sales. He explained that power expenses are lower than budget due to management of pumping in the distribution system, in addition to not having to use the Orr Ditch Pump Station because construction on the Highland Canal which was planned for FY2012 was deferred to FY2013. Interest income was on budget. Unrestricted cash increased by \$4.6 million because TMWA did not have to transfer

funds to the bond trustee since the \$9.3 million maturity of the 2001-A bonds, due July 1, 2012 was called using tax-exempt commercial paper. However, unrestricted cash will decrease over the next 5 to 6 months, because, as happens annually at this time of year, operating revenues are not sufficient to pay for operating expenses, monthly principal and interest payments as well as progress payments on construction projects.

9. PRESENTATION OF AUGMENTED AND AMENDED BUDGET FOR FISCAL YEAR 2012

Mr. Tissier presented this item saying it was routine at this time of the year to revise the budget. Once the financial report is made for the first six months of the year, the budget as approved in May 2011 can be adjusted to more closely reflect actual income and expenses. He highlighted some of the adjustments and augmentations including:

- The final budget for FY2012 was presented without any water rate increase. The revised budget for water sales reflects the approved rate increase that went into effect in February 2012 and the increased sales due to the warmer than expected fall weather.
- Hydroelectric sales are expected to be greater than planned due to greater river flows and deferral of a generator rewind which would have affected plant availabilities.
- Operating expenses have been reduced due to continued power and treatment chemical cost controls. Staff continues to make advances in managing costs as was reflected in NV Energy's award for TMWA's Highland Canal reconstruction that produced significant power cost savings.
- Non-operating expenses were increased for merger-related activities. In answer to a question from the Committee, Mr. Tissier explained that the Western Regional Water Commission does reimburse TMWA for a portion of spending on merger activities.

10. PRESENTATION OF TENTATIVE BUDGET FOR FISCAL YEAR 2013 AND DRAFT CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2013 THROUGH 2017, DISCUSSION AND POSSIBLE RECOMMENDATION

Mr. Tissier presented the tentative budget for FY2013 saying that the tentative budget is given to the Board for their review and input prior to the public hearing on the budget that will be held on May 17. The Board approved the tentative budget on March 21. The tentative budget reflects the general water rate increases proposed and approved in January 2012. He said he recognized that the second water rate increase requires a financial review prior to implementation, but to make an informed decision, the second increase has been incorporated in the budget in order to make a sound comparison to actual financial performance. For Capital Spending, the most significant construction project in FY2013 will be the final major improvement to the Highland Canal for \$4.0 million. All other construction activities will essentially be rehabilitation or reconstruction efforts. The financial position has improved which will position TMWA to restructure debt in the ensuing five years.

The Committee asked for further discussion on the tentative budget at the next meeting.

Mr. Tissier said that the rating agencies were interested in TMWA's succession planning as there will be a number of changes on the Board of Directors due to term limit of elected officials. The Board has enjoyed a fairly stable membership since 2001. Mr. Tissier also commented that several senior management personnel are about the same age and staff is identifying succession planning needs for the entire organization, including that group. Member Gescheider expressed an interest in the succession planning and asked if more information could be available at the next meeting.

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee voted to recommend the tentative budget, as presented, to the TMWA Board.

11. PRESENTATION OF TMWA RATE ADJUSTMENT HISTORY

John Erwin presented this item, making two corrections on the Schedule:

- *Cost of Service Estimated for Year of Rate Adjustment.* In Column – c – change “Sun Valley GID” from 2,168 to 1,297 and “County Whsl” from 1,346 to 2,217. The total remains the same.
- *Projected/Historic Schedule.* In Column – e – change “Historic 2009” to “Historic 2008”.

Mr. Schmidt asked for the overall rate increase percentages. Ms. Richards said they were:

- 2003 18.75%
- 2005 5.4%
- 2009 4.5%
- 2010 4.4%
- 2012 3.5%

Mr. Foree said that in a comparison to the CPI between 1998, when the last rate increase was made by Sierra Pacific Power Company, and present, the TMWA increases were just over the CPI for that time period.

Neil McGuire left at 4:28 p.m.

12. REPORT ON LOW-INCOME PROGRAM RESEARCH

Ms. Mazeres presented this item. In response to a request by the Board, staff researched programs, criteria and funding of other entities and utilities in Nevada. This report was presented to the Board at their March meeting. The Board accepted staff's recommendation to not institute a low-income program at this time. The Board commented that staff does an excellent job of customer service on a daily basis. Mr. McGuire, as a private citizen and not as Vice Chairman of the Standing Advisory Committee, offered public comment at the Board meeting, recommending the Board not adopt a low-income program because of cross-subsidization of customer classes.

13. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING AGENDA ITEMS FOR FUTURE MEETINGS

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee set the date of the next meeting as Tuesday, May 1, 2012 at 3 p.m. and requested the following items be placed on future agendas:

1. Update on merger of STMGID into DWR
2. Update on merger of TMWA & DWR
3. Proposed revisions to the Rate Schedule WSF - Water System Facility Charges
4. Review of tentative budget for FY2013 and 5-year Capital Improvement Plan
5. Information on Succession Planning
6. Update on Customer Statistics, in particular the number of pending and vacant premises

14. COMMITTEE ITEMS

There were no committee items.

15. STAFF ITEMS

Ms. Richards said recent customer bills included the 2012 Water Quality Report and a schedule of free irrigation workshops for 2012. Water Quality staff will be holding a public workshop titled "Know What's in Your Drinking Water" as part of Drinking Water Week May 6 through 12, 2012. She also asked the Committee to think about the date for the July meeting as the usual date, July 3, is the day before a holiday.

16. PUBLIC COMMENT

There were no public comments.

17. ADJOURNMENT

With no further items for discussion, Chairman Vorreyer adjourned the meeting at 4:52 p.m.

Approved by the Standing Advisory Commission in session on _____

Corinne Cassell, Recording Secretary