



**STANDING ADVISORY COMMITTEE
MINUTES
DECEMBER 2, 2008**

The Standing Advisory Committee met at Truckee Meadows Water Authority in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chairman Vorreyer called the meeting to order at 3:04 p.m.

1. ROLL CALL

Voting Members present: Fred Schmidt, Neil McGuire, Michael Drinkwater, Ernest Buchner, Ernest Neilson*, Kevin Bloomgren, Barry Winzeler and Greg Vorreyer.

Alternates present: Jim Maass (voting) and Harry Culbert.

Staff present: Mark Foree, Jeff Tissier, Terri Thomas, Kim Mazeres and Debbie Leonard.

2. APPROVAL OF THE AGENDA

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

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE MINUTES OF THE SEPTEMBER 2, 2008 MEETING

Fred Schmidt asked that the asterisk be removed after his name in Roll Call agenda item.

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the corrected minutes of the September 2, 2008 meeting.

5. UPDATE ON THE ACTIVITIES OF THE WESTERN REGIONAL WATER COMMISSION (WRWC)

Mark Foree reported that TMWA and Washoe County Department of Water Resources (WCDWR) have begun conducting an evaluation of consolidation or integration between the two water purveyors. The evaluation is a requirement of legislation SB487 that requires an analysis and evaluation of consolidation of water purveyors in the region as part of the comprehensive plan that is due on January 1, 2011. The first item was a financial analysis of bonds and indebtedness by the two entities' bond counsel, Swendseid and Stern and financial advisor Public Financial Management. Those findings will be reported to the WRWC on December 12, 2008 and will be posted on the agenda on the <http://www.wrwc.us/> website.

Teams are being developed to look at specific areas of operations such as Engineering/Planning to identify potential benefits of some type of integration or sharing of services and infrastructure. Also, an operational financial analysis beyond the first look at debt will continue to look for benefits of either integrating or sharing services and infrastructure. Mr. Schmidt asked if one of the goals would be to only determine those levels of integration that make sense financially so that integration of certain operations would not cause rate pressure on either TMWA or WCDWR customers. Mr. Foree responded that ascertaining what, if any, benefits would be derived from either working together and sharing services or possibly integrating in some way will be a driving factor of the analysis moving forward if there is an identifiable cost savings.

Mr. Schmidt commented that after there has been stability in rates for a number of years, it would be nice to know if integration is going to occur at some level and if that is going to create savings before beginning a rate case review. Mr. Foree said that TMWA and WCDWR need to complete their funding plans and determine financial requirements as if the entities will remain separate; otherwise, it would be difficult to determine what savings would be derived with integration or sharing services. He did not think there would be any definitive action on integration prior to going forward with a rate review. Mr. Schmidt commented that cost savings is part of the sell to employees and customers although some type of integration might not have cost savings but makes sense operationally or avoids an increase in cost.

6. UPDATE ON LEGISLATIVE ITEMS OF SPECIAL INTEREST TO TMWA

Steve Walker, contract lobbyist, reported there have been changes in committee assignments due to a change in the majority party. New Bill Draft Requests (BDRs) include:

BDR 693 Assemblyman Goodheart - revises provisions relating to small public utilities that furnish water and sewer

BDR 680 Assemblyman Hogan - revises provisions relating to conservation of water. Last session Assemblyman Hogan was successful in amending the NRS chapter requiring public utilities to have water conservation plans to put a component in that any water conservation have a measurement of gallons per capita per day saved. TMWA lobbied to change the wording of measurement from gallons per capita per day to acre feet because that was a better measurement for savings. That didn't happen so this BDR is probably going to amend that same chapter.

BDR209 Assemblywoman Kirkpatrick – looks at the financial situation of certain water purveyors. It's very specific to Southern Nevada Water Authority and is somewhat based on expenditures outside of normal water authority business associated with their Spring Valley applications.

Mr. Schmidt asked Mr. Walker to find out the definition of “infrastructure” in the newly formed Transportation, Energy and Infrastructure Committee.

No action was taken.

7. REAPPOINTMENT OF COMMITTEE MEMBERS WHOSE TERMS EXPIRE IN DECEMBER 2008, ELECTION OF CHAIRMAN AND VICE CHAIRMAN FOR 2009 AND APPROVAL OF PROCESS FOR APPOINTING ALTERNATES FOR COMMERCIAL AND RESIDENTIAL MEMBERS

Terri Thomas reported that the TMWA Board of Directors reappointed the following SAC members to a two-year term expiring in December 2010: Kevin Bloomgren, Ernest Buchner, Michael Drinkwater, Neil McGuire and Susan Ralph. All members agreed to serve another term on the SAC.

Daryl Schleim is no longer with the Grand Sierra Resort so Mark Foree has sent a letter to the Chamber of Commerce asking them to appoint an alternate for Greg Vorreyer.

The Committee discussed the different rate classes represented and a process for appointing alternates to fill the vacant positions on the SAC. They requested a copy of the bylaws so they could review them. Ms. Leonard suggested Ms. Thomas find out why a member is consistently absent and whether that person still wants to or is able to serve on the committee. She also pointed out that appointments to the SAC are at the discretion of the Board. Chairman Vorreyer suggested that it is important that all classes be represented at meetings where a rate case is discussed. It was determined that SAC members talk with community individuals about filling the vacant positions on the SAC. Ms. Thomas could then collect biographical information, their geographical location within the TMWA service area and have them indicate what their interest is and complete a letter of application.

Chairman Vorreyer then called for a motion to elect officers for the CY2009.

Upon motion made and seconded, which motion duly carried by unanimous consent of the members present, the Committee elected Greg Vorreyer as Chairman and Fred Schmidt as Vice-Chairman.

8. PRESENTATION OF THE COMMUNICATIONS PLAN/PUBLIC OUTREACH AND EDUCATION FOR RATE REVIEW

Marlene Olsen, Olsen & Associates, reviewed the Rate Review Communications and Customer Outreach Plan to familiarize SAC members with TMWA's policy and strategy in the event of a

rate review situation. The plan is in compliance with Nevada Public Meeting Law and agrees with legal counsel memorandum on Notice Procedures dated September 21, 2005. The goal of the plan is to communicate and create an understanding with customers and target audiences that TMWA's proposed rate adjustment is necessary, justified and critical to the financial health and integrity of the community's water system. With the goal of full disclosure to all customers, the lead time is at least three or four months prior to a final decision. The objectives are to communicate the key messages to the target audiences regularly through all appropriate channels; to provide timely, correct information to the media and respond to incorrect information; and, to be transparent, accessible and provide as much opportunity for customer input and open dialog with the Board of Directors as possible. Target audiences are all TMWA customers, TMWA employees and call center staff, local media, key elected officials and community stakeholders such as Chamber of Commerce and EDAWN. Communication channels include: public meetings and board meetings for those wishing to voice their opinions; customer communications such as separate bill inserts announcing upcoming meetings, content for monthly bill inserts and bill statement messages; employees meetings and fact sheets; direct link on the TMWA website homepage; presentations and meetings with community stakeholders; news coverage and news releases; editorial board meetings; and well-positioned, visible public notice ads.

The Communications Plan is group effort; it takes everyone to accomplish the goals. Every effort is made to ensure the customer knows a rate adjustment is being discussed. The communications schedule is determined by working backwards from a date the Board could approve an adjustment to ensure all steps in a communications process are being met.

Mr. McGuire asked the budgeted amount for the communications plan. Ms. Mazeres said it was approximately \$25,000. It is TMWA's policy to communicate as much as possible prior to a rate increase rather than take customer calls after the fact. TMWA wants as much input as possible from its customers and wants to hear the customers' opinions and ideas. Although a rate review has not been specifically scheduled, Mr. Foree assured the SAC that they would be involved and their input given prior to the first reading to the Board. Mr. Schmidt said one of the benefits of having SAC input if a point is reached when a rate hike is necessary is that they understand, from a public standpoint, what is needed and would be an ally in terms of relationship to the general public and Board members.

No action was taken.

9. OVERVIEW OF TAX EXEMPT COMMERCIAL PAPER PROGRAM IN RECENT MARKET CONDITIONS

Jeff Tissier reported that TMWA made it through the credit markets fiasco of the last three months fairly well. He gave the Committee a graph showing the interest rates on remarketing (resale) of commercial paper during the past four months. Rates ranged from 0.85 to 4.75 %. All outstanding commercial paper was remarketed around the first of December. He explained that remarketings are necessary because each remarketing has a term expiration date when it either needs to be paid or remarketed. A term cannot exceed 270 days and commercial paper can continue to be remarketed as long as the market is willing to receive it and the interest rates are

favorable. Staff is trying to achieve the lowest rates possible combined with spreading out the maturity dates over time.

Over the last year, interest expense was approximately 2% and investments were generating 4.78%. As long as IRS guidelines are met on spending on capital and water rights acquisition, TMWA can keep the arbitrage and not remit excess earnings to the federal government.

TMWA has an excellent letter of credit with Lloyd's Bank which has been accepted by the market. This has been invaluable. It is imperative to preserve our relationship with Lloyd's Bank so the letter of credit can be renewed in two years. Again, this is an integral part of the strategy in deferring a rate increase.

No action was taken.

10. OVERVIEW OF FISCAL YEAR 2007-08 FINANCIAL RESULTS AND FIRST QUARTER FISCAL YEAR 2008-09 RESULTS

Mr. Tissier reported revenues were as budgeted, although they were about \$2.8 million less than FY2007. Spending was significantly less than budget but there was a budget augmentation for spending on the earthquake damage of which \$1.4 million flowed into FY2009. Investment earnings were \$6.8 million and developer contributions dropped significantly from the prior year.

The balance sheet is relatively strong although not as strong as last year.

The coverage ratio at the end of the year was at 1.49 which met the board goal of 1.50. This is another reason that it was not necessary to move forward with a rate action last year.

TMWA has \$43 million tied up in water rights which have a value of \$55 million. TMWA has stopped purchasing water rights. There are 2,539.23 acre feet of water rights in fixed assets. They are considered a fixed asset because a water right is a permanent dedication – committed to long term service and, therefore, theoretically has a perpetual life.

TMWA has ended the fiscal year relatively stable.

The first quarter services and supplies were over budget because a number of unusual events occurred concurrent with the earthquake – failure of the flume; both power feeds from Sierra Pacific failed and Chalk Bluff was shut down; a permanent generator failed; and, two newly installed pumps at Glendale failed due to an incorrect adjustment by the manufacturer's rep.

Staff has been working diligently on ramping down spending in every department during this economic downturn. During the past few years, there was not a significant amount of hiring - outside contractors and firms were used in a number of construction projects. It is now policy to use internal resources, as opposed to contractors, and to pull engineering design in house to the maximum extent possible. Wage negotiations with the labor union will begin shortly and it is possible that at least 4½ FTEs will not be filled going into fiscal year 2010. There are some specific projects in the Capital Improvement Plan that must move forward; otherwise capital

spending will be ramped down significantly. There will be rehabilitation projects that need to be done, but every project is strenuously reviewed before it is begun. There may be more cuts; TMWA is not immune from what's going on with the overall economic climate but with careful planning and real thoughtfulness on the part of all employees, TMWA can weather this storm better than most agencies. There is a plan for the next three years: investment returns will be maximized and capital needs to be preserved as does cash in order to backstop the letter of credit backing the commercial paper.

In answer to a question on why revenue is down, Mr. Tissier said TMWA called for the community to conserve water due to the earthquake and the community responded, July temperatures were moderate, and there was some component due to foreclosures and vacant homes. It is not likely that TMWA can quantify the impact of these three variables on revenue.

In answer to a question about a decline in active accounts, Ms. Mazeris said that active accounts have not been tracked until the last four or five months so could not answer that specifically. On top of now tracking active accounts, uncollected revenues are being continually monitored. Customer service has been extending more payment plans than in the past and has increased customer deposits.

No action was taken.

11. FUTURE SAC MEETING DATES & AGENDA ITEMS

The next meeting is scheduled for January 6, 2000 at 3 p.m.

Upon motion made and seconded, which motion duly carried by unanimous consent of the members present, the Committee requested the following items be placed on future agendas:

- **Update of Legislative items of special interest to TMWA**
- **Update of the activities of the Western Regional Water Commission**
- **Presentation of the Comprehensive Annual Financial Report for Fiscal Year 2008**
- **Review of SAC Bylaws**
- **Update on the recruitment of alternate SAC Members**

12. COMMITTEE ITEMS

Greg Vorreyer reported that the General Manager Search Committee has appointed Mark Foree as the Interim General Manager through the end of June, 2009 and has deferred a further search until the first part of 2009.

13. STAFF ITEMS

Terri Thomas reported that Richard Acton, an original member of the SAC, had recently passed away.

Mark Foree mentioned that Joanne Stralla will be the Ombudsman replacing Don Rhoden and Bonnie Drinkwater, Attorney at Law, will be the new Hearing Officer for Dispute Resolution replacing Doug Nicholson.

14. PUBLIC COMMENT

There was no public comment.

15. ADJOURNMENT

With no other business to discuss, Chairman Vorreyer adjourned the meeting at 5:14 p.m.

Approved by the Standing Advisory Committee in session on February 3, 2009.

Respectfully submitted,

Corinne Cassell, Recording Secretary

*Member Nielson present for items 5 through 15 only.