

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE JANUARY 20, 2010
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, January 20, 2010, at the Sparks Legislative Council Chambers, 745 Fourth St., Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:01 a.m.

1. ROLL CALL

Members Present: Dave Aiazzi, John Breternitz, Mike Carrigan, Mike Cate, Bob Larkin and Geno Martini. Member Absent: Bob Cashell.

2. PLEDGE OF ALLEGIANCE

Led by Member Aiazzi.

3. APPROVAL OF THE AGENDA

**Upon motion by Member Cate, second by Member Martini,
which motion duly carried by unanimous consent of the
members present, the Board approved the agenda.**

4. PUBLIC COMMENT

Chairman Carrigan presented a certificate of appreciation from the Board and staff to Tom Young for his service as a member of the TMWA Board of Directors for 2008 and 2009. He commended Mr. Young for being a voice of reason, especially as one of only two appointed, non-elected members of the Board. Vice Chairman Aiazzi added that he appreciated Mr. Young for bringing a business point of view to the Board. Mr. Young expressed his gratitude to the City of Reno for giving him the opportunity to serve on the Board and complimented staff on their professionalism. He stated he felt honored to be on the Board when the Truckee River Operating Agreement (TROA) was signed as he was involved with TROA as early as 1980. Chairman Carrigan welcomed John Breternitz, Washoe County Commissioner, as the new seventh member of the Board representing Washoe County.

5. APPROVAL OF THE DECEMBER 16, 2009 MINUTES

**Upon motion by Member Martini, second by Member Larkin,
which motion duly carried by unanimous consent of the
members present, the Board approved the December 16, 2009
minutes.**

6. REPORT ON WATER QUALITY

General Manager Mark Foree said that he and Paul Miller had been in contact with the Environmental Working Group (EWG) and briefed the Board on the discrepancies and errors found in the data used by EWG to rank TMWA's water quality very low in a report on the water quality of the nation's top 100 water utilities published last December. EWG is now talking to all of the utilities to correct inaccurate data used to compile the report. TMWA gave them the correct data for 2005 and 2008 and in February 2010 will send them additional 2008 data collected for compliance. Staff will provide corrected and additional information to the *New York Times* which also published a similar article.

The errors TMWA staff found in EWG's data include: using values upstream (before treatment) of PCE treatment facilities (water that is not delivered to customers), double counting of contaminants, overstating of contaminant levels, etc. Also, in calculating average system contaminant concentrations, EWG did not use a weighted average methodology – failing to consider the fact that 85-90% of our water supply comes from the Truckee River (an outstanding source of water). All of these errors greatly overstated the contaminant concentrations from a factor of about three times the actual value for arsenic to a factor of about 100 times the actual value for PCE. Mr. Miller said this simply highlights the fact that an organization such as this cannot possibly understand each and every water system's operation, and, therefore, it is inappropriate and irresponsible to issue a report like this without communicating with utility representatives first.

Mr. Foree stated that the water that is delivered to our customers is what matters, and that water quality is excellent and meets all water quality standards. Mr. Miller explained the process that the United States Environmental Protection Agency (EPA) uses to set drinking water standards. This information will be added to the Water Quality section of www.tmh2o.com, as most people do not know about all of the measures that EPA takes to ensure safe drinking water for our nation. The Board reiterated that the water that goes to TMWA customers meets very high standards.

7. REQUEST FOR BOARD ADOPTION OF RESOLUTION NO. 154 — 2010 REFUNDING BOND RESOLUTION AUTHORIZING THE SALE OF REVENUE BOND TO REFUND CERTAIN OF TMWA'S OUTSTANDING REVENUE BONDS

Mr. Tissier introduced Jennifer Stern, Bond Counsel with Swendseid and Stern. He explained that staff had been monitoring bond market conditions for the past five months watching for this opportunity. Last month, bond market conditions presented TMWA with an opportunity to refinance a portion of the remaining acquisition bonds that were issued to purchase the water assets of Sierra Pacific Power Company. TMWA has remaining \$58.1 million of outstanding Series 2001A bonds and this bond issue would refinance about half of those remaining bonds. The refunding issue is designed to garner savings of about \$0.5 million over the next 18 months. Mr. Tissier said that usually there is a criterion of three percent net present value to provide a threshold for entering into a refunding; however that criterion needs to be reconsidered because savings are concentrated in 18 months. There were no questions or comments from the Board.

Upon motion by Member Breternitz, second by Member

Martini, which motion duly carried by unanimous consent of the members present, the Board adopted the 2010 Refunding Bond Resolution No. 154 authorizing the sale of Revenue Bonds to refund certain of TMWA's outstanding revenue bonds

8. REQUEST FOR BOARD ADOPTION OF RESOLUTION NO. 155 — A RESOLUTION TO ISSUE A 2010A BOND FOR GLENDALE WATER SUPPLY IMPROVEMENTS THROUGH THE DRINKING WATER STATE REVOLVING LOAN FUND (DWSRF) IN THE AMOUNT OF \$8.5 MILLION

Mr. Tissier explained that the purpose of the Glendale Water Supply Improvement Project is to modernize the raw water intake structure from the current rock and rubble diversion to a more modern facility. This will allow TMWA to utilize its privately stored water more effectively in drought conditions and integrate the intake profile into current flood control projects. It will also allow for recreational boat and fish passage on the river. Although this project has been in the Capital Improvement Plan for many years, construction has been deferred in hopes of obtaining direct federal funding support which has not materialized. TMWA applied to the Drinking Water State Revolving Loan Fund, a federally subsidized loan program that provides low cost financing, to fund the construction of water facilities. The interest rate on the loan is expected to be 3.25%. The loan was approved by the State Board for Financing Water Projects in December 2009. The State Treasurer provided a letter which will subordinate this loan to the senior lien debt: a critical component to allow TMWA to move forward with the project. There were no questions or comments from the Board.

Upon motion by Member Martini, second by Member Cate, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 155 authorizing the issuance of a 2010A bond for the Glendale Water Supply Improvements through the Drinking Water State Revolving Loan Fund in the amount of \$8.5 million

9. REQUEST FOR BOARD ADOPTION OF RESOLUTION NO. 156 — A RESOLUTION FOR FIRST BUDGET AUGMENTATION AND APPROVAL OF BUDGET REVISION JULY 1, 2009 THROUGH JANUARY 31, 2010

Mr. Tissier presented the material aspects of the augmentation and revisions. The final budget for FY2010 presented water sales without the 4.5% general water rate increase. This rate increase was anticipated to generate approximately \$3.0 million in additional water sales. For the first half FY2010, nearly \$1.9 million of the \$3.0 million in additional revenues have not materialized. Projections to June 30, 2010 show a slight decrease in water sales revenues thereby negating the rate increase.

Of particular note are the following:

- \$600,000 for the cost of decommissioning the section of the Highland Canal and Flume structure around the Mogul residential area.

- \$625,000 in non-operating expenses incurred on the merger activities with the Department of Water Resources.
- \$750,000 for reduction in interest expense as a result of historically low interest rates on maturing tax-exempt commercial paper. The latest remarketing produced weighted average interest rates of 0.29%. Although investment interest rates are low this is balanced by historically low interest rates on TMWA's short term debt.
- \$3.2 million for increases in capital expenditures which include \$2.1 million for the advancement of the Sparks Feeder Main Phase IV because of paving efforts planned for 21st Street in Sparks and \$500,000 for the Water Meter Retrofit Program since TMWA ended up with nearly \$500,000 more in restricted cash as of June 30, 2009.
- TMWA may still have an opportunity for some more American Recovery and Reinvestment Act (ARRA) stimulus funding because TMWA acts as a backstop for the program in case other participants could not draw on their authorization.
- Bond and note issuance costs related to the tax-exempt commercial paper program for letter of credit fees and remarketing fees. These cash expenses were omitted in the statement of cash flows in the final budget.

There were no questions or comments from the Board.

Upon motion by Member Breternitz, second by Vice Chairman Aiazzi, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution 156 approving the first budget augmentation and budget revision for FY2010

10. PUBLIC COMMENT ON AGENDA ITEM 11

There was no public comment.

11. FIRST READING OF PROPOSED REVISIONS TO TMWA RULE 2, SECTION 2 "WATER WASTE ENFORCEMENT" BY REVISING ASSIGNED-DAY WATERING TO THREE DAYS A WEEK AND MODIFYING WATERING HOURS

John Erwin presented a redline version of TMWA's Rule 2 for the first reading of revisions to implement the conversion from two-day-a-week assigned day watering to a three-day-a-week schedule and other associated revisions. The second reading and adoption of these rule revisions is scheduled for the Board's February 17, 2010 meeting. He also referenced draft letters to Reno, Sparks and Washoe County which contain proposed revisions to their ordinances so the entities can synchronize their ordinances with the new watering rules.

Chairman Carrigan asked if there had been any public concern or comments about this issue. Mr. Erwin replied that no one attended the rule change workshop conducted on January 13. Vice Chairman Aiazzi commented that the governing entities had established water ordinances because there wasn't any local jurisdiction. Now, and especially if DWR merges with TMWA, it could be possible for the TMWA Board to have the authority to establish ordinances and the

governing entities could delete their ordinances; similar to what happened with the establishment of Animal Control.

Vice Chairman Aiazzi asked if this was going to increase people's water usage. Mr. Erwin replied that research indicates it will have a neutral effect. Customers will consume the same volume of water but spread over three days instead of two. It should have a positive affect on capacity as it is expected to reduce peak-day usage.

12. GENERAL MANAGER'S REPORT

Mr. Foree reported that on the progress of the merger of the Washoe County Department of Water Resources Water Utility into TMWA. All three local government agencies (Reno, Sparks and Washoe County) have approved the changes made to the Joint Powers Agreement and that document, along with the Interlocal Agreement governing the merger, has been sent to the Attorney General's office for approval.

13. PUBLIC COMMENT

There was no public comment.

14. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no board comments

15. ADJOURNMENT

With no further business to discuss, Chairman Carrigan adjourned the meeting at 10:27 a.m.

Approved by the TMWA Board of Directors in session on February 17, 2010.

Respectfully submitted,

Corinne Cassell, Recording Secretary