



STANDING ADVISORY COMMITTEE
DRAFT MINUTES
October 2, 2012

The Standing Advisory Committee met at Truckee Meadows Water Authority in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Vice Chairman McGuire called the meeting to order at 3:02 p.m.

1. ROLL CALL

Members and Voting Alternates Present: Robert Chambers, Harry Culbert, Bruce Gescheider, Colin Hayes, Ben Hutchins, Denise Jacobsen, Neil McGuire, Jonnie Pullman, and Ron Turner

Alternates Present: Paul Rose, Fred Schmidt, and Jim Smith

Staff Present: Corinne Cassell, Amanda Duncan, John Erwin, Scott Estes, Mark Foree, Kim Mazeris, Shawn Stoddard, and Jeff Tissier

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 SEPTEMBER 4, 2012 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of September 4, 2012.

5. STATUS REPORT ON THE MERGER OF SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT (STMGID) AND WASHOE COUNTY DEPARTMENT OF WATER RESOURCES (DWR) WATER UTILITY

Ben Hutchins, Washoe County, began with a report on the meeting of September 25, 2012

between the Washoe County Board of County Commissioners (BCC) and the South Truckee Meadows General Improvement District Board of Trustees (BOT), which have the same members. They discussed the progress and direction of the feasibility study for the possible establishment of STMGID as a general improvement district independent from Washoe County. A final draft with a two-week comment period is expected to be completed by October 18 and will be presented to the Board of Trustees for consideration and final determination on the direction of the whole process on November 13. Among the comments from the BCC and BOT were:

- Want more dialogue with TMWA, but the County basically needs to be the party to resolve the STMGID issue.
- If the STMGID issue and the DWR/TMWA consolidation are not resolved locally, there is a risk of having the Legislature becoming involved at the State level during future legislative sessions.
- Another board member wanted to make sure that if STMGID and DWR were to separate, TMWA would provide wholesale water service to STMGID.
- Want information on how Sun Valley General Improvement District (SVGID) operates its system and its relationship with TMWA.
- Want an agenda item to be discussed at a future joint BCC/BOT meeting to review TMWA/DWR consolidation, the purpose, history and status.
- Want a review of STMGID as to why it exists and why it is operated by Washoe County.

Key upcoming meeting dates are:

- October 4, 2012 STMGID Local Managing Board (LMB) meeting
- October 9, 2012 Joint meeting of the BCC and the BOT
- October 17, 2012 TMWA Board meeting. Mark Foree said that staff will be looking for direction from the Board regarding the STMGID issue at that meeting.

The Committee discussed the following three options from the feasibility study that were presented to the BCC and the BOT.

- 1) Merger into DWR with the 10-year rate phase-in period. This is a zero infrastructure cost option with a 10-year rate accommodation. At present, STMGID residential rates are about 40 percent lower than Washoe County residential rates so they would increase about 4 percent per year to catch up over this 10-year period.
- 2) Completely separate the STMGID water system. This is a \$13 million cost option for complete separation of the two systems.
- 3) Lower the infrastructure cost by keeping some inter-ties between STMGID and DWR going both ways. This is an \$8.5 million cost option.

There may be other options beyond that; however, at present these are the current options being considered that will be submitted to the public at public workshop(s) so STMGID customers can voice their preference to the LMB. The LMB will then have that information as it prepares a recommendation to submit to the BOT on November 13.

There was a discussion about the agenda item for the TMWA Board meeting on October 17. At its September meeting, the Board discussed the facts that TMWA has no relationship with STMGID; TMWA does not have any contracts with STMGID; and, TMWA does not have any contractual relationship with the LMB as STMGID is not a customer at this point. The discussion on October 17 about the merger between TMWA and DWR will involve STMGID and possible direction may be given to staff to do something in regard to the STMGID issue.

Mr. Schmidt asked if staff had done any type of analysis on the STMGID issue. Mr. Tissier said that the financial modeling did not project STMGID since TMWA how to financially model something that TMWA does not know about. If staff is directed by the Board to incorporate STMGID in further analyses, staff will work with the County and other appropriate counterparties to prepare that analysis. Mr. Foree also commented that from past merger discussions, it is clear that the TMWA Board is looking for Washoe County to make a decision on the STMGID issue; that the TMWA Board did not feel it was their place to get involved in that discussion, but the County needed to make a decision that would not impair the TMWA/DWR merger.

Mr. Gescheider asked if TMWA's ability to move forward with the TMWA/DWR merger is held up by the DWR/STMGID issue. Mr. Tissier said that resolution of the STMGID issue is a condition precedent to the TMWA/DWR merger.

There was also an explanation and discussion on the differences between SVGID and STMGID. SVGID buys all of its water from TMWA, and TMWA does all the water resource management for SVGID. SVGID is in a confined basin in a corner of the service area while STMGID service area is not contiguous and is surrounded on all sides by either the TMWA or Washoe County service areas. SVGID fully maintains its system, while STMGID has always been 100 percent operated and maintained by the DWR staff through contract. STMGID does not have any employees, does not have a building, does not own any tools or have any vehicles.

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

Mr. Foree stated the biggest step recently was to work with DWR staff to harmonize Washoe County ordinances and facility charges with TMWA Rules of Service to the maximum extent possible so when the merger does happen, there would be a smooth transition in regard to these items. A critical juncture has been reached with all the due diligence and analysis of the past three years and the process is now coming to closure. How the County will move forward will now determine how TMWA will move forward. At this point, TMWA cannot invest more time or money in the process until further direction is given by the TMWA Board.

Mr. Gescheider asked if the ordinances and fee structure were very different between the two entities. Mr. Tissier said not so much from a billing standpoint but in the way DWR and TMWA serve their respective customers. For instance, TMWA has conservation programs and DWR

ordinances are silent as to that. The developer fee analysis was done to ensure that the fees that are in place were adequate to reimburse DWR for its investment in new and expanded infrastructure. It is important to note that both staffs will work together to harmonize DWR's water ordinances with TMWA Rules of Service so customers in both service territories are served in a similar fashion to the maximum extent possible. He noted that whether or not there is a merger, at least there will be uniformity in serving customers; and if the merger does take place, the customers will not be impacted by different sets of rules. Mr. Hutchins said that DWR has completed Phase 1 on the changes to be in line with TMWA and Phase 2 is coming up. He said most of the changes were not significant but mostly procedural. The exception was in connection fees, and DWR is working through this challenge on the methodology of those fees.

7. REPORT ON VACANT PREMISES

Kim Mazeres referred to the staff report on Vacant Premises as of the end of August, 2012. She reported that she had just received a report for the end of September and that number is 3,438 vacant premises. One category that is not in the report but will be added in future reports is the number of premises cut out for non-payment which is defined as "any premise that has been cut out for non-payment for more than five days and has not paid their bill." At the end of September, there were 529 of those premises. She said that by adding those figures, the ultimate number of vacant premises would be higher, but the trend would remain the same.

Ms. Mazeres was asked for clarification on the trend in that the numbers rise in the winter and go down in the summer. She replied that this is because of the "snow birds" who leave Reno in the winter for warmer climates and return in the summer. Most of them shut off service to save money.

Mr. Stoddard was asked if he was surprised to see the total number of active water services rising. He responded that since 2010, there has been a gradual climb in the numbers; clearly not a decline. Every month maybe a dozen or so services are added. He noted that the graph is not to be used from the building community's standpoint to interpret growth in the area: it is vacant premises for water service only. He said he cannot predict growth out of the graph, he can only verify it after it happens. He also reiterated that the weather is the biggest factor in the growth of water revenue, not the growth in active services.

8. REPORT ON CUSTOMER WATER USE

Mr. Stoddard reported on the two questions that were asked at last month's meeting. The first was for a comparison on average water use and the second was how the weather in 2012 came into play on water use. He summarized his answer by stating that 2012 weather was an extreme event, that 2011 was a more average weather year, and that warmer and drier weather was the cause of TMWA's increased revenue. He made the following points:

- 2012 was the 9th driest spring since 1944 and had the 2nd fewest number of precipitation days since 1974.

- Residential water use for August 2012 was up 9 percent over August 2011. General Metered Water Service (i.e., commercial customer) use for that month showed a 3 percent decline.
- Irrigation service was up 12 percent.
- A small increase of 1,800 gallons for one Residential Metered Water Service (RMWS) for one month increases that average services bill by only \$5; but when 71,000 water services do the same thing, the result is an increase to revenue of approximately \$355,000.
- In 2012, the conditions were very conducive to an increase in revenue. It was hot and dry, and plants wanted water.
- There was no increase in water usage rates; there was an increase in the monthly service fee.

There was some discussion regarding Annual and Expected Revenue from Water Sales by Customer Class. Mr. Stoddard explained that Residential Flat Rate Water Service revenues continue to decline as customers move to the Residential Metered Rate Water Service. He also said one thing worth noting is the rate increase in February 2012 was only to the customer charges; there was no adjustment made to the tiering rates or volume. The revenue increase was due to water usage, just the increased volume of water used, because it has been hotter and drier and growing conditions started relatively early in the spring. It is due to the weather and as a result we have seen water production year-to-date about 8 percent over 2011. Up to this past June-July period, water production was running about 15 percent higher year over year and now while the conditions we are seeing are a little on the warm side, it is not that much different from what we would normally have this time of the year. The usage pattern is a little higher than normal for this time of the year but it is not as dramatic as we saw in the spring.

Mr. McGuire asked if the analysis took into consideration the wind and evaporation as well as the temperature. Mr. Stoddard replied that it did not. The analysis was done using precipitation, temperature and growing degree days, which is something that is used in agricultural measurements that essentially converts the temperature into the amount of growth opportunity that plants have -- once the temperature gets above 50 degrees that is when the plants will start to grow. That is when their demands for water really occur. This analysis allows us to get a better handle on what is really going on in terms of irrigation requirements of the landscape.

Mr. Schmidt said the reason he made the observation was that as the Committee begins to think about making a determination whether or not to recommend to the Board the implementation of the second phase of the rate increase for February 2013, it will be important to know if the revenue is up due to the rate increase in February 2012 or the weather. Mr. Tissier said that revenue was up about \$5 million over 2011, with \$1.3 million due to the rate increase and the rest due to increased demand from weather. He said he would have Ms. Duncan send everyone the basic financial statements, the management discussion, and the analysis that shows year-over-year changes, along with the notes to the financial report which explains what is in the balance sheet. The unaudited financial statements correlate well with what Mr. Stoddard reflected in his report.

Mr. Schmidt asked Mr. Stoddard to provide the Committee with wholesale revenues so he can compare those changes with the changes in the other rate classes. Mr. Stoddard said that while he did not model any wholesale revenue, he could pull those out.

The fall of 2011 was very warm unlike the prior three years. The growing season started in late April 2011 and that also was a type of weather pattern not seen in the last three years. This information shows the volatility of our weather patterns in northern Nevada and that variable revenue streams are a result of the weather.

Mr. Tissier said that he uses Mr. Stoddard's billing determinants to work on the financial projections which provide consistency.

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

Harry Culbert mentioned that the next meeting date, November 6, is Election Day and asked if the Committee had any interest in changing the SAC meeting to a different day. After some discussion, the Committee chose to leave the meeting on its regularly scheduled date.

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, November 6, 2012 at 3 p.m. and requested the following items be placed on the agenda:

- 1. Update on merger of STMGID into DWR**
- 2. Update on merger of DWR into TMWA**
- 3. Presentation of the Comprehensive Annual Financial Report for FY2012**

10. STAFF ITEMS

Debbie Leonard, Legal Counsel, asked Committee members to respond to Amanda Duncan when she sends out the agenda as to whether or not they will attend that meeting. This will allow Ms. Duncan to ascertain if a quorum will be present.

11. COMMITTEE ITEMS

There were no committee items.

12. PUBLIC COMMENT

There were no public comments.

13. ADJOURNMENT

With no further items for discussion, Vice Chairman McGuire adjourned the meeting at 4:22 p.m.

Approved by the Standing Advisory Commission in session on _____ .

Corinne Cassell, Recording Secretary

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