



STANDING ADVISORY COMMITTEE  
*DRAFT* MINUTES  
December 4, 2012

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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 3:06 p.m.

1. ROLL CALL

Members and Voting Alternates Present: Robert Chambers, Harry Culbert, Kevin Haddock, Colin Hayes, Ben Hutchins, Denise Jacobsen\*, Jim Maass, Neil McGuire, Ron Turner, and Greg Vorreyer

Alternates Present: Mike Heffner

Staff Present: Corinne Cassell, Amanda Duncan, Robert Charpentier, John Erwin, Scott Estes, Mark Foree, Mark May, Kim Mazeris, Shawn Stoddard, Jeff Tissier, and Legal Counsel Debbie Leonard

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 NOVEMBER 6, 2012 MEETING

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of the November 6, 2012 meeting.**

*Ms. Jacobsen arrived at 3:11 p.m. during agenda item #5.*

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

John Erwin distributed maps depicting the service areas of South Truckee Meadows General Improvement District (STMGID), Washoe County Department of Water Resources (DWR) and TMWA in response to a request by the Committee at its last meeting. He reviewed DWR and STMGID Wells and Water Rights and the service areas of all three entities.

Mr. Hutchins said there has been a lot of activity on the STMGID/DWR merger during the past month with meetings between STMGID customers, the STMGID Board of Trustees (BOT), the STMGID Local Managing Board (LMB) and the Board of County Commissioners (BCC). STMGID held two open houses for its customers to present all options of the feasibility study to evaluate if an independent water utility could be established. DWR staff was not present at those meetings. He said the final Feasibility Study Plan, a final recommendation by the LMB to either stand as its own water utility or merge with TMWA/DWR, and the First Reading of an ordinance to transfer the Board of Trustees authority to the Local Managing Board, would be presented at the December 11, 2012 meeting of the BCC and the BOT. The BCC should make a decision on that date.

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

Jeff Tissier said TMWA was waiting for the BCC to make a decision about STMGID at their December 11, 2012 meeting. He said the TMWA Board would like to have a unanimous decision by the BCC on the STMGID matter. On December 12, 2012, Steve Cohen, Chairman of the LMB, will make a presentation to the TMWA Board regarding the LMB recommendation. After a decision is made by the TMWA Board on December 12, future tasks on the merger include refreshing the analysis of financial projections and scheduling a joint meeting of the BCC, TMWA and STMGID. There are some tasks to be completed over which TMWA has no control and the merger date will probably now be delayed to July 1, 2014.

7. PRESENTATION OF FIRST QUARTER 2013 FINANCIAL REPORT

Mr. Tissier reported record water sales during the first quarter of FY2013. This was primarily due to the unusually warm weather. Spending was slightly over budget due to the increase in water production and overtime to repair a number of distribution system leaks. Interest and other non-operating expenses were essentially on target and developer fees were minimal. TMWA is on solid financial ground, with healthy cash reserves that are slated to buy down commercial paper over the next few years. Mr. Turner asked about the expenses to repair leaks. Mr. Tissier said the number of leaks is not unusual and that leaks tend to come in cycles. Water mains and water pipes are normally replaced when the repairs can be coordinated with road and sewer replacements which save money.

8. REVIEW OF TMWA'S FINANCIAL POSITION IN REGARD TO IMPLEMENTATION OF THE SECOND PHASE OF THE RATE ADJUSTMENT (SCHEDULED TO GO INTO EFFECT IN FEBRUARY 2013) AS APPROVED BY THE TMWA BOARD OF DIRECTORS IN JANUARY 2012, AND POSSIBLE RECOMMENDATION TO THE BOARD

Mr. Erwin began the presentation by reviewing Shawn Stoddard's presentation from the Committee's November 2012 meeting, which showed FY2012 had a very warm fall, winter and spring, greatly impacting water usage. He presented some graphs that showed the impact of the rate increase to overall revenue, making the point that the rate increase was for the customer service charge only; there was no change to water use charges, with the majority of the revenue increase due to increased water usage because of the warm, dry weather. Revenues from hydroelectric power generation were also extraordinary. Coupled with holding the line on operating expenses, there is sufficient cash to carry TMWA through the next fiscal year.

Mr. Erwin reviewed TMWA's actual cost of service and compared it with revenues generated. Revenues do not meet the actual cost of service. He reiterated the TMWA Board's position to only go half the distance with the rate increases so as to review, and if necessary reset, new revenue requirements out in the future. He said the position taken is to go slowly and step into the revenue requirement so as to minimize rate shock while allowing economic conditions to evolve.

Mr. Tissier talked about the need for cash liquidity and debt management of the short-term note program. He said that TMWA is, again, a few years away from having to access the financing markets, so it is important to maintain cash liquidity for future refinancing opportunities.

Mr. Erwin presented the two options for implementation of Phase 2 of the rate increase:

- Delay the rate increase for one year (implementation date: first billing cycle in February, 2014.); or
- Move forward to implement the Phase 2 rate increase the first billing cycle in February 2013.

Mr. Erwin said that hydroelectric power generation in FY2012 was phenomenal but that would not be the case in FY2013 due to expected decreased river flows. The other unknown element in water revenues is the weather for FY2013, which there is no way to predict.

Ms. Jacobsen asked about the feasibility of a third option to adopt a lesser rate increase and if that would subject TMWA to reopening the public process. Debbie Leonard, Legal Counsel, said if a decision is made to lower the percentage or to delay the increase for a period of time or to look at the question next year, the rate increase might not be subject to the public process but that the Committee could make a recommendation to the Board that would address that possibility.

Vice Chairman McGuire questioned if, with the amount of money TMWA has in the bank, raising rates could be justified. He opined that it might be prudent to keep the money in the bank

to use to buy down debt when opportunities arise.

Mr. Maass likened it to a family that accumulates cash in a savings account to pay off credit card debt.

Mr. Haddock said he thought the 3.4 percent increase appeared reasonable especially in light of the fact that current capital projects are 95 percent rehabilitation to the system.

Mr. Heffner noted that, for four of the last five years, the weather has worked against TMWA.

Ms. Jacobsen asked if the Phase 2 rate increase would put TMWA's rates closer to those of DWR. Mr. Tissier said, as DWR's rates are slightly higher than TMWA's, it would close part of that gap. Mr. Hutchins noted that DWR has a 5 percent increase scheduled to be effective in January, 2013.

Mr. Maass said he was supportive of not recommending a delay and made a motion to implement the scheduled Phase 2 rate increase. Mr. Turner seconded the motion.

Mr. Hayes said he was also in favor of implementing Phase 2.

Mr. Haddock said the increase in the customer service charge is good for risk avoidance and makes up for the uncertainty in weather conditions.

Mr. Maass added that the major cost for TMWA is to treat and deliver water. TMWA has a variable revenue stream versus the high fixed cost of power and chemicals and the need is there for implementing the Phase 2 increase, especially as it is an increase in the customer charge only. He said he didn't see how the Committee could pass on this one time deal. He also said that the Committee should continue its rigorous monitoring of TMWA's financial statements.

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved making a recommendation to the TMWA Board that they implement the scheduled Phase 2 rate increase to be effective the first billing cycle in February, 2013.**

9. MEMBERSHIP UPDATE AND POSSIBLE DIRECTION TO STAFF AND/OR RECOMMENDATION TO THE TMWA BOARD OF DIRECTORS

Amanda Duncan, Committee Liaison, reported that she had contacted everyone whose term was expiring December 31, 2012.

- Residential 2 Primary Kevin Bloomgren resigned; Alternate Harry Culbert agreed to become Primary. The Alternate position is vacant.
- Residential 3 Primary Susan Ralph resigned; Alternate Jim Maass agreed to become Primary. The Alternate position is vacant.

- Commercial Primary Pat Martinez and Alternate Kevin Haddock have agreed to switch roles. Mr. Haddock will become Primary; Pat Martinez will become the alternate.
- The Northern Nevada Water Planning Commission will reappoint Barry Winzeler, Primary and George Ball, Alternate, at their December 5, 2012 meeting.

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee will send its recommendation to the TMWA Board to reappoint all Standing Advisory Committee members whose term expires December 31, 2012, with the changes as noted above.**

10. ELECTION OF OFFICERS FOR CALENDAR YEAR 2013

Chairman Vorreyer tendered his resignation from the Committee for personal reasons.

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee elected Neil McGuire as Chairman.**

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee elected Ron Turner as Vice Chairman.**

11. 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, January 8, 2013 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. Update on implementation of the Phase 2 rate adjustments**
- 4. Presentation of audited Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2012**
- 5. Status Report on the 2013 Nevada Legislative Session**

12. STAFF ITEMS

Ms. Mazeris introduced Robert Charpentier, TMWA's new Communications Specialist.

13. COMMITTEE ITEMS

There were no committee items.

14. PUBLIC COMMENT

There were no public comments.

15. ADJOURNMENT

With no further items for discussion, Chairman Vorreyer adjourned the meeting at 4:45 p.m.

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

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Corinne Cassell, Recording Secretary

\*Denise Jacobsen present for items 5 through 15 only.