

TRUCKEE MEADOWS WATER AUTHORITY
MINUTES OF THE MARCH 19, 2014
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday March 19, 2014, at Sparks Council Chambers, 745 Fourth Street, Sparks, Nevada. Chairman Carrigan called the meeting to order at 10:00 a.m.

1. ROLL CALL

Members Present: Mike Carrigan, Mike Cate, Vaughn Hartung, Kitty Jung, Geno Martini* and Sharon Zadra. Members Absent: Neoma Jardon. A quorum was present.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Member Jung.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

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

5. APPROVAL OF THE JANUARY 15, 2014 MINUTES

Upon motion by Member Cate second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved the January 15, 2014 minutes.

6. PRESENTATION OF FINANCIAL PERFORMANCE FOR FIRST HALF FISCAL YEAR 2014.

Jeff Tissier, TMWA's Chief Financial Officer, referred to the First Half Financial Report and stated that financial performance has been very good. Even with conservative budgeting, which is based on cool-weather patterns, water sales are considerably ahead of budget. Operating expenses are well within budget and are less than last year at this same time, and he is happy to report that the TMWA staff is doing an excellent job in managing operating expenses. Investment income and interest expense are also well within budget and another bright note is the beginning of some new development activity which brings with it expanded service requests.

7. REQUEST FOR BOARD APPROVAL TO APPOINT KAFOURY ARMSTRONG & CO. FOR TMWA'S ANNUAL AUDITS FOR FISCAL YEARS 2016, 2017, 2018.

Mr. Tissier stated that this is the last year of a previously approved three year contract with Kafoury Armstrong and Co. (Kafoury). He proposes that this contract be renewed again for another three years. This is especially important in light of the pending consolidation, since Kafoury also audits South Truckee Meadows General Improvement District (STMGID) and Washoe County. The continuity of audit services would be invaluable to ensure that the audits are done effectively and efficiently.

He then introduced Kristen Burgess, Kafoury's partner for TMWA, and Felecia O'Carroll, the partner in charge of Washoe County and STMGID, to answer any questions the Board might have for them.

Upon motion by Member Jung, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved the request to appoint Kafoury Armstrong & Co. for TMWA's Annual Audits for Fiscal Years 2016, 2017 and 2018.

8. REQUEST FOR BOARD APPROVAL TO ENGAGE BANK OF TOKYO MITSUBISHI TO PROVIDE LIQUIDITY SUPPORT FOR TMWA'S TAX EXEMPT COMMERCIAL PAPER PROGRAM.

Jeff Tissier also presented this item. He introduced Brian Thomas and Thomas Toepfer of Public Financial Management and Jay Goldstone with the Bank of Tokyo. Mr. Tissier gave a brief history of the commercial paper program, explaining that TMWA began this program in 2006. Liquidity support was previously provided by Lloyds TSB of London, until two years ago when that bank exited the North American market during the banking crisis. At that point, Wells Fargo and JP Morgan became the liquidity providers and have done so until now; however current support will terminate on June 8, 2014. An RFP process was begun in February, and had eight respondents, six of which were given further review. After review, it was concluded that the proposal from the Bank of Tokyo was the most favorable, including the least cost commitment fee and the best terms. This includes no penalty costs for opting out after one year, and no change in commitment fee in the event of a downgrade in credit rating. Additionally, it offers a four-year term which carries TMWA through the call dates on our existing fixed rate debt. He reminded the Board that TMWA used the commercial paper program in 2012 to buy out remaining 2001 bonds, for a savings of half a million dollars.

Mr. Tissier also introduced legal counsel Jennifer Stern and David Lucas of Sherman and Howard to answer any questions. He also stated that if the Board so directs, it is the intention of staff to bring back a Resolution on this same item for the April meeting.

Chairman Carrigan then asked Mr. Tissier to explain further, for the record, the purpose of the

commercial paper program. Mr. Tissier replied that initially this program was able to provide TMWA with large sums of capital when growth was very extensive in the community. Upon discussion with the General Manager, it was determined that the capital requirements to support such growth would more than likely drain the TMWA treasury. The Commercial Paper program (CP) was adopted and acts like a revolving credit line. It was used to buy water rights and fund the expansion of the water system; and as developer fees and will-serve sales were collected they were then used to pay down the CP, which preserved the TMWA treasury. During the financial crisis, the CP program became a lifeboat for TMWA, and it became obvious that without the program, if the money had been spent on water rights and facility expansion, TMWA would have been in a bad situation. Over the last five years, interest rates on the CP have dropped from 3.7 percent to the most recent remarketing of .07 percent; and these lower rates are a benefit which will continue until 2015 because of Federal Reserve policy. In addition, the new commitment fees offered by the Bank of Tokyo are at .375 percent, versus .8 percent with Wells Fargo and JP Morgan, cutting the cost of the program by one half. The CP program has been extremely beneficial to TMWA, and had it not existed, there would likely have been a very adverse effect on water rates. It is Mr. Tissier's recommendation that the program be continued even beyond the existing call dates of all fixed rate debt to take advantage of the positive benefits it allows.

Upon motion by Member Zadra, second by Vice Chairman Cate, which motion duly carried by unanimous consent of the members present, the Board approved the request to engage Bank of Tokyo Mitsubishi to provide liquidity support for TMWA's Tax Exempt Commercial Paper Program.

9. REQUEST FOR APPROVAL OF THE TMWA TENTATIVE BUDGET FOR FISCAL YEAR 2015, AND DRAFT CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2015 THROUGH 2019.

Item 9 was also presented by Jeff Tissier. He explained that it is traditional for TMWA to present a tentative budget to the Board for their review and input prior to presenting the final budget in May. He pointed out that in prior years, the budget was based solely on cool weather patterns; however, upon reviewing the last four years which included both very cool and very warm patterns, a mid-range average is now being reflected in the budget.

Mr. Tissier began by stating that it is expected that operating expenses will increase slightly due to dry-weather conditions which will increase the need for the pumping of ground water and also potentially decrease the ability to generate hydroelectric power. Staffing costs will go up modestly due to a two percent salary increase which was negotiated previously. The Capital Improvement Program is expected to be very similar to last year, with approximately \$105 million budgeted for the next five years. Of that amount, 94 percent will be rehabilitative in nature, and 18 percent will be for contingency spending. A very stable outlook is expected over the next five years with healthy cash reserves and significant savings predicted once debt

restructuring occurs.

Chairman Carrigan asked if the Truckee River Fund was a line item on the budget. Mr. Tissier responded that it was.

**Member Martini arrived at 10:12am*

10. PRESENTATION OF PROPOSED PROJECTS AND DISCUSSION AND ACTION ON RESOLUTION NO. 201: A RESOLUTION TO APPROVE FUNDING FOR THE PROJECTS RECOMMENDED BY THE TRUCKEE RIVER FUND ADVISORY COMMITTEE AND AN AUTHORIZATION FOR THE COMMUNITY FOUNDATION TO FUND SUCH PROJECTS FROM FUND PROCEEDS.

Ron Penrose, TMWA project manager and TRF liaison presented this item to the Board. He stated that the advisors met on February 28, with recommendations to fund six projects for a total of \$266,000, of which \$144,000 is from matching funds from grantees. Chairman Carrigan asked for clarification on the watercraft inspections project, asking if TMWA had been consulted about funding for the project prior to the project going forward. Mr. Penrose stated that prior consultation was not made, but that the project had been ongoing for quite some time and that the benefits of the project will be very substantial for Donner Lake in protecting the waterway from invasive species. The projects for funding are as follows:

- 1. Pollution and Weed Control- Washoe County Sheriff's Work Program**
Organization: Washoe County Sheriff's Department. **Amount Requested:** \$ 62,855, **Amount Recommended:** \$62,855. **Organizational Match:** \$ 20,400 (In-Kind)
- 2. Alum Creek Water Quality Improvement Project**
Organization: Nevada Land Trust, **Amount Requested:** \$101,430, **Amount Recommended:** \$60,000 **Organizational Match:** \$3,360 (Cash); \$30,984.16 (In-Kind)
- 3. Town of Truckee Watercraft Inspection Program**
Organization: Town of Truckee, **Amount Requested:** \$13,500, **Amount Recommended:** \$10,000, **Organizational Match:** \$20,000 (In-Kind)
- 4. Sierra Nevada Journeys Watershed Education Initiative**
Organization: Sierra Nevada Journeys, **Amount Requested:** \$23,750, **Amount Recommended:** \$23,750, **Organizational Match:** \$6,150 (cash); \$2,000 (In-Kind)
- 5. Truckee River Eurasian Watermilfoil Survey and Removal**
Organization: Tahoe Resource Conservation District, **Amount Requested:** \$110,624, **Amount Recommended:** \$59,860, **Organizational Match:** \$44,635 (In-Kind)
- 6. Truckee Wetlands Restoration Project Focus Areas 3, 4 & 5-Design**

Organization: Truckee River Watershed Council, **Amount Requested:** \$75,000, **Amount Recommended:** \$50,000, **Organizational Match:** \$19,000 (In-Kind)

Upon motion by Member Jung, second by Member Hartung, which motion duly carried by unanimous consent of the members present, the Board approved Resolution 201: A Resolution to approve funding for the projects recommended by the Truckee River Fund Advisory Committee and an authorization for the Community Foundation to fund such projects from Fund proceeds.

11. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, and John Erwin, TMWA Director of Natural Resources, updated the Board on the current snowpack and water supply. Mr. Hauck reported that the snowpack was currently at 30 percent of average; not a great number, but an improvement on where it was in February. He stated that the two weekend storms in February doubled the snowpack, and that increase has allowed for a projection of normal river flows through the month of August. Based on this plan and the current conditions, no extra conservation measures are expected to be necessary.

Vice-Chairman Cate reported getting calls from concerned people who are worried about the dry conditions. Mr. Erwin responded that TMWA maintains enough water in upstream reservoirs to maintain the necessary water flows to support normal water needs even in a dry cycle.

12. GENERAL MANGER'S REPORT

Mark Foree, TMWA General Manager, then added to the discussion about the water supply. He stated that TMWA has planned for and has the ability to handle a nine year dry cycle – one year longer than the longest dry cycle ever recorded. During that eight year drought, Lake Tahoe was below the rim for almost 4 years during a 5 years period. Based on that information, he believes that we are in much better shape now.

13. PUBLIC COMMENT

There was no public comment.

11. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There were no Board comments.

12. ADJOURNMENT

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

***Member Martini was present for items 9 through 12 only**

Approved by the TMWA Board of Directors in session on April 16, 2014.

Respectfully submitted,

Cara Rives, Recording Secretary