

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE JANUARY 18, 2012
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, January 18, 2012, at Sparks Council Chambers, Legislative Building, 745 Fourth Street, Sparks, Nevada. Chairman Carrigan called the meeting to order at 6:01 p.m.

1. ROLL CALL

Members Present: Dave Aiazzi, John Breternitz, Mike Carrigan, Mike Cate, and Geno Martini

Members Absent: Bob Cashell and Bob Larkin. A quorum was present.

2. PLEDGE OF ALLEGIANCE

Led by Member Cate.

3. PUBLIC COMMENT

Bill Shepherd, Reno Resident, asked if the rate increase would affect the water rate charge for each tier; and, if the expense reduction of \$7 million during the past few years by TMWA staff reduced the \$9 million gap, leaving only a \$2 million gap. He stated he was against a rate system that would have different rates for “low income” and “senior residents, expressing his concern about the definitions of “low income” and “senior resident.”

Chairman Carrigan thanked Mr. Shepherd for his comments and responded by saying that if passed, the rate increase would not affect the tiered water rates but would increase the customer service charge. He also said \$9 million would be the gap in five years if rates were not adjusted at this time. This already takes into consideration and includes the \$7 million savings by staff to operating expenses.

Vice Chairman Aiazzi arrived at 6:04 p.m.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE DECEMBER 21, 2011 MINUTES

Vice Chairman Aiazzi requested the minutes be amended to include the discussion in item 13 regarding the three major hurdles to moving forward with the merger. He said he thought the discussion included a dollar figure for the agreements and also that the

County's General Fund is going to subsidize the water agency.

The amended Item 13 second from last paragraph of the December 21, 2011 minutes will read as follows:

Member Larkin stated that he understood there are three major hurdles to finalize the merger: 1) the defeasance of the \$26.1 million debt; 2) the developer agreements – the Board of County Commissioners has given direction that the County will maintain those. Ms. Menard said, “We are working on managing those conditions,” and 3) South Truckee Meadows General Improvement District. Ms. Menard concurred that those were the three hurdles.

Vice Chairman Aiazzi asked for clarification: was Washoe County or the Water Department going to maintain the developer agreements? Both Ms. Menard and Member Larkin stated that it was the County. Vice Chairman Aiazzi then asked if the County was subsidizing the water agency through the general fund to which Ms. Menard said “no.”

Upon motion by Vice Chairman Aiazzi, second by Member Cate, which motion duly carried by unanimous consent of the members present, the Board approved the December 21, 2011 minutes as amended.

6. DISCUSSION AND POSSIBLE ACTION REGARDING SPECIAL RATES OR DONATION SUBSIDY PROGRAMS FOR LOW INCOME AND SENIOR CUSTOMERS

Kim Mazeres referred to the staff report that contained all the reports from past Board meetings where this issue had been discussed, as well as the Board policy that mitigates cross-subsidization between different customer classes. She noted that the Standing Advisory Committee (SAC) had also discussed this issue.

Vice Chairman Aiazzi said he was bringing up the issue on behalf of Reno City Councilman Pierre Hascheff after discussions with the Senior Citizen Advisory Committee, who were of the opinion that every utility includes a special rate or subsidy to give aid to seniors and/or low income customers. Vice Chairman Aiazzi gave as an example the City of Reno's sewer department, which gives rebates to certain residents who meet certain income qualifications and guidelines. The rebate money comes from the sewer fund. Ms. Mazeres said when she worked at Sierra Pacific Power Company, they had a special fund, established by their shareholders, into which customers could donate funds if they so chose.

Vice Chairman Aiazzi said that TMWA hasn't put into place any mechanism for people who are having trouble paying their water bill and questioned if someone met income qualification guidelines as established by the State, could TMWA do something similar. He then asked for staff to research the programs and criteria of other entities and utilities.

7. PUBLIC HEARINGS ON RULE AND RATE AMENDMENTS

PUBLIC COMMENT

There were no public comments.

7.1 RULE AMENDMENT, ADOPTION: SECOND READING, PUBLIC HEARING AND POSSIBLE ADOPTION OF RESOLUTION NO. 181: A RESOLUTION TO AMEND TMWA RULES 1, 2, 3, 4, 5 AND 7

John Erwin presented this item referring to the accepted version. This was first presented at the November 2011 Board meeting and no questions or comments have been received from customers. The proposed amendments clarify some language of Rules 1, 2, 3, 4, 5 and 7.

Upon motion by Vice Chairman Aiazzi, second by Member Breternitz, which motion duly carried by unanimous consent of the members present, the Board adopted Resolution No. 181 approving the amendments to TMWA Rules 1, 2, 3, 4, 5 and 7.

7.2 RATE AMENDMENT, ADOPTION: SECOND READING, PUBLIC HEARING AND POSSIBLE ADOPTION OF RESOLUTION NO. 182: A RESOLUTION TO AMEND TMWA CUSTOMER WATER RATES, CHARGES AND FEES

John Erwin and Jeff Tissier presented the second reading of the proposed rate amendments and requested the Board adopt Resolution 182 to amend TMWA customer water rates, charges and fees. The proposed rate adjustment is a three-year phased approach as has been the practice for previous years when rate adjustments were proposed. After several meetings, the SAC concurred with staff on a phased-in approach to rate increases. The proposal is to adopt the three phases, with the first phase implemented for the first billing period in February 2012, Phase 2 implemented the first billing period in February 2013, and Phase 3 implemented the first billing period in February 2014; but prior to the 2013 and 2014 implementations, the SAC and the Board would review the financial position and the rate adjustment proposal to ascertain if any changes affected the necessity for implementing phases two and three.

Vice Chairman Aiazzi asked for clarification on how much unrestricted cash versus debt TMWA has. Mr. Tissier replied that as of June 30, 2011 TMWA had \$48 million in restricted cash. He went on to explain that even with the cash reserve, it is necessary to raise rates because TMWA does not meet the cost of service -- TMWA is not revenue sufficient. TMWA has over \$80 million in short term notes still outstanding and in the near future, it will be necessary to reduce that current liability which is far greater than the cash reserves. When revenue sufficiency is achieved in three years, it will be possible to implement a fairly robust, significant debt restructuring plan.

Vice Chairman Aiazzi asked about water rights and whether or not those could be sold in order to close the \$9 million gap between the cost of service and revenues. Mr. Erwin said that TMWA has over 6,000 acre feet of water rights with a value of approximately \$60 million. Mr. Tissier explained that in 2005 and 2006, \$43 million in commercial paper was used to purchase water rights. They were not paid for with cash. There is an obligation to repay that debt from the proceeds of water rights sales. If water rights were sold at a reduced price, enough revenue would have to be generated from other sources in order to pay off that debt.

Chairman Carrigan read the only written public comment received from Marilyn Brainard, Sparks resident who wrote "...The rate increase, while unfortunate, is modest in scope and should be adopted so our critical water infrastructure and delivery to customers is not unduly impacted. Please consider carefully the decisions you are considering tonight. The long range outlook for TMWA is much more positive with interest restructuring planned in the future. I urge the board to adopt the suggested increase."

Upon motion by Member Martini, second by Member Breternitz, which motion duly carried four to one with Vice Chairman Aiazzi dissenting, the Board adopted Resolution 182 amending TMWA customer water rates, charges and fees.

8. DISCUSSION AND ACTION ON PARTICIPATION IN OUT-OF-COURT SETTLEMENT BETWEEN BANK OF AMERICA AND VARIOUS STATE ATTORNEYS GENERAL AND ACCEPTANCE OF SETTLEMENT PAYMENT TO TMWA

Legal Counsel Mike Pagni referred to the Attorney Client Memorandum outlining some information on an investigation by various state attorneys general into alleged misconduct by Bank of America. Generally speaking, these state attorneys general are alleging the Bank of America engaged in some misconduct over a period of time in the issuance of bonds to local government entities. TMWA has been invited to participate as a recipient in an out-of-court settlement. There are no specific allegations related to TMWA but TMWA did issue debt during the time period in which misconduct did occur. Staff has recommended that the settlement be accepted.

Chairman Carrigan asked what the amount of the settlement was, to which Mr. Pagni replied \$60,326.84.

Upon motion by Vice Chairman Aiazzi, second by Member Martini, which motion duly carried by unanimous consent of the members present, the Board authorized participation in an out-of-court settlement between the Bank of America and various state attorneys general and acceptance of settlement payment to TMWA.

9. GENERAL MANAGER'S REPORT

Mr. Foree reported that per the Board's direction, the master meter billing with the Reno Sparks Indian Colony was implemented on December 1, 2011 with no issues. TMWA staff is continuing to work with the Reno Sparks Indian Colony representatives with regard to payment schedules and other aspects of a potential written agreement.

10. PUBLIC COMMENT

There was no public comment.

11. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no comments

12. ADJOURNMENT

With no further discussion, Chairman Carrigan adjourned the meeting at 6:20 p.m.

Approved by the TMWA Board of Directors in session on March 21, 2012.

Respectfully submitted,

Corinne Cassell, Recording Secretary