



STANDING ADVISORY COMMITTEE

MINUTES

April 7, 2015

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority (TMWA) 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: Harry Culbert, Bruce Gescheider, Kevin Haddock, Colin Hayes, Karl Katt, Neil McGuire, Fred Schmidt, Ron Turner and Jerry Wager.

Alternates Present: Mike Heffner*, Carol Litster, Ken McNeil, Mike Pidlypchak, Paul Rose, Mike Schulewitch, Jim Smith, and Steve Stegmeir.

Staff Present: Jack Byrom, Robert Charpentier, John Erwin, Scott Estes, Sonia Folsom, Mark Foree, Bill Hauck, Kim Mazeres, Jeff Tissier, Steve Walker 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 FEBRUARY 3, 2015 MEETING

Upon motion duly made and seconded, carried by unanimous consent of the members present, the Committee approved the minutes of the February 3, 2015 meeting.

**Mike Heffner arrived at 3:04 p.m.*

5. PRESENTATION OF FINANCIAL PERFORMANCE FOR FIRST HALF FISCAL YEAR 2015

Jeff Tissier, Chief Financial Officer, referred to the staff report. Mr. Tissier pointed out that TMWA is doing very well compared to the 2015 budget; employees have done an amazing job at managing operating expenses and staff is also seeing new business increasing.

Ken McNeil inquired about water conservation and its impact on revenue. Mr. Tissier indicated that this question could be better answered during the next agenda item.

Fred Schmidt asked if the decrease in salaries and employee benefits was an anomaly. Mr. Tissier replied no, it is consistent and common to have overlap with retiring employees and there was no increase in health care insurance rates. He stated, prior to the merger, TMWA had a number of open positions and duplicate staffing for training purposes when senior employees were retiring.

Neil McGuire asked if the health insurance TMWA has is a self-insured plan. Mr. Tissier replied no, they participate in the City of Reno health plan because they are self-insured.

6. BUDGET PRESENTATION OF SECOND AUGMENTED AND AMENDED BUDGET FOR FISCAL YEAR 2015

Mr. Tissier presented the second augmented and amended budget for FY2015. He stated the first augmented budget presented in December 2014 was to provide expenditure authority. The second augmented budget includes the first six months of operating expenses of South Truckee Meadows General Improvement District (STMGID), which is required under accounting standards. He also referred to the reduction in waters sales due to the elimination of the wholesale agreement with Washoe County ("County"). Finally, TMWA's 2005 Revenue Bonds were to be sold this week and staff is in receipt of \$9.6 million in insurance proceeds in relation to the Farad Diversion.

Ron Turner asked if the \$5.1 million loss presented in the first augmented budget is in fact STMGID and the County. Mr. Tissier replied yes because TMWA did not receive the benefit of County water utility operations in the first six months of the fiscal year as well as the fact that TMWA has a more fixed-based cost structure.

Mr. McGuire questioned the cost of \$400,000 for the merger and if it will be returned in revenue over a course of period of time, and if it included STMGID reserves. Mr. Tissier replied, yes. The first six months of the report presents the entire STMGID treasury and \$33 million of the County has been transferred. The unrestricted treasury is going to increase significantly up to \$80 million from \$60 million and the defeasance of the publicly issued debt interest was very profitable for TMWA.

Bruce Gescheider inquired if the Committee has discussed the settlement with NV Energy or Sierra Pacific. Mark Foree replied no, but it was in the asset purchase agreement from Sierra Pacific. However, the Farad dam was destroyed during the 1997 flood and since that time litigation with the insurance company has been ongoing. TMWA recently reached a settlement with NV Energy whereby TMWA will receive all future insurance proceeds including the \$9.6 million that was received recently.

Mr. McGuire asked about the purpose of the Farad dam. Mr. Foree replied when the dam, plant and flumes are rebuilt, it will generate approximately \$1,500,000 a year and the net present value of the generation is over \$30 million.

Mr. Gescheider inquired about the NV Energy's insurance coverage of \$72 million. Mr. Foree replied that it is what is available, but it will probably only cost approximately \$20 – 25 million.

Mr. McGuire inquired what will occur with the loss of revenue of the last 14 years. Mr. Foree replied it was part of the discussion during the settlement, but it was best left alone.

Mr. McNeil asked which courts were involved in the settlement. Mr. Foree replied it appeared before Judge Larry Hicks, U.S. District Court, District of Nevada and the 9th Circuit Court of Appeals in San Francisco, California.

7. PRESENTATION OF THE TMWA TENTATIVE BUDGET FOR FISCAL YEAR 2016, AND DRAFT CAPITAL IMPROVEMENT PLAN (CIP) FOR FISCAL YEARS 2016 THROUGH 2020

Mr. Tissier noted this is the first full fiscal year as a consolidated water entity. The tentative budget displays operating revenue close to \$100 million and operating expenses are approximately half at \$52 million. Mr. Tissier reported that operating expenses are slightly higher than what was anticipated in the merger model due to the drought situation, not foreseen over a year ago. In response, TMWA will spend approximately \$500,000 to add treatment to remove potential taste and odor issues that may arise due to increased algae byproducts in the raw water.

Mr. Tissier replied to Mr. McNeil's question regarding water conservation. He stated revenues are impacted because staff is requesting customers conserve at least 10 percent and the Board's decision to convert flat-rate to metered billing.

Jerry Wager asked if the State Revolving Fund (SRF) program buys down the loan cost and principal benefit. Mr. Tissier replied yes, borrowing costs are low right now and in the next five years will fix the commercial paper. The new Capital Improvement Plan (CIP) will show a comparable amount, or more redemption, in commercial paper and staff has already planned paying down the principle in the County debt which originally was not going to be paid down until July 2023. Mr. Foree added the state runs a very good SRF program -- one of the best in the country.

Paul Rose asked if the Mt. Rose surface water treatment plant was acquired from the County. Mr. Tissier replied no, staff is looking at expanding the conjunctive use in that area to reduce the use of groundwater.

Scott Estes added there are three primary projects planned to implement conjunctive use: 1. new facilities on Zolezzi Lane will bring surface water into the Arrowcreek and Mt. Rose systems; 2. build facilities up Arrowcreek Parkway for the STMGID West system; and, 3. the surface water treatment plant on the Mt. Rose-Galena Fan area.

Mr. Rose asked if the treatment plant is new. Mr. Estes replied yes.

Mr. Rose inquired what cloud seeding activities are. Mr. Tissier replied TMWA funds the cloud seeding efforts in the Sierra Nevada where the Desert Research Institute (DRI) has five cloud seeding generating stations which generates approximately 15,000 acre feet (AF) of water annually.

Mr. Wager confirmed if the data is correct indicating flat-rate users use about two-three times more water in the summer than customers on metered billing and why does TMWA expect a loss of income. Mr. Tissier replied one-inch flat-rate customers pay \$108 per month which is paid through winter. With the implementation date set for October 1, TMWA will lose this flat rate revenue in the winter which impacts fiscal year 2016 revenues.

Mr. McGuire asked why the Board chose October 1 as the implementation date to convert the remaining flat-rate customers. Kim Mazeres replied the Board members discussed they wanted to mitigate impact on customers.

Mr. McGuire expressed his dissatisfaction with the Board's decision regarding flat-rate customers due to all the time and effort all the SAC members have put in over the years to bring this change.

Mr. Turner pointed out a significant increase between 2016 and 2017 between Capital Improvement Plans, from \$42 million to \$92 million, if it was a result of the merger, and asked how much is left of the \$15.1 million in STMGID reserves. Mr. Tissier replied that is correct and the majority of the increase is expanding conjunctive use. He added there is approximately a third left in the STMGID reserves after five years, but it is earmarked for improvements in that former service area.

Mr. Gescheider suggested the SAC members add a recommendation to the Board that they convert all flat-rate billed services to metered billing on June 1, 2015 as opposed to October 1, 2015.

Mr. McGuire also suggested a June 1, 2015 implementation date.

Mr. Wager added the dual reasons for a June 1 implementation is it affects water conservation and mitigates potential loss of income to TMWA.

Upon motion duly made and seconded, carried by unanimous consent of the members present, the Committee forwarded a recommendation of approval of the tentative budget for FY2016 and the 2016-2020 CIP to the Board of Directors, with the recommendation to convert flat-rate customers to metered billing by June 1, 2015.

8. STATUS REPORT ON THE 2015 NEVADA LEGISLATIVE SESSION

John Erwin provided an overview of the legislative bills TMWA staff is tracking and informed the committee that the Board has adopted the positions shown in the report and that there are no changes to the report since the last Board meeting.

Mr. Walker detailed the bills TMWA is tracking and presented a new bill, AB332 that makes various changes to bidding and purchasing, to which TMWA staff is opposed,. The bill proposes that local governments cannot buy materials directly to avoid paying sales tax.

Mr. McNeil asked how they avoid the sales tax. Mr. Walker stated they always avoided it because they are using tax money to pay taxes, so they never paid sales tax.

Mr. McGuire expressed his concern about AB347 in which the State Engineer is requesting to allocate half an acre foot (AF) of water in designated basins to domestic wells that have a meter. Mr. Walker replied some measurements need to be allocated, but they need to approach agriculture wells that use over 2,000 AF first.

Mr. Gescheider inquired what TMWA's amendments to SB392 were. Mr. Walker replied they were to allow local governments and other public entities to make the decision based not only on best value bid, but to also to factor in other criteria and experience.

Mr. Schmidt inquired, in reference to SB311, about the money being spent on the Boca dam and who is funding the \$5 million. Mr. Erwin replied that the bill is specific to the Washoe County Water Conservation District, which has a cap of \$1 million. By raising the cap, the bill would allow Washoe County Water Conservation District to borrow \$6 million to be used to fund the District's share of the \$40 million that the US Bureau of Reclamation has estimated is needed to repair the dam. The \$6 million will be passed onto various holders of water rights who are members in the District.

9. PRESENTATION ON WATER SUPPLY, DROUGHT PLANNING AND COMMUNICATION AND CONSERVATION PLAN

Bill Hauck provided an overview of the report. Mr. Hauck stated this year has been the worst snowpack in over 100 years of recorded history. The official April 1 report indicated snowpack levels of 10 percent for the Lake Tahoe Basin and 13 percent for the Truckee River Basin. Staff does not expect any flow out of Lake Tahoe this year and the last time this occurred was in 1993. Mr. Hauck stated the Floriston rates can only be met for another couple of weeks, and TMWA will begin drought operations, including starting groundwater production, sometime in May.

Mr. Wager asked if there is a sequence of releasing water from TMWA's reserves. Mr. Hauck replied yes it will follow along the same lines as last year where staff released reserves from Boca and then Donner Lake. This year staff will have to release some reserves from Independence Lake, but do not know how much at this point in time. However, TMWA will have some water in Independence Lake going into next winter.

Mr. Wager asked if Donner and Independence Lakes are refilling now. Mr. Hauck replied that Donner is going to fill this year and TMWA was given permission to start early filling in mid-February, which is unprecedented, and Independence Lake is nearly full.

Mr. Heffner inquired about the status of Boca Reservoir. Mr. Hauck replied the water in Boca Reservoir will be gone by mid-April. Mr. McNeil asked when the ditches will shut off. Mr. Hauck replied that all ditches, including TMWA's ditch irrigation service customers, will be shut off in a couple of weeks resulting in the briefest irrigation season in recorded history.

Mr. Heffner noted that the Steamboat ditch started early this year. Mr. Hauck mentioned that all the ditch companies started releasing water in the ditches early.

Mr. McGuire inquired if this also applied to Truckee Carson Irrigation District (TCID). Mr. Hauck replied yes, TMWA has a senior claim and the TCID will be shut off first. Mr. McGuire added that farmers have already been given notice they are not able to irrigate in that area.

Carol Litster asked if the farmers in Fallon, Yerington, and Smith Valley have wells they can start using when the ditches are shut off. Mr. Hauck replied yes, some do.

Mr. Wager asked what TMWA's next steps is if they do not obtain 10 percent conservation. Mr. Erwin referred to the staff report and the actual sources of water supply. He stated the projection at the beginning of March was to use 8,000 acre feet (AF) of upstream reserves, but it may increase to 12,000 AF depending on how warm it is this summer.

Presentation on Communication and Conservation Plan

Kim Mazeres stated TMWA staff recommended voluntary participation to conserve “at least 10 percent” and have seen nearly a voluntary reduction of 20 percent in the last drought on record during 1987-1994. Staff believes customers will meet the 10 percent goal, and if they have to increase beyond that they will have to consider other options such as drought rates, enforcement, or more demand side programs.

Mr. Heffner clarified the 10 percent is not actually saving water rather readying the customers for the dry summer. Ms. Mazeres replied that is correct, it is getting customers ready for them to conserve all summer long and to understand how best to start off the irrigation season under such circumstances. Staff has been working with the Nevada Landscape Association (NLA) and the University of Nevada Cooperative Extension to identify best practices which suggest it is best to start out the season conserving water, with shorter run-times and increasing the number of times watered a day.

Mr. Heffner stated he saw the suggestions in the bill insert. Ms. Mazeres added it will continue throughout the irrigation season.

Mr. McGuire asked if it applied to impact sprinklers. Ms. Mazeres replied, no, it is for spray heads, and the message is for the average customer.

Ms. Mazeres added staff will be sending out specific communication to all local Homeowners Associations.

Kevin Haddock pointed out that staff may want to speak with the City of Reno since they believe it is okay to not water landscaping and let the grass dry and weeds grow, but the City of Sparks understands this is not feasible. He mentioned the Santa Clara Valley Water District is giving subsidies for customers who will put in xeriscaping. Ms. Mazeres replied that for specific code enforcement complaints they should speak with TMWA’s Board members from the City of Reno, but staff is having discussions with all of the agencies in order to have the same message.

Mr. Heffner inquired why TMWA does not have any rebate programs. Ms. Mazeres replied they do not have funding unless they raise rates, but staff is considering funding options that may or may not be feasible. Mr. Erwin added it is difficult to decide who pays for the grass rebate program, and it becomes a question of fairness if someone has already re-landscaped.

Mr. Heffner pointed out many people know they are on the TMWA Standing Advisory Committee, and the members are asked many questions by the public. He requested when staff has developed a position paper to send it to the committee for feedback. Ms. Mazeres stated staff will send the committee a link to the Frequently Asked Questions page on the website, and they will continue to be updated as new messaging is developed.

Mr. McGuire inquired how quickly a rate increase can be implemented. Debbie Leonard, TMWA Legal Counsel, replied that topic can be put on a future agenda.

Ms. Mazeres detailed the communication and advertising activities for the summer.

Mr. Schmidt asked if TMWA would consider increasing the 10 percent goal. Ms. Mazeres replied yes.

Mr. Schmidt confirmed if it is typical to utilize reserves and if staff is planning for next year if the drought continues. He reiterated that the public perception is there is a nine-year drought plan. Mr. Erwin replied yes it is a nine-year drought plan, not a nine-year water supply plan. The drought plan is based on a three-year dry cycle followed by a wet year.

Mr. Schmidt inquired if the Vidler (Fish Springs) pump station was groundwater supply. Mr. Erwin replied yes. Ms. Mazeres added TMWA now has over 50 groundwater wells from Washoe County due to the merger which is helping with TMWA's water supply.

Mr. Erwin added TMWA is close to implementing Truckee River Operating Agreement (TROA) at which time TMWA will be able to store additional water in the winter, which cannot be done right now. It will equate to 12,000 AF of additional water that TMWA can store in upstream reserves, or about 50 percent more storage in a dry year, because TMWA is the only entity diverting water in the winter.

Mr. McGuire questioned the impacts on the aquifers due to the over pumping of groundwater. Mr. Erwin replied TMWA recharges the aquifers in the wintertime to mitigate the effects of groundwater pumping. Currently, TMWA is recharging about seven million gallons a day which can possibly be doubled by adding additional recharge wells in the south Truckee Meadows and Spanish Springs.

Mr. Erwin pointed out page seven of the report which displays the current condition. He noted we appear to be entering into a period identical to the period of 1990-1993.

Mr. Schmidt questioned the worst snowpack years. Mr. Erwin replied they are not ranked sequentially, but in order of a certain period.

Mr. Gescheider noted that maximum consumption and water usage occur in the same months. He suggested they start thinking differently in terms of rates and other available options in order to pay down TMWA's debt. He addressed that it is a short three to four month problem and there are plenty of things staff can do differently to address these issues.

***Jerry Wager departed at 4:48 p.m.*

*** Harry Culbert departed at 4:53 p.m.*

10. REPORT ON RESULTS OF TMWA OPEN HOUSE REGARDING CONVERSION OF FLAT-RATE CUSTOMERS AND REPORT ON BOARD'S DIRECTION

Ms. Mazeres mentioned TMWA's Open House held on March 10 was very successful and noted that the public comments are included in the staff report. She added that it was presented to the Board and there was a lengthy discussion. The Board decided to hold public hearings in April and May, but delay implementation to October 1, 2015. One additional request from the Board was to present a report on low-income or senior citizen rates, which has previously been presented to the Board numerous times in past years.

Mr. McGuire pointed out that this is an issue that has been discussed and information presented to customers many times and he was confused by the public comments claiming ignorance even though it has been discussed for over twenty years.

Mr. Heffner referred to the last page of the public comment section and requested it be presented to the Board.

Mr. Turner observed there were 37 people who did comparisons – 14 would pay more, but 15 would pay less.

11. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING AGENDA ITEMS FOR FUTURE MEETINGS

1. Water supply and conservation communication
2. Legislative Session update
3. Report on best practices on seasonal rate increases
4. Report on the Cloud Seeding program

12. STAFF ITEMS

Ms. Mazeres stated staff will be meeting with the Reno-Gazette Journal (RGJ) Editorial Board. The RGJ has now requested the top 1000 residential, commercial and flat-rate users for 2011, 2012, 2013 and 2014.

Mr. Schmidt inquired how long it took TMWA staff to compile the data. Ms. Mazeres replied since staff had the model built due to last year's request, it did not take long.

Mr. Gescheider inquired if it included County customers. Ms. Mazeres replied no because TMWA does not have the official billing records for the County customers for these four years.

Mr. McNeil inquired what information was the RGJ requesting this time. Ms. Mazeres replied they are requesting the name, address, and gallons of water used annually.

Mr. Turner asked if TMWA will have a Top 100 Conservation list and if so how would they determine who makes the list. Ms. Mazerer replied they will present a "Water Hero" showcasing what they have done to significantly reduce their water use, which will be determined by how much water, in gallons, they have saved.

Mr. McNeil asked if TMWA sends a notice if there is a spike in water usage. Ms. Mazerer replied staff calls the customer personally if there is an unusual spike.

Mr. Gescheider mentioned all the landscape companies are working on large irrigation projects that could potentially make the "Water Hero's" list. Ms. Mazerer stated she would appreciate receiving the list to help her and staff.

13. COMMITTEE ITEMS

There were no committee items.

14. PUBLIC COMMENT

There was no public comment.

15. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 5:09 p.m.

Approved by the Standing Advisory Committee in session on May 5, 2015.

Respectfully submitted,

Sonia Folsom, Recording Secretary

***Mike Heffner was present for agenda items 4 through 15 only.**

**** Jerry Wager and Harry Culbert were present for agenda items 1 through 9 only.**