



## STANDING ADVISORY COMMITTEE

### MINUTES

July 1, 2014

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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 3:00 p.m.

#### 1. ROLL CALL

**Members and Voting Alternates Present:** Robert Chambers\*, Harry Culbert, Bruce Gescheider, Colin Hayes, Neil McGuire, Mike Schulewitch, Ron Turner and new member Carol Litster.

**Alternates Present:** Mike Heffner, Ben Hutchins\*, Karl Katt, Ken McNeil, Mike Pidlypchak, and Paul Rose.

**Staff Present:** Robert Charpentier, Sonia Folsom, Mark Foree, Bill Hauck, Kim Mazeres, Cara Rives, Jeff Tissier, Scott Estes and Legal Counsel Mike Pagni.

Chair McGuire addressed that the Standing Advisory Committee has two new members, Carol Litster and Lee Leighton, who was unable to attend this meeting.

#### 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.**

*Member Hutchins arrived at 3:03 p.m.*

Chair McGuire addressed the committee on the arrival of Sonia Folsom who will be replacing Cara Rives as TMWA's new Executive Assistant; and Ms. Rives will be the new HR Coordinator.

#### 4. APPROVAL OF THE MINUTES OF THE May 6, 2014 MEETING

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the SAC approved the minutes of the May 6, 2014 meeting.**

#### 5. CONSOLIDATION PROGRESS UPDATE AND CONSOLIDATION FAQ DISCUSSION

Mark Foree presented an update regarding the consolidation progress. The hiring process has been completed. All (28) offer letters went out the week of June 9, 2014 and 100 percent were returned as accepted by June 20, 2014. This process is way ahead of schedule, it proceeded very smoothly, and IBEW discussions went very well which helped complete the process in an expeditious fashion. Onboarding of the new employees is scheduled to start in September. One final item needs to be completed — the Post-Retirement Medical Trust (PRMT). It was difficult to bring Washoe County employees into TMWA's trust so a new one must be created.

Jeff Tissier explained that a new PRMT will be formed since the current TMWA trust was formed to transfer private assets into a public agency. TMWA's PRMT is formed under code section 501-c-9 and the County has a code section 115 Trust which is a municipal trust. Mr. Tissier stated that it would prove problematic to transfer the 115 Trust assets into the 501-c-9 trust and co-mingle formerly private assets with public money. It would also prove a lengthy and difficult process to obtain appropriate authorization to do so, which led to the decision to create a new TMWA 115 Trust that will parallel the County's. Mr. Tissier also stated that another issue is that TMWA's PRMT was over 100 percent funded and Washoe County's Trust is only 30 percent funded. Mr. Tissier will present this for Board approval at the July 16<sup>th</sup> meeting.

Mr. Tissier stated that the next big project is to bring system control signals from DWR and STMGID into TMWA's treatment plants. This will be completed by the end of September so that TMWA's treatment plant operators can understand how the County and STMGID systems operate. He stated that there is a meeting scheduled on Tuesday July 8, 2014 regarding the merger ordinances for STMGID into TMWA. Essentially, it is the dissolution process according to NRS 318.

Mike Pagni stated the Board of County Commissioners will hear the STMGID dissolution ordinance at their meeting on July 8<sup>th</sup>. Basically, there are two ordinances. The first is to initiate the dissolution process in July and the second will provide for the dissolution itself following public hearings in September/October. The legal team has been reviewing the various changes required to the ordinances to implement the merger. Mr. Pagni is working on the addendums to the Interlocal Agreement, a closing documents list of the exhibits to be put in the addendum. Mr. Tissier mentioned that an employee from DWR who has worked there for over twenty years in water rights is coming to TMWA, which will assist in conveying the water rights into TMWA.

Kim Mazeres commented on the Rate Increases/Rule Changes schedule. TMWA has a very structured process when conducting rates and rule changes, and will follow the exact same process with adding tariffs for Washoe County and STMGID rates. Ms. Mazeres stated that will happen even though they are the exact same rates for DWR and STMGID. Ms. Mazeres mentioned that there will be four workshops. The first is to be held in mid-August for the domestic well owners to set a new rule in place. TMWA will put a new rule in place to follow the protocol for customers wishing to deepen their wells or connect to the municipal water lines.

In September, there will be three workshops. These workshops will cover TMWA's rules of service and rates for STMGID customers; the rules of service and rates for county customers. Also, the Right of Way toll will be discussed and the steps for integration. Finally, the developers' rules of services/fees within both the Washoe County and STMGID service areas once they are under TMWA.

Ms. Mazeres stated that TMWA is working with Washoe County on sending the notices out for the workshops and they will include the schedule in their bill inserts. Robert Charpentier is developing a plan to communicate with these new customers. This plan includes an open house in December where customers are invited to meet TMWA staff, and understand TMWA processes and billing options. A welcome packet will be sent out in late December or early January to the new customers.

Mr. Foree reiterated for all rules and rates changes, two readings are required and the SAC will note that the agendas for the Board will be full with these agenda items to cover the workshops.

Mr. Tissier stated that for finance, the County has already held their first readings on stripping the water pledges from the sewer bonds and sewer SRF loans. He stated that once this has occurred, the coverage ratios for the sewer debt increase. TMWA is taking on the water coverage, which also increases TMWA's coverage ratios. Mr. Tissier has provided to the State Treasurer's Office the five-year financial projections so that TMWA can re-write the loan contracts and take on the Washoe County SRF loan. He also mentioned TMWA has been successful in expanding the liquidity facility on the new letter of credit with the Bank of Tokyo-Mitsubishi on May 30<sup>th</sup>. This will allow TMWA to issue commercial paper notes to defease (refinance) the publically issued bonds of the Washoe County water utility. All \$68 million of TMWA commercial paper notes were remarketed successfully in two tranches of \$34 million each.

Ms. Mazeres mentioned the billing system upgrade is going well. TMWA is in the process of beginning to integrate the meter readers of Washoe County with TMWA, as well as meeting with the meter manufacturer who is different from the one TMWA uses. Some Washoe County and STMGID customers are on a fixed-based system which does not require drive-bys, but rather uses radio signals to read the meters. There will be cross-training of reader meters to ensure meters can be read efficiently by January 1<sup>st</sup>, 2015.

Ms. Mazerres stated that there is a "Consolidation" tab on the website and the FAQs developed for consolidation are posted there, and there is a link on the Washoe County website to the FAQs, as well. She stated she is open to suggestions and recommendations to update the FAQs as needed.

Mr. Foree commented on the fact that Carol Litster has served on the County's rate review committee and happy to have her on the Standing Advisory Committee.

Mr. Tissier was asked who had the SRF loan. His response was that the Washoe County Water Utility has a state revolving loan with the State Treasurer which will be transferred to TMWA. The interest rate will stay at approximately 3%.

Chair McGuire asked how TMWA currently reads their meters. Ms. Mazerres responded that TMWA has two cars that pick up the readings electronically. At the County, currently there are two different systems and meters where 13,000 customers require drive by readings to retrieve the data and 11,000 customers are read by fixed base; there are three antennas in the area that can read these 11,000 meters immediately. The County's system is more effective in identifying excessive usage and usage issues because of this; TMWA is looking into updating the meters as they go bad.

Mr. Gescheider asked about the Right of Way toll and if TMWA will be absorbing the cost for Washoe County customers and how much this would be. Mr. Tissier responded that it would cost \$350,000 if it is phased in over time, but it does not make much of an impact and has been accommodated for in the five-year financial forecast. Ms. Mazerres stated that under the proposed plan, TMWA would show the five percent Right of Way toll on the former Washoe County customer's bills as two line items, first as a debit for the toll and then an offsetting credit by TMWA, for a period of time so that their bill will remain the same as it was under Washoe County. After a set amount of time, TMWA will incrementally adjust the percentage customers will begin to pay until they pay the entire five percent Right of Way toll. This will coincide with TMWA's rate increase which typically occurs every 2-3 years and replace Washoe County's Cost of Living Point of Increase (CPI) for water bills.

Mr. McGuire questioned about how the cost will be absorbed. Mr. Tissier responded that the treasury coming from the County is more than sufficient to absorb this cost and it would not be taken out of TMWA's treasury. Mr. Tissier also noted that consolidation water utility revenue is projected to be \$100 million per year and therefore \$350,000 is insignificant. Priority is to ensure the water rates do not change for the new and existing customers.

Mr. Gescheider asked about the impact of the merger and the promise that it would not affect current customers. Mr. Tissier assured that customer rates will not increase as a result of the consolidation due to the fact that CPI rates were taken out of the projections for this year. Mr. Foree stated that TMWA was guided by the Board that no TMWA or County customer was going to experience any rate increase. The money that is being spent is being spent from the combined entity.

Mr. Turner had a question about the FAQs and that at the last meeting it was discussed that the committee would have an opportunity to review and provide feedback. He stated that he received it as a bill insert, but was under the impression that the committee would have the opportunity to review. Ms. Mazeres stated that the Board did not review them either, only STMGID, TMWA and Washoe County approved them. However, she is open to any and all suggestions to modify the FAQs.

*Member Chambers arrived at 3:06 p.m.*

## 6. ADVERTISING REVIEW

Ms. Mazeres stated that it has been an interesting thus far with Customer Service being extremely busy so early in the year; more customers reporting water waste and asking why TMWA is not asking for more conservation.

Robert Charpentier stated that what is new this year is a two-part summer campaign. The first is the same as previous years: assigned water days and conservation via radio advertising, social media, etc. The second part is new to our customers; TMWA will be asking for the first time for our customers to cut back 10 percent on water usage at the end of July. Mr. Charpentier presented digital ads to the committee that will be shown via social media and to answer questions via blogs. He played the two radio ads: watering days and conserving 10 percent.

Ms. Mazeres mentioned the drought article that the Reno Gazette Journal (RGJ) ran in June. It was to run on Sunday June 22, 2014, but they ran a teaser two days prior on Friday June 20, 2014. The television stations jumped on this and aired the news on Friday. At the same time, the RGJ asked TMWA for the top 100 users in the four specified categories. Ms. Mazeres responded this is information that TMWA does not provide to anyone who asks, but since TMWA falls under the Public Records Act, the information must be provided to the RGJ. Mr. Pagni stated that the request was taken to the Board and it was decided that according to the Public Records Act, TMWA had no choice but to disclose the lists.

Mr. Gescheider requested more information from TMWA on how to achieve the 10 percent increase in conservation.

Members Heffner and McNeil stated they were taken by surprise regarding the fact that an individual's water bill is a matter of public record. Mr. Pagni responded that the Nevada Supreme Court has taken a very broad view in this matter. Ms. Mazeres responded that it would require a change in state law for TMWA's customer information to no longer fall under the Public Records Act.

Paul Rose requested for information to be sent to SAC on anything in the press clips.

## 7. PRESENTATION OF THIRD QUARTER 2014 FINANCIAL REPORT

Jeff Tissier, TMWA CFO, stated that the third quarter 2014 financial report is very positive. TMWA is \$2.9 million ahead of budget, which was based on cool weather patterns. TMWA's hydro plants are functioning well and hydro electricity output is good. Mr. Tissier stated that TMWA had projected in the budget \$37.9 million in operating expenses, but it should be at \$37 million or potentially less. He stated that TMWA cannot control weather patterns, but can adjust capital spending. Investment income is slightly better than planned since investments have produced a slightly higher yield.

## 8. REPORT ON THE WATER SUPPLY

Bill Hauck referred to the staff report, explaining that Lake Tahoe is two feet lower than this time last year. It is draining very quickly. Stream flow runoff was twenty percent of normal this year. TMWA will not have any trouble meeting demands, but will need to tap into ground water wells and our upstream water storage at the end of July. It is anticipated that 4,700 acre feet of drought reserves will be used this year.

Mr. Hauck reported that TMWA will increase the time frame for no watering by customers from 12:00 p.m. to 6:00 p.m. to 11:00 a.m. to 7:00 p.m. The increased time for no watering is not arbitrary, but is part of TMWA's 2010-2030 Water Resource Plan. TMWA will release water from Donner and Stampede reservoirs for the first time in twenty years. TMWA should end this season with 25,000 acre feet of drought reserves left in storage.

Mr. Hauck also mentioned that TMWA is the only water authority to have full reservoirs in the Sierra's and that's what makes TMWA different than Southern Nevada and California. Our predecessors at Sierra Pacific showed great vision by acquiring Donner and Independence Lakes in 1937, providing TMWA with a very unique and amazing system. And once TROA passes TMWA will double their drought reserves. He stated that TMWA can anticipate approximately 2,000 acre-feet in savings through conservation this summer. Historically, whenever TMWA has asked for ten percent conservation, customers provide fifteen to twenty percent.

## 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. Domestic Well Workshop (August 5<sup>th</sup>)
2. Consolidation Progress Report (Standing Item)
3. Report on the Water Supply – Early reaction to conservation

**4. Vision, Values and Business Objectives**

**10. STAFF ITEMS**

1. Updated contact list for SAC to proof.
2. TMWA Picnic on July 12<sup>th</sup>.

**11. COMMITTEE ITEMS**

There were no committee items.

**12. PUBLIC COMMENT**

There was no public comment.

**13. 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 August 5, 2014.

Respectfully submitted,

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Cara Rives, Recording Secretary  
Sonia Folsom, Recording Secretary

- \* Member Hutchins was present for items 4 through 13 only.
- \* Member Chambers was present for items 5 through 13 only.