

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Good afternoon Chairman McGinniss and Committee Members.

- TMWA came into being in June of 2001, after the local governments were the successful bidder on the water assets of SPPCo. (serve 79,000).
- Keep water resources under local government control versus foreign or out of state control.
- TMWA members created a financial model for acquisition – the model assumed TMWA would pay NO taxes and that those funds would be available for other expenses – such as bond financing.
- The official statement for the offering of \$452 million in bonds to purchase TMWA expressly states that no tax will be paid to governmental entities by TMWA.
- Bond ratings were based on this information – changes in ratings will have further detrimental effects by triggering our bank's ability to get out of certain investment arrangements that are very beneficial to TMWA and its customers.
- Because this legislation has a retroactive date, back to January 2001, TMWA had no idea that this should have been considered in the acquisition analysis.
- This legislation has the effect of taxing water customers through their water bills.
- The combined impact of this legislation is an increase of TMWA's expenses for taxes of \$ 3.2 million dollars per year. This will equate to a 5% or greater increase to water customers needed immediately.

- TMWA's financial model predicted the requirement for rate increases after the promised two year rate freeze. If this tax proposal goes through, the overall combined rate increase will be in the double digits in order to cover such costs as the principle payment on the bonds and these new tax payments.
- This will increase the District's costs for water to cover these taxes; creating a vicious cycle.
- TMWA and its members recognized the loss of tax revenues to other entities and have been working to mitigate those losses through mutually beneficial means.
 - During our first year, the District was hit the hardest financially and unfortunately that was a difficult year for us to plan and implement programs to benefit the District.
 - In that year, TMWA made efforts by paying the District for sites to drill groundwater wells on school properties.
 - Since that time, TMWA has been working with Dr. Hager and District staff to mitigate the ongoing loss to the District that was not made up by the distributive school fund (approximately \$250,000/year).
 - We are doing that in projects that will be useful for both entities such as:
 1. Spending conservation landscape dollars on several school sites retrofit with water efficient landscaping and systems to reduce water bills to the District and save water.

2. Continuing to work on groundwater well site development and payments.
 3. Using TMWA's capital dollars to construct non-potable systems to water large school turf areas. This will cut water costs to one-third and at Reno High School it is estimated to save the District \$45,000/year. The benefit to TMWA is that these projects free up treatment capacity during peak summer periods.
 4. Providing conservation education grants and materials to the District which will produce long term conservation results by educating the children in responsible water use.
 5. Providing water audit assistance to upgrade projects that the District plans to complete and providing audits to District operations staff.
- TMWA has several of these projects underway and others in the planning stages.
 - We have offered on numerous occasions to present our plans to the School District Board.
 - In closing, TMWA continues to be committed to working with the District to resolve these issues outside of the legislative process.

We support the concept of AB361 (which is the same bill with prospective date) that in the future such acquisitions would be evaluated to continue paying taxes to local governments, but the retroactive date in this bill puts TMWA in a financial dilemma that could not have been conceived of during the acquisition.