



STANDING ADVISORY COMMITTEE

MINUTES

May 6, 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: Rebecca Allured, George Ball, Robert Chambers, , Colin Hayes, Neil McGuire, Mike Pidlypchak, Jonnie Pullman, Fred Schmidt, Ron Turner and new member Mike Schulewitch.

Alternates Present: Mike Heffner, Larry Hunt, Karl Katt, Ken McNeil, and Jerry Wager.

Staff Present: Jack Byrom, Robert Charpentier, John Erwin, Mark Foree, Scott Estes, Bill Hauck, Kim Mazeres, Ron Penrose, Cara Rives, 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 SAC approved the agenda.

4. APPROVAL OF THE MINUTES OF THE APRIL 1, 2014 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the SAC approved the minutes of the April 1, 2014 meeting.

5. CONSOLIDATION PROGRESS UPDATE

Mark Foree began by introducing Mike Schulewitch, who was selected to be the South Truckee Meadows General Improvement District (STMGID) interim representative during the consolidation process. Mr. Schulewitch shared a little personal biographical information, stating

that he was raised in Reno and has 32 years of banking experience with various institutions. He also outlined his experience assisting the STMGID Board of Trustees during the past few years. He is happy to be joining the SAC and looks forward to serving.

Mr. Foree announced that Jack Byrom had been named the project manager for the consolidation. It will be his responsibility to ensure that all of the tasks and action items get completed on schedule. Mr. Byrom brings a wealth of previous experience to this task and is excited to take on the challenge.

Mr. Byrom explained that his purpose today was to give a brief overview of the tasks which had been completed and of the ongoing tasks which were in process. He referred to the consolidation handouts which included: an organizational chart, a copy of the report submitted to the Board of Directors, and a collapsed version of the consolidation master schedule.

The organizational chart is based on the 11 key functional areas that had been identified for the project and their corresponding critical tasks. It also lists the key personnel, both for TMWA and for Washoe County, who are responsible for the tasks which need to be completed. There are currently 86 personnel identified on the chart, and Mr. Byrom said that all of them are extremely talented and collaborative, bringing an amazing amount of enthusiasm to the process. This is reflected by the outstanding amount of progress that has already been made.

An Executive Committee has been formed as the policy committee for the consolidation. Members include Mark Foree and Jeff Tissier, representing TMWA, and John Sherman, Dave Solaro and Dwayne Smith for Washoe County. This committee meets every two weeks to review any task that needs a policy decision.

He then referred to the master project schedule which he uses to manage the entire process. This includes all 214 current tasks, with the start and completion dates for each one. It also allows the linking of one task to another – in case one task needs to be completed prior to another starting. It also allows prioritization so that anything critical can be easily identified.

Mr. Byrom then gave highlights of progress so far.

In the area of Communications, there are two surveys being done. Kim Mazeris, Director of Customer Service, reported that both of those reports are being completed by the survey companies, with preliminary reports slated for May 16, and final reports by June 6th. A Frequently Asked Questions (FAQ) sheet about the consolidation is being developed as well, and is just past the first draft stage. When complete a copy will be given to the SAC.

One area which has seen tremendous progress is Human Resources (HR). Mr. Byrom reported that this task area is three months ahead of schedule. Meetings with IBEW and Washoe County were extremely successful resulting in the identification of approximately 30 positions to be transferred to TMWA. Applications for these positions have already been received and interviews are scheduled for May 19th through June 6th. Job offers should be going out by June

9th with responses due by June 20th. The goal of the HR process is “fair and equitable treatment for all.” The progress on this area is especially important since getting these positions in line early will allow for full assessment of transportation and equipment needs as well as allow for job shadowing prior to the transition date, if that is deemed necessary.

In the Finance area, there has also been a lot of very encouraging progress. Mr. Tissier has been successful in steps he is taking to defease the Washoe County Department of Water Resources water debt as well as continuing to work on removing the “water pledge” from the reclaim bonds and storm water bonds. Additionally, he is working on the transition of accounts payable, purchasing and contracts.

Legal and Regulatory – Good progress reported in this area as well. They are currently tasked with continuing the steps needed for the dissolution of the South Truckee Meadows General Improvement District (STMGID) and also are working on the rules and tariffs which will need to be updated as a result of the consolidation.

Customer Service: This is one of the larger areas of transition – right now there is a lot of work being done on billing, including a major upgrade to the current system (Vertex.) This update is scheduled to be complete by November 3rd. The transfer of customer billing accounts to TMWA, as well as an evaluation of the meter systems and processes are both extremely important. Communications about the consolidation also falls in this area, with communications to the new customers being an especially high priority.

Natural Resources/Water Resources: John Erwin and his team are continuing the assessment and evaluation of all of the water rights, real property, titles and easements for transfer.

Engineering and System Planning: Scott Estes and his department are currently assessing all new business procedures, contracts, fees and facility charges. They are also reviewing the county facility mapping information and determining which plans, procedures and standards might need to be incorporated as well as seeing if any county or state approvals are needed.

Water Quality and Treatment: Paul Miller and his team are developing procedures for combining and operating the new SCADA systems as well as identifying and monitoring the water quality data including sampling requirements. This group is also tasked with monitoring the Vidler/Fish Springs project, scheduled to be on line well before January 1.

Distribution: Pat Nielson and his team have already started on transportation and inventory requirements, including the expansion of the warehouse at Capital Blvd.

6. UPDATE OF THE 5-YEAR CONSOLIDATED WATER UTILITY FINANCIAL FORECAST

Mr. Tissier presented this item. He stated that this was essentially the same forecast that had

been presented to the SAC in a tentative form at the last meeting, but had been updated to reflect some minor changes. This schedule will be used to present to the State Treasurer, rating agencies and financial institutions for the future issuance of commercial paper.

The current coverage ratio is excellent, and the plan is to use the newly expanded liquidity provided by the Bank of Tokyo to issue commercial paper to defease the \$26.1 million in Washoe County debt. This will markedly improve the coverage ratios in a favorable manner and was a key factor in the recent concurrent Washoe County and TMWA Board's decision to go forward with the merger. Expected optimization of operations and other economies of scale should also improve the ratios over time.

Member Schmidt asked if any of the associated costs of the merger would be contributed to by Washoe County and if any of their facilities would be transferred. Mr. Tissier answered that Washoe County would not be contributing to that cost and also clarified that all personnel coming over from Washoe County would be housed at TWMA, so no Washoe facilities would be needed.

Aside from the \$1.8 million for the warehouse expansion, an estimated \$700,000 has been earmarked for merger related activities; which include legal costs, communications and public relations costs, documentation and record of conveyance costs, and a wireless solution for the SCADA system.

Member Schulewitch asked about the principal reductions and if they were going to be pre- or post-year-end reductions. Mr. Tissier stated that they would be pre-year end, and occur approximately 2 weeks before the end of the year. He also stated that the plan is to accelerate the principal buy down, taking advantage of the difference in percentage rate since TMWA is in a very good position to do so.

Mr. Schulewitch also asked what the Washoe County debt ratio was, given that they have considerably higher rates. Mr. Tissier explained that technically Washoe has a lower debt per connection than TMWA, but their operating expenses are higher. This is due to the fact that most of the Washoe County connections are on the fringes of the TMWA service areas, so that leads to a much greater travel time, which in turn makes it less efficient to operate. As the consolidation progresses the idea is to optimize for greater efficiency.

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

Mr. Tissier presented this item to the committee. He reported that a few adjustments were made to the tentative budget based on updated information. Hydro revenue has been increased based on the expectation of a bit more river flow, extending into August. Additionally the capital and operating budgets were increased to reflect planned maintenance on the

hydros for when the river flows are too low to allow operation, taking advantage of those conditions to do maintenance that cannot be done when the river flows are high.

Depreciation was increased slightly, and the amortization costs were updated to reflect the change of liquidity providers that was recently approved. Merger related expenses were also updated since the merger was not authorized at the time the original budget was prepared.

The capital budget also was increased to cover flume and fore bay construction as well as the warehouse expansion which is necessitated by the merger.

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the SAC voted to recommend approval of the Tentative Budget for Fiscal Year 2015 and Draft Capital Improvement Plan for Fiscal Years 2015 through 2019

8. REPORT ON THE WATER SUPPLY

Bill Hauck, TWMA Hydrologist, reported that water supply conditions have continued to deteriorate since the last report to the SAC. April was a very dry month resulting in snowpack conditions that are approximately 11 percent of average in the Truckee Basin and 23 percent of average for the Tahoe Basin. The water content in the snow is about 20 inches short of normal. This makes the third year in a row with a dismal snowpack, and additionally, this is the worst of the three.

The hydroelectric facilities lost adequate river flows in late November 2013 and are expected to lose required flows again in mid-August of this year. Current projections indicate that the use of TMWA reserves in the form of pumping stored ground water augmented with releases from the Donner and Boca reservoirs will be needed beginning in August in order to meet customer demand. While the supplies are available and more than adequate, this will be the first time in twenty years that they will need to be utilized. Current messaging for our customers will continue to be to follow the existing three day a week watering schedule, with additional conservation being requested in mid-to-late summer, depending on river flows; if conditions change or get worse than what is projected there is a chance that more conservation efforts could be requested.

9. 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 Progress Report (including a Consolidation FAQ discussion)
2. Report on the Water Supply
3. Advertising review

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 4:24 p.m.

Approved by the Standing Advisory Commission in session on Tuesday July 1, 2014.

Respectfully submitted,

Cara Rives, Recording Secretary