



## STANDING ADVISORY COMMITTEE

### MINUTES

December 3, 2013

---

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:** Robert Chambers, Bruce Gescheider, Colin Hayes, Ben Hutchins\*, Neil McGuire, Mike Pidlypchak, and Ron Turner.

**Alternates Present:** Mike Heffner, Larry Hunt, Karl Katt, Ken McNeil, Paul Rose\*\*, and Jim Smith\*\*.

**Staff Present:** Jack Byrom, Robert Charpentier, Amanda Duncan, John Erwin, Mark Foree, Scott Estes, Kim Mazeres, Ron Penrose, Cara Rives, Shawn Stoddard, Jeff Tissier, 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 OCTOBER 1, 2013 MEETING

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the SAC approved the minutes of the October 1, 2013 meeting.**

***\*Member Ben Hutchins arrived at 3:05 p.m. during item 4***

#### 5. REPORT ON STATUS OF THE PROPOSED MERGER OF THE SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT (STMGID) INTO TMWA

Mark Foree announced that TMWA had completed a final agreement consistent with the original term sheet presented by STMGID and that this agreement would be presented to the STMGID Board for vote on Thursday, December 5<sup>th</sup> and the TMWA Board on December 17, 2013. He then introduced two members of the STMGID Board, Gary Tavernetti and Bob Atcheson, and invited them to speak to the Committee. Mr. Tavernetti complimented the TMWA staff for its professionalism and willingness to compromise during the negotiations. Mr. Atcheson added an invitation to all the SAC members to attend the STMGID Board meeting and stated that he was very hopeful that they would soon conclude all negotiations and move closer to the final goal. He also commented that it was only through cooperation on both sides that so many obstacles were overcome. He expressed his belief that the agreement would go through and that it would be beneficial for everyone involved. Jeff Tissier also thanked the negotiating committee for all its hard work and said that he had been very pleased at the smoothness of the negotiation process. He stated that there was still one small change regarding flat rate to metered rate conversion, and that issue would be presented to Project Manager Rod Savini to add it to the agreement if so desired.

Mr. Foree then expressed his gratitude for the invitations from STMGID that allowed TMWA to present information and answer questions at STMGID's monthly board meetings, which he felt was very helpful to the process.

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

Mr. Foree reported that TMWA is currently working on an implementation schedule with a target date to merge DWR on December 31, 2014. Per the TMWA Board's direction to finalize the STMGID negotiations before proceeding with the DWR merger, the majority of the past six months had been primarily focused on the STMGID project. With regard to the implementation schedule for merger with the Department of Water Resources, there are a number of items that will require 6-8 months of lead time. One of the items that will need to be completed by DWR prior to merger is to bring the Fish Springs Ranch water system into operation. This is also known as the Honey Lake Project and was originally approved to bring up to 8000 acre feet of water into the North Valleys. This project was built by the Vidler Water Company in 2008 and dedicated to the County at that time. It has not operated since the original start up. It includes approximately \$100 million in infrastructure that needs to be made operational, including the installation of a main tie that would bring water into both the Lemmon Valley system and into TMWA's system. The County is about to release the design contract necessary to complete this project. TMWA will require that the Fish Springs Ranch water system be operational for a period of at least 4-6 months prior to merger.

Bruce Gescheider asked about the financial status of DWR. Mr. Tissier responded that TMWA had reviewed the DWR financials consistently for the past 5 years, and they are generally very

healthy and show a tendency to underspend their projected budgets. He also mentioned that DWR had recently completed a series of five separate, annual rate increases that appears to have created sufficient revenues to support water operations.

Ben Hutchins verified this information stating that five years ago, partially in anticipation of the merger with TMWA, the Board of County Commissioners approved a five-year rate increase schedule with the first 2 years being 6 percent rate increases, and the last three years being 5 percent increases. The result is that the system has a very solid financial position.

Mike Pidlypchak asked if a copy of the preliminary implementation schedule could be provided for the SAC for review. Staff agreed to include this with the next meeting agenda. Scott Estes noted that this information could be viewed on the TMWA website since it was part of a staff report to the TMWA Board at the October meeting.

#### 7. PRESENTATION OF THE AUDITED COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY2013

TMWA's audit firm just completed the Comprehensive Annual Financial Report and TMWA received an "unqualified" report, which is a clean report with no review points. Mr. Tissier stated that the review went very well and he was very pleased with the result.

**\*\*Jim Smith arrived at 3:21 p.m. during agenda item 7.**

Mr. Tissier then gave a few highlights of the report, beginning with the fact that last year TMWA reported record water sales, and came in under budget on operating expenses despite a series of unscheduled maintenance projects that occurred on the hydroelectric facilities and a higher than average amount of distribution leaks. He also noted that there were also record hydro revenues, which will probably not recur this coming year since there are much lower river flows.

Chairman McGuire asked if the record water sales reflected record high water use and Mark Foree clarified that it was not a record for use but only for the actual revenue amount.

Ron Turner then made the comment that he had reviewed the entire CAFR and wanted to commend Jeff on the excellence of the financial reports. He stated that the absence of any recommendations in addition to the fact that all previous ones had been addressed was an extremely positive accomplishment and one the organization could be very proud of. Jeff offered thanks to his staff who had the daunting task of completing a full financial system conversion this year – and managed to do so with no resulting audit recommendations. He felt that this was only possible as a result of their outstanding dedication and hard work.

## 8. PRESENTATION OF FIRST QUARTER FISCAL YEAR 2014 FINANCIAL REPORT

Jeff Tissier reported that the first quarter is going well, and while not as exceptional as at this time last year, it is still very healthy financial performance. Operating expenses are currently underspent, but the operating revenue is over budget – mostly as a result of the conservative standard used for projecting income which is based on cool weather patterns. Water sales are \$1.3 million lower than compared to this time last year, which validates that last year was an uncharacteristic year. Hydro production will also be lower this coming year due to the lower river flows. Approximately \$1 million in developer fees have been recorded, which shows modest improvement with some residential activity. Mr. Tissier also reported that TMWA has a lot of financial flexibility and should be able to positively restructure outstanding debt in future years. Successful debt management will significantly assist TMWA and may prevent the need for rate increases for a period of time in the future.

Bruce Gescheider asked if the merger would affect the debt restructuring. Mr. Tissier responded that he did not anticipate any problems and that he felt TMWA was in a very good position to restructure its debt.

## 9. REVIEW OF TMWA'S FINANCIAL POSITION IN REGARD TO IMPLEMENTAION OF THIRD PHASE OF THE RATE ADJUSTMENT WITH POSSIBLE RECOMMENDATION TO THE BOARD

John Erwin presented this item to the Committee. He stated that in the fall of 2011 TMWA began its rate review based a budget target of 2016. From this review, and its subsequent presentation to the Committee, the SAC made a recommendation of commencing implementation annually in three phases, with Phase 1 in 2012, Phase 2 in 2013 and Phase 3 in 2014 subject to each successive Phase being reviewed prior to implementation. In the fall of 2012, Phase 2 was reviewed showing that TMWA was still on track to implement Phase 2 rate adjustments in February 2013. This finding was also the recommendation of the SAC and the TMWA staff. However, the TMWA Board opted to delay implementation of Phase 2 until February of 2014. This has resulted in a “stacking” of Phase 2 and Phase 3 adjustments, which are now scheduled to be implemented at the same time -- February of 2014.

Mr. Erwin stated that this stacking is an area of concern and that the staff recommendation is now to delay Phase 3 to 2015.

**\*\*Paul Rose arrived at 3:35 p.m. during agenda item 9**

Mike Heffner asked what the chance was that the Board would delay Phase 2. Mr. Foree responded that he did not think they would, but that the Staff would take any recommendation that the SAC made to the upcoming Board meeting scheduled for December 11, 2013.

Jeff Tissier also pointed out that deferring increases is not always an ideal situation especially when the increases are as moderate as these are. He stated that in his prior work with the County he had to implement a 34 percent increase which was quite onerous for the water

customers. Mr. Turner pointed out that according to the staff report, there is a probable revenue shortfall, and therefore very adequate reasons for both rate increases.

**Upon motion duly made and seconded, and carried by consent of the members present, with member Ron Turner dissenting, the Committee voted to make a recommendation to the TMWA Board that it implement the scheduled Phase 2 rate adjustment in February, 2014 and delay for one year the implementation of Phase 3 of the rate adjustment until February, 2015.**

Dr. Shawn Stoddard briefly commented on the predicted weather patterns for 2014. Mr. Gescheider asked if Dr. Stoddard agreed with the reports that we are entering a long-term trend of drier and hotter weather patterns. Dr. Stoddard responded by saying that in his opinion it really depends on who you talk to and that what most people do not realize is that the only real measurable weather data goes back only about 100 years. So that makes it hard to define a long-term trend at all. One thing he does see is that there are measurable trends in solar cycles and ocean currents, which have an effect on weather. He did state that given how dry the past two years have been, there is a good chance that we will have more precipitation in the coming year.

#### 10. UPDATE ON STANDING ADVISORY COMMITTEE MEMBERSHIP

Cara Rives, the SAC liaison, referred to the Staff report and attached chart, which identified the committee members whose terms are expiring on December 31, 2013. She stated that of 23 current members, 7 have terms that are expiring. Upon contacting each of these members, she was pleased to report that all members have accepted the invitation to continue for an additional term of two years.

Staff's proposal regarding SAC membership that staff will present to the TMWA board consists of the following:

- Wholesale: Ben Hutchins Primary will move to Alternate, Alternate Fred Schmidt will move to Primary.
- Multi-family Residential: Jonnie Pullman will continue as Primary.
- Residential 2: Ron Turner will continue as Primary, Paul Rose will continue as Alternate.
- BANN: Colin Hayes will continue as Primary, and Jim Smith has will continue as Alternate.

Reappointment of these members will be an agenda item at the upcoming TMWA Board meeting.

#### 11. PRESENTATION OF 2014 MEETING SCHEDULE

Cara Rives presented the proposed 2014 SAC meeting schedule, based on a continuation of meeting on the first Tuesday of each month. She stated that consistent with past practice, staff could cancel or reschedule SAC meetings as needed once the year progressed.

12. ELECTION OF OFFICERS FOR CALENDAR YEAR 2014

Chairman McGuire then asked for the Committee for its recommendations for the positions of Chairman and Vice-Chairman for the term beginning January 1, 2014.

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee elected Neil McGuire as Chairman.**

**Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee elected Ron Turner as Vice Chairman.**

Counsel Debbie Leonard noted that Mr. Turner's re-election to his position as Vice Chairman is contingent upon his reappointment to the SAC by the TMWA Board, since his term expires on 12/31/13. There are no anticipated obstacles to his reappointment.

13. 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. Board update: including STMGID, SAC Membership and Rates.**
- 2. Update on merger between TMWA and DWR**
- 3. Report on the Snowpack**
- 4. Overview of Water Rights/TROA**

14. STAFF ITEMS

There were no staff items.

15. COMMITTEE ITEMS

There were no committee items.

16. PUBLIC COMMENT

There was no public comment.

17. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 4:16 p.m.

Approved by the Standing Advisory Commission in session on January 7, 2014

---

Cara Rives, Recording Secretary

\*Member Ben Hutchins present for Items 4-16 only  
\*\*Member Jim Smith present for Items 7-16 only  
\*\*Member Paul Rose present for Items 9-16 only