



STANDING ADVISORY COMMITTEE

MINUTES

April 1, 2014

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chairman McGuire called the meeting to order at 3:02 p.m.

1. ROLL CALL

Members and Voting Alternates Present: George Ball, Robert Chambers, Harry Culbert, Colin Hayes, Jim Maass, Neil McGuire, Jonnie Pullman, Fred Schmidt and Ron Turner.

Alternates Present: Mike Heffner, Larry Hunt, Ben Hutchins, Karl Katt, Ken McNeil, Mike Pidlypchak, Paul Rose, Jim Smith and Jerry Wager.

Staff Present: Jack Byrom, Robert Charpentier, John Erwin, Mark Foree, Scott Estes, Kim Mazeres, Ron Penrose, Cara Rives, Shawn Stoddard, Jeff Tissier and Legal Counsel Debbie Leonard.

2. PUBLIC COMMENT

There was no public comment. Chairman McGuire announced to the Committee the retirement of member Jim Maass, who has served on the SAC for eight years. He commended Mr. Maass for his service and presented him with a certificate of appreciation. Mr. Maass acknowledged the certificate, and explained that he was going to be moving out of Reno but that he had greatly enjoyed his time of serving on the SAC.

3. APPROVAL OF THE AGENDA

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the SAC approved the agenda.

4. APPROVAL OF THE MINUTES OF THE JANUARY 7, 2014 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the SAC approved the minutes of the January 7, 2014 meeting.

5. UPDATE ON BOARD ACTIONS REGARDING THE SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT (STMGID) MERGER AND SAC MEMBERSHIP

Mark Foree stated that a concurrent meeting of the TMWA Board of Directors and Washoe County Board of Commissioners was held on March 19, 2014. At that meeting, the consolidation plan was approved and in addition a proposal was made to appoint three new members to the SAC – two from Washoe County and one from STMGID. These appointments will be revisited at the April meeting of the Board for further action.

Member Pullman asked if applicants were being taken for those positions, and Kim Mazeres responded that Washoe County and STMGID would do the appointing, and the TMWA Board would affirm the appointments. Member Schmidt asked if the Washoe County appointee terms would overlap the current Wholesale member term on the SAC. Ms. Mazeres stated that they would overlap so that the new appointees would be able to participate during the transition. She also explained that all new appointees would be for an interim period only but would then be placed on the SAC in some form even if it was only as an alternate to existing positions. There would be no permanent expansion of the current positions on the SAC.

Vice Chairman Turner then requested that copies of the merger timeline attachment that was given to the Board at the concurrent meeting be made available for the SAC members as he found it very informative.

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

Member Schmidt asked for clarification of some of the financial reports presented to the Board, and also asked if the Washoe County rates would continue to be what they currently are after the merger. Jeff Tissier responded that on the date of the merger, the Washoe County rates are going to be what they currently are today. Member Hutchins, who represents Washoe County, further clarified that a series of rate increases had already occurred for Washoe County customers in preparation for the merger, which is why Washoe County rates are slightly higher than TMWA's current rates. STMGID rates are currently somewhat lower than TMWA's. Mr. Tissier explained that the goal is that all customers get treated equally, and that although rates will be slightly different at the beginning, this is because of a commitment that nothing should change for any customer because of the merger. Ms. Mazeres pointed out that as homes sell in the STMGID region, new owners come in at TMWA rates, but existing homeowners are guaranteed the STMGID rates.

7. PRESENTATION OF THE FINANCIAL PERFORMANCE FOR FIRST HALF FY2014

Mr. Tissier presented this item to the committee. He stated that the outlook was very good, and that as in the past, the budget had been based on conservative measures, in this case cool weather patterns. He highlighted several key factors in the budget, such as an increase in inspection fees for new and expanded services (due to increased growth) and good production for the hydroelectric facilities. Interest expenses were on budget, and operating expenses were under budget by approximately \$900,000 and \$300,000 less than the previous year. Capital spending was also under budget due to less main replacement work being done.

8. REPORT ON THE TENTATIVE BUDGET FOR FISCAL YEAR 2015 AND DRAFT CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2015 THROUGH 2019

Mr. Tissier also presented this item to the SAC. He stated that the budget was designed to be a “high-level view” of the next five years, so the figures were reflective of that. He stated that operating expenses are projected to be higher to reflect any potential drought-related expenses. One of those expenses would be the need to use the Orr Ditch pump station, which is expensive to operate. Additionally, there have been a lot of leaks and leak-related expenses and the budget provides for the chance that those could continue. Investment income is predicted to rise slightly, and non-operating expenses could also rise due to merger activities. Developer fees should continue to rise as the economy recovers, and the Capital Improvement Plan spending over the next five years will be similar in size to the past Capital Improvement Plan with approximately \$18 million in contingency spending allocated; however, he pointed out that this is rarely used.

9. REPORT ON BOARD APPROVAL TO ENGAGE BANK OF TOKYO MITSUBISHI TO PROVIDE LIQUIDITY SUPPORT FOR TMWA’S TAX EXEMPT COMMERCIAL PAPER PROGRAM.

Mr. Tissier gave a brief overview of the process that had been conducted to result in the current liquidity support. He explained that in February, a Request for Proposal (RFP) had been sent out, and that there were eight responses, six of which were excellent. He noted that the last time this process occurred, during the height of the financial crisis, only two responses had been received which, when combined, provided the full liquidity facility required by TMWA. The resulting analysis determined that the most advantageous proposal was the one submitted by Bank of Tokyo, and the new terms will be very beneficial to TMWA. Liquidity support costs will be cut by one-half, and additionally there are no opt-out penalties after the first year. Using this commercial paper program, Mr. Tissier said that TMWA would be able to reduce Washoe County debt and potentially save up to \$1 million dollars in the first year. Member McNeil commented that TMWA was very fortunate to have Mr. Tissier handling the finances.

10. REPORT ON THE WATER SUPPLY

John Erwin referred to the staff report, explaining that the snowpack at the end of January was at 14 percent of average for the Truckee Basin and 25 percent of average for Lake Tahoe. As of March 6, after the winter storms in February, those numbers had increased to 34 and 48 percent. As of the current date, those numbers had not changed significantly. Despite these low numbers, Floriston rates are predicted be maintained and normal flows for the Truckee should occur until September.

Kim Mazeres informed the committee that a FAQ sheet had been prepared on the drought and was located on the front page of the TMWA website. She stated that any information needed could be found there. Member Pullman said that she has been hearing a lot of comments and that in general people do not seem to understand why TMWA isn't more concerned and why there are not more restrictions being implemented. Ms. Mazeres agreed that there needs to be more information disseminated to the public, which is why TMWA created the FAQ's. Mr. Erwin also elaborated that there have not been any drought predictions that rely on TMWA's privately stored water. TMWA has these as "reserves" and uses them differently than other places do. Other communities use their reserves year in and year out; TMWA does not, holding them in true "reserve." Looking historically at weather patterns, there has been a heavy winter on average every five years. If this pattern holds true, that would be very good news as this coming year would be the fifth year. He also informed the SAC that some very exciting progress had been made on the Truckee River Operating Agreement (TROA) – with the recent news that the TCID appeal had been dismissed "with prejudice." This is a big step in the resolution of some longstanding roadblocks to the implementation of TROA. Once TROA is implemented, TMWA's drought storage will increase dramatically, tripling what we can currently store and allowing for firmer allocations between California and Nevada.

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 SAC requested the following items be placed on the agenda:

- 1. Consolidation Update**
- 2. Report on the Final budget**
- 3. Update of the 5-Year Consolidation Budget and Consolidation Timeline (include report submitted to Board)**
- 4. Report on the Water Supply**

10. STAFF ITEMS

There were no staff items.

11. COMMITTEE ITEMS

There were no committee items.

12. PUBLIC COMMENT

There was no public comment.

17. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 4:26 p.m.

Approved by the Standing Advisory Commission in session on May 6, 2014.

Respectfully submitted,

Cara Rives, Recording Secretary