



STANDING ADVISORY COMMITTEE
MINUTES
November 6, 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 3:06 p.m.

1. ROLL CALL

Members and Voting Alternates Present: Kevin Haddock, Ben Hutchins, Denise Jacobsen, Neil McGuire, Paul Rose, Jim Smith, and Greg Vorreyer

Alternates Present: Mike Heffner and Fred Schmidt

Staff Present: Corinne Cassell, Amanda Duncan, Scott Estes, Mark Foree, Levi Kleiber, Mark May, Kim Mazerres, Paul Miller, 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 OCTOBER 2, 2012 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of the October 2, 2012 meeting, conditioned on the following corrections to Item 5:

- **Add the division of costs between Washoe County and South Truckee Meadows General Improvement District to options 2) and 3) to the extent that such information had been mentioned at the meeting and**

**correct wording in paragraph 6, the second sentence to
...TMWA cannot financially model something for
which it has no basis.)**

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 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), as well as a discussion at the TMWA Board meeting on October 17, 2012. Mr. Hutchins provided the following report:

During the November 1, 2012 LMB meeting the preliminary feasibility study to evaluate if an independent water utility could be established was presented. The final study, with some corrections, will be presented on November 13, 2012 to the BOT. The BCC/BOT will be considering a draft ordinance to transfer the BOT authority to the LMB and abolish the BCC as the BOT. The first reading of this draft ordinance will be presented on November 13, 2012. The BOT also allowed a delay until December 11, 2012 for the LMB to present its final recommendations to the BOT and the BCC for STMGID to either stand as its own water utility or merge with TMWA/DWR.

The LMB and various STMGID customers are interested in having STMGID stand as an independent water utility; however, preliminary results of the feasibility study outlining costs associated with such a separation of infrastructure required to make this happen show them to be high and may not be an acceptable option for the community as a result. Despite the high costs, the water utility separation options are being considered as part of the decision making process since standing as an independent water utility is ultimately what many STMGID customers have indicated they would like to see happen.

As a result of the October 17, 2012 TMWA Board meeting, DWR developed another merger proposal. This is a "No Harm" proposal for STMGID, TMWA and the County, and DWR feels it is advantageous to all concerned parties and to the community. Subsequent to the TMWA Board meeting there have been several meetings with STMGID customers who have been asking questions about this new merger proposal; there may be some interest in this option if acceptable terms can be negotiated between all stakeholders. GoodStanding, a local community outreach company, is developing a fact sheet on the various proposals to be mailed to STMGID customers this week for public input, and there are two open houses scheduled for November 27 and 28, 2012 for STMGID customers to have the opportunity to ask questions and provide feedback on the options, including the framework associated with the new merger proposal. After receiving feedback from the community the LMB will make a final recommendation to the BOT and the BCC on December 11, 2012. The basic premise of the new merger proposal is a no-debt option. Since STMGID does not have debt and Washoe County and TMWA do have debt, STMGID customer rates would not include debt at the time of merger with either DWR or TMWA. Mr.

Hutchins said that this proposal would support the merger, keep STMGID rates low, and hold STMGID, TMWA and DWR harmless.

Chairman Vorreyer asked if this would be a long-term agreement. Mr. Hutchins said the agreement would be in force until TMWA's acquisition debt is currently scheduled to be paid in full.

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

Mark Foree stated that staff had completed the due diligence with the exception of harmonizing Washoe County ordinances with TMWA's Rules of Service, New Business Fees and Facility Charges. This is being done to enable a smooth transition for customers when the merger is completed. Mr. Foree updated the Committee on the discussion at the TMWA Board meeting on October 17, 2012 regarding the STMGID/DWR merger. The Board is familiar with the various options and could go forward with any of the options providing that no funding from the Washoe County treasury is used to implement the chosen option. A motion was made at the Board meeting that TMWA would agree to provide STMGID with wholesale water if STMGID became a Stand-Alone entity. The motion did not include a provision for staff to analyze the merger option. This motion was passed unanimously by the members present. A second motion was made for TMWA to stop work on the merger of DWR and TMWA until the STMGID issue was resolved. This motion did not pass.

Mr. Schmidt asked for clarification if staff could work with any of the options and how much time it would take to analyze inclusion of STMGID into the TMWA/DWR merger.

Mr. Foree said that staff has seen the information on the STMGID/DWR merger options but does not know what decision the TMWA Board would make on any of them. The Board was very clear that the County is to make a decision on the STMGID issue, that it is a Washoe County issue not a TMWA issue. Mr. Tissier added that the Board is clear that the new option 4 cannot hurt either side of the deal. He said that performing the analysis should not take too much time.

Mr. Schmidt asked if option 4 is an expensive option. Mr. Hutchins said that DWR is putting together some numbers in order to give the BCC some ramifications on the cost of implementing the various options. He said it doesn't make sense to spend money on a system that works currently fine as is.

Ms. Jacobsen asked if the SAC members could get a copy of option 4. Mr. Hutchins stated he would provide it to Ms. Duncan for dissemination.

7. PRESENTATION OF UNAUDITED FINANCIAL REPORT FOR FY2012

Jeff Tissier reported that the overall financial performance for FY2012 was excellent. Total water sales were \$2.9 million or 3.9% greater than budget. This was the result of higher water demands almost entirely due to much warmer weather patterns than normally experienced. The effect of weather patterns on water sales cannot be underestimated. Total operating expenses

were \$0.7 million or 2.0% less than the revised budget, which is between FY2005 and FY2006 spending levels.

Spending on capital outlays and construction projects for the fiscal year ended June 30, 2012 was approximately \$12.2 million or 8.3% less than budget. The most significant construction projects were the Glendale Building expansion/laboratory modernization, which was virtually complete by fiscal year end, and expenditures related to the implementation of the Truckee River Operating Agreement (TROA) as well as water main replacement projects.

Total cash and investments as of June 30, 2012 was approximately \$127.1 million, of which approximately \$63.4 million was restricted by bond indenture requirements and the remaining balance of \$63.7 million was available to pay for future operating and maintenance expenses, construction spending, and future debt payments and commercial paper redemptions. Unrestricted cash increased year over year because of the redemption of the 2001A bonds from proceeds of a tax-exempt commercial paper issuance which reduced the transfer of funds to the bond trustee by \$9.3 million for fiscal year 2012. TMWA has budgeted and will redeem \$11.4 million in Tax Exempt Commercial Paper (TECP) in fiscal year 2013.

Vice Chairman McGuire asked about hydroelectric sales. Mr. Tissier said that hydroelectric revenues were \$0.3 million or 8.7% greater than budget due to continued favorable river flows and very well managed plant availabilities.

Mr. Schmidt asked about other miscellaneous water sales. Mr. Tissier said they were \$0.1 million or 4.2% greater than budget. Among the items included are late fees, cell phone tower rental, remediation district fees, turn off/turn on fees, and inspection fees.

Chairman Vorreyer commented about cash flows and the increase in accounts receivable. Mr. Tissier said the reason was increased sales due to warmer weather and that it shows the impact of weather on sales.

8. 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, December 4, 2012 at 3 p.m. and requested the following items be placed on the agenda:

- 1. Update on merger of STMGID into DWR (note: include map of STMGID/DWR & TMWA's service areas including what facilities that they share)**
- 2. Update on merger of DWR into TMWA**
- 3. Presentation of audited Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2012**
- 4. Presentation of First Quarter Fiscal Year 2013 Financial Results**

- 5. Review of Phase Two of the Rate Increase scheduled to be implemented February 2013**
- 6. Membership Update**
- 7. Election of Officers for CY2013**

9. STAFF ITEMS

There were no staff items.

10. COMMITTEE ITEMS

Mr. Schmidt said he would be absent from the December 4, 2012 meeting. Vice Chairman McGuire asked that the minutes include the names of members asking questions or making comments.

11. PUBLIC COMMENT

There were no public comments.

12. ADJOURNMENT

With no further items for discussion, Chairman Vorreyer adjourned the meeting at 4:30 p.m.

Approved by the Standing Advisory Commission in session on December 4, 2012.

Corinne Cassell, Recording Secretary