



TRUCKEE MEADOWS WATER AUTHORITY
Board of Directors

AGENDA

Wednesday, December 21, 2016 at 10:00 a.m.
Sparks Council Chambers, 745 4th Street, Sparks, NV

Board Members

Chair Geno Martini
Member Neoma Jardon
Member Jenny Brekhus
Member Ron Smith

Vice Chair Vaughn Hartung
Member Jeanne Herman
Member Naomi Duerr

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., Reno), Reno City Hall (1 E. First St., Reno), Sparks City Hall (431 Prater Way, Sparks), Sparks Justice Court (1675 E. Prater Way, Sparks), Washoe County Courthouse (75 Court St., Reno), Washoe County Central Library (301 South Center St., Reno), Washoe County Administration (1001 East Ninth St., Reno), and at <http://www.tmwa.com>.
2. In accordance with NRS 241.020, this agenda closes three working days prior to the meeting. We are pleased to make reasonable accommodations for persons who are disabled and wish to attend meetings. If you require special arrangements for the meeting, please call 834-8002 before the meeting date.
3. The Board may elect to combine agenda items, consider agenda items out of order, remove agenda items, or delay discussion on agenda items. Arrive at the meeting at the posted time to hear item(s) of interest.
4. Asterisks (*) denote non-action items.
5. Public comment is limited to three minutes and is allowed during the public comment periods. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a "Request to Speak" card and submitting it to the clerk. In addition to the public comment periods, the Chairman has the discretion to allow public comment on any agenda item, including any item on which action is to be taken.
6. In the event the Chairman and Vice-Chairman are absent, the remaining Board members may elect a temporary presiding officer to preside over the meeting until the Chairman or Vice-Chairman are present (**Standing Item of Possible Action**).
7. Notice of possible quorum of Western Regional Water Commission: Because several members of the Truckee Meadows Water Authority Board of Directors are also Trustees of the Western Regional Water Commission, it is possible that a quorum of the Western Regional Water Commission may be present, however, such members will not deliberate or take action at this meeting in their capacity as Trustees of the Western Regional Water Commission.

1. Roll call*
2. Pledge of allegiance*
3. Public comment — limited to no more than three minutes per speaker*
4. Approval of the agenda (**For Possible Action**)
5. Approval of the minutes of the November 16, 2016 meeting of the TMWA Board of Directors (**For Possible Action**)

¹ The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters.

6. Discussion and action on adoption of Resolution No. 246, a resolution to approve the Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2016 — Michele Sullivan **(For Possible Action)**
7. Discussion and action on adoption of Resolution No. 247, a resolution to approve the second budget augmentation and budget revisions for FY 2017 — Michele Sullivan **(For Possible Action)**
8. Discussion and possible direction to staff on parameters of potential rate adjustment proposal and future public input and hearing process — Mark Foree, Michele Sullivan, John Zimmerman, Scott Estes and Andy Gebhardt **(For Possible Action)**
9. Discussion and action on appointments to the Standing Advisory Committee (SAC) to fill the two new at-large representative positions, the irrigation customer representative alternate, and alternate members and other possible vacancies for terms beginning January 1, 2017 to December 31, 2018 from the following pool of candidates listed in alphabetical order: Fred Arndt, Kenneth Becker, Chris Bruch, Victor Buick, Petra Gonsalves, Bob Hammond, Jordan Hastings, Steve Jaffe, John Kadlic, Ray Mason, Ken McNeil, Scot Munns, Michael Pidlypchak, Bob Pohl, Dale Sanderson, Ed Tilzey and Gerry Tomac — Sonia Folsom **(For Possible Action)**
10. Discussion and action, and possible direction to staff regarding appointments to the Standing Advisory Committee to fill vacancies in existing positions whose terms expire December 31, 2016, such appointments to be made for new terms from January 1, 2017 to December 31, 2018 from the following list of candidates: (1) Neil McGuire, primary representative, irrigation customer; (2) Mike Heffner, alternate representative, irrigation customer; (3) Mike Schulewitch, alternate representative, multi-family customer; (4) Kevin Haddock, alternate representative, commercial customer; (5) Robert Chambers, primary representative, senior citizen customer; (6) Karl Katt, alternate representative, senior citizen customer; (7) Carol Litster, primary representative, residential 1 customer; (8) Harry Culbert, primary representative, residential 2 customer; (9) Jerry Wager, primary representative, residential 3 customer; (10) Ken McNeil, primary representative, at-large 1 customer; (11) Mike Pidlypchak, primary representative, at-large 2 customer — Sonia Folsom **(For Possible Action)**
11. Discussion and action on establishing a Legislative Subcommittee, appointment of Board members to Subcommittee and establishing the process to review legislative activities — John Zimmerman and Steve Walker, TMWA Lobbyist **(For Possible Action)**
12. General Manager's Report*
13. Public comment — limited to no more than three minutes per speaker*
14. Board comments and requests for future agenda items*
15. Adjournment **(For Possible Action)**

¹. The Board may adjourn from the public meeting at any time during the agenda to receive information from legal counsel regarding potential or existing litigation and to deliberate toward a decision on such matters.

TRUCKEE MEADOWS WATER AUTHORITY
DRAFT MINUTES OF THE NOVEMBER 16, 2016
MEETING OF THE BOARD OF DIRECTORS

The Board of Directors met on Wednesday, November 16, 2016, at Sparks Council Chambers, 745 4th Street, Sparks, Nevada. Vice Chair Hartung called the meeting to order at 9:09 a.m.

1. ROLL CALL

Members Present: Jenny Brekhus, Naomi Duerr, Vaughn Hartung, Neoma Jardon and Ron Smith*.

Members Absent: Jeanne Herman and Geno Martini

A quorum was present.

**Member Smith arrived at 9:18 a.m.*

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Jessica Atkinson, TMWA Human Resources Manager.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF THE AGENDA

Upon motion by Member Duerr, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board approved the agenda.

5. APPROVAL OF THE MINUTES OF THE OCTOBER 19, 2016 MINUTES

Upon motion by Member Duerr, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board approved the October 19, 2016 minutes.

6. DISCUSSION AND ACTION CONFIRMING GENERAL MANAGER'S APPOINTMENT OF FOUR TRUSTEES TO THE 501.C-9 POST-RETIREMENT MEDICAL PLAN & TRUST FOR A TWO-YEAR TERM FROM JANUARY 1, 2017 THROUGH DECEMBER 31, 2018 FROM THE FOLLOWING LIST OF INDIVIDUALS: MICHELE SULLIVAN, JUAN ESPARZA, MICHAEL NEVAREZ AND STEVE ENOS

Jessica Atkinson, TMWA Human Resources Manager, presented the staff report for Board consideration. Discussion followed to ensure proper succession planning for future trustees to be appointed to the 501.C-9 Post-Retirement Medical Plan & Trust (PRMT).

Upon motion by Member Duerr, second by Member Brekhus, which motion duly carried by unanimous consent of the members present, the Board confirmed General Manager's Appointment of Michele Sullivan, Juan Esparza, Michael Nevarez and Steve Enos as trustees to the 501.C-9 Post-Retirement Medical Plan & Trust for a two-year term from January 1, 2017 through December 31, 2018.

7. DISCUSSION AND ACTION CONFIRMING GENERAL MANAGER'S APPOINTMENT OF ONE TRUSTEE TO FILL THE REMAINING TERM OF LEONIDA POULIOT AND FOUR TRUSTEES TO THE § 115 POST-RETIREMENT MEDICAL PLAN & TRUST FOR A TWO-YEAR TERM FROM JANUARY 1, 2017 THROUGH DECEMBER 31, 2018 FROM THE FOLLOWING LIST OF INDIVIDUALS: MICHELE SULLIVAN, SANDRA TOZI, CHARLES ATKINSON AND GEORGE GAYNOR

Ms. Atkinson presented the staff report for Board approval of the General Manager's appointments of four trustees to the § 115 PRMT.

Upon motion by Member Brekhus, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board confirmed General Manager's appointment of Sandra Tozi to fill the remaining term of Leonida Pouliot and Michele Sullivan, Sandra Tozi, Charles Atkinson and George Gaynor as trustees to the § 115 Post-Retirement Medical Plan & Trust for a two-year term from January 1, 2017 through December 31, 2018.

8. REPORT REGARDING OMBUDSMAN ACTIVITIES FROM DECEMBER 2015 THROUGH OCTOBER 2016 AND REQUEST FOR BOARD DIRECTION AND POSSIBLE AUTHORIZATION FOR THE GENERAL MANAGER TO RENEW THE OMBUDSMAN CONTRACT WITH JOANNE STRALLA FOR CALENDAR YEAR 2017

Andy Gebhardt, TMWA Customer Relations Director, presented the ombudsman report and contract renewal for Joanne Stralla for calendar year 2017. Mr. Gebhardt related TMWA staff enjoys a good professional relationship with Ms. Stralla and TMWA customers are very happy with her services.

At this point, there was discussion regarding the necessity of having an ombudsman on staff, to consider the duration of the contract, and when it may be prudent to send out a request for proposals. However, the strong customer satisfaction results TMWA has maintained is a good testament to a job well done by Ms. Stralla and it may be prudent not to disrupt a good working relationship.

Member Brekhus requested a copy of her resume to review her qualifications. Mr. Gebhardt replied Ms. Stralla's background is in customer service.

Upon motion by Member Duerr, second by Member Jardon, which motion duly carried by unanimous consent of the members present, the Board accepted the report of Ombudsman activities from December 2015 through October 2016 and authorized the General Manager to renew the Ombudsman Contract with Joanne Stralla for Calendar Year 2017.

9. DISCUSSION AND ACTION, AND POSSIBLE DIRECTION TO STAFF REGARDING PROPOSED RATE ADJUSTMENT PROCESS AND SCHEDULE

Michele Sullivan, TMWA Chief Financial Officer, presented two rate adjustments proposals for Board consideration. Proposal #1 details an annual 3% rate adjustment for years 1 and 2, and an annual 2.5% rate adjustment for years 3, 4 and 5 in order to close the funding gap by 2022. Proposal #2 is to replace the 2.5% rate adjustment with a consumer price index (CPI) in years 3, 4 and 5. Ms. Sullivan informed the Board the proposals were presented to the TMWA Standing Advisory Committee at their November 1 meeting and their recommendation is to proceed with implementing Proposal #1 with the flexibility in place to reevaluate in years 3 through 5 whether to lower the rate adjustment or defer it entirely. She referred to the attachment in the staff report representing the average residential customer water bill with the respective rate adjustments.

Member Hartung inquired what the average monthly water usage is for the residential customer class. Mark Foree, TMWA General Manager, replied approximately 11,000 – 12,000 gallons per month.

Member Duerr requested to see a comparison between Proposals #1 and #2 for the average monthly residential customer bill, asked what the average CPI is and if the rate adjustments would apply to the base rate and not the water rate. Ms. Sullivan replied the CPI was 1.8% in the prior year and Mr. Foree added the rate adjustment would apply to both the monthly customer charge and all tiers of water usage.

Member Brekhus pointed out customers were asked to conserve during the drought, and now, they may not appreciate being presented with a proposed rate adjustment. She mentioned the \$45 million of water rights TMWA has in reserve and suggested to add a similar percent increase to the cost of water rights that is being proposed to customers. Ms. Sullivan replied the price of water rights is based on Rule 7 and is calculated as a weighted average of the cost to buy them in addition to the cost of carry. Mr. Foree added TMWA does not hold all available water rights in the community and plenty are available on the open market which is very competitive. Over the last few years TMWA's will-serves sales have been competitive with the outside market however if TMWA were to raise the price of water rights too much, it could bring the price of TMWA owned water rights out of balance with the market. Also, in order to change the price of the water rights in this manner, Rule 7 would need to be changed following the open public process. Michael Pagni, TMWA General Counsel, confirmed that is correct.

Member Brekhus continued she would like to see messaging that stipulates water conserved does not go towards growth and TMWA is taking steps to offset growth related costs of operations. She asked why there was not a higher rate increase being applied to the upper tiers. Ms. Sullivan noted a 3% increase in the higher tiers results in a bigger increase than the same 3% increase in the lower tiers.

Member Hartung noted that TMWA can only sell water rights at the price that the market will bear, and TMWA owning this commodity is essential to the management of the organization and future growth in the region. He did not think TMWA's water rights assets should be sold now to offset higher rates because they are needed for the future. Mr. Gebhardt noted the selling of TMWA's water rights is a temporary solution, and the long-term solution is to pay down commercial paper and existing debt, which benefits customers.

Member Hartung thanked Member Brekhus for her observations recognizing that customers had conserved as they were asked, and questioned if there should be a higher increase for customers that use more water in upper tiers. Ms. Sullivan replied she did not run the numbers, but expect the upper tiers would have to increase substantially for even a minor financial impact. Member Hartung also asked if TMWA adds more customers and has sufficient revenues would we revisit the rate increases. Ms. Sullivan confirmed that the Board will have the opportunity to reevaluate rate increases in years 3, 4, and 5. Mr. Gebhardt added the Board has deferred and eliminated rate adjustments in the past based on changing conditions.

Member Duerr thanked Member Brekhus for her thoughts and it is important to note the discussion is relevant to policy implementation and proper messaging to the public. She requested information related to a differential rate increase, with upper tiers increasing more than lower tiers. She noted that she agreed that TMWA should not sell off its water rights. She also said she would like to see higher prices for water rights and connection fees implemented so that new development is paying more. Mr. Foree replied TMWA has constraints with the tiers due to the agreement with South Truckee Meadows General Improvement District (STMGID), which prohibits STMGID's rates to increase more than TMWA's rates. STMGID has six tiers, TMWA has three tiers and former Washoe County has five tiers. In 2010, when TMWA implemented a rate increase, it only affected the tiers and not the customer charges, which had a minor financial impact. Also, staff believes the same proposed rate increase across the tiers may diminish demand hardening.

Member Duerr asked if staff is considering an increase in connection fees. Mr. Foree replied no, currently the facility charges are based on cost plus carry and it would require a change in the rules.

Member Smith commented that the discussion thus far has been to apply a higher rate to customers who use more, essentially a subsidization of customers who use less, which he does not support; the rates need to be increased equally across the board. People will continue to conserve water. He was also concerned that if there is another drought, people will ignore requests to conserve because their rates increased after they supported conservation efforts. Mr. Gebhardt noted that increasing all tiers equally is the most equitable approach.

Member Jardon pointed out that it may be beneficial to customers long-term to use CPI and inquired if that may be a more stable and consistent rate adjustment over the years, instead of how it has been done in the past. Ms. Sullivan replied using CPIs is difficult, because there are many to choose from, but in Proposal #2 staff used the same CPI as the City of Reno Sewer. However, long-term the CPI could be lower than what we need to provide water; the CPI does not follow what the utility really needs. If customers conserve 10%, costs do not decrease by the same amount.

Member Jardon stated it is important for the customer to understand why there were no rate increases for a length of time and now we propose 3% increase; it is important to have a more normalized stable process related to rate increases. Her concern is focused on senior citizens on a fixed income who need more predictability. Mr. Gebhardt agreed with Member Jardon and staff would like to be more stable going forward; 2.5% can be lowered in years 3, 4, and 5 at which time staff can assess the rate of the CPI which may be lower than the 2.5%.

Member Smith confirmed this five-year plan gives that stability. Mr. Gebhardt replied yes, that is correct.

Member Jardon agreed, but reaffirmed her position that going from 0% to 3% is drastic, and why it is more understandable to use the CPI. Mr. Foree noted had TMWA used CPI in the last few years where there has not been an increase, her suggestion would be valid, but there has not been an increase in 3 years, partly due to the merger and to assess TMWA's position once it was finalized. As a final note, all water utilities in the west are increasing their rates, the good news is, even with the drastic drought, TMWA's proposed rate adjustments are still low-single digit increases and the Board has the flexibility to assess in the outer 3-years whether to have an adjustment, to lower the planned increase or to defer.

Member Brekhus appreciated the CPI discussion, but noted it would be a mistake to present the 3% increase to the public and not show complimentary rate structure changes without growth. She requested staff return with a comparison of similar utilities with different rate structures to assess if TMWA's rate structure is fair. She is no longer advocating to sell water rights, but wants to understand how they are priced. Ms. Sullivan replied the water rights revenues are not included in the funding gap calculations because they are not a recurring revenue stream.

Mr. Gebhardt provided an overview of the proposed rate adjustment schedule. At the January 18th meeting the Board will be presented with the public open house schedule for the last two weeks in February with rate adjustment implementation effective in May.

Mr. Foree pointed out the Board can have further discussion at the December meeting, but it would delay implementation by one month.

Mr. Pagni commented that the Board is not making a decision on what the rates will be either today or at the December meeting, only to decide on the process and schedule in order to get the workshops scheduled and get public input. The decision for the rate adjustment will be made at the first and second readings.

Member Jardon requested a legal analysis of an application of rate increases differing based on the tier.

Member Smith suggested to have a policy in place to have five-year projections on a continual basis on potential rate increases in order to have continued discussions and to avoid the unexpected with the customers. Mr. Gebhardt agreed it would promote future stability.

Member Hartung stated he did not want to be in a similar situation as he experienced with the Spanish Springs Stormwater utility where rates were based on projections that were not realized and had to raise rates significantly.

Member Duerr asked staff to present how connection fees would be increased along with the base rate or tiered rates, and an analysis of differential rates across the tiers and one estimate of the CPI.

Member Smith confirmed the 3% is necessary for years 1 and 2, but alternate scenarios for years 3, 4, and 5 could be proposed with regards to Member Duerr's request. Ms. Sullivan replied yes.

Member Hartung agreed with Member Jardon to set 3% and 2.5% so the customers know what they are and can adjust them lower to reflect the CPI rate. Ms. Sullivan agreed, which is why staff presented the funding plan which showed these assumptions.

Member Hartung suggested narrowing the assumptions. Ms. Sullivan replied that it is necessary for the funding plan to have multiple assumptions, but she tried to be conservative.

Member Brekhus asked for a study of parallel utilities with set tiers on residential and commercial customers, and staff to explain the different philosophies between connection fees, water rights sales and price versus rate structures. Mr. Foree reiterated that TMWA is bound by agreement with STMGID not to raise their rates more than TMWA's, therefore a legal opinion on changing the tier structure is appropriate.

Member Jardon asked staff to evaluate the water usage for a one-acre lot and a one acre lot divided into four smaller lots. Mr. Foree replied water demand is calculated in Rule 5 based on lot size, and we can answer that question in the Rule 5 discussion at the next meeting.

Member Hartung requested staff to consider the projected growth, increased customer base over the next 5-years, and its impact on the structured rates. Ms. Sullivan replied the growth projection in the funding plan is 2,400 units as detailed in the 2016-2035 Water Resource Plan which is only an increase in revenue of couple of percent, and even if it doubles or triples, that is still not going to close the \$13M funding gap. Member Hartung asked how the additional revenue from growth was being applied. Ms. Sullivan replied that it is not earmarked for any special purpose and is just included in the funding plan as water sales revenue.

Member Smith cautioned the Board not to delay this process much like the Board delayed their decision on the flat rate conversion 10 years ago; a rate adjustment is necessary now.

Upon motion by Member Duerr, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the proposed rate adjustment process and schedule.

10. DISCUSSION AND ACTION ON SCHEDULING REGULAR BOARD MEETING DATES AND TIMES FOR THE CALENDAR YEAR 2017

Member Duerr requested the TMWA Board of Directors meetings begin at 9:00 a.m. for the July and November meetings due to the fact the City of Reno Council meetings are scheduled for the same day.

Upon motion by Member Duerr, second by Member Smith, which motion duly carried by unanimous consent of the members present, the Board approved the regular Board meeting dates and times for Calendar Year 2017 with the changed start time of 9:00 a.m. for the July and November meetings.

11. GENERAL MANAGER'S REPORT

Mr. Foree reported that in light of the Board's comments that TMWA is now the regional water purveyor, TMWA staff has provided watershed management expertise to Washoe County to assist with addressing erosion control, sedimentation, ditch blockage and runoff water quality issues in the Little Valley burn area.

Also, due to the high amount of precipitation in October, the Verdi Hydroelectric power plant is running again.

12. PUBLIC COMMENT

There was no public comment.

13. BOARD COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

There was no Board comment.

14. ADJOURNMENT

With no further discussion, Vice Chair Hartung adjourned the meeting at 10:17 a.m.

Approved by the TMWA Board of Directors in session on _____.

Sonia Folsom, Recording Secretary

****Member Smith was present for agenda items 8 thru 14 only.***



To: TMWA Board of Directors
From: Michele Sullivan, Chief Financial Officer
Date: November 28, 2016
Subject: **Discussion and action on adoption of Resolution No. 246, a resolution to approve the Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2016**

Recommendation

TMWA staff will present the Comprehensive Financial Report (CAFR) to the Board for the fiscal year ended June 30, 2016 for approval by resolution and request direction to the Chief Financial Officer to forward the appropriate documentation to the State of Nevada Department of Taxation within the prescribed extended deadline.

Background

Pursuant to NRS 354.624, Truckee Meadows Water Authority (TMWA) is required to conclude an audit before November 30, 2016, and submit the audit report to the governing body not later than six months after the close of the fiscal year for which the audit is conducted.

The CAFR for the fiscal year ended June 30, 2016, includes the letter of transmittal, management's discussion and analysis, the audit report, the financial statements, required supplementary information, statistical schedules and the compliance section.

The financial statements include the Statement of Net Position (Balance Sheet) of the Truckee Meadows Water Authority as of June 30, 2016 and June 30, 2015 and related Statements of Revenues, Expenses and Changes in Net Position (Income Statement) as well as the Statement of Cash Flows.

Of particular importance to TMWA is the auditor's opinion on the financial statements that TMWA was in compliance with *Generally Accepted Accounting Principles (GAAP)*, and Nevada Revised Statutes for the year ended June 30, 2016. TMWA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 72, *Fair Value Measurement and Application*. Adoption of this standard required addition disclosures in the footnotes to the financial statements for TMWA.

Discussion

This staff report presents a summary of overall financial performance. Complete information is shown in the financial statements and the notes supporting the financial statements. Management's Discussion and Analysis (MD&A) in the financial section provides a detailed discussion of comparative financial performance with fiscal year 2016.

TMWA enjoyed excellent financial performance for the fiscal year ended June 30, 2016 with a positive change in net position for the year of \$21.1 million. Preliminary financial results were provided to the TMWA SAC at the October 4, 2016 meeting which showed a positive change in net position of \$20.6 million. Variances between the final audited financial statements and preliminary are mainly favorable with little change in operating revenues and a slight increase in net position. Cash balances in the final results are unchanged at \$187.0 in total cash.

Total operating revenues were approximately \$91.9 million, 0.08% higher than the revised operating revenue budget. Water sales revenues were \$0.8 million or 0.90% less than the revised consolidated water sales budget. Water sale revenues for FY16 reflected demand shaving which resulted from 2015 conservation efforts. Hydroelectric revenues were \$0.2 million or 24.29% higher than budget. The revised budget anticipated river flows picking up in late March 2016, but there were sufficient river flows to operate hydroelectric facilities by early February 2016. Other miscellaneous water sales were \$0.6 million or 24.83% higher than budget, mainly due to increases in inspection fees for new business activities as residential building activity becomes more robust in the consolidated service area.

Total operating expenses before depreciation were approximately \$48.5 million, \$4.0 million or 7.55% less than the revised consolidated budget. This was an excellent result since the water utility consolidation brings a number of spending uncertainties. Spending on wages and salaries was \$0.1 million or 0.40% less than budget. Lower spending on employee benefits expenses was \$1.8 million or 22.05% lower due to lower than expected benefit spending on retirement plans. Spending on service and supplies was \$2.1 million or 7.56% less than revised budget. Power costs were \$1.9 million less than anticipated. TMWA as a consolidated water utility continues to aggressively manage power expenses. Savings on chemicals was \$0.5 million due to fewer than anticipated issues with water taste and odor. Depreciation expense was \$32.1 million, \$1.1 million or 3.23% less than revised budget.

Net non-operating revenue and expenses were favorable \$11.1 million or 53.84% as compared to the revised budget. A big portion of this variance was due to the sale of \$7.0 million of water rights to the Pyramid Lake Paiute Tribe to finalize and implement the Truckee River Operating Agreement (TROA). Also, as part of the 2016 bond refunding, there was a partial release of a forward delivery agreement with Bank of America. Bank of America will no longer have to provide a 5.5% interest rate on a portion of our debt reserves balance, so they paid TMWA \$4.4 million dollars for the release of this commitment. This settlement was negotiated by our financial advisors at PFM. Offsetting were higher interest expenses of \$0.4 million due to interest expense on 2016 refunding bonds for the last two months of FY16 which was not in the revised budget.

Total capital contributions were \$19.3 million, \$8.2 million or 73.75% greater than planned as a result of greater residential construction activity in the service area. This includes \$8.5 million in developer dedicated infrastructure for the consolidated service area. Included in this \$8.5 million was an adjustment of \$3.1 million for tanks from Washoe County Water Utility (WCWU). Several tanks were not included in the asset values received from the County, and a value has been applied to these tanks based on the date they were built net of any depreciation that would have been recorded through the acquisition date of January 1, 2015.

Spending on capital outlays and construction projects for the fiscal year ended June 30, 2016 was approximately \$49.4 million, \$21.1 million less than \$70.5 million of capital spending projected in the revised budget. This includes the purchase of the Donner Lake water rights for \$17.4 million. The most significant construction project was the North Valleys Intertie where construction in FY16 totaled \$9.3 million. Construction of the North Valleys Intertie was \$7 million under budget, and main replacements were \$0.3 million under budget. Other projects deferred until FY17 include Stead main replacement phase 2 for \$5.0 million, Double Diamond Well #3 equip \$1.0 million, Mesa Park drainage improvements \$0.8 million and other smaller projects.

Total cash and investments as of June 30, 2016 was approximately \$187.0 million of which approximately \$87.3 million was restricted by bond indenture requirements and conditions of the STMGID water utility consolidation. The remaining balance of \$99.7 million was available to pay for future operating and maintenance expenses, construction spending, future debt payments, and commercial paper redemptions. Unrestricted cash decreased \$5.3 million year over year. This was significantly favorable compared to an expected decrease in cash in the revised budget of \$28.1 million. As noted above, lower than anticipated capital spending of \$20.1 million, additional cash received from higher developer contributions of \$3.8 million, additional cash received as investment income of \$4.4 million, and higher operating cash flow of \$1.2 million, was offset by lower than anticipated draws on the DWSRF loan related to the North Valley's project of \$3.8M.

TMWA's senior lien debt coverage ratio stood at 1.58x without developer fees and 1.75x with developer fees for fiscal year 2016. Bond covenants require a ratio of at least 1.25x. The current debt coverage ratio provides TMWA the necessary financial flexibility to move forward with future debt management opportunities that will be very beneficial to the community and helps support TMWA's AA investment grade credit ratings.

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 246

**A RESOLUTION APPROVING THE FINANCIAL STATEMENTS OF THE TRUCKEE
MEADOWS WATER AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2016**

WHEREAS, TMWA is responsible for filing financial statements with various agencies, banks, and regulatory authorities; and

WHEREAS, pursuant to NRS 354.624, TMWA is required to file audited financial statements with the Nevada Department of Taxation, not later than six months after the close of the fiscal year being audited; and

WHEREAS, the TMWA Board is required to accept and approve the financial statements prior to filing of said statements with the Nevada Department of Taxation by December 31, 2016.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority that the audited financial statements for the period ending June 30, 2016, as provided to the TMWA Board, are hereby accepted and approved and staff is directed to submit such information to the Nevada Department of Taxation.

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted December 21, 2016, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Truckee Meadows Water Authority
Resolution No. 246 (continued)

Approved this 21st day of December, 2016

Geno Martini, Chairman

STATE OF NEVADA,)
 : ss.
COUNTY OF WASHOE.)

On this 21st of December, 2016, Geno Martini, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.

Notary Public

November 29, 2016

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

We have audited the financial statements of Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA) as of and for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by TMWA are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72 *Fair Value Measurement and Application*, which enhances disclosures over TMWA's balances that are reported at fair value (i.e. fair value of investments). We noted no transactions entered into by TMWA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Liability and related disclosures for postemployment benefits other than pensions (OPEB)
- Liability and related disclosures for pension benefits
- Receivable for delivered but unbilled water sales revenue
- Allocation of administrative costs to capital assets

Management's estimate of the actuarial accrued liability for other post-employment benefits is based on a third party actuarial valuations. Management's estimate of the pension liability is based on actuarial valuation; which are calculated based on the employee information submitted by TMWA to the Public Employees' Retirement System of the State of Nevada (PERS). Management's estimate of the delivered but unbilled water sales revenue is based upon number of days in the cycle and water usage. Management's estimate of the allocation of administrative costs to capital assets is based upon the year-to-date construction salaries and wages relative to total construction and indirect salaries and wages. We evaluated the key factors and assumptions used to develop these sensitive estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

1. Understatement of depreciation expense and corresponding accumulated depreciation by \$816,636.
2. Understatement of gain on sale of capital assets and overstatement of contributions from others by \$6,988,594.
3. Overstatement of Level 1 fair value measurement classification and corresponding understatement of Level 2 fair value measurement classification by \$17,958,513 disclosed in Note 4 to the financial statements.
4. Overstatement of the annual amortization of net deferred inflows and outflows by a total of \$5,243,754 disclosed in Note 11 to the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 29, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to TMWA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as TMWA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of funding progress – OPEB, the schedule of TMWA's share of the net pension liability – NV PERS, and the schedule of TMWA contributions – NV PERS, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management

regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of revenues, expenses and changes in net position – budget and actual, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory or statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This information is intended solely for the information and use of Truckee Meadows Water Authority Board of Directors and management of Truckee Meadows Water Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada



NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

PREPARED BY: Michele Sullivan, CPA
Chief Financial Officer

Truckee Meadows Water Authority
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June 30, 2016

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November 29, 2016

To the Board of Directors, Our Customers, and Bondholders:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Truckee Meadows Water Authority (TMWA) for the Fiscal Year ended June 30, 2016. The purpose of the report is to provide the Board of Directors, our customers, and bondholders as well as other interested parties with reliable financial information about TMWA. TMWA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

Management assumes full responsibility for the completeness and reliability of the information contained in this CAFR, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The CAFR consists of four sections:

Introduction Section - This section is comprised of the letter of transmittal which contains information relative to TMWA's background, a listing of TMWA's principal officers, organizational chart and other relevant information to assist the reader in understanding TMWA's operations, financial condition, and accomplishments.

Financial Section - This section consists of TMWA's basic financial statements, supplementary financial information and independent auditor's report on the basic financial statements. This section also includes Management's Discussion and Analysis (MD&A), which provides a narrative overview and explanation of the results reflected in the basic financial statements. The financial statements presented in this section were prepared in accordance with GAAP. TMWA's financial activities are reported as an enterprise fund (proprietary fund type).

Statistical Section - This section is comprised of selected financial, operational and demographic information generally presented annually and includes statistics for the past ten years.

Compliance Section - This section consists of information regarding TMWA's compliance with state statutes, in particular conformance with the Local Government Finance Act.

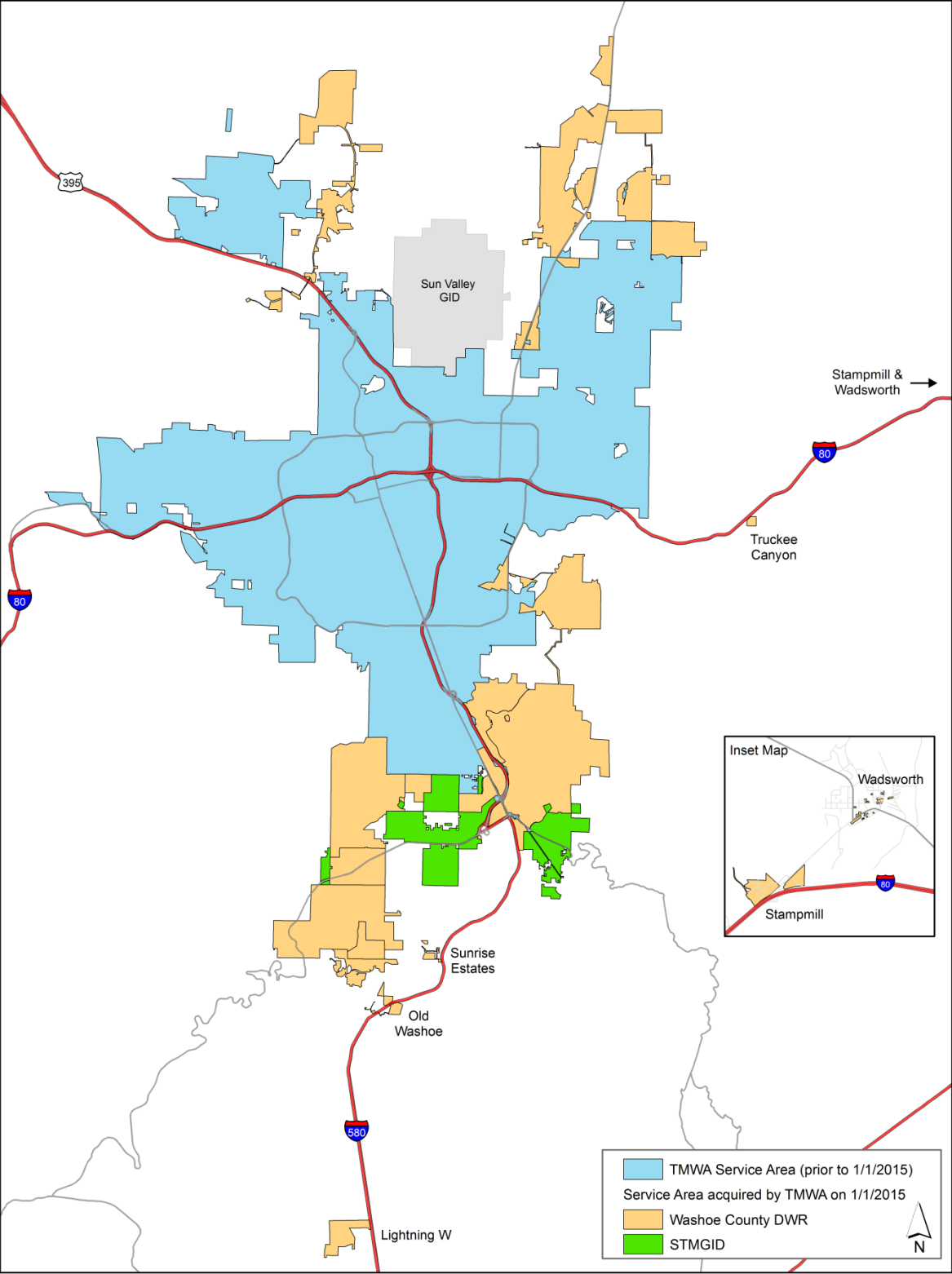
REPORTING ENTITY

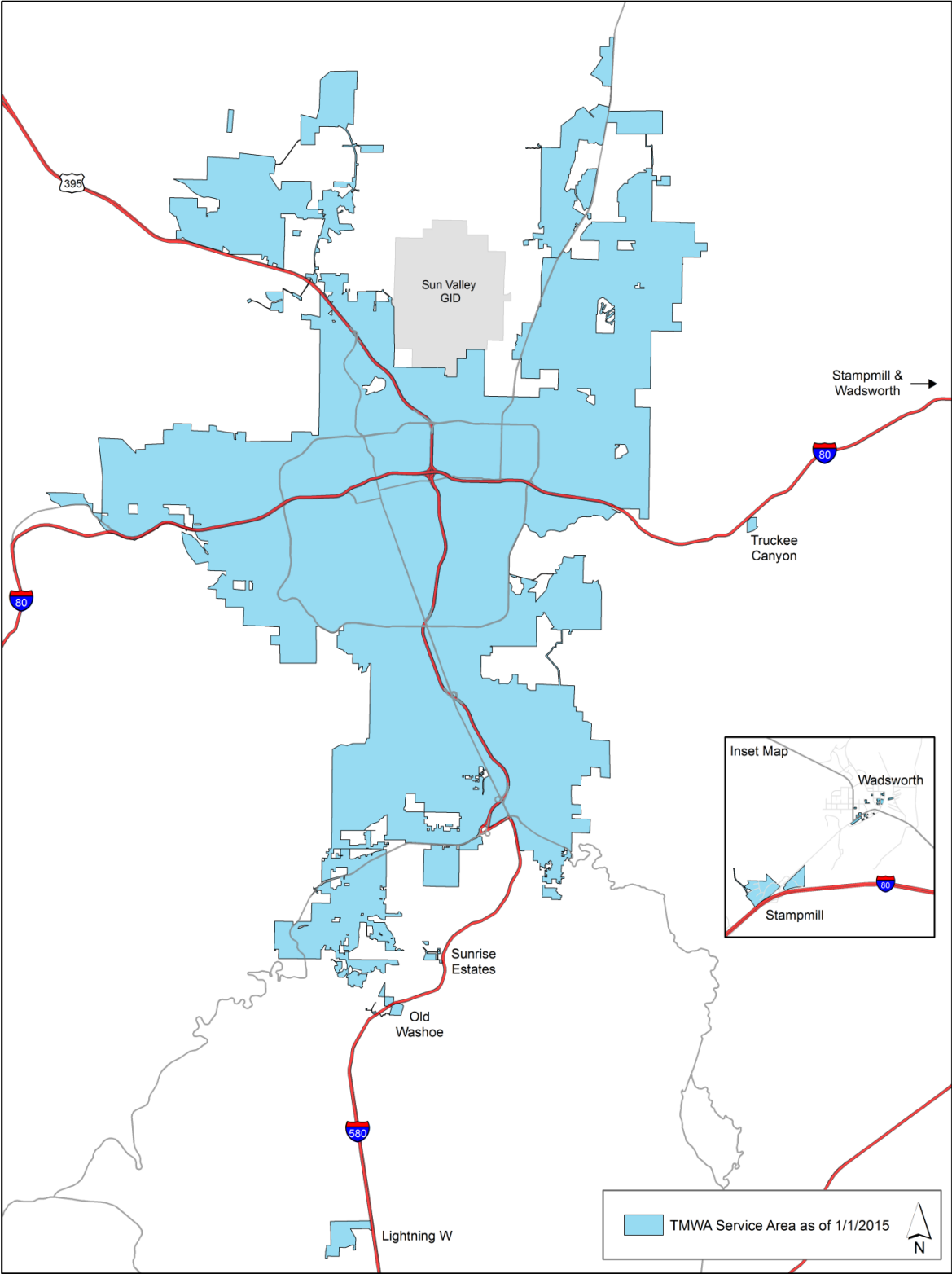
TMWA was formed as a Joint Powers Authority (JPA) pursuant to Chapter 277 of the Nevada Revised Statutes and is a political subdivision of the State of Nevada. TMWA is separate from its member agencies: City of Reno, City of Sparks and Washoe County. TMWA was formed in November 2000 for the purpose of acquiring the assets of the water division of Sierra Pacific Power Co. (SPPCo), a subsidiary of Sierra Pacific Resources (“SRP”), now known as NV Energy (NVE), with the goal of retaining local control over the water resources of the area. TMWA took over the water system assets on June 11, 2001. Amendments to the JPA were approved by the Attorney General’s Office of the State of Nevada effective February 3, 2010. The amendments were made in anticipation of the consolidation of TMWA, Washoe County’s water utility and another water utility named South Truckee Meadows General Improvement District (STMGID). The consolidation of the water utilities occurred on January 1, 2015 with TMWA as the surviving entity. There are no component units associated with this financial reporting entity.

TMWA has no financial interdependence with its member agencies. TMWA has broad powers to finance, construct and operate the water system, for the diversion, treatment, distribution, and sale of treated water to retail and wholesale customers. TMWA has full authority to set water rates for services subject to the approval of the TMWA Board of Directors, without approval by other entities. TMWA is a tax-exempt entity for purposes of federal taxes and State of Nevada property and sales and use taxes, as well as other state taxes. TMWA pays property taxes in Nevada and Sierra Counties of California for the privilege of storing water in private and federal reservoirs. TMWA has no taxing authority.

TMWA provided treated water formerly to two wholesale customers and had approximately 94,000 residential, commercial, irrigation and fire service connections in the Reno-Sparks metropolitan area prior to the water utility consolidation. Post water utility-consolidation TMWA has over 120,000 service connections and one wholesale customer. TMWA previously operated in a prescribed retail service area as described in the agreement between SPPCo and Washoe County dated June 25, 1996, as amended, but now operates within the Truckee Meadows Service Area (TMSA) after the water utility consolidation. TMWA has only one wholesale customer, the Sun Valley General Improvement District (SVGID) located north of the Reno-Sparks main metropolitan area. SVGID is wholly dependent upon TMWA water deliveries since this district has no source of water supply. There is one water delivery contract associated with this wholesale connection.

The following maps reflect the water system prior to and after the water utility consolidation.

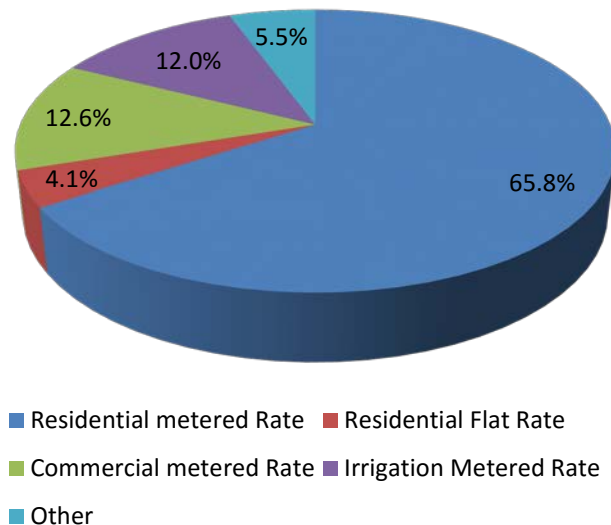




Nevada Revised Statutes require that an independent certified public accounting firm selected by the Board of Directors audit TMWA's financial statements on an annual basis. The independent auditor's report for the fiscal year ended June 30, 2016 is presented in the Financial Section of this report. TMWA complies with the Local Government Budget and Finance Act as embodied in Chapter 354 and Public Investments as embodied in Chapter 355 of the Nevada Revised Statutes.

The following graph depicts the proportion of operating revenues by class for fiscal year 2016:

TMWA Operating Revenues \$91.9Million



The metering of the water system, which began under Sierra Pacific in 1995, presents various operational solutions for TMWA. These solutions present the opportunity to collect accurate data on water usage by customer class. This allows TMWA to make more accurate cost of service analyses, to make water rates more equitable across customer classes, and to better anticipate future water resource and water facility requirements. In early fiscal year 2016, there were still approximately 4,300 customers who continued to pay the flat rate, but the TMWA Board mandated that essentially all remaining flat rate customers be converted to a metered rate. TMWA accomplished this goal by the first billing cycle of October 2015. Currently, there are less than 300 water services that remain to have a meter installed, and these primarily represent problematic services with multiple customers on a single service line. TMWA is mindful of the revenue impact from the conversion to metered billing in its financial planning, and also accounts for the changing water demands in its water facility and resource planning efforts. Regardless, it is recognized that any system-wide equity in customer rates can only be achieved when all customers are charged based on the water they use. Also, with drought conditions intermittently facing the region the final conversion of flat rate customers to metered billing was essential.

TMWA honored a commitment to the community that water rates would not be increased during its first two years of operation. In June, 2003, TMWA's Board of Directors adopted facility charges, to collect funds from new development to pay for the construction of storage, supply and treatment facilities for new and/or expanded service. In September 2003,

TMWA's Board of Directors adopted adjusted customer rates designed to increase water sales revenues by \$10 to \$11 million annually, with the rate increase becoming effective on October 1, 2003. In early 2005, the TMWA Board of Directors took under consideration another general water rate increase. The result of that public hearing was board approval of a water rate increase that averaged approximately 3.4% to take effect on March 1, 2005. From that time TMWA had not implemented any retail/wholesale water rate revisions until May of 2009 when a general water rate increase of approximately 4.5%, on average, was approved by the TMWA Board of Directors and implemented on June 1, 2009. A second installment of 4.4%, on average, was put into effect in June 2010. During fiscal year 2012 the Board of Directors approved water rate increases to be phased in over a three year period. The first phase of the approved increases took effect February 1, 2012 and was 3.5% on average. The second phase was approximately 3.4% and implemented in February of 2014 with deferral of the third phase rate increase to a future date. The third rate increase was not implemented. A decision was made to review potential rate adjustments after one year of consolidated water utility operations.

The goal of TMWA, as adopted by the Board in August 2003, is to maintain a senior lien debt coverage ratio of at least 1.5 times recurring revenues less operating expenses divided by annual debt service. This calculation excludes developer facility charges and other fees associated with new development. This coverage target is sufficient to meet minimum debt service coverage requirements, fund reconstruction of the water system on primarily a pay-as-you-go basis and manage TMWA's senior lien bonding capacity to allow for potential future senior lien bond sales if necessary. These measures were deemed necessary to maintain water system infrastructure in a prudent manner and insure that TMWA's bondholders are adequately protected. There are no other restrictions, commitments, or other limitations that would restrict the unrestricted cash assets for use in meeting TMWA's obligations. TMWA's senior lien coverage (excluding developer fees and charges) was approximately 1.55x and with certain developer fees and charges was approximately 1.72x as of June 30, 2016.

ECONOMIC OUTLOOK AND WATER RESOURCES

TMWA's service area had experienced steady growth since TMWA's inception in 2001, with overall population gains in Washoe County of nearly 18 percent. After five years of sustained 9 to 10 percent annual growth in county-wide taxable sales, those taxable sales dipped significantly in fiscal years 2009 through 2011 when compared to the prior years. Fiscal years 2012 through 2015 saw a slight but accelerating increase in taxable sales when compared to prior years, and taxable sales increased by 10.7% in 2016. The Reno-Sparks metropolitan area enjoys a moderate climate, offers a wide variety of year-round recreational opportunities, and has a favorable tax structure. It is also centrally located in the Pacific region affording efficient distribution of goods throughout the western United States. Northern Nevada's favorable business tax environment nurtured steady growth in the entire region and nearby communities in manufacturing, distribution, warehousing and industrial businesses. A surge in residential housing construction through fiscal year 2006 fueled significant new retail development, including several nationally known retailers, however in fiscal years 2008 through 2013, the region experienced a very challenging recession although there has been a modest improvement in the local economy in fiscal years 2015 and 2016 with the return of meaningful residential construction activity.

To meet water demands in the future, TMWA prepared a very detailed Water Resource Plan (WRP) for the years 2016-2035 during fiscal year 2016. That plan was adopted by the Board in March 2003 and previously updated during fiscal year 2010. This extensive plan document addresses current water resources, future water resources, and water rights availability as well as defined drought standards which conclude that TMWA can utilize the aforementioned water resources to meet incremental water demands required by growth for the next twenty years and beyond. The focal point of the WRP is the population and water demand forecasts for the TMWA consolidated water utility service territory.

Historically, to complement this water resource planning effort, a comprehensive Water Facility Plan (WFP) for the years 2010-2030 was developed. The original WFP was adopted by the TMWA Board in December of 2004. The WFP evaluates the infrastructure required to supply, treat and deliver water to customers over the life of the plan and determines infrastructure requirements in Capital Improvement Plan needs to serve growth based upon population and water demand forecasts in the WRP. The 2016-2035 WFP is currently being developed based on water demand projections defined in the 2016-2035 WRP. For fiscal year 2016, TMWA's Board approved a 2017-2021 Capital Improvement Plan with a five year spending level of \$157.8 million which focuses spending primarily on water system reconstruction. Spending on the acquisition of water rights has been essentially suspended because TMWA has a sufficient inventory of water rights to issue will-serve commitments for the foreseeable future, although opportunistic purchases will be considered.

TMWA is a very active supporter and participant in the process of negotiating and implementing the Truckee River Operating Agreement (TROA), as are the TMWA member agencies including the cities of Reno and Sparks, and Washoe County. TMWA is a primary signatory to the TROA along with the Pyramid Lake Paiute Tribe (PLPT), the States of Nevada and California, and the Federal Government. TROA is intended to provide TMWA customers with benefits regarding a new, revised operation of the Truckee River system that provides additional drought supplies for existing as well as new customers. These lengthy and complex negotiations, which include interstate allocations of Truckee River water rights, were concluded when TROA was signed by the aforementioned parties on September 6, 2008 at a signing ceremony in Reno. TMWA made available to the PLPT certain water rights that met requirements to put TROA into effect in October 2015. In November 2015 remaining related lawsuits were dismissed and TROA became effective December 1, 2015 which provides significant additional drought resources for TMWA's service area and has completed a multi-decade effort.

Additional upstream reserves were acquired when TMWA reached an agreement with the Truckee-Carson Irrigation District (TCID) to purchase TCID's half interest in Donner Lake assets. This purchase grants TMWA 100% interest in Donner Lake water rights and storage rights thus increasing TMWA's rights by 4,750 acre feet. On December 16, 2015 the TMWA Board agreed to purchase TCID's Donner Lake assets for the appraised value of \$17,445,000 less credits for various dam improvements previously performed by TMWA. On March 29, 2016 the final settlement was executed and TMWA paid TCID \$17,187,041 to acquire the rights to Donner Lake assets.

The drought that has affected the Western United States has also affected Western Nevada. TMWA's drought plan anticipates water demand management in these persistent dry periods and asked customers to voluntarily reduce water demand by at least 10% during the entire irrigation season of 2015. The community responded and delivered demand reductions in excess of 10% which has allowed TMWA to hold back the Privately Owned Stored Water (POSW) in Independence Lake. This lake is a major component of drought storage (17,000+ acre feet of water) in TMWA's overall drought plan and this water will be available for future irrigation seasons should drought conditions persist. To further drought resiliency for the community that TMWA serves, TMWA constructed the North Valley's Integration Project which ties in the Fish Springs Ranch infrastructure into TMWA's North Valleys water system providing access to approximately 8,000 acre feet of groundwater resources in the Honey Lake ground water basin which is located approximately 35 miles north of the Reno-Sparks metropolitan area.

When combining TMWA's existing POSW surface water resources, the groundwater resources of the Honey Lake basin, the extensive drought storage benefits of TROA and the expansion of Aquifer Storage and Recovery (ASR) groundwater recharge efforts, the TMWA service area will benefit significantly from a drought resiliency standpoint.

WATER QUALITY

TMWA's highest priority is the protection of public health through modern water treatment techniques and water quality monitoring efforts. TMWA's primary source of water is the Truckee River, which sources at Lake Tahoe and other tributaries to the Truckee River, travels into Nevada through the Reno-Sparks Metropolitan area with the terminus of the river at Pyramid Lake, a distance of approximately 120 miles. The river's water quality is excellent; however additional steps are taken to purify the water to meet safe drinking water standards that were set forth by the United States Department of Environmental Protection in the early 1990's. TMWA owns and operates the 84 million gallons per day (MGD) Chalk Bluff Water Treatment Plant (expanded from 69 MGD in 2005) and the 37.5 MGD Glendale Water Treatment Plant which was expanded from a 25 MGD capacity through a series of improvements. Attesting to TMWA's commitment to the protection of public health, TMWA's Chalk Bluff Water Treatment Plant received the President's Award from the Partnership for Safe Water. This prestigious recognition places the Chalk Bluff plant as one of 18 surface water treatment plants in the United States that have been so recognized. This recognition exemplifies TMWA staff's experience, passion, and commitment to producing and delivering outstanding water quality to customers.

TMWA spends nearly \$1 million annually monitoring water quality by analyzing nearly 11,000 samples at over 150+ locations throughout the TMWA water system. TMWA strictly complies with current drinking water standards, including the revised arsenic standards as promulgated by the United States Environmental Protection Agency, and administered by the Nevada Department of Environmental Protection, Bureau of Safe Drinking Water.

WATER CONSERVATION

Water conservation has been and will continually be a high priority at TMWA. Prudent use of the area's water resources extends this vital resource through periods of dry weather patterns in this high desert climate. These conservation efforts also reduce or defer further investments in

expensive new plant infrastructure which moderates the fiscal impact on water rates. The purpose of water conservation at TMWA is to promote wise use of water through a number of initiatives. TMWA's conservation programs were designed to achieve 10% annual water savings as part of the conservation goal agreed to in the 1996 Water Conservation Agreement between TMWA's predecessor SPPCo, the Pyramid Lake Paiute Tribe, and the United States. The backbone of water conservation in the Truckee Meadows has been the Water Meter Retrofit Program. With the success of that program the final conversion of flat rate customers to metered billing occurred in October of 2015 resulting in essentially all TMWA and former Washoe County customers paying for the water they use.

The Water Meter Retrofit Program

In 1995, the conversion of Sierra Pacific's (now TMWA's) 44,651 flat rate services to metered services began. As of June 30, 2015, TMWA estimates that less than 300 small unit residential and multi-unit metering facilities remain to be installed. Developers, through a charge of \$1,830 for every acre-foot of new water demand, provide funding for this project. These funds are considered restricted cash assets as represented on TMWA's statement of net position.

Assigned Day Watering

TMWA implemented a three days a week watering schedule during the summer of 2010 supplanting the twice a week watering schedule which had been in effect for two decades prior. This new program was well received by the community and resulted in no more water usage than the twice a week schedule and a reduced peak day demand on the water system. TMWA's predecessor, SPPCo, initiated this voluntary program in the late 1980's in an effort to avoid investment in new facilities brought on by growing demands. During the 1987 to 1994 period, twice a week watering became mandatory as part of conservation agreement commitments and remained in place until the summer of 2010. The greatest benefit of this is to more evenly distribute the peak demands for water during a summer week, which translates to less peaking demand on facilities.

Landscape Efficiency Program

This program promotes the use of attractive drought tolerant plants for the high desert climate experienced in Western Nevada. The program includes help with landscape augmentation that is available to institutional irrigation customers as well as certain commercial customers participating in an irrigation program based on data supplied by evaporation-transpiration sensing equipment. This equipment controls the amount of irrigation based upon moisture levels in turf areas. Also during periods of wet weather patterns, irrigation is deferred until such time as turf moisture levels indicate irrigation must be applied.

Water Audit Program

This program assists TMWA customers in the evaluation of both indoor and outdoor water use. TMWA water conservation consultants visit residents and businesses to measure the amount of water applied to lawns and landscape. After evaluation of information, recommendations are made to the customer on how to minimize consumption while preserving their landscape. This program also looks for leaks within and outside the home and promotes efficient indoor water use.

FINANCIAL INFORMATION

Internal Controls

TMWA employs various internal controls for the safeguarding of assets against losses from unauthorized use or disposition. TMWA's management is responsible for establishing and maintaining a system of internal controls designed to meet these objectives. Another purpose of internal controls is to ensure that accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing internal controls, management weighs the cost to implement such controls over the benefits derived from implementing such controls. TMWA management is constantly looking for opportunities to improve or redesign internal controls. A key component of TMWA's internal controls is its budgetary controls.

Budgetary Controls

TMWA is legally required to prepare, present to the TMWA Board and adopt an annual budget in conformance with Chapter 354 of the Nevada Revised Statutes. These statutes comprise the Administration of Local Government Finance Act, which stipulates that the Board be presented with a tentative budget by April 15 of each year, with formal adoption of the budget after a public hearing in May of each year. The adopted budget is then filed with the Nevada Department of Taxation.

TMWA is also required to prepare a Capital Improvement Plan for review and formal acceptance by the TMWA Board. This plan is a comprehensive compilation of all capital projects and capital outlays expected during the ensuing five fiscal year period. TMWA's Board is kept informed of TMWA's financial performance throughout the fiscal year at scheduled Board meetings. The General Manager, as the chief administrative officer, is authorized to approve all expenses that are within the approved budget. This authority is conferred upon the General Manager by virtue of the TMWA Cooperative Agreement between the City of Reno, City of Sparks, and the County of Washoe. This arrangement allows for the efficient operation of TMWA. TMWA routinely prepares five year financial forecasts in conjunction with the Capital Improvement Plan.

BUDGET ANALYSIS AND VARIANCES

Actual total operating water revenues were \$0.1 million or 0.1% above the revised budget for fiscal year ended June 30, 2016. Total operating revenues were \$91.9 million. Charges for water sales were \$0.8 million under budget, while hydroelectric revenues were \$0.2 million above budget. Other operating sales were \$0.6 million above budget. TMWA water sales were mitigated by the board approved drought plan put into effect in May of fiscal year 2015 that promoted water demand controls. Water usage decreased due to conservation efforts by customers. Although we did not have a below average snowpack year in fiscal year 2016, customers continue to practice responsible water use. As a consolidated water utility, charges for water sales have decreased by \$9.7 million and 10% since fiscal year 2014, mainly due to conservation efforts.

Total operating expenses of \$80.6 million were approximately \$5.0 million under the budget of \$85.6 million. Operating expenses before depreciation were \$4.0 million under budget primarily due to lower spending on service and supplies expenses which were \$2.1 million under budget. Electrical expenses, due to operators extended power management practices to the consolidated water systems, and chemical usage to mitigate taste and odor issues were less than expected. Spending on operating salaries and wages was \$0.1 million less than budget, while employee benefit spending was \$1.8 million less than budget. Health care expenses did not increase until halfway through the fiscal year which helped reduce employee benefit costs, in addition to the effects of GASB No. 68 which deferred outflows for higher NV PERS contributions in fiscal year 2016 as compared to fiscal year 2015.

Total net nonoperating revenues and expenses were \$4.1 million favorable to budget. This variance was primarily due to higher investment earnings. As part of the 2016 bond refunding, there was a partial release of a forward delivery agreement with Bank of America. Bank of America will no longer be required to provide a 5.5% interest rate on a portion of our debt reserves balance, so they paid TMWA \$4.4 million dollars for the release of this commitment.

Capital contributions of \$26.3 million were \$15.2 million above budget. Cash contributions from developers were \$6.2 million greater than budget and were attributable to increasing levels of residential construction activity as the local economy improves. Developer infrastructure contributions are not included in the budget, but total \$8.5 million in noncash contributions in fiscal year 2016.

Total revised capital spending was approximately \$49.4 million for fiscal year 2016, which was approximately \$21.1 million less than the \$70.5 million planned in the augmented capital budget.

As reflected in the Statement of Cash Flows, TMWA funded the operating budget, debt service requirements and capital spending from operating revenues, capital contributions and investment income. As of June 30, 2016, TMWA has approximately \$99.8 million of unrestricted cash and investments to fund future operations and capital projects.

TMWA complied with bond covenants during fiscal year 2016 with respect to funding cash reserves. TMWA's renewal and replacement reserve is fully funded at \$10 million. The operations and maintenance reserve fund, which TMWA is required to maintain at a balance equal to one-sixth of TMWA's revised final operating budget, contained \$8.7 million as of June 30, 2016. TMWA still retains a \$1.8 million water rate stabilization reserve of which \$0.5 million is restricted and \$1.3 million included as a reservation of unrestricted net position.

TMWA MILESTONES

TMWA, now in its fifteenth year of operation, was successful in obtaining an upgrade in its credit rating with Standard and Poors from AA- to AA, and retaining its credit rating (AA) with Moody's. Both rating agencies continued to maintain a stable outlook for TMWA.

ACKNOWLEDGEMENTS

The timely preparation of this report could not be done without the assistance of TMWA finance personnel, the management team and employees of TMWA. We would like to thank the Board of Directors, TMWA customers, and the development community, for their commitment to the long-term operational and financial stewardship of TMWA.

A handwritten signature in black ink, appearing to read "Mark Foree". The signature is fluid and cursive, with the first name "Mark" and last name "Foree" clearly distinguishable.

Mark Foree, P.E.
General Manager

Michele Sullivan, CPA
Chief Financial Officer

**Truckee Meadows Water Authority
List of Principal Officials
June 30, 2016**

TMWA Board of Directors

Geno Martini, City of Sparks Mayor, Chairman of the Board

Neoma Jardon, City of Reno Council Member, Vice Chair

Jenny Brekhus, City of Reno Council Member

Naomi Duerr, City of Reno Council Member

Vaughn Hartung, Washoe County Commissioner

Jeanne Herman, Washoe County Commissioner

Ron Smith, Sparks Council Member

Management

Mark Foree, PE, General Manager

Scott Estes, PE, Director of Engineering

Mike Pagni, General Counsel

John Enloe, Director of Natural Resources Planning and Development

Andy Gebhardt, Director of Customer Relations

Michele Sullivan, CPA, Chief Financial Officer

[illegible]



Government Finance Officers Association

**Certificate of
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for Excellence
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Presented to

**Truckee Meadows Water Authority
Nevada**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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Independent Auditor's Report

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying statements of net position of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA), as of and for the years ended June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Truckee Meadows Water Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19-28 and the schedule of funding progress – other postemployment benefit plans on page 64, the schedule of TMWA's share of net pension liability on page 65, and the schedule of TMWA's contributions on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMWA's basic financial statements. The introductory section, the schedules of revenues, expenses and changes in net position – budget and actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedules of revenues, expenses and changes in net position – budget and actual and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenses and changes in net position – budget and actual and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of TMWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TMWA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
November 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of TMWA's Comprehensive Annual Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014. This section should be read in conjunction with the transmittal letter at the front of this report and TMWA's financial statements following this section. The financial presentation for fiscal years 2016 and 2015 reflect the adoption of Government Accounting Standards Board Statement (GASB) 72, "*Fair Value Measurement and Application*", GASB 68, "*Accounting and Financial Reporting for Pensions*" and the adoption of GASB 69, "*Government Combinations and Disposals of Government Operations*".

The adoption of GASB 72 in fiscal year 2016 resulted in additional disclosures related to the fair value measurement of TMWA's investments in the notes to the financial statements. The adoption of GASB 68 in fiscal year 2015 by TMWA resulted in the recognition of a net pension liability of \$22.3 million as of fiscal year end 2015, which increased to \$26.9 million as of fiscal year end 2016. Associated deferred outflows and inflows of resources are disclosed in the financial statements. Adoption of GASB 69 as a result of the transfer of operations of the Washoe County Water Utility (WCWU) and the merger of the South Truckee Meadows General Improvement District (STMGID) into TMWA in fiscal year 2015, had a material impact on TMWA's financial statements. These financial items are described in this section and also in the notes to the financial statements. The assets and liabilities and net position of the WCWU transfer of operations were measured and incorporated in TMWA's financial statements as of January 1, 2015, with operating and non-operating revenues and expenses accounted for prospectively from that date. The asset, liabilities and net position of the STMGID combination were measured as of July 1, 2014 and the entire fiscal year of operating and non-operating revenues and expenses were accounted for in TMWA's financial statements from that date.

FINANCIAL HIGHLIGHTS

TMWA's Net Position (in millions)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Unrestricted Current Assets	\$ 116.0	\$ 130.2	\$ 78.7
Restricted Current Assets	21.5	22.4	22.6
Long-Term Restricted and Other Assets	66.8	69.1	51.5
Capital Assets, net	930.8	905.6	666.8
Total Assets	<u>1,135.1</u>	<u>1,127.3</u>	<u>819.6</u>
Deferred Outflow of Resources	10.2	9.2	7.1
Total Assets & Deferred Outflow of Resources	<u>1,145.3</u>	<u>1,136.5</u>	<u>826.7</u>
Long Term Debt Outstanding	406.7	410.8	415.3
Long Term Liabilities-Other	26.9	22.3	-
Total Current Liabilities	<u>123.1</u>	<u>133.8</u>	<u>99.8</u>
Total Liabilities	<u>556.7</u>	<u>566.9</u>	<u>515.1</u>
Deferred Inflow of Resources	3.6	5.7	-
Net Investment in Capital Assets	478.5	444.4	230.3
Restricted	40.6	42.2	25.2
Unrestricted	<u>65.9</u>	<u>77.3</u>	<u>56.1</u>
Total Net Position	<u>\$ 585.0</u>	<u>\$ 563.9</u>	<u>\$ 311.6</u>

In the fiscal year ended June 30, 2016, total net position increased by approximately \$21.1 million, the result of recording operating income, net nonoperating income and increasing capital contributions. In the fiscal year ended June 30, 2015, total net position increased by approximately \$252.3 million, the result of the additions of the WCWU and STMGID net positions into TMWA's, as well as operating income and capital contributions. Offsetting were decreases from the adoption of GASB 68 which reduced the net position of TMWA by \$24.9 million

At June 30, 2016, total Unrestricted Current Assets decreased by \$14.2 million from June 30, 2015. The overall decrease was mainly due to a decrease in due from other governments by \$10.1 million as a result of final cash balances transferred in fiscal year 2016 related to WCWU and STMGID treasury balances, and a decrease in unrestricted cash by \$5.2 million. Offsetting was an increase in accounts receivable of \$1.0 million due to slightly greater year end water sales. At June 30, 2015, total Unrestricted Current Assets increased by approximately \$51.5 million from fiscal year end 2014. The overall increase was mainly due to an increase in unrestricted cash of \$41.7 million due to the transfer of WCWU cash as a result of the transfer of operations, and a \$9.3 million increase in due from other governments for treasury balances still due from WCWU at year end. Cash flow from operations and increased cash capital contributions were sufficient to cover cash operating expenses, debt service requirements, capital spending and expenses related to the additions of the WCWU and STMGID into TMWA.

At June 30, 2016, total Restricted Current Assets decreased by \$1.0 million from fiscal year end 2015. This overall decrease was mainly due to a decrease in current bond debt service by \$1.3 million due to lower interest payable on refunding obligations, offset by an increase of \$0.3 million in water meter retrofit fund cash. At June 30, 2015, total Restricted Current Assets decreased by \$0.2 million from fiscal year end 2014. This overall decrease was due to a decrease in current bond debt service by \$1.1 million due lower principal payments due on refunding obligations, offset by an increase of \$0.9 million in water meter retrofit fund cash.

At June 30, 2016, Restricted Noncurrent and Other Assets decreased from fiscal year end 2015 by \$2.3 million due to a decrease in restricted renewal and replacement reserve of \$4.6 million mainly due to the use of STMGID reserves for rehabilitation on the former STMGID service area. Offsetting were increases in restricted cash for bond debt service by \$1.6 million and an increase in the operations and maintenance reserve by \$1.2 million due to an increase in the operating expense budget as a result of a full year of merged water utility operations. At June 30, 2015, Restricted Noncurrent and Other Assets increased from fiscal year end 2014 by \$17.5 million. This overall increase was due to an increase in the renewal and replacement reserve of \$15.7 million from the restriction of STMGID cash transferred to TMWA in the merger to be used for rehabilitation on the former STMGID service area. An increase of \$1.2 million in the operations and maintenance reserve was due to an increase in the operating expense budget as a result of merged water utility operations, most of which occurred halfway through the year.

As of June 30, 2016, Deferred Outflow Of Resources increased by \$1.0 million mainly due to \$3.4 million increase in deferred outflows of resources recorded related to pensions, and an increase in deferred outflows of \$3.1 million recorded for the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2016 refunding of its 2006 bonds. Offsetting was amortization to interest expense of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, 2014, 2015A and 2016 advanced refundings of \$5.5 million. As of June 30, 2015 Deferred Outflow Of Resources increased by \$2.1 million mainly due to \$3.8 million in deferred outflows of resources recorded related to the adoption of GASB 68, offset by the amortization to interest expense of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, and 2010 advanced refundings of \$1.7 million.

Capital assets net of accumulated depreciation increased by a net \$25.2 million from June 30, 2015 to June 30, 2016. Total net asset additions of \$57.1 million were offset by net increase in accumulated depreciation of \$31.9 million. During the fiscal 2016 year, TMWA purchased water rights in Donner Lake for an appraised value of \$17.4 million, and land of \$0.1 million. TMWA constructed or purchased capital assets in the amount of \$41.9 million and recorded depreciation expense of \$32.1 million. Capital assets net of accumulated depreciation increased by a net \$238.8 million from June 30, 2014 to June 30, 2015. Total net asset additions of \$338.9 million were offset by net increase in accumulated depreciation of \$100.1 million. The change in capital assets is the result of the addition of the WCWU and STMGID, as well as changes in capital assets due to construction activities and capital outlays for the fiscal year end 2015. With respect to the transfer of operations and the merger of the water utilities, a total of \$313.9 million in capital assets were transferred, with related accumulated depreciation of \$75.1 million. WCWU transferred to TMWA \$286.0 million in capital assets and \$60.3 million of related accumulated depreciation. STMGID transferred to TMWA \$27.9 million in capital assets and \$14.8 million in related accumulated depreciation. During the fiscal 2015 year, TMWA constructed or purchased capital assets in the amount of \$29.0 million and recorded depreciation expense of \$27.9 million. Total asset disposals were \$4.0 million, with related accumulated depreciation of \$2.9 million. Of the total capital assets transferred to TMWA as a result of the transfer of operations and the merger, \$8.1 million were capital assets that are not depreciated and constituted land transfers.

At June 30, 2016, total current liabilities decreased \$10.7 million from June 30, 2015. Current liabilities payable from unrestricted assets decreased by \$9.4 million, with current portion of long term debt decreasing by \$6.9 million mainly due to paydown of Commercial Paper by \$7.2 million. Other main decreases were in accounts payable which decreased by \$1.5 million and due to other government decreased by \$0.7 million. Current liabilities payable from restricted assets decreased by \$1.3 million, with decreases in interest payments due by \$2.7 million, offset by higher principal payments due by \$1.4 million. At June 30, 2015, total current liabilities increased \$34.0 million from fiscal year end 2014. Current liabilities payable from restricted assets increased \$35.0 million due to a issuance of \$27.0 million in tax-exempt commercial paper notes to defease the WCWU water bond obligations and an increase of \$0.8 million in short term loan requirements as a result of TMWA assuming the \$9.1 million DWSRF loan from the WCWU. The remaining increase in current liabilities payable from unrestricted assets of \$7.2 million was due to an increase of \$2.9 million in accounts payable, of \$0.9 million in contracts and retention payable, \$1.0 million in accrued liabilities, \$1.0 million in due to other governments, \$0.1 million increase in interest payable and \$1.3 million increase in customer and developer deposits. Increase in accounts payable is due to increasing payment activity due to merged water operations. The increase in contracts and retention payable is due to increased construction activity year over year. The increase in due to other governments is payments due to the cities of Reno and Sparks for construction contracts TMWA participates with and an increase in fees for the Western Regional Water Commission, as a result of adding service connections from the additions of the WCWU and STMGID water utilities. The increase in accrued liabilities is largely due to accrued wages and salaries, due to the increase in staffing as well as associated compensated absences. The increase in interest payable is due to the assumption of the \$9.1 million DWSRF loan from the WCWU. The increase in customer and developer deposits is due to TMWA assuming certain due to developer liabilities from the WCWU and increased customer deposits as a result of adding the service connections from the WCWU and STMGID. Current liabilities payable from restricted assets decreased due to \$0.9 million less principal payments due and \$0.1 million less in interest payments due.

At June 30, 2016, total long term liability – other increased by \$4.6 million from fiscal year end 2015. This liability represents TMWA’s proportionate share of the net pension liability of the Public Employees Retirement System of Nevada (NVPERS), the recording of which is required by GASB 68. At June 30, 2015, total long term pension liability increased \$22.3 million from fiscal year end 2014. This increase was due to the adoption of GASB 68.

TMWA’s Changes in Net Position
(in millions)

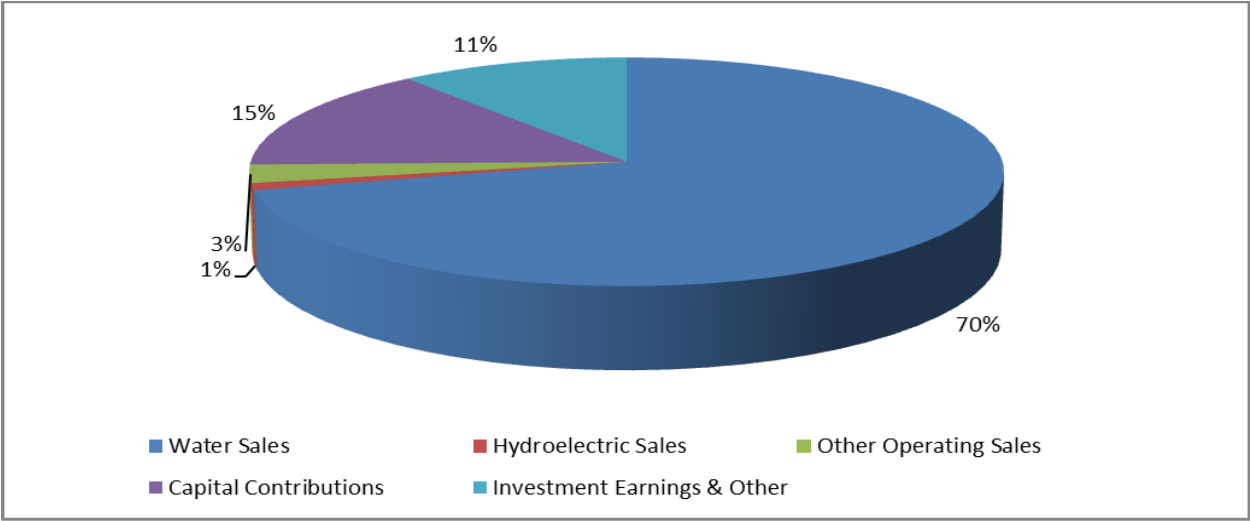
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Revenues	\$ 91.9	\$ 90.0	\$ 84.3
Operating Expenses	<u>80.6</u>	<u>70.1</u>	<u>59.3</u>
Operating Income	11.3	19.9	25.0
Nonoperating Revenues (Expenses) net	<u>(16.5)</u>	<u>(23.5)</u>	<u>(20.4)</u>
Income before Capital Contributions	(5.2)	(3.6)	4.6
Capital Contributions	26.3	19.6	5.5
Special Item - WCWU transfer of operations	<u>-</u>	<u>231.5</u>	<u>-</u>
Change in Net Position	<u>21.1</u>	<u>247.5</u>	<u>10.1</u>
Net Position - BOY, as previously reported	563.9	311.6	301.5
Prior period adjustment for GASB 68	-	(24.9)	-
Prior period adjustment for STMGID merger	<u>-</u>	<u>29.7</u>	<u>-</u>
Net Position - BOY, as restated	<u>563.9</u>	<u>316.4</u>	<u>301.5</u>
Net Position - EOY	<u><u>\$ 585.0</u></u>	<u><u>\$ 563.9</u></u>	<u><u>\$ 311.6</u></u>

TMWA’s Revenues
(In millions)

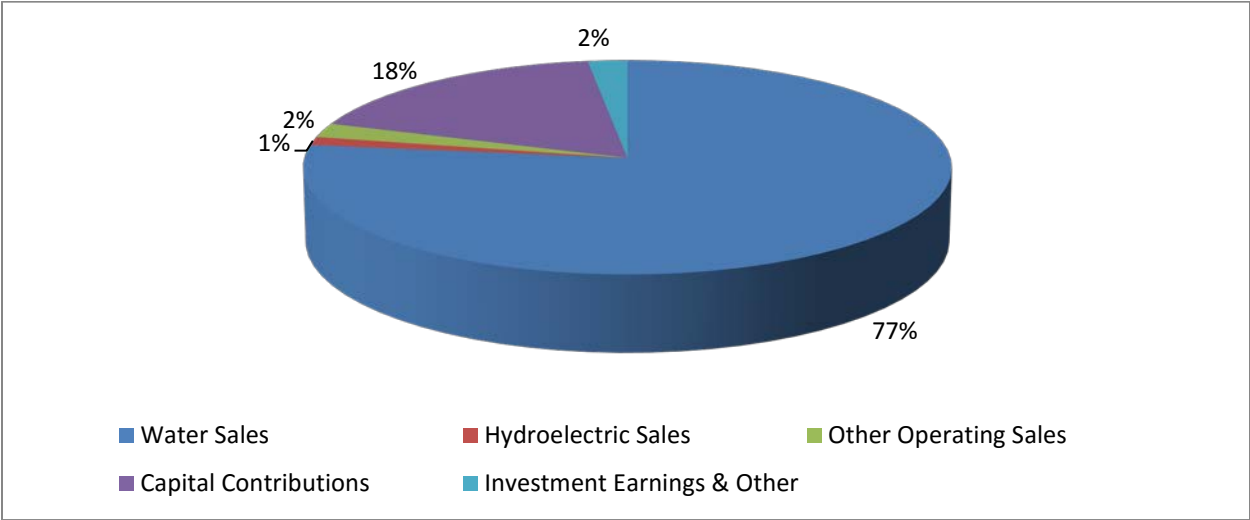
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues			
Operating Revenues			
Water Sales	\$ 87.5	\$ 86.2	\$ 79.2
Hydroelectric Sales	1.2	1.4	3.0
Other Operating Sales	<u>3.2</u>	<u>2.4</u>	<u>2.1</u>
	<u>91.9</u>	<u>90.0</u>	<u>84.3</u>
Nonoperating Revenues			
Investment Earnings	6.7	2.1	2.1
Other	<u>6.5</u>	<u>0.3</u>	<u>0.1</u>
	<u>13.2</u>	<u>2.4</u>	<u>2.2</u>
Capital Contributions	<u>19.3</u>	<u>19.6</u>	<u>5.5</u>
Total Revenues	<u><u>\$ 124.4</u></u>	<u><u>\$ 112.0</u></u>	<u><u>\$ 92.0</u></u>

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2016, 2015, and 2014.

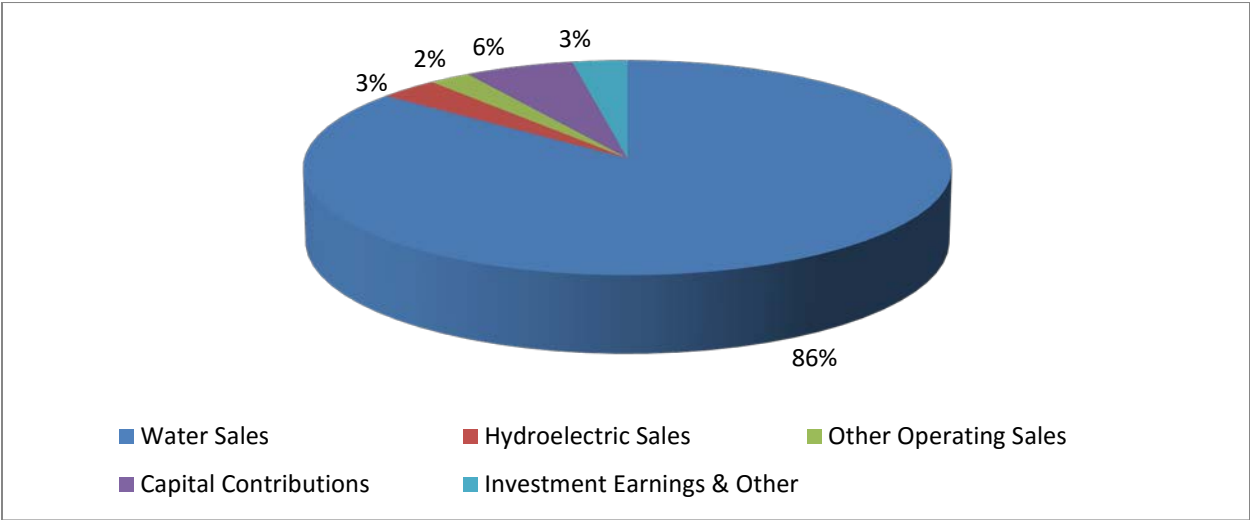
Total Revenues for the Year Ended June 30, 2016



Total Revenues for the Year Ended June 30, 2015



Total Revenues for the Year Ended June 30, 2014



For fiscal year 2016, total operating revenues increased \$1.9 million from fiscal year 2015. Water sales were \$87.5 million, \$1.3 million or 1.56% greater than in fiscal year 2015. Water sales were less than expected from the first full year as a consolidated water utility by \$7.8 million due mainly due to conservation. Hydroelectric sales decreased by \$0.2 million due to lower river levels early in the fiscal year 2016. Other operating sales increased by \$0.8 million due to additional fees collected related to increasing construction activity. Investment earnings were higher by \$4.6 million in fiscal year 2016 due to a payment from Bank of America. As part of the 2016 bond refunding, there was a partial release of a forward delivery agreement with Bank of America, and they will no longer be required to provide a 5.5% interest rate on a portion of TMWA's debt reserves balance. Bank of America paid TMWA \$4.4 million dollars for the release of this commitment. Other nonoperating revenue increased \$6.2 million mainly due to \$7.0 million in water rights sold to the Pyramid Lake Paiute Tribe as part of the implementation of TROA. Offsetting was a \$0.6 million loss on disposal of assets.

For fiscal year 2016, capital contributions decreased by \$0.3 million from fiscal year 2015. This decrease was mainly due to the Farad Hydroelectric Plant river diversion dam settlement payment for \$9.6 million received in fiscal year 2015. Offsetting were developer infrastructure contributions of \$8.5 million, \$5.8 million higher than fiscal year 2015. This is mainly due to increasing residential construction activity. Sales of water (rights) will serves of \$4.4 million, \$2.5 million higher than fiscal year 2015, were also indicative of this construction trend.

For fiscal year 2015, total operating revenues increased \$5.7 million from fiscal year 2014. Water sales were \$86.2 million, \$7.0 million or 8.8% greater than in fiscal year 2014. The addition of \$9.5 million in incremental water sale revenues as a result of merging the WCWU and STMGID into TMWA was offset by less water demands at TMWA which lead to a decrease of approximately \$2.5 million in water sales revenue. This was as a result of instituting conservation measures due to the persistent drought. Hydroelectric revenues decreased to \$1.4 million or \$1.7 million less than the previous year. This decrease was due to extremely low river flows due to persistent drought conditions in light of excellent plant availabilities. Other operating sales were \$0.3 million greater than fiscal year 2014 and are attributable to increased inspection fees on increasing residential construction activity.

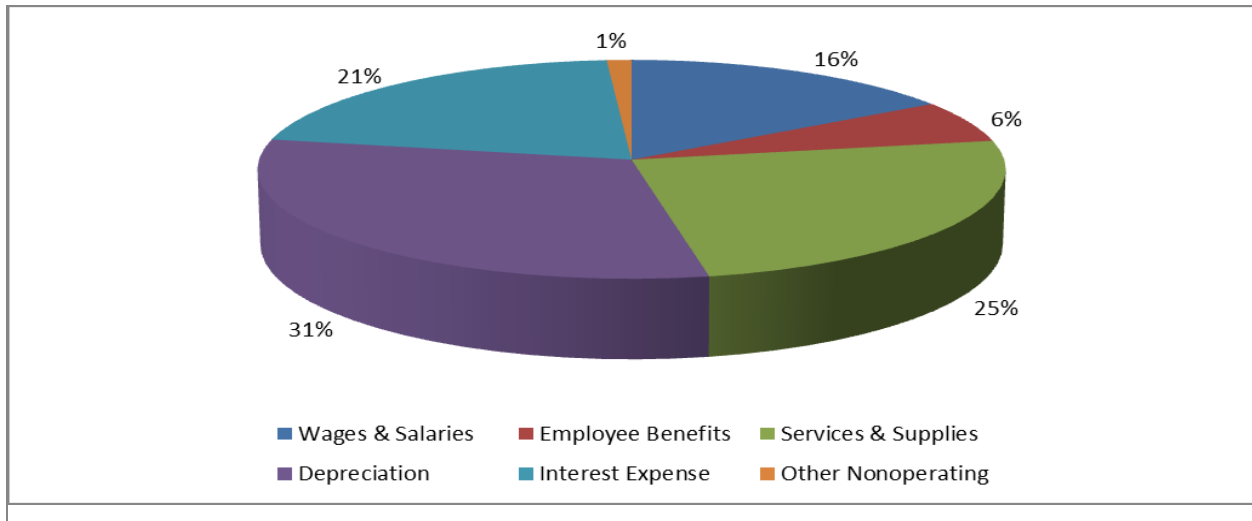
For fiscal year 2015, capital contributions increased by \$14.1 million from fiscal year 2014. This increase was primarily due to a contribution from NV Energy as a result of a partial settlement with their insurers for the reconstruction of the Farad Hydroelectric Plant river diversion dam for \$9.6 million. Various developer connection fees and will serve sales made up the balance of the increase due to more robust residential construction, as the economy improves in the TMWA service area.

TMWA's Expenses
(in millions)

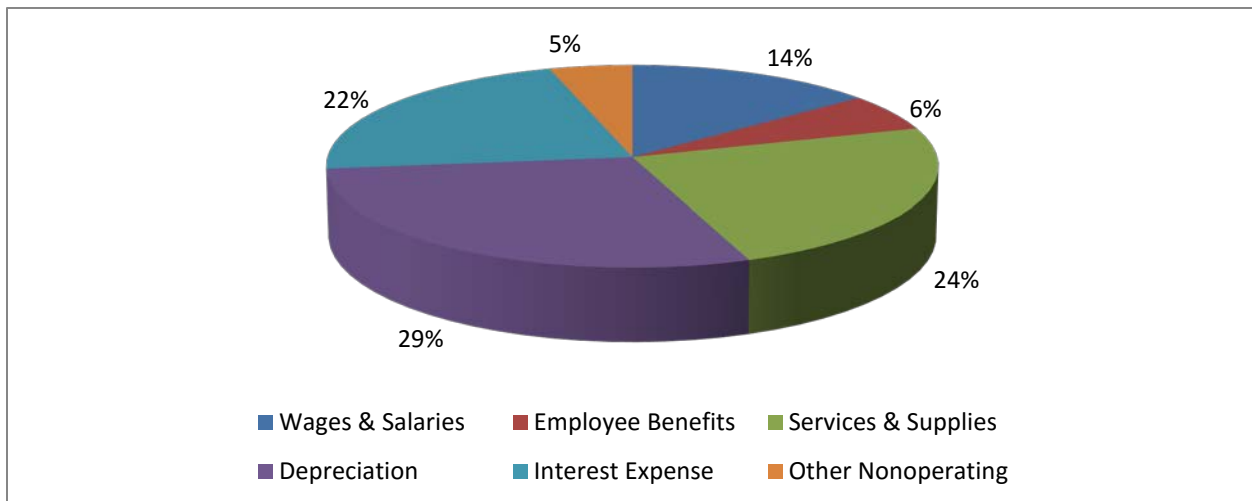
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Expenses			
Operating Expenses			
Wages & Salaries	\$ 16.5	\$ 13.8	\$ 11.9
Employee Benefits	6.4	5.2	5.1
Services & Supplies	25.6	23.2	19.3
Depreciation	32.1	27.9	23.0
	<u>80.6</u>	<u>70.1</u>	<u>59.3</u>
Nonoperating Expenses			
Interest Expense	21.5	21.3	21.3
Other Nonoperating Expenses	1.2	4.6	1.3
	<u>22.7</u>	<u>25.9</u>	<u>22.6</u>
Total Expenses	<u>\$ 103.3</u>	<u>\$ 96.0</u>	<u>\$ 81.9</u>

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2016, 2015 and 2014:

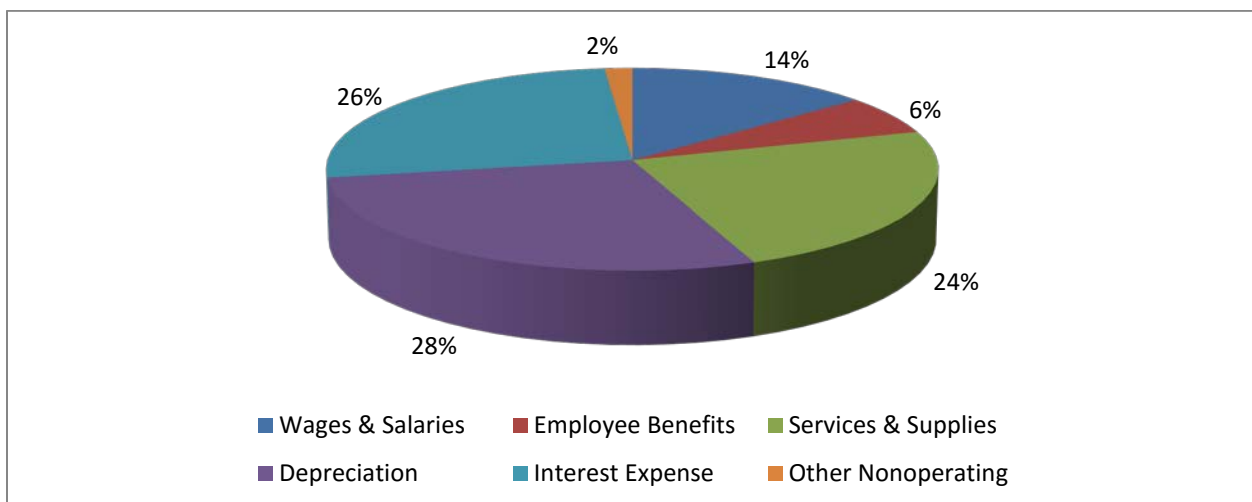
Total Expenses for the Year Ended June 30, 2016



Total Expenses for the Year Ended June 30, 2015



Total Expenses for the Year Ended June 30, 2014



TMWA's operating expenses increased \$10.5 million from fiscal year 2015 to fiscal year 2016. This increase was due to an increase of \$2.8 million in wages and salaries, an increase of \$1.1 million in employee benefits, an increase of \$2.4 million in services and supplies expenses and an increase of \$4.2 million in depreciation expense. The increase in wages and salaries of \$2.8 million is primarily due to the transfer of 25 positions from the WCWU to TMWA, which occurred halfway through fiscal year 2015. In 2016, those employees were with TMWA for a full year. A modest wage increase of approximately 2% added approximately \$0.3 million to total operating wages and salaries. Also, three key directors retired in 2016, and several months of overlapping payroll were required to ensure a smooth transition of duties to new management. Employee benefits increased by \$1.1 million. TMWA's employee health benefits premiums increased by 20% in January of 2016. Health insurance premiums had not changed for three years prior. Services and supplies expense increased \$2.4 million, and depreciation expense increased \$4.2 million and are both directly attributable to the water utility merger.

TMWA's operating expenses increased \$10.8 million from fiscal year 2014 to fiscal year 2015. This increase was due to an increase of \$1.9 million in wages and salaries, an increase \$0.1 million in employee benefits, an increase of \$3.9 million in services and supplies expenses and an increase of \$4.9 million in depreciation expense. The increase in wages and salaries is primarily due to the transfer of 25 positions from the WCWU to TMWA mid year as well as some additional outside hiring. STMGID was contractually operated by the WCWU and had no employees. Also, a modest wage increase of approximately 2% added approximately \$0.3 million to total operating wages and salaries. Employee benefits increased by a modest net amount of \$0.1 million. Actual employee benefits increased by \$0.7 million but was decreased by \$0.6 million as a result of the operating expense impact of adopting GASB 68. Pension expense was \$3.0 million for fiscal year 2015 while contributions to NVPERS was \$3.6 million. Services and supplies expense increased \$3.9 million and is directly attributable to the water utility merger.

Total nonoperating expenses decreased by \$3.2 million to \$22.7 million in fiscal year 2016 from \$25.9 million in fiscal year 2015. The primary reason for the decrease is non-operating expenses related to the merger of \$3.0 million incurred in fiscal year 2015. Offsetting were higher net interest expense of \$0.3 million, and higher amortization of bond/note issuance costs of \$0.2 million year over year.

Total nonoperating expenses increased by \$3.3 million to \$25.9 million in fiscal year 2015 from \$22.6 million in fiscal year 2014. The primary reason for the increase are non-operating expenses related to the merger of \$3.0 million and \$0.6 million in loss on disposal of assets also related to the merger. Net interest expense changed minimally year over year. The merger related expense included \$0.9 million for cost incurred for the merger, \$1.9 million in cash refunds to former STMGID customers that was negotiated in the merger, and \$0.2 million in cash holdback from the WCWU for non-potable water operations retained by the WCWU that reside in the WCWU water operations. By virtue of the Cooperative Agreement, TMWA cannot operate non-potable water systems.

CAPITAL ASSETS

At June 30, 2016, TMWA's total capital assets were \$1,288.1 million before accumulated depreciation of \$357.3 million, for a net book value of \$930.8 million. Included in the total capital assets reported on the Statement of Net Position was \$17.7 million in construction work in progress.

At June 30, 2015, TMWA's total capital assets were \$1,231.0 million before accumulated depreciation of \$325.4 million, for a net book value of \$905.6 million. Included in the total capital assets reported on the Statement of Net Position was \$11.4 million in construction work in progress.

At June 30, 2014, TMWA's total capital assets were \$892.0 million before accumulated depreciation of \$225.3 million, for a net book value of \$666.7 million. Included in the total capital assets was \$7.2 million in construction work in progress.

Detailed information about TMWA's capital assets can be found in Note 5 to TMWA's financial statements.

LONG-TERM DEBT

At June 30, 2016, TMWA had \$508.7 million in total reported debt outstanding. This amount reflects \$480.3 million in total outstanding principal indebtedness, and \$28.4 million net bond premium. Of the \$508.7 million in total reported debt outstanding, \$102.0 million was due within in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of eleven series of bonds, loans and short term notes. The first reported indebtedness was a \$4.7 million Series 2005 Drinking Water State Revolving Fund (DWSRF) loan provided by the State of Nevada to fund the Arsenic Mitigation Project. In November 2005, TMWA sold \$40.0 million in water revenue bonds, the Series 2005A Bonds, to fund construction projects in the North Virginia corridor. In May 2006, TMWA issued \$150.7 million in refunding bonds to refinance \$146.0 million of outstanding maturities of the Series 2001A bonds. In January 2007, TMWA issued \$219.0 million in refunding bonds to refinance \$212.3 million of outstanding maturities of the Series 2001A bonds. During fiscal year 2009 TMWA obtained another DWSRF loan funded by American Recovery and Reinvestment Act stimulus funding from the federal government. The final loan amount was \$2.4 million. In 2010, TMWA issued \$28.2 million of 2010 Refunding Bonds to refinance \$29.5 million of certain Series 2001A maturities. Also in fiscal year 2010 TMWA entered into another DWSRF loan arrangement authorized for \$8.5 million and drew only \$4.4 million. TMWA inaugurated a Tax-Exempt Commercial Paper (TECP) program in August 2006. TMWA sold in two sales an aggregate of \$43.0 million in TECP notes in fiscal year 2007, and another \$25.0 million in fiscal year 2008. TMWA issued another \$11.4 million on June 28, 2011 for purposes of redeeming the remaining outstanding 2001A bonds to reduce interest expenses. The \$11.4 million issued on June 28, 2011 was redeemed on December 10, 2012. During fiscal year 2015 TMWA issued \$28.8 million in Series 2015A refunding bonds to refinance \$33.0 million of outstanding maturities of the Series 2005A bonds. Also during fiscal year 2015, TMWA entered into the 2014 DWSRF loan as a result of the water utility transfer of operations. The loan balance of \$9.1 million was transferred from Washoe County to TMWA and was originally used to fund the Longley Lane Water Treatment Facility. During fiscal year 2016 TMWA entered into another DWSRF loan arrangement authorized for \$15.0 million and drew \$8.2 million as of year end 2016 to fund the North Valleys Integration Project. TMWA does not expect to draw the full \$15.0 million. Also in fiscal year 2016 TMWA issued \$124.8 million in Series 2016 refunding bonds to refinance \$148.0 million of outstanding maturities of the Series 2006 bonds.

As a result of the transfer of operations of WCWU, TMWA issued \$27.0 million in tax-exempt commercial paper notes in fiscal year 2015, under an expanded liquidity facility, to defease the \$26.1 million in Washoe County water obligations bringing the total outstanding tax-exempt commercial paper notes to \$95.0 million. In fiscal year 2016 TMWA paid down \$7.2 million of commercial paper bringing the total outstanding tax-exempt commercial paper notes to \$87.8 million TMWA intends to re-market the remaining \$87.8 million in outstanding tax-exempt commercial paper notes as maturities come due and all the TECP is classified as a short term indebtedness since the TECP notes mature equal to or less than 270 days.

Detailed information about TMWA's indebtedness can be found in Note 6 to TMWA's financial statements.

CURRENTLY KNOWN FACTS

As a result of the merger customer service connection base increased from approximately 94,000 connections to approximately 120,000 service connections.

CONTACTING TMWA's FINANCIAL MANAGEMENT

This financial report was prepared for the benefit of the customers, bond investors, and the Board of Directors of the Truckee Meadows Water Authority. The Comprehensive Annual Financial Report was prepared to provide interested parties with a general overview of the Truckee Meadows Water Authority's accountability for the financial resources it manages. For questions or additional information, please contact the Truckee Meadows Water Authority's Finance Department at P.O. Box 30013, Reno, Nevada 89509-3013.

Truckee Meadows Water Authority
Statements of Net Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and investments	\$ 99,764,684	\$ 104,979,502
Accounts receivable, net	13,580,981	12,616,237
Due from others	313,955	19,566
Due from other governments	45,969	10,096,844
Interest receivable	1,048,498	1,304,308
Prepaid assets and other assets	1,243,125	1,186,025
	<u>115,997,212</u>	<u>130,202,482</u>
Restricted current assets		
Cash and investments		
Water meter retrofit program	2,084,980	1,754,197
Current bond debt service	19,395,405	20,675,394
	<u>21,480,385</u>	<u>22,429,591</u>
Total current assets	<u>137,477,597</u>	<u>152,632,073</u>
Restricted noncurrent assets		
Cash and investments		
Future bond debt service	35,390,010	33,824,151
Operations and maintenance	8,739,954	7,563,710
Renewal and replacement	21,160,870	25,720,896
Water rate stabilization	500,000	500,000
	<u>65,790,834</u>	<u>67,608,757</u>
Noncurrent assets		
Capital assets, not depreciated	147,064,145	123,234,464
Capital assets, depreciated	783,728,106	782,339,301
Prepaid bond insurance and other assets	1,013,985	1,448,867
	<u>931,806,236</u>	<u>907,022,632</u>
Total noncurrent assets	<u>997,597,070</u>	<u>974,631,389</u>
Total assets	<u>1,135,074,667</u>	<u>1,127,263,462</u>
Deferred Outflow of Resources		
Deferred amount on bond refundings	3,053,052	5,470,546
Deferred amount on net pension liability	7,156,688	3,768,872
	<u>10,209,740</u>	<u>9,239,418</u>
Total deferred outflow of resources	<u>10,209,740</u>	<u>9,239,418</u>
Total Assets and Deferred Outflow of Resources	<u>\$1,145,284,407</u>	<u>\$1,136,502,880</u>

Truckee Meadows Water Authority

Statements of Net Position

June 30, 2016 and 2015

	2016	2015
Liabilities		
Current liabilities payable from unrestricted current assets		
Accounts payable	\$ 2,909,126	\$ 4,429,632
Contracts and retention payable	2,185,872	2,492,543
Accrued liabilities	4,000,137	3,954,938
Due to other governments	2,137,679	2,866,886
Accrued interest payable	315,707	248,179
Current portion of long-term debt	89,414,845	96,348,107
Customer deposits and amounts due to developers	2,757,239	2,806,156
	<u>103,720,605</u>	<u>113,146,441</u>
Current liabilities payable from restricted current assets		
Current portion of long-term debt	12,620,000	11,220,000
Interest payable	6,775,405	9,455,394
	<u>19,395,405</u>	<u>20,675,394</u>
Total current liabilities	<u>123,116,010</u>	<u>133,821,835</u>
Noncurrent liabilities		
Net pension liability	26,869,406	22,293,306
Long-term debt, net of current portion	406,696,538	410,764,241
Total noncurrent liabilities	<u>433,565,944</u>	<u>433,057,547</u>
Total liabilities	556,681,954	566,879,382
Deferred Inflow of Resources		
Deferred amount on net pension liability	3,486,191	5,749,364
Deferred amount on bond refundings	133,948	-
Total deferred inflows of resources	<u>3,620,139</u>	<u>5,749,364</u>
Total liabilities and deferred inflow of resources	<u>560,302,093</u>	<u>572,628,746</u>
Net Position		
Net investment in capital assets	478,543,111	444,402,572
Restricted for water meter retrofit program	2,084,980	1,754,197
Restricted for debt service	12,620,000	11,220,000
Restricted for operations and maintenance reserve	4,139,954	2,963,710
Restricted for renewal and replacement reserve	21,160,870	25,720,896
Restricted for water rate stabilization	500,000	500,000
Unrestricted	65,933,399	77,312,759
Total net position	<u>584,982,314</u>	<u>563,874,134</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 1,145,284,407</u>	<u>\$ 1,136,502,880</u>

Truckee Meadows Water Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Charges for water sales	\$ 87,534,332	\$ 86,186,698
Hydroelectric sales	1,175,195	1,366,786
Other operating sales	3,219,416	2,475,832
Total operating revenues	91,928,943	90,029,316
Operating Expenses		
Salaries and wages	16,541,811	13,763,006
Employee benefits	6,364,279	5,271,735
Services and supplies	25,575,227	23,180,670
Total operating expenses before depreciation	48,481,317	42,215,411
Depreciation	32,134,190	27,899,449
Total operating expenses	80,615,507	70,114,860
Operating Income	11,313,436	19,914,456
Nonoperating Revenues (Expenses)		
Investment earnings	6,737,745	2,127,009
Net increase in fair value of investments	80,042	15,970
Gain (loss) on disposal of assets	6,460,373	(653,698)
Amortization of bond/note issuance costs	(1,219,746)	(1,004,685)
Interest expense	(21,549,864)	(21,281,117)
Other nonoperating revenue	-	300,000
Other nonoperating expense	-	(3,029,859)
Total nonoperating revenues (expenses)	(9,491,450)	(23,526,380)
Gain (Loss) before Capital Contributions	1,821,986	(3,611,924)
Capital Contributions		
Grants	224,138	276,260
Water meter retrofit program	482,081	1,013,896
Developer infrastructure contributions	8,454,980	2,703,092
Developer will-serve contributions (net of refunds)	4,363,692	1,864,446
Developer capital contributions-other	2,473,163	1,588,158
Developer facility charges (net of refunds)	2,931,940	2,494,434
Contributions from others	356,200	9,698,535
Net capital contributions	19,286,194	19,638,821
Special Item		
Washoe County Water Utility Transfer of Operations	-	231,516,024
Change in Net Position	21,108,180	247,542,921
Net Position, Beginning of Year	563,874,134	316,331,213
Net Position, End of Year	\$ 584,982,314	\$ 563,874,134

Truckee Meadows Water Authority

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Cash received from customers	\$ 90,753,299	\$ 88,890,996
Cash paid to employees	(24,132,183)	(18,951,287)
Cash paid to suppliers	(26,198,864)	(21,137,019)
Net Cash from Operating Activities	40,422,252	48,802,690
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(49,416,333)	(25,350,434)
Interest paid on financing	(18,904,799)	(19,166,395)
Principal paid on financing	(12,568,107)	(13,071,845)
Proceeds from refunding bonds	149,354,337	33,290,154
Issuance of commercial paper notes	-	27,000,000
Redemption of commercial paper notes	(7,200,000)	-
Proceeds transferred to refunding escrow	(151,026,620)	(61,190,336)
Proceeds from capital debt issuance	8,239,034	-
Proceeds from capital asset disposal	6,460,373	13,945
Contributions for water meter retrofit program	482,081	1,013,896
Contributions from developers-will-serve letters	4,363,692	1,864,446
Contributions from developers-other	2,473,163	1,588,158
Contributions from developers-facility charges	2,931,940	2,494,434
Contributions from others	356,200	9,698,535
Grants	253,131	547,296
Bond/note issuance costs	(1,298,798)	(876,615)
Net Cash used for Capital and Related Financing Activities	(65,500,706)	(42,144,761)
Investing Activities		
Cash received in connection with WCWU transfer of operations	9,678,076	33,682,594
Cash received from STMGID subsequent to merger	162,770	-
Verdi business park receivable	-	(635,000)
Payments received on verdi business park receivable	22,244	55,873
Interest received	7,233,417	2,634,410
Net Cash from Investing Activities	17,096,507	35,737,877
Net Change in Cash and Cash Equivalents	(7,981,947)	42,395,806
Cash and Cash Equivalents, Beginning of Year (including \$90,038,348 in restricted accounts)	195,017,850	152,622,044
Cash and Cash Equivalents, End of Year (including \$87,271,219 in restricted accounts)	\$ 187,035,903	\$ 195,017,850

Truckee Meadows Water Authority
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 11,313,436	\$ 19,914,456
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	32,134,190	27,899,449
Other nonoperating revenues	-	480,000
Other nonoperating expenses	-	(3,029,858)
Pension expense	3,459,922	2,944,177
Pension contributions	(4,534,811)	(3,629,441)
Changes in assets and liabilities		
Accounts receivable, net	(964,744)	(278,840)
Due from others	(294,389)	385,003
Due from other governments	132,406	106,812
Prepaid assets	(62,219)	(312,738)
Accounts payable	(738,224)	2,889,250
Accrued liabilities	45,199	954,956
Due to customers and developers	(48,917)	155,677
Due to other governments	(19,597)	323,787
Total adjustments	29,108,816	28,888,234
Net Cash from Operating Activities	\$ 40,422,252	\$ 48,802,690
Non-Cash Capital and Related Financing Activities		
Developer infrastructure contributions	\$ 8,454,980	\$ 2,703,092
Amortization of bond insurance expenses	417,757	60,555
Amortization of net bond premium	(486,796)	(625,608)
Amortization of refunding allowances to interest expense	2,735,233	3,006,885
Supplemental Cash Flows Information		
Capitalization of interest expense	486,001	269,461
Capitalization of interest revenue	165,059	85,885
Net capital assets from WCWU transfer of operations	-	225,193,242
Net capital assets from STMGID merger	-	12,746,685
Developer obligations assumed from WCWU transfer of operations	-	1,137,887

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Truckee Meadows Water Authority (TMWA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. A summary of the more significant accounting policies applied in the preparation of the accompanying basic financial statements follows.

Reporting Entity and Purpose

TMWA is a Joint Powers Authority (JPA) formed in November 2000 under the Joint Powers Legislation of the State of Nevada, pursuant to a Cooperative Agreement among the City of Reno, Nevada, the City of Sparks, Nevada, and Washoe County, Nevada. TMWA was formed to purchase water assets (the Water System), undertake the water utility operations and to develop, manage and maintain supplies of water for the benefit of the Truckee Meadows communities. TMWA purchased the existing water system originally operated by Sierra Pacific Power Company (SPPCo), now known as NV Energy, Inc.

TMWA is governed by a seven member Board of Directors appointed by:

- Reno City Council (3 seats)
- Sparks City Council (2 seats)
- Washoe County (2 seats)

The cities and county representatives are not required to be elected officials. Modifications to the JPA were approved by the governing bodies in December 2009 which changed the at-large seat into a second seat for Washoe County. The amendments to the JPA were approved by the Attorney General's Office of the State of Nevada effective February 3, 2010. The amendments were made in anticipation of the consolidation of TMWA, Washoe County's Community Services Department's water utility (WCWU) and the merger of another water utility named South Truckee Meadows General Improvement District (STMGID). The transfer of operations of WCWU and the merger of STMGID occurred on January 1, 2015 with TMWA as the continuing entity.

Basis of Accounting

TMWA's activities are accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of the governmental entity. Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet its operating objectives. The financial statements for TMWA are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

TMWA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary activities.

When both restricted and unrestricted resources are available for use, it is TMWA's policy to use unrestricted resources first, and then restricted resources as they are required.

Budgets and Budgetary Accounting

TMWA adheres to the Local Government Budget and Finance Act (Act) incorporated within the Statutes of the State of Nevada. The Act and TMWA policy include the following major procedures to establish budgetary data:

- On or before April 15, the General Manager of TMWA submits to the Board of Directors a tentative budget for the fiscal year commencing the following July 1.
- Public hearings on the tentative budget are held on the third Thursday in May.
- Prior to June 1, at a public hearing, the Board of Directors indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board. The final budget must then be forwarded to the Nevada Department of Taxation for final approval.
- Any revisions that alter total appropriations must be approved in advance by the Board. Formal budgetary integration is employed as a management control device during the year.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Appropriations lapse at year end.
- In accordance with State statute, actual expenses may not exceed the sum of operating and nonoperating appropriations.

The budget reflected in the financial statements has been amended from the original amounts in accordance with State statute for the year ended June 30, 2016 and 2015. This presentation for fiscal years 2016 and 2015 is included as Supplementary Information. The presentation for fiscal year 2015 reflects the transfer of operations and merger of the aforementioned water utilities with TMWA as the continuing water utility.

Cash and Investments

Cash balances are, to the extent practical, invested as permitted by law. Monies that are not required for immediate obligations are invested.

Investments authorized by state statutes and TMWA's bond resolutions include, but are not limited to, guaranteed investment contracts, obligations of the U.S. Treasury, obligations of other U.S. Government agencies, negotiable and non-negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, bankers acceptances, repurchase agreements, "AAA" rated mutual funds that invest in securities of the Federal Government or agencies of the Federal Government, and the State of Nevada Local Government Investment Pool (LGIP), an external investment pool which is administered by the State Treasurer with oversight by the Board of Finance of the State of Nevada. Investments are reported at fair value, including the investment with LGIP in which the value is the same as the value of the pool shares. Exceptions to the fair valuation of investments are the guaranteed investment contracts which are valued at cost.

Restricted cash and investments are monies that are restricted by legal or contractual requirements.

Cash Equivalents

Cash equivalents include short-term highly liquid investments (3 months or less at time of purchase) that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes of value. Based on the nature of the investment policies, all amounts are available on demand and are, therefore, classified as cash equivalents on the Statements of Cash Flows.

Accounts Receivable

Accounts receivable is comprised of amounts due from TMWA's customers, net of an allowance for uncollectible accounts. Amounts due from TMWA customers are comprised of amounts billed and an estimate of amounts earned but unbilled for water deliveries prior to fiscal year end.

Restricted Assets

Certain proceeds of TMWA's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants as follows:

- Current bond debt service - used to segregate resources accumulated for debt service payments over the next twelve months.
- Future bond debt service - used to report resources set aside to make up potential future deficiencies in the current bond debt service.
- Operations and maintenance - used to report resources set aside to subsidize potential deficiencies from TMWA's operation that could adversely affect debt service payments.
- Renewal and replacement - used to report resources set aside to subsidize potential deficiencies in cash flow for replacement of water facilities.
- Water rate stabilization - used to report resources set aside to stabilize customer rates if significant water revenue fluctuations occur.

Certain assets of TMWA are classified as restricted assets on the Statements of Net Position because they were derived from contributions from developers to fund the water meter retrofit program as mandated by Public Law 101-618.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items have been classified as current.

Capital Assets

All purchased property, plant and equipment is stated at cost. TMWA capitalizes all assets with a cost of at least \$5,000 and a useful life greater than one year. The cost of maintenance and repairs that do not increase productive capacity or materially extend the life of an asset are not capitalized. Interest cost incurred during the construction phase of the asset is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Developer contributed capital assets are recorded at estimated fair value at the date of contribution to TMWA.

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2016 and 2015

Depreciation is computed using the straight-line method over the assets' estimated useful lives (in years) as follows:

	<u>Years</u>		<u>Years</u>
Distribution mains	60-75	Hydroelectric facilities	20-80
Plants	15-50	Canals	15-50
Services	15-60	Reservoirs	20-75
Pump stations	15-50	Vehicles	5-10
Tanks	65-75	Furniture and fixtures	10
Wells	15-50	Computer hardware and software	3-5
Pressure reducing stations	25	Lab equipment	5
		Administration buildings	50

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. TMWA's deferred outflows of resources is its deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, TMWA has deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. TMWA has deferred inflow of resources related to bond refundings and pensions.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Under contract, employees are permitted to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences is accrued as amounts are earned by employees to the extent it is likely TMWA will ultimately pay those benefits. The liability is included in accrued liabilities in the accompanying Statements of Net Position.

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2016 and 2015

Classification of Revenues

Operating revenues consist of water sales, hydroelectric sales, miscellaneous fee income and various reimbursements of operating expenses. Nonoperating revenues consist essentially of income derived from investments, and reimbursement for nonoperating activities. Developer facility charges, will-serve contributions and other contributions reflect payments primarily for water service. Developer infrastructure contributions are an estimation of the value of infrastructure built by developers and permanently dedicated to TMWA.

Implementation of GASB Statement No. 72

As of July 1, 2015, TMWA adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The implementation of these standards requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments are required to organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). Disclosures required by this standard are included in Note 4.

Note 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code

TMWA conformed to all significant statutory constraints on its financial administration during the year.

Note 3 - Accounts Receivable, Net

Accounts receivable, net consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Billed amounts	\$ 5,142,543	\$ 5,073,689
Earned, but unbilled amounts	<u>8,675,516</u>	<u>7,807,431</u>
	13,818,059	12,881,120
Allowance for uncollectibles	<u>(237,078)</u>	<u>(264,883)</u>
Accounts receivable, net	<u><u>\$ 13,580,981</u></u>	<u><u>\$ 12,616,237</u></u>

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2016 and 2015

Note 4 - Cash and Investments

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2016, the carrying amount of TMWA's deposits of \$1,564,692 was greater than the respective bank balance of \$963,018 by \$601,674. At June 30, 2015, the carrying amount of TMWA's deposits of \$1,301,581 was greater than the respective bank balance of \$1,286,447 by \$15,134. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

As of June 30, 2016, TMWA had the following investments and maturities:

	Less than 1 Year	1 - 3 Years	Total
Investments			
U.S. Treasuries	\$ 2,156,094	\$ -	\$ 2,156,094
U.S. Agencies	43,470,850	21,664,724	65,135,574
Guaranteed Investment Contracts	29,752,798	-	29,752,798
LGIP	3,219,035	-	3,219,035
Money Market Mutual Funds	67,793,723	-	67,793,723
Corporate Notes	2,376,328	15,021,300	17,397,628
	<u>\$ 148,768,828</u>	<u>\$ 36,686,023</u>	<u>\$ 185,454,851</u>

As of June 30, 2015, TMWA had the following investments and maturities:

	Less than 1 Year	1 - 3 Years	Total
Investments			
U.S. Treasuries	\$ 11,785,441	\$ 2,203,555	\$ 13,988,996
U.S. Agencies	19,976,476	50,729,618	70,706,094
Guaranteed Investment Contracts	34,356,465	-	34,356,465
LGIP	1,710,247	-	1,710,247
Money Market Mutual Funds	54,079,628	-	54,079,628
Corporate Notes	13,875,124	-	13,875,124
Corporate Commercial Paper	4,999,500	-	4,999,500
	<u>\$ 140,782,881</u>	<u>\$ 52,933,173</u>	<u>\$ 193,716,054</u>

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada governments. On July 7, 2005 the TMWA Board adopted an investment policy which further limited its investment choices. Nevada Revised Statutes and TMWA's investment policy set portfolio component thresholds to further limit its exposure to certain risks as set forth below. TMWA's investment policy does not allow for investment in asset backed securities even though such investments are permitted under state law.

Interest Rate Risk

Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be mitigated by diversification of durations of fixed rate investments held in the investment portfolio. As a means of limiting TMWA's exposure to this risk, TMWA constantly monitors the bond futures market and ladders investments accordingly to maximize investment returns while balancing the investment maturities with spending requirements. TMWA follows state statute limits of investment in obligations of an agency of the United States or a corporation sponsored by the United States government to those maturing within ten years from the date of purchase.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and is a function of the credit quality ratings of investments. TMWA follows state statute for reducing exposure to investment credit risk by investing in guaranteed investment contracts, U.S. Agencies securities; "AAA" rated money market mutual funds that invest in securities issued by the U.S. Government or agencies of the U.S. Government, and the State of Nevada Local Government Pooled Investment Fund (LGIP). TMWA has a debt reserve fund with LGIP, which is an unrated external investment pool with investment duration of 142 days at June 30, 2016, and 108 days at June 30, 2015. In addition, guaranteed investment contracts in which TMWA invests are unrated. Investments in U.S. Agencies are rated "AAA" and when investments are made in corporate commercial paper these investments are rated "A-1+"/"P-1". Investments in corporate notes are rated "AAA".

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Securities held by TMWA or by TMWA's custodians are diversified to eliminate risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2016 and 2015

At June 30, 2016 and 2015, the following investments by issuer, exceeded 5% of TMWA's total investments:

	June 30, 2016	
Federal Home Loan Bank	\$ 28,229,498	15.09%
Bank of America Guaranteed Investment Contract	29,752,798	15.91%
Federal National Mortgage Association	13,912,523	7.44%
	June 30, 2015	
Federal Home Loan Bank	\$ 47,083,890	24.13%
Bank of America Guaranteed Investment Contract	29,752,798	15.25%
Federal National Mortgage Association	23,622,204	12.11%

Investments Measured at Fair Value

TMWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs. TMWA does not have any investments that are measured using level 3 inputs.

TMWA has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurements Using	
	Fair Value June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	\$ 2,156,094	\$ 2,156,094	\$ -
U.S. Agencies	65,135,574	-	65,135,574
LGIP	3,219,035	-	3,219,035
Money Market Mutual Funds	67,793,723	67,793,723	-
Corporate Notes	17,397,628	-	17,397,628
	<u>\$ 155,702,054</u>	<u>\$ 69,949,817</u>	<u>\$ 85,752,237</u>

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2016 and 2015

TMWA has the following recurring fair value measurements as of June 30, 2015:

		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	Fair Value June 30, 2015		
Investments by fair value level			
U.S. Treasuries	\$ 13,988,996	\$ 13,988,996	\$ -
U.S. Agencies	70,706,094	-	70,706,094
LGIP	1,710,247	-	1,710,247
Money Market Mutual Funds	54,079,628	54,079,628	-
Corporate Notes	13,875,124	-	13,875,124
Corporate Commercial Paper	4,999,500	-	4,999,500
	<u>\$ 159,359,589</u>	<u>\$ 68,068,624</u>	<u>\$ 91,290,965</u>

The following is a description of the valuation methodologies used by TMWA for its Level 2 assets:

US agencies – Valued using matrix pricing and market corroborated pricing models.

Corporate notes and commercial paper – Valued based on cash flow models that maximize the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issues with similar credit ratings.

LGIP are State of Nevada Local Government Investment Pool in which TMWA is a voluntary participant. LGIP has regulatory oversight from the Board of Finance of the State of Nevada. TMWA's investment in the LGIP is equal to its original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. Fair value is determined based on the observable market prices of the underlying assets held by the pool less its liabilities.

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2016 and 2015

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2016 follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Construction in progress	\$ 11,419,506	\$ 30,051,945	\$ (23,804,488)	\$ 17,666,963
Land	19,686,804	134,947	(391)	19,821,360
Water rights	92,128,154	17,448,241	(573)	109,575,822
Total capital assets, not being depreciated	123,234,464	47,635,133	(23,805,452)	147,064,145
Capital assets, being depreciated				
Distribution mains	477,529,680	10,761,079	(192,293)	488,098,466
Water treatment (plants)	179,849,523	2,232,703	(9,252)	182,072,974
Services	134,919,335	3,636,147	(36,602)	138,518,880
Pump stations	61,382,245	2,856,539	(259,470)	63,979,314
Treated water storage (tanks)	85,293,141	5,270,228	(990,888)	89,572,481
Wells	62,507,165	2,273,706	(157,966)	64,622,905
Pressure regulating stations	8,671,021	175,116	-	8,846,137
Canals	40,087,788	602,016	-	40,689,804
Reservoirs	13,434,262	5,130,513	-	18,564,775
Vehicles	4,007,826	1,619,662	(637,871)	4,989,617
Furniture and fixtures	603,066	17,268	(17,268)	603,066
Computer hardware and software	2,405,854	269,963	(101,126)	2,574,691
Lab equipment	197,578	-	-	197,578
Hydroelectric facilities	24,804,788	185,208	-	24,989,996
Administrative buildings	12,042,500	677,935	-	12,720,435
Total capital assets, being depreciated	1,107,735,771	35,708,083	(2,402,735)	1,141,041,118
Less accumulated depreciation:				
Distribution mains	(92,169,125)	(9,048,671)	-	(101,217,796)
Water treatment (plants)	(68,919,145)	(5,686,918)	-	(74,606,063)
Services	(78,131,960)	(7,217,854)	-	(85,349,814)
Pump stations	(15,868,711)	(2,002,930)	198,647	(17,672,994)
Treated water storage (tanks)	(21,043,199)	(2,081,357)	-	(23,124,556)
Wells	(24,849,481)	(2,378,421)	-	(27,227,902)
Pressure regulating stations	(4,998,801)	(404,577)	-	(5,403,378)
Canals	(7,514,604)	(956,872)	-	(8,471,476)
Reservoirs	(4,634,181)	(534,313)	-	(5,168,494)
Vehicles	(1,740,904)	(449,705)	-	(2,190,609)
Furniture and fixtures	(324,746)	(73,530)	-	(398,276)
Computer hardware and software	(808,744)	(464,100)	19,000	(1,253,844)
Lab equipment	(42,802)	(34,394)	-	(77,197)
Hydroelectric facilities	(2,556,391)	(505,594)	-	(3,061,985)
Administrative buildings	(1,793,675)	(294,953)	-	(2,088,627)
Total accumulated depreciation	(325,396,470)	(32,134,190)	217,647	(357,313,012)
Total capital assets, being depreciated, net	782,339,301	3,573,893	(2,185,088)	783,728,106
Total Capital Assets, Net	\$ 905,573,765	\$ 51,209,027	\$ (25,990,541)	\$ 930,792,251

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2016

Capital asset activity for the year ended June 30, 2015 follows:

	TMWA July 1, 2014 Balance	STMGID July 1, 2014 Balance	TMWA & STMGID Combined July 1, 2014 Balance	Washoe County Water Utility January 1, 2015 Transferred Balances	FY 15 Increases	FY 15 Decreases	TMWA June 30, 2015 Balance
Capital assets, not being depreciated							
Construction in progress	\$ 7,175,936	\$ -	\$ 7,175,936	\$ 948,239	\$ 24,138,459	\$ (20,843,128)	\$ 11,419,506
Land	12,454,349	824,758	13,279,107	6,314,221	94,783	(1,307)	19,686,804
Water rights	92,128,154	-	92,128,154	-	-	-	92,128,154
Total capital assets, not being depreciated	111,758,439	824,758	112,583,197	7,262,460	24,233,242	(20,844,435)	123,234,464
Capital assets, being depreciated							
Distribution mains	294,270,553	13,912,205	308,182,758	166,866,080	3,300,483	(819,641)	477,529,680
Water treatment (plants)	162,101,563	157,312	162,258,875	15,590,135	2,093,639	(93,126)	179,849,523
Services	109,054,663	3,792,147	112,846,810	18,309,552	3,762,973	-	134,919,335
Pump stations	38,601,818	410,056	39,011,874	22,305,183	253,439	(188,251)	61,382,245
Treated water storage (tanks)	58,760,909	2,881,621	61,642,530	23,296,558	354,053	-	85,293,141
Wells	28,082,334	5,331,943	33,414,277	30,394,940	513,202	(1,815,254)	62,507,165
Pressure regulating stations	5,587,339	620,584	6,207,923	1,971,500	497,178	(5,581)	8,671,021
Canals	40,143,917	-	40,143,917	-	-	(56,129)	40,087,788
Reservoirs	10,989,693	-	10,989,693	-	2,479,453	(34,884)	13,434,262
Vehicles	3,224,177	-	3,224,177	-	1,729,509	(945,860)	4,007,826
Furniture and fixtures	646,329	-	646,329	-	27,714	(70,976)	603,066
Computer hardware and software	2,017,400	-	2,017,400	19,000	675,823	(306,369)	2,405,854
Lab equipment	25,606	-	25,606	-	171,972	-	197,578
Hydroelectric facilities	16,770,581	-	16,770,581	-	8,092,705	(58,498)	24,804,788
Administrative buildings	10,003,842	-	10,003,842	-	2,050,332	(11,674)	12,042,500
Total capital assets, being depreciated	780,280,724	27,105,868	807,386,592	278,752,947	26,002,473	(4,406,242)	1,107,735,771
Less accumulated depreciation:							
Distribution mains	(52,978,909)	(7,063,256)	(60,042,165)	(25,091,291)	(7,304,896)	269,229	(92,169,125)
Water treatment (plants)	(58,650,804)	(136,453)	(58,787,257)	(4,875,173)	(5,326,725)	70,010	(68,919,145)
Services	(55,960,113)	(2,835,279)	(58,795,392)	(12,675,810)	(6,660,758)	-	(78,131,960)
Pump stations	(11,470,571)	(397,769)	(11,868,340)	(2,409,749)	(1,712,793)	122,171	(15,868,711)
Treated water storage (tanks)	(12,391,298)	(1,675,264)	(14,066,562)	(5,302,776)	(1,673,861)	-	(21,043,199)
Wells	(12,744,022)	(2,282,631)	(15,026,653)	(8,838,584)	(1,946,254)	962,010	(24,849,481)
Pressure regulating stations	(3,119,544)	(376,893)	(3,496,437)	(1,116,045)	(389,667)	3,348	(4,998,801)
Canals	(6,630,098)	-	(6,630,098)	-	(940,635)	56,129	(7,514,604)
Reservoirs	(4,248,513)	-	(4,248,513)	-	(385,668)	-	(4,634,181)
Vehicles	(2,422,611)	-	(2,422,611)	-	(263,864)	945,571	(1,740,904)
Furniture and fixtures	(319,098)	-	(319,098)	-	(76,624)	70,976	(324,746)
Computer hardware and software	(653,065)	-	(653,065)	(19,000)	(348,912)	212,233	(808,744)
Lab equipment	(20,484)	-	(20,484)	-	(22,318)	-	(42,802)
Hydroelectric facilities	(2,151,351)	-	(2,151,351)	-	(405,040)	-	(2,556,391)
Administrative buildings	(1,548,838)	-	(1,548,838)	-	(244,837)	-	(1,793,675)
Total accumulated depreciation	(225,309,320)	(14,767,545)	(240,076,865)	(60,328,428)	(27,702,853)	2,711,677	(325,396,470)
Total capital assets, being depreciated, net	554,971,404	12,338,323	567,309,727	218,424,519	(1,700,379)	(1,694,565)	782,339,301
Total Capital Assets, Net	\$ 666,729,843	\$ 13,163,081	\$ 679,892,924	\$ (225,686,978)	\$ 22,532,863	\$ (22,539,000)	\$ 905,573,765

Note 6 - Long-Term Debt

On June 8, 2005, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Arsenic Mitigation Project. TMWA made draws on this contract as construction proceeded, totaling \$4,669,565. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan was subordinate to the 2006 Refunding Bonds, 2007 Refunding Bonds, 2010 Refunding Bonds 2015A Refunding Bonds, and 2016 Refunding Bonds, as well as to any future senior lien bonds.

On November 15, 2005, TMWA issued \$40,000,000 in Series 2005A water revenue bonds which constitute special limited obligations of TMWA. The principal and interest are payable solely from, and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The bonds do not constitute a general obligation of TMWA, and do not constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada. The bonds have a term of 30 years. On May 14, 2015, \$33,050,000 of the bonds were refunded with the Series 2015A Refunding Bonds (see below) on a current basis, with the remaining balance of \$890,000 paid on July 1, 2015.

On May 3, 2006, TMWA issued \$150,745,000 in Series 2006 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund \$145,970,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds were considered to be defeased and the liability was removed from TMWA's Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$5,901,299. The unamortized balance is being amortized as a component of interest expense over the remaining life of the newly issued debt, which has a shorter remaining life than the original life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over 27 years by \$10,016,065 and resulted in an economic gain of \$5,152,424. The funds in the irrevocable trust were distributed to 2001A bondholders as of July 1, 2011, the call date of the 2001A Bonds. On April 12, 2016, \$148,015,000 of the bonds were refunded with the Series 2016 Refunding Bonds (see below) on a current basis, with the remaining balance \$400,000 payable on July 1, 2016.

On August 15, 2006, TMWA began an inaugural Tax-Exempt Commercial Paper (TECP) program that originally authorized the issuance of up to \$160,000,000 in TECP notes. After \$11,400,000 of redemptions, total authorized issuance stands at \$148,600,000 in TECP notes. Of the total authorization, TMWA has outstanding \$87,800,000 as of June 30, 2016 and \$95,000,000 as of June 30, 2015. The first draw was on August 16, 2006 for \$30,000,000, a second draw was on December 5, 2006 for \$13,000,000, a third draw was made on February 15, 2008 for \$25,000,000, and a fourth draw was made on June 28, 2011 for \$11,400,000, for a total issuance of \$79,400,000. TMWA redeemed the \$11,400,000 issued in the fourth draw on December 10, 2012 and issued a fifth draw for \$27,000,000 on December 17, 2014. TMWA has remaining authorization to issue \$53.6 million as of June 30, 2016 and 2015, respectively. The proceeds from the first two draws were used solely to purchase water rights for future sale of will-serve commitments to developers. The third draw was to fund certain construction projects on an interim basis; the fourth draw was for the purpose of redeeming the remaining outstanding Series 2001A Bonds which were callable on July 1, 2011. The fifth draw was to refund, on an advanced basis, \$26,100,000 in Washoe County water obligations to effect the water utility consolidation between Washoe County and TMWA with proceeds transferred to escrow on the date of issuance. The TECP program is facilitated by a direct pay letter of credit (Liquidity Facility) between TMWA and the Bank of Tokyo-Mitsubishi UFJ. The stated amount of the

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Liquidity Facility is \$103,432,878. The average interest rate on the outstanding balance of TECP as of June 30, 2016 was 0.48% and June 30, 2015 was 0.11%. As of June 30, 2016 the total TECP notes outstanding were comprised of 6 tranches ranging from \$6,150,000 to \$23,150,000 with maturities ranging from 30 to 129 days. As of June 30, 2015 the total TECP notes outstanding were comprised of 5 tranches ranging from \$6,750,000 to \$34,000,000 with maturities ranging from 93 and 180 days.

On January 17, 2007, TMWA issued \$218,975,000 in Series 2007 Refunding Bonds, which constitute special limited obligations of TMWA. These bonds were sold to refund \$212,275,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$15,284,819. The unamortized balance is being amortized as a component of interest expense over the original life of the old debt, which has a shorter remaining life in comparison to the remaining life of the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over 24 years by \$18,192,500, and resulted in an economic gain of \$10,439,350. The funds in the irrevocable trust were distributed to 2001A bondholders as of July 1, 2011, the call date of the 2001A Bonds.

On July 25, 2009, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to partially fund TMWA's Mogul Bypass Siphon Project. The loan was provided through the American Recovery and Reinvestment Act (ARRA) stimulus funding provided by the federal government. TMWA made draws on this contract as construction proceeded, totaling \$2,309,945. An additional draw was made in fiscal year 2011 for \$91,175 which brought the total draws on the loan balance to \$2,401,120. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

On January 28, 2010, TMWA issued \$28,240,000 in Series 2010 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund \$29,515,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,657,234. The unamortized balance is being amortized as a component of interest expense over the remaining life of the old and new debt, which has the same remaining life. This advance refunding was undertaken to reduce total debt service payments over approximately 3.5 years by \$2,332,160, and resulted in an economic gain of \$1,947,941. The funds in the irrevocable trust were distributed to 2001A bondholders as of July 1, 2011, the call date of the 2001A Bonds.

On February 11, 2010, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Glendale Water Treatment Plant Diversion Project. Total construction costs for the Glendale Diversion Project were less than expected. Consequently TMWA requested and was granted that the remaining loan authorization be able to fund final improvements on the Highland Canal. During fiscal year 2013, the loan was finalized in the total amount of \$4,381,614. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water

Truckee Meadows Water Authority
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June 30, 2016

System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

In connection with the transfer of operations to TMWA of the Washoe County Water utility during fiscal year 2015, TMWA assumed the Washoe County 2005 Water Bond obligation of \$26,100,000. Upon transfer of the obligation, TMWA refunded the 2005 Washoe County Water bonds in an advance refunding utilizing TMWA's Tax-Exempt Commercial Paper Program. As discussed above, \$27,000,000 in commercial paper was issued by TMWA, the proceeds of which were placed in irrevocable trust for the future debt service payments on the Washoe County 2005 Water bonds. Accordingly, the refunded bonds are considered defeased and the liability has been removed from TMWA's Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$728,084. The unamortized balance is being amortized as a component of interest expense over the original life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over 16 years and resulted in an economic gain of \$19,525,248. The funds in the irrevocable trust were \$0 on June 30, 2016 and \$27,357,502 on June 30, 2015.

On December 31, 2014, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) the 2014 DWSRF Loan, to transfer the remaining loan balance of the Washoe County Water Utility 2005 DWSRF loan to TMWA. The loan contract was entered into by the Washoe County Water Utility to construct the Longley Lane Water Treatment Facility, a facility that was transferred to TMWA as a result of the water utility transfer of operations during fiscal year 2015. The loan balance of \$9,109,437 was transferred to TMWA under the same terms that existed with Washoe County as the TMWA 2014 DWSRF loan. The original balance of the loan was \$14,162,268. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues, derived from the operation of the Water System. This loan has remaining term of 10 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

On April 14, 2015, TMWA issued \$28,750,000 in Series 2015A Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund on a current basis \$33,050,000 in maturities of the Series 2005A Bonds. The proceeds of the refunding bond issue were placed in an irrevocable trust for the purpose of generating financial resources to defease that callable portion of the Series 2005A Bonds. The Series 2005A refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statement of Net Position. The net carrying amount of the old debt exceeded the reacquisition price by \$140,645. The unamortized balance is being amortized as a component of interest income over the remaining life of the old and new debt, which has the same remaining life. This advance refunding was undertaken to reduce total debt service payments over approximately 21 years by \$6,563,813 and resulted in an economic gain of \$4,575,309. The funds held in the irrevocable trust were \$0 and \$33,832,834 at June 30, 2016 and 2015, respectively.

On July 30, 2015, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) the 2015B DWSRF Loan, to fund TMWA's surface and groundwater supplies in the North Valleys particularly the Stead area, Lemmon Valley area, and North Virginia Corridor. Total amount authorized was \$15,000,000. Total construction costs are expected to be \$9,135,000. By June 30, 2016, a total of \$8,239,034 have been drawn and used. The loan will be finalized in fiscal year 2017. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

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On April 12, 2016, TMWA issued \$124,790,000 in Series 2016 Water Revenue Refunding Bonds, which constitute special limited obligations of TMWA. These bonds were sold to refund \$148,015,000 in maturities of the Series 2006 Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2006 Bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$3,092,808. The unamortized balance is being amortized as a component of interest expense over the original life of the old debt, which has a shorter remaining life in comparison to the remaining life of the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over 22 years by \$4,332,501, and resulted in an economic gain of \$15,025,124. The funds in the irrevocable trust were distributed to 2006 bondholders as of July 1, 2016, the call date of the 2006 Bonds.

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2016

The following schedules summarize the changes in long-term obligations as of June 30, 2016:

	Final Maturity Date	Authorized	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due in 2016-2017
Supported by User Charges:							
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 2,860,578	\$ -	\$ 246,834	\$ 2,613,744	\$ 254,810
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	890,000	-	890,000	-	-
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	148,415,000	-	148,015,000	400,000	400,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	214,800,000	-	510,000	214,290,000	11,390,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	1,793,196	-	123,669	1,669,527	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	9,435,000	-	9,435,000	-	-
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	3,981,798	-	209,785	3,772,013	216,659
2014 Water Revenue DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	8,733,487	-	767,820	7,965,667	789,547
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	28,750,000	-	-	28,750,000	830,000
2015-B Water Revenue DWSRF (Tax Exempt) Bonds 2.62%	1/1/2035	15,000,000	-	8,239,034	-	8,239,034	230,150
2016 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	1/1/2025	124,790,000	-	124,790,000	-	124,790,000	-
Subtotal		627,061,736	419,659,059	133,029,034	160,198,108	392,489,985	14,234,835
Plus unamortized net bond premium			3,673,290	24,564,337	203,772	28,441,399	
Total debt before tax exempt commercial paper			423,332,349	108,464,697	160,401,880	420,931,384	
TMWA Tax-Exempt Commercial Paper		148,600,000	95,000,000	-	7,200,000	87,800,000	87,800,000
Total Debt		\$ 775,661,736	\$ 518,332,349	\$108,464,697	\$ 167,601,880	\$ 508,731,384	\$ 102,034,835

Truckee Meadows Water Authority

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The following schedules summarize the changes in long-term obligations as of June 30, 2015:

	Final Maturity Date	Authorized	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due in 2015-2016
Supported by User Charges:							
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 3,099,675	\$ -	\$ 239,097	\$ 2,860,578	\$ 246,833
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	34,795,000	-	33,905,000	890,000	890,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	148,785,000	-	370,000	148,415,000	385,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	215,285,000	-	485,000	214,800,000	510,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	1,916,865	-	123,669	1,793,196	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	19,855,000	-	10,420,000	9,435,000	9,435,000
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	4,184,928	-	203,130	3,981,798	209,785
2005 Washoe County Water ¹ Bonds 3.25%	1/1/2035	N/A	-	26,100,000	26,100,000	-	-
2014 Water Revenue ² DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	-	9,109,437	375,950	8,733,487	767,820
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	-	28,750,000	-	28,750,000	-
Subtotal		487,271,736	427,921,468	63,959,437	72,221,846	419,659,059	12,568,107
Plus unamortized net bond premium			35,590	4,540,154	(902,454)	3,673,290	
Total debt before tax exempt commercial paper			427,957,058	59,419,283	71,319,392	423,332,349	
TMWA Tax-Exempt Commercial Paper ¹		148,600,000	68,000,000	27,000,000	-	95,000,000	95,000,000
Total Debt		\$ 635,871,736	\$ 495,957,058	\$ 86,419,283	\$ 71,319,392	\$ 518,332,349	\$ 107,568,107

¹ TMWA issued \$27.0 million in tax-exempt commercial paper notes to defease \$26.1 million in Washoe County water obligations as a result of the water utility merger

² TMWA assumed the remaining balance of \$9.1 million in Washoe county DWSRF Water obligations as a result of the water utility merger

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Annual debt service requirements to maturity for TMWA's bonds and commercial paper are as follows:

<u>Year Ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Debt Service</u>
2017	\$ 102,034,845	\$ 15,641,782	\$ 117,676,627
2018	3,027,521	17,019,896	20,047,417
2019	3,381,970	16,917,930	20,299,900
2020	3,350,676	16,807,223	20,157,899
2021	17,605,814	16,403,854	34,009,668
2022-2026	96,954,899	70,419,307	167,374,206
2027-2031	114,951,284	47,704,460	162,655,744
2032-2036	120,545,468	18,086,773	138,632,241
2037-2038	18,437,508	868,064	19,305,572
Total	<u>\$ 480,289,985</u>	<u>\$ 219,869,289</u>	<u>\$ 700,159,274</u>

Because commercial paper notes have a maturity of less than 270 days, they are presented as maturing in the current year. It is the intent of TMWA that as TECP matures, the interest and principal will be remarketed into new commercial paper notes.

Note 7 - Net Position

Restricted Net Position

TMWA records the following restrictions of net position:

Restricted in accordance with bond covenants: TMWA's bond covenants require certain restrictions of TMWA's net position for operations and maintenance, debt service, renewal and replacement, and water rate stabilization.

Restricted for water meter retrofit program: This restriction was created to segregate the portion of net position derived from contributions made by developers to fund the water meter retrofit program as mandated by Public Law 101-618.

Restricted in accordance with the STMGID merger agreement: The merger agreement with STMGID required that certain funds transferred to TMWA by STMGID may only be used for three purposes: a) payment of contingent liabilities b) construction of facilities to move surface water into the STMGID water utility, and replacement, rehabilitation and/or repair of the STMGID facilities. The restricted amount of \$11,160,870 and \$15,720,896 as of June 30, 2016 and 2015, respectively, is included in the amount restricted for renewal and replacement.

Board Designation

The TMWA Board of Directors has designated \$1,300,000 for water rate stabilization. This designation is not reflected as restricted net position, but is considered a designated portion of unrestricted net position.

Note 8 - Contingent Liabilities

TMWA was a co-defendant with others, in lawsuits with the Pyramid Lake Paiute Tribe. Those lawsuits have been dismissed as a result of finalization of a water agreement stemming from Public Law 101-618, and the Truckee River Operating Agreement (TROA).

Boca Dam and Reservoir: The Truckee Storage Project was constructed to provide a supplemental supply of irrigation water to approximately 29,000 acres of land in the Truckee Meadows surrounding Reno and Sparks, Nevada. Boca Dam and Reservoir (the "Boca Dam"), the major feature of the Truckee Storage Project, was constructed by the United States and is operated by the Washoe County Water Conservation District (the "Conservation District"). As part of the Safety of Dams retrofit being conducted by the Bureau of Reclamation (the "BOR"), the BOR is currently working on conceptual designs for a seismic retrofit project at the base of Boca Dam. Under the safety of dams act, the beneficiary of the authorized purposes of the structure must pay 15% of the reimbursable project cost. Given the complexities of TROA and other matters which complicate identifying who is the beneficiary of the authorized purposes of the structures, the Conservation District is in negotiations with the BOR as to how that 15% will be allocated between irrigation and municipal uses and among beneficiaries of the structure. Cost allocation issues have yet to be resolved. Based upon information received by the Authority, BOR is estimating that the reimbursable project costs may be in the range of \$4.5 million, and that 100% of such costs will be allocated to the Conservation District and assessed to payors of the Conservation District. The Authority currently expects its portion of assessments from the Conservation District for Safety of Dams expenditures may range from \$0.6 million to above \$2.8 million based on cost estimates at this time. As of August 30, 2016, the BOR had spent approximately \$5.3 million in design and engineering costs on the project.

Mt. Rose Fan Domestic Well Program: As part of the transfer of operations with the Washoe County water utility, TMWA also agreed to continue Washoe County's Mt. Rose-Galena Fan Domestic Well Mitigation Program, which provides for the reimbursement of specific well deepening costs or water system connection charges, incurred by property owners within the program area, whom experienced or will experience an "unreasonable adverse effect" as a result of municipal groundwater pumping. TMWA's continuation of the program provides continuity for domestic well owners in the specific program and provides protection of shared groundwater resources in the program area. TMWA's budget includes projected costs for administering the domestic well mitigation plan. In addition, TMWA's 2016-2020 Capital Improvement Plan list several major construction projects to move surface water into the affected area during certain times of the year to mitigate adverse effects on groundwater levels.

Note 9 - Risk Management

TMWA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. TMWA is responsible for group health insurance premiums payable to the City of Reno for coverage in the City's self-funded health insurance program. All other risks are covered by commercial insurance purchased from independent third parties. There have been no settlements in excess of insurance coverage for the past three years.

Note 10 - Pensions and Other Employee Benefits

Defined Benefit Pension Plan

Plan Description

TMWA contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

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PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015 and June 30, 2016 the Statutory Employer/employee matching rate was 13.25%. The Employer-pay contribution (EPC) rate was 28% and 25.75% for fiscal years June 30, 2016 and 2015, respectively.

TMWA's contributions were \$4,534,811 and \$3,629,411 for the years ended June 30, 2016 and 2015, respectively.

PERS Investment Policy

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2015 and 2014:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return</u>
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

As of June 30, 2015 and 2014, PERS' long-term inflation assumption was 3.5%.

Net Pension Liability

At June 30, 2016, TMWA reported a liability for its proportionate share of the net pension liability of \$26,869,406. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, TMWA reported a liability for its proportionate share of the net pension liability of \$22,293,306. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMWA's proportion of the net pension liability was based on TMWA's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2015 and 2014, TMWA's proportion was .2351 and .2139 percent, respectively.

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Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of TMWA as of June 30, 2015 and 2014, calculated using the discount rate of 8.00%, as well as what TMWA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability, June 30, 2015	\$ 41,058,088	\$ 26,869,406	\$ 15,208,145
Net Pension Liability, June 30, 2014	34,669,529	22,293,306	12,006,345

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial Assumptions

TMWA's June 30, 2016 net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMWA's June 30, 2015 net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2015	June 30, 2014
Inflation Rate	3.50%	3.50%
Payroll Growth	5.00% including inflation	5.00% including inflation
Investment Rate of Return	8.00%	8.00%
Productivity Pay Increase	0.75%	0.75%
Projected Salary Increases	4.60% to 9.75%, depending on service. Rates include inflation and productivity increases	4.60% to 9.75%, depending on service. Rates include inflation and productivity increases
Consumer Price Index	3.50%	3.50%
Other Assumptions	Same as those used in the June 30, 2014 funding actuarial valuation	Same as those used in the June 30, 2013 funding actuarial valuation

Mortality rates for non-disabled male members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of the experience review completed in 2013.

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The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015 and June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015 and 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and June 30, 2014.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, TMWA recognized pension expense of \$3,459,922. At June 30, 2016, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,026,696
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,459,495
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	2,621,877	-
TMWA contributions subsequent to the measurement date	4,534,811	-
	<u>\$ 7,156,688</u>	<u>\$ 3,486,191</u>

\$4,534,811 reported as deferred outflows of resources related to pensions resulting from TMWA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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For the year ended June 30, 2015, TMWA recognized pension expense of \$2,944,177. At June 30, 2015, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,066,857
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,682,507
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	139,431	-
TMWA contributions subsequent to the measurement date	3,629,441	-
	<u>\$ 3,768,872</u>	<u>\$ 5,749,364</u>

\$3,629,441 reported as deferred outflows of resources related to pensions resulting from TMWA contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 6.55 years.

Other estimated amounts reported by TMWA as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2016 will be recognized in pension expense as follows:

Year Ending June 30:

2017	\$ (607,090)
2018	(607,090)
2019	(607,090)
2020	679,683
2021	133,858
Thereafter	143,415

Additional Information

The PERS Comprehensive Annual Financial Report (CAFR) is available on the PERS website at www.nvpers.org under Quick Links – Publications.

Deferred Compensation Plans

All employees of TMWA are eligible to participate in a Section 457 Deferred Compensation Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. In addition to the Section 457 Deferred Compensation Plan, all employees are eligible to participate in a Section 401(a) Money Purchase Retirement Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. As of June 30, 2016 TMWA had matching contributions totaling \$1,007,308, and \$830,391 as of June 30, 2015.

Other Post-Employment Benefit Plans (OPEB)

TMWA has two “Other Post –Employment Benefit Plans”, (OPEB). The first plan was established for the benefit of transferred employees from Sierra Pacific Power Company and all new hires. The second plan was formed to provide post-employment benefits for benefitted employees who transferred from Washoe County as a result of the water utility consolidation. The first plan is referred to as the §501-c-9 Plan and the second plan is referred to as the §115 Plan. Both Plans reference the Internal Revenue Code sections that the plans were formed under.

§501-c-9 Plan

Plan Description. The §501-c-9 plan known as The Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (Plan), is a single-employer defined benefit OPEB plan that was established to provide eligible TMWA employees with post-employment health benefits. The Plan was amended to provide post-retirement life insurance benefits in July 2011. Pursuant to Nevada State Administrative Regulations, adopted in September 2008, the Plan is governed by not less than three, but not more than five trustees. Four trustees were appointed by the TMWA Board of Directors, two from non-represented employees and two from represented employees. The Plan issues a financial report that includes the financial statements and required supplementary information. That report may be obtained by contacting TMWA in writing at P.O. Box 30013, Reno, NV 89520-3013.

Eligibility. There are three employee classifications eligible for benefits: a pre-January 1, 1998 collective bargaining unit group, a post-December 31, 1997 collective bargaining unit group, and a group for management, professional, and administrative (MPAT) personnel regardless of date of hire. Eligibility requirements benefit levels, employee contributions and employer contributions are amended through TMWA’s collective bargaining agreements for its represented employees and by the TMWA Board of Directors with respect to MPAT employees.

Employees must have at least ten years of service to be eligible for benefits and must be at least 55 years of age. The pre-January 1, 1998 group of represented employees will receive a subsidy as a percentage of the total health premium, dependent upon years of service and age of retirement, with a maximum subsidy of 85% with 20 years of credited service. Employees with 20 or more years of service electing the Medicare Risk Contract would pay nothing towards health premiums. For this group dependents are also covered. The post-December 31, 1997 group of represented employees will receive a total subsidy of \$1,250 times years of service towards health care premiums. This amount does not grow with interest and once exhausted a retiree may convert to COBRA, but only for the 18 month continuation period. For MPAT employees, the annual

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subsidy is \$235 times years of service, up to 30 years, prorated for each month of retirement while under the age of 65. On or after the age of 65, the subsidy is \$105 times years of service prorated for each month of retirement while age 65 and older. If an MPAT employee retires and draws benefits before age 62, the subsidy is reduced by 5% for each full year retirement precedes 62. There is no extra subsidy for spousal or dependent coverage except continuation benefits provided for under COBRA. Retirees are responsible for the remaining portion of premiums.

The number of active participants and retirees as of July 1, 2014, the effective date of the OPEB valuation was 153 and 23, respectively. As of June 30, 2016 and 2015 there were 29 and 26 retirees, respectively, receiving benefits from the Plan.

Funding Policy, Annual OPEB Cost and Net OPEB Obligation. Beginning in fiscal year 2011, the Plan has funded retiree benefits through its Voluntary Employee Benefit Association (VEBA) that TMWA established as an irrevocable trust for funding of the post-employment health benefits.

TMWA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, were as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 244,429	\$ 244,429	100%	\$ -
2015	244,429	244,429	100%	-
2014	216,956	216,956	100%	-

The net OPEB obligation as of June 30, 2016 and 2015 was calculated as follows:

	<u>2016</u>	<u>2015</u>
Normal cost	\$ 303,827	\$ 303,827
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>(59,398)</u>	<u>(59,398)</u>
Annual OPEB Cost (ARC)	244,429	244,429
Total Contributions	<u>(244,429)</u>	<u>(244,429)</u>
Change in net OPEB obligation	-	-
Net OPEB Obligation, Beginning of Year	<u>-</u>	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (July 1, 2014) was as follows:

Actuarial Accrued Liability (AAL) (a)	\$ 8,196,010
Actuarial Value of Plan Assets (b)	<u>8,443,923</u>
Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL) (a-b)	<u>\$ (247,913)</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b/a)	103.02%
Covered Payroll (c)	\$ 12,941,448
UAAL as a Percentage of Covered Payroll [(a-b)]/(c)	-1.92%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides current year information and multi-year trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point in time. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Investment rate of return	6.00%
Projected salary increases	3.00%
Healthcare inflation rate	5.00%

§115 Plan

Plan Description. On December 17, 2014, TMWA formed The Truckee Meadows Water Authority OPEB Trust Fund (§115 Plan), a single-employer defined benefit OPEB plan that was established to provide certain eligible TMWA employees with post-employment health benefits. This specific plan was formed to provide post-employment benefits to qualified transferred Washoe County employees as a result of the water utility transfer of operations. STMGID had no employees and was contractually operated by Washoe County. Twenty-five employees transferred from Washoe County to TMWA, of which two had no post-employment benefits, and were subsequently enrolled in the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (§501-c-9 Plan). Of the remaining 23 transferred employees, one left the employment of

TMWA to work for another public agency, which disqualified the individual from future benefits from the §115 Plan, resulting in 22 remaining transferred employees that are entitled to benefits as of June 30, 2015. The §115 Plan is a closed plan that will provide future benefits to the remaining eligible transferred employees and no new beneficiaries can be enrolled in this Plan.

Eligibility. There are two employee classifications eligible for benefits in this Plan: Tier I and Tier II classifications.

For Tier I employees/retirees that have at least ten years but less than 15 years of combined full-time employment with Washoe County and/or TMWA the maximum benefits payable by the Trust will be 50% of the premium for coverage of such retiree under the benefit plans. For Tier I employees that have at least fifteen years but less than twenty years of combined full-time employment with Washoe County and/or TMWA the maximum benefits payable by the Trust will be 75% of the premium for coverage of such retiree under the benefit plans. For Tier I employees that have at least twenty years of combined full-time employment with Washoe County and/or TMWA the maximum benefits payable by the Trust will be 100% of the premium for coverage of such retiree under the benefit plans. Tier I employees who have attained the Medicare Eligibility Age during a Trust Plan Year must enroll in and pay the cost of Medicare Part “A” and Medicare Part “B” or Medicare Part “C” coverage and TMWA will become the secondary payer regardless of whether the retiree enrolls in the Medicare program or not. The Medicare Eligibility Age is currently defined as age 65 but will be changed if Medicare changes the eligibility age.

For Tier II employees/retirees the maximum benefits to be paid by the Trust who have not attained the age of 65 is to be the same amount of the premium paid for group health coverage by an employer for coverage of non-state employees under the Nevada State Public Employee Benefit Plan (PEBP) Retiree Health Insurance plan. The 2003 Nevada Legislature passed legislation (AB 286) that afforded public employees of Nevada political subdivisions the opportunity to enroll, upon their retirement in the PEBP Retiree Health Plan and obligated public employers of enrolled retirees to pay a portion of the medical premium on the retiree’s behalf (the Subsidy). Tier II Retirees are entitled to receive the Subsidy from the Trust towards their coverage under the employer Benefit Plans rather than the PEBP Retiree Health Plan.

For Tier II employees/retirees who have attained the Medicare Eligibility Age (currently age 65) or older will instead receive the equivalent of the State of Nevada’s Medicare Exchange Retiree HRA contribution subsidy based upon the combined years of service with Washoe County and/or TMWA and must elect Medicare. Medicare then becomes the primary carrier, and the Benefits Plans funded by the Trust are to become secondary. The Medicare Eligibility Age is currently defined as age 65 but will be changed if Medicare changes the eligibility age.

In order to receive the benefits described the Tier II employee must be an employee of TMWA immediately prior to drawing their retirement benefits.

The number of active participants and retirees as of January 1, 2015, the effective date of the OPEB valuation was 22 and 0. As of June 30, 2016 and 2015 there were no retirees receiving benefits from the Plan.

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2016

The net OPEB obligation as of June 30, 2016 and 2015 was calculated as follows:

	2016	2015
Normal cost	\$ 45,592	\$ 45,592
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	29,997	29,997
Annual OPEB Cost (ARC)	75,589	75,589
Total Contributions	(75,589)	(75,589)
Change in net OPEB obligation	-	-
Net OPEB Obligation, Beginning of Year	-	-
Net OPEB Obligation, End of Year	\$ -	\$ -

Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (January 1, 2015) was as follows:

Actuarial Accrued Liability (AAL) (a)	\$ 1,357,972
Actuarial Value of Plan Assets (b)	546,873
Unfunded Actuarial Accrued Liability (UAAL) (a-b)	\$ 811,099
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b/a)	40.27%
Covered Payroll (c)	\$ 1,612,906
UAAL as a Percentage of Covered Payroll [(a-b)/(c)]	50.29%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point in time. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Investment rate of return	6.00%
Projected salary increases	3.00%
Healthcare inflation rate	5.00%

Note 11 - Commitments

TMWA has committed \$1,400,000 to further enhancement of the Truckee River as mitigation for operation of the Farad hydroelectric plant, which has yet to be transferred.

TMWA has committed a maximum of 1.5% of its combined operating expense budget and total annual debt service in fiscal year 2016 as a contribution in fiscal year 2016 to the Truckee River Fund of the Community Foundation of Western Nevada, for the purposes of water shed protection and enhancements to the Truckee River that will benefit the water customers of TMWA.

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Required Supplementary Information

Truckee Meadows Water Authority

Truckee Meadows Water Authority
Schedule of Funding Progress – Other Postemployment Benefit Plans
June 30, 2016

Plan	Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	(UAAL) as a Percentage of Covered Payroll [(a-b)/c]
501c9 Plan	July 1, 2014	\$ 8,196,010	\$ 8,443,923	\$ (247,913)	103.02%	\$12,941,448	-1.92%
115 Plan	January 1, 2015	1,357,972	546,873	811,099	40.27%	1,612,906	50.29%
		<u>\$ 9,553,982</u>	<u>\$ 8,990,796</u>	<u>\$ 563,186</u>	<u>94.11%</u>	<u>\$14,554,354</u>	<u>3.87%</u>
501c9 Plan	July 1, 2012	<u>\$ 6,228,631</u>	<u>\$ 6,181,506</u>	<u>\$ 47,125</u>	<u>99.24%</u>	<u>\$11,618,408</u>	<u>0.41%</u>
501c9 Plan	March 1, 2010	<u>\$ 4,615,337</u>	<u>\$ 4,967,671</u>	<u>\$ (352,334)</u>	<u>107.63%</u>	<u>\$11,738,368</u>	<u>-3.00%</u>

The July 1, 2014 Actuarial Valuation for the 501c9 Plan reflected a reduced discount rate assumption from 6.5% to 6%, which is the primary reason for the increase in the Actuarial Accrued Liability (AAL) from the July 1, 2012 valuation. The discount rate assumption was reduced from 8% to 6.5% in the July 1, 2012 valuation which is the primary reason for the increase in the Actuarial Accrued Liability (AAL) from the March 1, 2010 valuation.

The 115 Plan was created in December 2014, thus multi-year information on funding progress will be presented when available.

Truckee Meadows Water Authority
Schedule of TMWA's Share of Net Pension Liability
Public Employees' Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>
TMWA's portion of net the pension liability	0.2345%	0.2139%
TMWA's proportionate share of the net pension liability	\$ 26,869,406	\$ 22,293,306
TMWA's covered-employee payroll	\$ 14,077,995	\$ 12,573,558
TMWA's proportional share of the net pension liability as a percentage of its covered-employee payroll	190.86%	177.30%
Plan fiduciary net position as a percentage of the total pension liability	75.13%	76.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, TMWA will present information for only those years for which information is available.

Truckee Meadows Water Authority
Schedule of TMWA Contributions
Public Employees' Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	2016	2015
Statutorily required contribution	\$ 4,534,811	\$ 3,629,441
Contributions in relation to the statutorily required contribution	\$ 4,534,811	\$ 3,629,441
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered-employee payroll	\$ 16,314,669	\$ 14,077,995
Contributions as a percentage of covered-employee payroll	27.80%	25.78%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, TMWA will present information for only those years for which information is available.



Supplementary Information
June 30, 2016 and 2015

Truckee Meadows Water Authority

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12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Year Ended June 30, 2016

	Final Budget	Actual	Variance
Operating Revenues			
Charges for water sales	\$ 88,328,024	\$ 87,534,332	\$ (793,692)
Hydroelectric sales	945,552	1,175,195	229,643
Other operating sales	2,580,867	3,219,416	638,549
Total operating revenues	91,854,443	91,928,943	74,500
Operating Expenses			
Salaries and wages	16,609,056	16,541,811	67,245
Employee benefits	8,164,236	6,364,279	1,799,957
Services and supplies	27,666,431	25,575,227	2,091,204
Total operating expenses before depreciation	52,439,723	48,481,317	3,958,406
Depreciation	33,207,312	32,134,190	1,073,122
Total operating expenses	85,647,035	80,615,507	5,031,528
Operating Income	6,207,408	11,313,436	5,106,028
Nonoperating Revenues (Expenses)			
Investment earnings	2,357,604	6,737,745	4,380,141
Net change in fair value of investments	-	80,042	80,042
Gain (loss) on disposal of assets	(625,000)	6,460,373	7,085,373
Bond/note issue costs and amortization of bond insurance	(1,105,128)	(1,219,746)	(114,618)
Interest expense	(21,191,268)	(21,549,864)	(358,596)
Total nonoperating revenues (expenses)	(20,563,792)	(9,491,450)	11,072,342
Income (Loss) before Capital Contributions	(14,356,384)	1,821,986	16,178,370
Capital Contributions			
Grants	-	224,138	224,138
Water meter retrofit program	540,684	482,081	(58,603)
Developer infrastructure contributions	-	8,454,980	8,454,980
Developer will-serve contributions (net of refunds)	1,152,288	4,363,692	3,211,404
Developer capital contributions-other	906,612	2,473,163	1,566,551
Developer facility charges (net of refunds)	1,505,652	2,931,940	1,426,288
Contributions from others	6,995,000	356,200	(6,638,800)
Net capital contributions	11,100,236	19,286,194	8,185,958
Change in Net Position	\$ (3,256,148)	21,108,180	\$ 24,364,328
Net Position, Beginning of Year		563,874,134	
Net Position, End of Year		\$ 584,982,314	

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Truckee Meadows Water Authority
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Year Ended June 30, 2015

	Final Budget	Actual	Variance
Operating Revenues			
Charges for water sales	\$ 85,695,423	\$ 86,186,698	\$ 491,275
Hydroelectric sales	2,251,551	1,366,786	(884,765)
Other operating sales	2,250,675	2,475,832	225,157
Total operating revenues	90,197,649	90,029,316	(168,333)
Operating Expenses			
Salaries and wages	14,682,962	13,763,006	919,956
Employee benefits	6,764,173	5,271,735	1,492,438
Services and supplies	23,935,127	23,180,670	754,457
Total operating expenses before depreciation	45,382,262	42,215,411	3,166,851
Depreciation	30,675,488	27,899,449	2,776,039
Total operating expenses	76,057,750	70,114,860	5,942,890
Operating Income	14,139,899	19,914,456	5,774,557
Nonoperating Revenues (Expenses)			
Investment earnings	2,474,087	2,127,009	(347,078)
Net change in fair value of investments	-	15,970	15,970
Gain (loss) on disposal of assets	-	(653,698)	(653,698)
Bond/note issue costs and amortization of bond insurance	(920,714)	(1,004,685)	(83,971)
Interest expense	(21,573,822)	(21,281,117)	292,705
Other nonoperating revenue	300,000	300,000	-
Other nonoperating expense	(900,000)	(3,029,859)	(2,129,859)
Total nonoperating revenues (expenses)	(20,620,449)	(23,526,380)	(2,905,931)
Income (Loss) before Capital Contributions	(6,480,550)	(3,611,924)	2,868,626
Capital Contributions			
Grants	-	276,260	276,260
Water meter retrofit program	656,892	1,013,896	357,004
Developer infrastructure contributions	1,189,188	2,703,092	1,513,904
Developer will-serve contributions (net of refunds)	272,004	1,864,446	1,592,442
Developer capital contributions-other	520,980	1,588,158	1,067,178
Developer facility charges (net of refunds)	1,532,965	2,494,434	961,469
Contributions from others	9,605,400	9,698,535	93,135
Net capital contributions	13,777,429	19,638,821	5,861,392
Special Item			
Washoe County Utility Transfer of Operations	-	231,516,024	231,516,024
Change in Net Position	<u>\$ 7,296,879</u>	247,542,921	<u>\$ 240,246,042</u>
Net Position, Beginning of Year (as restated)		316,331,213	
Net Position, End of Year		<u>\$ 563,874,134</u>	

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Statistical Section

Truckee Meadows Water Authority

This part of the Truckee Meadows Water Authority comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Section Contents

Section No.

Financial Trends

1-6

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

7-8

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its water sales and other revenues.

Debt Capacity

9

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt, and its ability to issue additional future debt.

Demographic and Economic Information

10-12

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other utilities.

Operating Information

13-17

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services it provides and the activities it performs.

Debt Ratios

18-19

These schedules contain information about changes in the Authority's debt and its debt in relation to service connections.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

	Fiscal Year			
	2016*	2015*	2014	2013
Net Position				
Net investment in capital assets	\$ 478,543,111	\$ 444,402,572	\$ 232,327,785	\$ 227,319,870
Restricted	40,505,804	42,158,803	25,198,683	22,644,404
Unrestricted	<u>65,933,399</u>	<u>77,312,759</u>	<u>54,036,550</u>	<u>51,471,349</u>
Total Net Position	<u><u>\$ 584,982,314</u></u>	<u><u>\$ 563,874,134</u></u>	<u><u>\$ 311,563,018</u></u>	<u><u>\$ 301,435,623</u></u>

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

12-06-16 SAC Agenda Item 10
12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule No. 1 – Net Position by Component
Last Ten Fiscal Years

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 222,418,497	\$ 223,410,534	\$ 220,473,195	\$ 204,972,595	\$ 177,972,803	\$ 152,295,208
13,678,852	22,873,643	23,515,136	23,947,116	16,387,385	15,707,241
57,107,888	41,907,040	43,968,725	56,186,497	87,278,594	87,347,874
\$ 293,205,237	\$ 288,191,217	\$ 287,957,056	\$ 285,106,208	\$ 281,638,782	\$ 255,350,323

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12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule No. 2 – Changes in Net Position
Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Special Item	Change in Net Position
2016*	\$ 91,928,943	\$ 80,615,507	\$ 11,313,436	\$ (9,491,450)	\$ 1,821,986	\$ 19,286,194	\$ -	\$ 21,108,180
2015*	90,029,316	70,114,860	19,914,456	(23,526,380)	(3,611,924)	19,638,821	231,516,024	247,542,921
2014	84,315,390	59,317,860	24,997,530	(20,386,339)	4,611,191	5,516,204	-	10,127,395
2013	85,577,107	59,619,074	25,958,033	(20,675,251)	5,282,782	2,947,604	-	8,230,386
2012	81,790,499	56,622,273	25,168,226	(19,023,050)	6,145,176	1,109,062	-	7,254,238
2011	76,246,433	55,542,274	20,704,159	(21,802,941)	(1,098,782)	1,332,941	-	234,159
2010	75,667,848	58,388,775	17,279,073	(20,269,550)	(2,990,477)	5,841,325	-	2,850,848
2009	75,013,826	62,216,261	12,797,565	(19,873,120)	(7,075,555)	10,542,981	-	3,467,426
2008	78,220,168	60,591,754	17,628,414	(17,224,464)	403,950	25,884,509	-	26,288,459
2007	81,020,289	55,553,506	25,466,783	(15,626,417)	9,840,366	44,401,377	-	54,241,743

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

	Fiscal Year			
	2016*	2015*	2014	2013
Operating Revenues				
Revenues from water sales				
Residential unmetered water sales	\$ 3,725,916	\$ 9,366,307	\$ 9,731,811	\$ 10,288,324
Residential metered water sales	60,198,267	51,796,871	44,137,033	43,957,551
Commercial metered water sales	11,026,132	11,339,953	10,755,824	10,885,539
Irrigation metered & fire protection	11,554,063	11,123,168	10,720,156	11,031,924
Wholesale sales	<u>1,029,954</u>	<u>2,560,399</u>	<u>3,845,593</u>	<u>3,748,276</u>
Total water sales	87,534,332	86,186,698	79,190,417	79,911,614
Hydroelectric revenue	1,175,195	1,366,786	3,045,147	3,557,965
Other operating revenues	<u>3,219,416</u>	<u>2,475,832</u>	<u>2,079,826</u>	<u>2,107,528</u>
Total operating revenues	<u>\$ 91,928,943</u>	<u>\$ 90,029,316</u>	<u>\$ 84,315,390</u>	<u>\$ 85,577,107</u>

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

12-06-16 SAC Agenda Item 10
12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule No. 3 – Operating Revenues by Customer Class
Last Ten Fiscal Years

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 10,899,330	\$ 11,611,351	\$ 13,115,143	\$ 14,216,666	\$ 15,310,296	\$ 16,612,010
41,476,536	37,636,859	35,962,518	34,646,185	34,940,141	35,085,859
10,473,659	10,214,401	10,112,854	9,812,718	10,326,007	10,415,049
10,129,233	9,007,523	8,894,110	8,716,187	8,880,817	9,076,013
3,473,100	2,938,106	3,136,081	2,833,330	3,228,785	3,083,877
76,451,858	71,408,240	71,220,706	70,225,086	72,686,046	74,272,808
3,519,897	3,079,158	2,577,660	2,769,918	2,836,521	3,136,806
1,818,744	1,759,035	1,869,482	2,018,822	2,697,601	3,610,675
<u>\$ 81,790,499</u>	<u>\$ 76,246,433</u>	<u>\$ 75,667,848</u>	<u>\$ 75,013,826</u>	<u>\$ 78,220,168</u>	<u>\$ 81,020,289</u>

	Fiscal Year			
	2016*	2015*	2014	2013
Salaries and wages	\$ 16,541,811	\$ 13,763,006	\$ 12,007,022	\$ 11,128,162
Employee benefits	6,364,279	5,271,735	5,045,922	4,819,187
Contract services	7,335,521	6,321,061	4,826,066	4,868,532
Utilities/power	5,386,413	5,449,347	5,189,312	4,571,453
Prof services (general/legal/media/leg)	2,512,154	3,132,132	2,538,097	1,610,614
Supplies	2,700,906	2,572,699	1,736,763	1,522,106
Chemicals	1,803,614	1,554,496	1,383,824	1,333,002
Insurance and claims	742,006	684,021	501,300	534,577
Leases and rentals	96,290	79,640	70,196	74,596
Other expenses	4,998,323	3,387,273	3,802,687	3,810,820
Total operating expenses before depreciation	48,481,317	42,215,411	37,101,189	34,273,048
Depreciation	32,134,190	27,899,449	22,517,885	22,349,225
Total Operating Expenses	<u>\$ 80,615,507</u>	<u>\$ 70,114,860</u>	<u>\$ 59,619,074</u>	<u>\$ 56,622,273</u>

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

12-06-16 SAC Agenda Item 10
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Truckee Meadows Water Authority
Schedule No. 4 – Operating Expenses
Last Ten Fiscal Years

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 11,049,337	\$ 11,180,101	\$ 11,619,701	\$ 11,665,974	\$ 10,083,912	\$ 9,852,372
4,537,531	4,378,347	4,429,266	4,528,891	3,967,687	3,868,295
5,090,741	5,488,432	6,623,576	5,848,255	5,489,563	6,054,308
4,432,932	6,639,620	7,384,879	7,292,830	7,055,167	5,763,686
1,254,751	1,909,575	2,751,236	2,755,823	2,331,511	2,591,223
1,155,351	1,112,419	1,319,905	1,496,065	1,427,467	1,456,754
1,361,144	1,653,424	1,443,177	1,231,681	1,165,321	1,295,165
608,352	647,983	611,405	644,638	645,064	584,651
84,844	69,472	124,563	-	58,181	189,674
3,645,076	3,318,784	3,754,603	4,310,112	4,087,764	3,665,756
33,220,057	36,398,157	40,062,310	39,774,269	36,311,637	35,321,884
22,322,217	21,990,618	22,153,951	20,817,485	19,241,869	16,932,768
<u>\$ 55,542,274</u>	<u>\$ 58,388,775</u>	<u>\$ 62,216,261</u>	<u>\$ 60,591,754</u>	<u>\$ 55,553,506</u>	<u>\$ 52,254,652</u>

12-06-16 SAC Agenda Item 10
12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule No. 5 – Nonoperating Revenues and Expenses
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Investment Earnings</u>	<u>Interest Expense</u>	<u>Grants</u>	<u>Gain/(Loss) on Disposal of Assets</u>	<u>Other Revenue or Expenses</u>	<u>Total Nonoperating Expenses</u>
2016*	\$ 6,737,745	\$ (21,549,864)	\$ -	\$ 6,460,373	\$ (1,139,704)	\$ (9,491,450)
2015*	2,127,009	(21,281,117)	-	(653,698)	(3,718,574)	(23,526,380)
2014	2,051,156	(21,282,412)	-	(136,300)	(1,018,783)	(20,386,339)
2013	2,007,375	(21,791,975)	-	(21,463)	(869,188)	(20,675,251)
2012	2,277,298	(21,786,675)	791,773	(611,086)	305,640	(19,023,050)
2011	2,322,169	(22,431,967)	274,837	(4,705)	(1,963,275)	(21,802,941)
2010	1,894,518	(22,291,259)	861,091	8,848	(742,748)	(20,269,550)
2009	3,635,126	(23,481,043)	564,277	3,557	(595,037)	(19,873,120)
2008	6,841,981	(24,106,569)	483,631	(91,170)	(352,337)	(17,224,464)
2007	7,558,263	(23,937,895)	330,378	(83,894)	506,231	(15,626,917)

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

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Truckee Meadows Water Authority
Schedule No. 6 – Capital Contributions by Source
Last Ten Fiscal Years

Fiscal Year	Developer Water Rights/ Will Serves	Developer Infrastructure	Developer Other	Water Meter Retrofit Program	Developer Facility Charges	From Other Governments	From Others	Total
2016*	\$4,363,692	\$ 8,454,980	\$2,473,163	\$ 482,081	\$ 2,931,940	\$ 224,138	\$ 356,200	\$ 19,286,194
2015*	1,864,446	2,703,092	1,588,158	1,013,896	2,494,434	276,260	9,698,535	19,638,821
2014	1,529,129	1,723,023	410,447	479,488	963,660	343,628	66,829	5,516,204
2013	201,871	702,699	469,732	174,698	1,047,715	208,227	142,662	2,947,604
2012	173,599	263,249	153,475	173,094	263,089	-	82,556	1,109,062
2011	125,123	507,970	126,899	170,201	252,748	-	150,000	1,332,941
2010	133,305	4,088,095	184,791	248,618	437,933	-	748,583	5,841,325
2009	(25,229)	6,905,953	541,325	359,297	773,955	179,242	1,808,438	10,542,980
2008	2,978,057	8,092,373	2,401,248	1,408,879	3,412,118	7,591,834	-	25,884,509
2007	13,664,518	15,489,637	5,199,992	2,539,844	5,683,715	1,823,671	-	44,401,377
2006	44,901,700	13,209,519	5,933,186	4,274,819	7,393,783	-	-	75,713,007

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

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Schedule No. 7 – Gallons of Water Sold and Revenues by Category
Last Ten Fiscal Years

Category	2016*		2015*	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--(1)	\$ 3,725,916	--(1)	\$ 9,366,307
Residential Metered	14,633,319	60,198,267	15,151,881	51,796,871
Commercial	4,086,057	11,026,132	4,350,417	11,339,953
Other ⁽²⁾	2,579,408	11,554,063	2,913,757	11,123,168
Wholesale	542,875	1,029,954	1,598,995	2,560,399
Total	21,841,659	\$ 87,534,332	24,015,050	\$ 86,186,698
Category	2014		2013	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 9,731,811	--	\$ 10,288,324
Residential Metered	11,581,326	44,137,033	11,916,455	43,957,551
Commercial	3,913,088	10,755,824	4,083,972	10,885,539
Other ⁽²⁾	2,688,389	10,720,156	2,816,474	11,031,924
Wholesale	2,070,593	3,845,593	1,982,557	3,748,276
Total	20,253,396	\$ 79,190,417	20,799,458	\$ 79,911,614
Category	2012		2011	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 10,899,330	--	\$ 11,611,351
Residential Metered	11,077,177	41,476,536	10,233,494	37,636,859
Commercial	3,902,183	10,473,659	3,925,081	10,214,401
Other ⁽²⁾	2,543,132	10,129,233	2,279,226	9,007,523
Wholesale	1,831,821	3,473,100	1,573,720	2,938,106
Total	19,354,313	\$ 76,451,858	18,011,521	\$ 71,408,240
Category	2010		2009	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 13,115,143	--	\$ 14,216,666
Residential Metered	9,940,587	35,962,518	11,319,330	34,646,185
Commercial	4,642,286	10,112,854	3,051,746	9,812,718
Other ⁽²⁾	1,858,589	8,894,110	3,059,335	8,716,187
Wholesale	1,284,293	3,136,081	1,659,709	2,833,330
Total	17,725,755	\$ 71,220,706	19,090,120	\$ 70,225,086
Category	2008		2007	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 15,310,296	--	\$ 16,612,010
Residential Metered	10,385,949	34,940,141	10,219,912	35,085,859
Commercial	4,547,882	10,326,007	4,397,648	10,415,049
Other ⁽²⁾	2,677,005	8,880,817	2,665,330	9,076,013
Wholesale	1,763,412	3,228,785	1,773,874	3,083,877
Total	19,374,248	\$ 72,686,046	19,056,764	\$ 74,272,808

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

⁽¹⁾ Complete consumption information is not available for unmetered customers.

⁽²⁾ These accounts include irrigation and fire protection/sprinkler systems located on the premises of residential and commercial customers.

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Schedule No. 8 – Ten Largest Customers
June 30, 2016

<u>Customer Name</u>	<u>Water Used (000s Gallons)</u>	<u>Total Revenue</u>	<u>% of Total Water Sales</u>
1 Sun Valley Water	542,875	\$ 997,072	1.1%
2 Washoe County School District	335,471	979,152	1.1%
3 City of Reno	241,871	825,485	0.9%
4 Washoe County	177,797	529,417	0.6%
5 City of Sparks	116,630	401,553	0.5%
6 Nevada Properties (Peppermill)	162,809	391,694	0.4%
7 University of Nevada Reno	137,419	341,121	0.4%
8 Somerset HOA	94,487	321,226	0.4%
9 GSR Holdings, LLC	160,593	290,629	0.3%
10 Renown System	100,476	259,301	0.3%
Totals	<u>2,070,428</u>	<u>\$ 5,336,650</u>	<u>6.1%</u>

City of Reno includes the Reno Housing Authority.

	Fiscal Year			
	2016*	2015*	2014	2013
Operating revenues ⁽¹⁾	\$ 87,534	\$ 86,187	\$ 79,190	\$ 79,912
Nonoperating revenues ⁽²⁾	11,132	5,970	7,176	7,672
Gross revenues	98,666	92,157	86,366	87,584
Operation and maintenance expenses ⁽³⁾	48,030	41,875	35,850	36,672
Contribution to water rate stabilization	-	-	-	-
Taxes other than income taxes ⁽⁴⁾	451	443	440	429
Total expenses	48,481	42,318	36,290	37,101
Net Revenues	<u>\$ 50,185</u>	<u>\$ 49,839</u>	<u>\$ 50,076</u>	<u>\$ 50,483</u>
Senior Lien Annual Debt Service ⁽⁵⁾	<u>\$ 31,780</u>	<u>\$ 29,955</u>	<u>\$ 31,285</u>	<u>\$ 29,672</u>
Senior Lien Debt Coverage excluding SDCs	<u>1.58</u>	<u>1.66</u>	<u>1.60</u>	<u>1.70</u>
System Development Charges (SDCs):				
Developer facility charges	\$ 2,932	\$ 2,494	\$ 964	\$ 1,048
Developer capital contributions - other	2,473	1,588	410	470
Senior Lien Debt Coverage including SDCs ⁽⁶⁾	<u>1.75</u>	<u>1.80</u>	<u>1.64</u>	<u>1.75</u>

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

⁽¹⁾ Includes retail residential, commercial, irrigation water sales and wholesale water sales net of bad debt expense.

⁽²⁾ Reflects hydroelectric revenues, other miscellaneous operating revenues from fees and charges, as well as gross investment income before reduction by capitalized investment income as required by Financial Accounting Standards Board Pronouncement (FASB) 62.

⁽³⁾ Includes water supply, treatment, distribution, hydroelectric power plant maintenance customer service, water resource planning, conservation programs, administration, and inspection services. Wages and salaries, employee benefits and services and supplies comprise these expenses.

⁽⁴⁾ The Authority is required to pay property taxes on water rights and storage facilities located in California. During the reported fiscal years TMWA paid various counties in California for hydroelectric facilities, and water storage rights in California.

⁽⁵⁾ On July 1, 2005, TMWA paid its first principal payment of \$6,520,000 on the 2001-A & B Series Bonds. This schedule does not include the payments on the DWSRF loan or the tax-exempt commercial paper, which are subordinate to the 2001A and 2005-A Bonds, and the 2006, 2007 and 2010 Refunding Bonds. Excludes capitalized interest expense which would reduce total interest expense pursuant to FASB 34.

⁽⁶⁾ TMWA's bond covenants require a minimum coverage of 1.25x total principal and interest payments. In fiscal year 2012, TMWA defeased the remaining 2001A bonds. This resulted in a one time increase in senior lien debt coverage ratio. Without this defeasance, the senior lien debt coverage ratio would be 1.52x.

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Schedule No. 9 – Debt Service Coverage Ratios
Last Ten Fiscal Years

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 76,452	\$ 71,408	\$ 71,221	\$ 70,225	\$ 72,686	\$ 74,272
7,643	7,253	6,669	9,197	13,822	14,451
84,095	78,661	77,890	79,422	86,508	88,723
33,851	32,802	35,979	39,646	39,342	35,855
-	-	-	-	-	-
422	418	419	416	432	457
34,273	33,220	36,398	40,062	39,774	36,312
\$ 49,822	\$ 45,441	\$ 41,492	\$ 39,360	\$ 46,734	\$ 52,411
\$ 21,295	\$ 31,191	\$ 31,124	\$ 31,420	\$ 31,427	\$ 33,525
2.34	1.46	1.33	1.25	1.49	1.56
\$ 263	\$ 253	\$ 438	\$ 774	\$ 3,412	\$ 5,684
153	127	185	541	2,401	5,802
2.36	1.47	1.35	1.29	1.67	1.91

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Schedule No. 10 – Schedule of Total Building Permits Issued
By Jurisdiction/Member Entity
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Washoe County</u>	<u>City of Reno</u>	<u>City of Sparks</u>
2016	2,121	5,144	3,712
2015	1,807	4,792	3,581
2014	1,669	4,316	2,579
2013	1,516	3,214	2,393
2012	1,578	2,917	2,463
2011	1,272	2,919	1,763
2010	1,279	3,030	2,007
2009	1,586	3,592	2,579
2008	2,222	4,744	3,636
2007	2,829	6,737	4,544

Source: As reported by each local governmental entity.

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽²⁾	Median Age ⁽³⁾	School Enrollment ⁽⁴⁾	Total Personal Income ⁽²⁾	Unemployment Rate (Percent) ⁽⁵⁾
2016	451,248	\$ 51	37.5	63,670	\$ 20,165,000	5.90%
2015	441,165	48	37.4	63,108	19,077,000	6.40%
2014	436,647	48	37.6	62,986	18,833,000	7.20%
2013	434,120	47	37.6	62,424	18,284,145	9.80%
2012	427,704	45	37.4	62,323	17,849,009	12.3%
2011	421,593	49	37.2	62,324	17,944,975	13.2%
2010	417,379	47	37.0	62,452	17,421,365	13.6%
2009	416,632	45	36.4	63,310	18,550,337	11.7%
2008	423,833	46	36.5	63,635	19,392,856	6.8%
2007	406,335	44	34.5	63,044	18,378,021	4.5%

Sources:

⁽¹⁾ Nevada Workforce Informer, Data Analysis, 2007, US Census-Nevada, 2008 - 2012.
Washoe County Community Development, 2013 - 2016.

⁽²⁾ Washoe County Community Development Demographic Information.

⁽³⁾ Nevada State Demographer 2007; Center for Regional Studies, UNR, 2008-2016.

⁽⁴⁾ Washoe County School District.

⁽⁵⁾ State Department of Employment, Training and Rehabilitation (DETR).

⁽⁶⁾ Washoe County Building and Safety Department.

⁽⁷⁾ Nevada State Department of Taxation.

⁽⁸⁾ Nevada State Gaming Control Board.

⁽⁹⁾ Reno/Tahoe International Airport.

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Schedule No. 11 – Selected Demographic and Economic Statistics
For Washoe County
Last Ten Fiscal Years

<u>Total Labor Force ⁽⁵⁾</u>	<u>Construction Activity Total Value ⁽⁶⁾</u>	<u>Number of New Family Units ⁽⁶⁾</u>	<u>Taxable Sales ⁽⁷⁾</u>	<u>Gross Income Gaming Revenue ⁽⁸⁾</u>	<u>Total Passenger Air Traffic ⁽⁹⁾</u>
231,570	\$ 231,741,537	320	\$ 7,550,466,734	\$ 789,359,000	3,563,818
228,430	246,627,580	255	6,817,588,648	765,248,320	3,297,642
222,607	225,096,997	198	6,370,684,534	744,962,250	3,312,839
219,607	126,468,377	159	5,824,726,136	741,038,030	3,514,421
221,764	95,875,949	83	5,522,605,351	738,151,877	3,561,557
212,480	67,721,019	55	5,282,935,192	751,466,957	3,795,421
221,954	55,952,010	35	5,176,981,699	788,545,658	3,777,701
224,089	85,657,662	103	5,707,791,051	867,202,273	3,979,015
221,785	202,519,159	240	6,823,701,000	996,615,975	4,841,257
222,610	225,084,828	557	7,202,640,557	1,069,608,365	5,014,382

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Employer	June 30, 2016			June 30, 2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washoe County School District	8,750	1	4.34%	8,250	1	3.78%
University of Nevada - Reno	4,750	2	2.36%	4,750	2	2.18%
Renown Regional Medical Center	2,750	3	1.36%	2,750	6	1.26%
Washoe County	2,750	4	1.36%	3,250	3	1.26%
Peppermill Hotel-Casino	2,250	5	1.12%	1,750	8	1.03%
International Game Technology	1,750	6	0.87%	2,750	5	1.03%
Silver Legacy Resort Casino	1,750	7	0.87%	2,250	7	0.80%
Grand Sierra Resort and Casino	1,750	8	0.87%	-	-	0.80%
Atlantis Casino Resort	1,750	9	0.87%	1,750	10	0.80%
St Mary's	1,250	10	0.62%	-	-	0.80%
Integrity Staffing Solutions	-	-	-	3,250	4	0.80%
City of Reno	-	-	-	1,750	9	-
Total Washoe Covered Employment	<u>201,601</u>			<u>218,300</u>		

Source:

Each of the years reflect respective 4th quarter information. Nevada Revised Statute Chapter 612 stipulates that actual employment for individual employers may not be published. The number of employees are estimated using the midpoint.

Customers by Category as of June 30, 2016*				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	2,062	1.7%	\$ 3,725,916	4.3%
Residential Metered	106,730	89.9%	60,198,267	68.8%
Commercial and Irrigation	9,873	8.3%	11,026,132	12.6%
Other ⁽²⁾	3	0.0%	11,554,063	13.2%
Wholesale	1	0.0%	1,029,954	1.2%
Total	118,669	100.0%	\$ 87,534,332	100.0%
Customers by Category as of June 30, 2015*				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	6,224	5.2%	\$ 9,366,307	10.7%
Residential Metered	100,446	84.6%	51,796,871	59.2%
Commercial and Irrigation	9,648	8.1%	11,339,953	13.0%
Other ⁽²⁾	4,528	3.8%	11,123,168	12.7%
Wholesale	2	0.0%	2,560,399	2.9%
Total	120,848	101.8%	\$ 86,186,698	98.5%
Customers by Category as of June 30, 2014				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	6,379	6.7%	\$ 9,731,811	12.3%
Residential Metered	76,422	80.0%	44,137,033	55.7%
Commercial and Irrigation	8,743	9.1%	10,755,824	13.6%
Other ⁽²⁾	4,008	4.3%	10,720,156	13.5%
Wholesale	2	0.0%	3,845,593	4.9%
Total	95,554	100.0%	\$ 79,190,417	100.0%
Customers by Category as of June 30, 2013				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	6,927	7.3%	\$ 10,288,324	12.9%
Residential Metered	75,113	79.3%	43,957,551	55.0%
Commercial and Irrigation	8,702	9.2%	10,885,539	13.6%
Other ⁽²⁾	3,965	4.2%	11,031,924	13.8%
Wholesale	2	0.0%	3,748,276	4.7%
Total	94,709	100.0%	\$ 79,911,614	100.0%
Customers by Category as of June 30, 2012				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	7,699	8.2%	\$ 10,899,330	14.3%
Residential Metered	73,836	78.3%	41,476,536	54.3%
Commercial and Irrigation	8,695	9.2%	19,245,940	25.2%
Other ⁽²⁾	4,088	4.3%	1,356,952	1.8%
Wholesale	2	0.0%	3,473,100	4.5%
Total	94,320	100.0%	\$ 76,451,858	100.0%

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Schedule No. 13 – Customer and Water Sales by Category
Last Ten Fiscal Years

Customers by Category as of June 30, 2011				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	8,685	9.3%	\$ 11,611,351	16.3%
Residential Metered	72,457	77.3%	37,636,859	52.7%
Commercial and Irrigation	8,564	9.1%	17,921,409	25.1%
Other ⁽²⁾	4,078	4.3%	1,300,515	1.8%
Wholesale	2	0.0%	2,938,106	4.1%
Total	93,786	100.0%	\$ 71,408,240	100.0%
Customers by Category as of June 30, 2010				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	10,403	11.1%	\$ 13,115,143	18.4%
Residential Metered	70,556	75.6%	35,962,518	50.5%
Commercial and Irrigation	8,465	9.1%	17,872,178	25.1%
Other ⁽²⁾	3,943	4.2%	1,134,786	1.6%
Wholesale	7	0.0%	3,136,081	4.4%
Total	93,374	100.0%	\$ 71,220,706	100.0%
Customers by Category as of June 30, 2009				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential -Unmetered	12,590	13.5%	\$ 14,216,666	20.2%
Residential Metered	68,557	73.4%	34,646,185	49.3%
Commercial and Irrigation	8,397	9.0%	17,573,511	25.0%
Other ⁽²⁾	3,808	4.1%	955,394	1.4%
Wholesale	7	0.0%	2,833,330	4.0%
Total	93,359	100.0%	\$ 70,225,086	100.0%
Customers by Category as of June 30, 2008				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	14,063	15.1%	\$ 15,310,296	21.1%
Residential Metered	67,357	72.3%	34,940,141	48.1%
Commercial and Irrigation	8,203	8.8%	18,305,887	25.2%
Other ⁽²⁾	3,595	3.9%	900,937	1.2%
Wholesale	7	0.0%	3,228,785	4.4%
Total	93,225	100.0%	\$ 72,686,046	100.0%
Customers by Category as of June 30, 2007				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	15,488	16.7%	\$ 16,612,010	22.4%
Residential Metered	65,749	70.9%	35,085,859	47.2%
Commercial and Irrigation	7,966	8.6%	18,602,007	25.0%
Other ⁽²⁾	3,469	3.7%	889,055	1.2%
Wholesale	7	0.0%	3,083,877	4.2%
Total	92,679	100.0%	\$ 74,272,808	100.0%

* Fiscal Year 2015 and reflects changes as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

⁽¹⁾ Water Revenues are revenues that are billed and estimated for the fiscal year periods. Estimated revenues are revenues for water deliveries just prior to fiscal year end that are unbilled until July of the next fiscal year.

⁽²⁾ Includes private fire protection services located on the premises of commercial and some residential customers

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Truckee Meadows Water Authority
Schedule No. 14 – Schedule of Insurance Coverage
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Coverage	Carrier/Policy	Term	Limits/Deductible
Property/Boiler and Machinery Policy	America Home Assurance Company (AIG)	6/11/2016 to 6/11/2017	Blanket limit of \$355,178,242 per occurrence with sub-limits of \$50,000,000 for earthquake for Earth Movement (excluding CA properties) and \$10,000,000 for flood (excluding Glendale plant). Coverage includes Business Interruption and Extra Expense. Deductibles for flood and earth movement are \$100,000 per occurrence for each location; general policy deductible is \$25,000.
General Liability and Business Automobile Policy	Arch Insurance Company	6/11/2016 to 6/11/2017	First \$1,000,000 in liability limits. Inland Marine \$834,750. General Liability Aggregate limit of \$3,000,000. General liability deductible of \$25,000 per occurrence. Auto Physical Damage deductible of \$1,000. First Layer Excess Liability limit of \$10,000,000
Excess Umbrella Liability Policy	Travelers Insurance Company	6/11/2016 to 6/11/2017	Second Layer Excess Liability Limit of \$10,000,000
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/2016 to 6/11/2017	Fully insured for statutory limits under Workers' Compensation with no deductible. Policy also provides \$1,000,000 limit for Employer's Liability.
Employee Health Insurance	By contract with the City of Reno's health insurance programs	6/11/2016 to 6/11/2017	Varies by plan selected.
Commercial Crime	Zurich / Fidelity & Deposit Company of Maryland	6/11/2016 to 6/11/2017	Employee Theft / Forgery or Alteration \$3,000,000 per loss. Employee Theft including expenses, Inside/Outside Premises Money and Securities, Robbery or Safe Burglary, Money Orders, Counterfeit Currency, Credit Card Forgery, Faithful Performance, Telephone Toll \$1,000,000. Fraudulent Impersonation \$250,000
Commercial Crime - Kidnap and Ransom	National Union Fire Insurance Company	6/11/2016 to 6/11/2017	Death or Dismemberment \$250,000, Disappearance \$100,000, Hostage Crisis \$500,000, Threat \$100,000
Network Security	Travelers Insurance Company	6/11/2016 to 6/11/2017	Network Information, Communications and Media, Regulatory Defense \$3,000,000

	Fiscal Year			
	2016*	2015*	2014	2013
Administration/IT	28	22	20	18
Supply/Treatment Operations	32	30	31	26
Distribution Maintenance	63	62	48	45
Hydroelectric	6	6	6	7
Customer Service/Conservation	25	24	20	26
Water Planning/Resources	19	19	13	15
Engineering/Construction	24	23	14	15
Total Authorized Employees	197	186	152	152

* Fiscal Year 2015 and 2016 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

**During fiscal year 2007, the IT/GIS functions were moved to Administration.

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Truckee Meadows Water Authority
Schedule No. 15 – Number of Employees by Identifiable Activity
Last Ten Fiscal Years

Fiscal Year					
2012	2011	2010	2009	2008	2007**
20	22	22	25	23	15
27	28	28	32	28	32
44	42	45	45	45	44
8	7	5	6	7	7
33	28	41	42	39	33
12	13	14	11	10	11
11	14	15	17	22	27
<u>155</u>	<u>154</u>	<u>170</u>	<u>178</u>	<u>174</u>	<u>169</u>

Customer Charges By Meter Size	Fiscal Year					
	2016*			2015*		
	TMWA	WC	STMGID	TMWA	WC	STMGID
3/4"	\$ 18.54	\$ 17.43	\$ 9.49	\$ 18.54	\$ 17.43	\$ 9.49
1"	20.40	22.42	11.61	20.40	22.42	11.61
1 1/2"	23.20	32.07	16.47	23.20	32.07	16.47
2"	26.90	42.76	n/a	26.90	42.76	n/a
3"	30.60	68.85	n/a	30.60	68.85	n/a
4"	35.20	100.84	n/a	35.20	100.84	n/a
6"	40.80	183.85	n/a	40.80	183.85	n/a

Commodity Charge (all meter sizes)

TMWA Tier 1	1.72	1.72
TMWA Tier 2	2.78	2.78
TMWA Tier 3	3.25	3.25
WC Tier 1	2.62	2.62
WC Tier 1	3.27	3.27
WC Tier 1	3.93	3.93
WC Tier 1	5.25	5.25
STMGID Tier 1	1.36	1.36
STMGID Tier 2	1.80	1.80
STMGID Tier 3	2.21	2.21
STMGID Tier 4	2.58	2.58
STMGID Tier 5	2.73	2.73

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

3/4"	\$ 100.63	\$ 89.82	\$ 44.91	\$ 100.63	\$ 89.82	\$ 44.91
1"	144.90	90.18	44.91	144.90	90.18	44.91
1 1/2"	262.60	92.12	44.91	262.60	92.12	44.91
2"	374.30	93.55	44.91	374.30	93.55	44.91
3"	469.90	94.96	44.91	469.90	94.96	44.91
4"	595.70	99.18	44.91	595.70	99.18	44.91
6"	n/a	n/a	n/a	n/a	n/a	n/a

Above rates are for unmetered single family residential service.

*TMWA rates took effect on June 11, 2001, and were revised effective May 2009, May 2010, February 2012, and February 2014.

*2015 and 2016 rates reflect differences in charges between TMWA and the former Washoe County and South Truckee Meadows General Improvement District customers after consolidation.

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12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule No. 16 – Current and Historical Water Rates
Last Ten Fiscal Years

Fiscal Year							
2014	2013	2012	2011	2010	2009	2008	2007
\$ 18.54	\$ 17.12	\$ 17.12	\$ 15.70	\$ 15.70	\$ 15.70	\$ 15.70	\$ 15.70
20.40	18.80	18.80	17.30	17.30	17.30	17.20	17.20
23.20	21.40	21.40	19.60	19.60	19.60	19.60	19.60
26.90	24.80	24.80	22.80	22.80	22.80	22.80	22.80
30.60	28.20	28.20	25.90	25.90	25.90	25.90	25.90
35.20	32.50	32.50	29.80	29.80	29.80	29.80	29.80
40.80	37.70	37.70	34.50	34.50	34.50	34.50	34.50
1.72	1.72	1.72	1.72	1.72	1.63	1.58	1.58
2.78	2.78	2.78	2.78	2.78	2.64	2.50	2.50
3.25	3.25	3.25	3.25	3.25	3.05	2.91	2.91
\$ 100.63	\$ 94.10	\$ 94.10	\$ 86.30	\$ 86.30	\$ 84.20	\$ 74.90	\$ 74.90
144.90	135.50	135.50	124.30	124.30	121.20	106.20	106.20
262.60	245.60	245.60	225.20	225.20	219.80	184.90	184.90
374.30	350.10	350.10	321.00	321.00	313.20	264.10	264.10
469.90	439.40	439.40	403.00	403.00	393.20	331.90	331.90
595.70	557.10	557.10	510.00	510.00	498.50	420.30	420.30
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

	Fiscal Year			
	2016*	2015*	2014	2013
Miles of water mains	1,940	1,915	1,341	1,337
Number of storage tanks	93	93	42	42
Number of Finished Water Storage	2	2	2	2
Number of pump stations	121	112	93	94
Number of wells	79	86	32	32
Treatment capacity (millions of gallons/day)				
Glendale Plant	34.5	37.5	37.5	37.5
Chalk Bluff	90	95	95	95
Longley Lane	3.6	4		

*Fiscal year 2015 and reflects additions as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

MGD = millions of gallons per day

12-06-16 SAC Agenda Item 10
12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule No. 17 – Selected Operating and Capital Indicators
Last Ten Fiscal Years

Fiscal Year					
2012	2011	2010	2009	2008	2007
1,352	1,339	1,332	1,330	1,310	1,258
42	42	42	42	38	37
2	2	2	2	2	2
95	94	96	108	96	97
32	32	32	32	32	33
37.5	25	25	25	25	25
95	95	95	89	89	89

	<u>Final Maturity Date</u>	<u>Authorized</u>	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2015</u>	<u>Balance June 30, 2014</u>
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2034	\$ 448,810,000	\$ -	\$ -	\$ -
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	4,669,565	2,613,744	2,860,578	3,099,675
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	-	890,000	34,795,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	400,000	148,415,000	148,785,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	214,290,000	214,800,000	215,285,000
2009 Water Revenue DWSRF ARRA (Tax Exempt Bonds 0.00%	7/1/2029	2,401,120	1,669,527	1,793,197	1,916,866
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	-	9,435,000	19,855,000
2010 Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	3,772,013	3,981,798	4,184,928
2014 Water Revenue DWSRF (Tax Exempt) Bonds	1/1/2025	9,109,437	7,965,667	8,733,487	-
2015 Water Revenue (Tax Exempt) Refunding Bonds	7/1/2036	28,750,000	28,750,000	28,750,000	-
2015 B Water Revenue (DWSRF) Tax Exempt Bonds 2.62%	1/1/2035	15,000,000	8,239,034	-	-
2016 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	1/1/2025	124,790,000	124,790,000	-	-
Subtotal			392,489,985	419,659,060	427,921,468
Less unamortized net bond discount (premium)			(28,441,399)	(3,673,290)	(35,590)
Total debt before tax exempt commercial paper			420,931,384	423,332,350	427,957,058
Tax-Exempt Commercial Paper		148,600,000	87,800,000	95,000,000	68,000,000
Total Debt			<u>\$ 508,731,384</u>	<u>\$ 518,332,350</u>	<u>\$ 495,957,058</u>

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Truckee Meadows Water Authority
Schedule No. 18 – Schedule of Changes in Debt
Last Ten Fiscal Years

<u>Balance June 30, 2013</u>	<u>Balance June 30, 2012</u>	<u>Balance June 30, 2011</u>	<u>Balance June 30, 2010</u>	<u>Balance June 30, 2009</u>	<u>Balance June 30, 2008</u>	<u>Balance June 30, 2007</u>
\$ -	\$ -	\$ 8,810,000	\$ 28,590,000	\$ 66,035,000	\$ 73,600,000	\$ 80,795,000
3,331,277	3,555,620	3,772,931	3,983,431	4,187,333	4,384,844	4,576,165
35,620,000	36,415,000	37,180,000	37,920,000	38,635,000	39,330,000	40,000,000
149,140,000	149,485,000	149,815,000	150,135,000	150,445,000	150,745,000	150,745,000
215,745,000	216,185,000	216,605,000	217,005,000	217,385,000	217,745,000	218,975,000
2,040,534	2,164,202	2,282,661	2,309,945	-	-	-
28,240,000	28,240,000	28,240,000	28,240,000	-	-	-
4,381,614	4,381,614	3,921,904	201,110	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
438,498,425	440,426,436	450,627,496	468,384,486	476,687,333	485,804,844	495,091,165
(661,198)	(1,286,806)	(3,440,321)	(4,371,510)	(2,267,963)	(2,672,587)	(3,077,212)
439,159,623	441,713,242	454,067,817	472,755,996	478,955,296	488,477,431	498,168,377
68,000,000	79,400,000	79,400,000	68,000,000	68,000,000	68,000,000	43,000,000
<u>\$ 507,159,623</u>	<u>\$ 521,113,242</u>	<u>\$ 533,467,817</u>	<u>\$ 540,755,996</u>	<u>\$ 546,955,296</u>	<u>\$ 556,477,431</u>	<u>\$ 541,168,377</u>

	Fiscal Year			
	2016*	2015*	2014	2013
Total Debt	\$ 480,289,985	\$ 514,659,060	\$ 495,921,468	\$ 506,498,425
Total Service Connections	122,613	114,529	89,070	88,268
Debt per Service Connection	<u>\$ 3,917</u>	<u>\$ 4,494</u>	<u>\$ 5,568</u>	<u>\$ 5,738</u>

Note: Service Connections include residential and commercial connections only. Irrigation, fire protection and wholesale connections have been excluded.

*2015 and 2016 Service Connections reflect the increase as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

12-06-16 SAC Agenda Item 10
12-21-16 BOARD Agenda Item 6
Truckee Meadows Water Authority
Schedule No. 19 – Debt by Service Connection
Last Ten Fiscal Years

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 519,826,436	\$ 530,027,496	\$ 536,384,486	\$ 544,687,333	\$ 553,804,844	\$ 538,091,165
87,464	87,013	86,781	86,948	87,163	86,986
\$ 5,943	\$ 6,091	\$ 6,181	\$ 6,265	\$ 6,354	\$ 6,186

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Compliance Section

Truckee Meadows Water Authority

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TMWA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TMWA's internal control. Accordingly, we do not express an opinion on the effectiveness of TMWA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as finding 2016-A, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TMWA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

TMWA's Response to Finding

TMWA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. TMWA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
November 29, 2016

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

Report on Compliance for Each Major Federal Program

We have audited Truckee Meadows Water Authority's (TMWA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on TMWA's major federal program for the year ended June 30, 2016. TMWA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of TMWA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TMWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of TMWA's compliance.

Opinion on Each Major Federal Program

In our opinion, TMWA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of TMWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered TMWA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TMWA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in dark ink. The signature is written in a cursive, flowing style. It appears to read "Eide Bailly LLP". The letters are connected, and there is a long, sweeping underline that extends to the right.

Reno, Nevada
November 29, 2016

Truckee Meadows Water Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Program Title/Cluster/Pass-through Grantor	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Payments to Subrecipients
U.S. Department of the Interior				
Direct Award				
Bureau of Reclamation				
Providing Water to At-Risk Natural Desert Terminal Lakes - Truckee River Operating Agreement (TROA - Desert Terminal Lakes Program - TROA Completion and Implementation	15.508	R10AP20768	\$ 215,858	\$ -
Reclamation States Emergency Drought Relief Drought Contingency Plan Update	15.514	R15AC00077	8,280	-
Total U.S. Department of the Interior			224,138	-
U.S. Environmental Protection Agency				
Pass-through from State of Nevada				
Department of Conservation and Natural Resources - Division of Environmental Protection				
Capitalization Grants for Drinking Water State Revolving Funds - North Valleys Integration Project	66.468	DW1601	3,740,459	-
Total U.S. Environmental Protection Agency			3,740,459	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,964,597	\$ -

Notes to the Schedule of Expenditures of Federal Awards**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the TMWA, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. TMWA received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. TMWA's summary of significant accounting policies is presented in Note 1 in TMWA's basic financial statements. The organization has not elected to use the 10% de minimis cost rate.

Truckee Meadows Water Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies not considered to be material weaknesses?	None reported
Noncompliance material to financial statements notes?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified?	No
Significant deficiencies not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

2016-A Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles Material Weakness

<i>Criteria</i>	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements in accordance with accounting principles generally accepted in the United States (GAAP).
<i>Condition</i>	During our audit, we noted material errors in the presentation and classification of the financial statements and related footnote disclosures prepared by management and provided for audit.
<i>Cause</i>	Inadequate knowledge of the unique reporting requirements of governmental accounting and financial reporting.
<i>Effect</i>	The financial statements and related disclosures provided for audit, required material corrections in order for presentation and classification of the financial statements and related financial statement disclosures to be in accordance with generally accepted accounting principles in all material respects.
<i>Recommendation</i>	We recommend the TMWA personnel and management responsible for financial reporting, continue to obtain training in the preparation of full disclosure governmental financial statements in order to gain sufficient knowledge to accurately prepare TMWA's financial statements in all material respects.
<i>Views of Responsible Officials</i>	Management partially agrees with this finding.

Section III – Federal Award Findings and Questioned Costs

None reported in the current year.

Truckee Meadows Water Authority
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2016

2015-A Preparation of Financial Statements
Significant Deficiency

Initial Fiscal year
Finding Occurred: 2015

Finding Summary: TMWA does not have an internal control system designed to accurately prepare financial statements and related financial statement disclosures in all material respects. In conjunction with the audit we were requested to assist with sections of the financial statement preparation surrounding the complexities of financial reporting for government combinations under GASB Statement No. 69. In addition, certain corrections were necessary to the financial statements and related disclosures in order for them to be in accordance with generally accepted accounting principles. The deficiency appeared to be the result of a lack of secondary review of the financial statements and related disclosures, along with sufficient training in the unique and complex aspects of financial reporting for governmental entities.

Status: Partially corrected. See finding 2016-A in the current year Schedule of Findings and Questioned Costs.

Auditor's Comments

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

In connection with our audit of the financial statements of the Truckee Meadows Water Authority (TMWA) as of and for the year ended June 30, 2016, and the related notes to the financial statements, nothing came to our attention that caused us to believe that TMWA failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding TMWA's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

Progress on Prior Year Statute Compliance

TMWA conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2015.

Prior Year Recommendations

See the Summary Schedule of Prior Year Audit Year Findings.

Current Year Recommendations

Our current year recommendations are included in the Schedule of Findings and Questioned Costs.



Reno, Nevada
November 29, 2016



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
DATE: December 13, 2016
SUBJECT: **Discussion and action on adoption of Resolution No. 247, a resolution to approve the second budget augmentation and budget revisions for fiscal year 2017**

RECOMMENDATION

Staff recommends that the Board of Directors of the Truckee Meadows Water Authority approve the resolution adopting the proposed budget augmentation/revisions, and direct staff to forward the approved resolution and attachment to the Department of Taxation for the State of Nevada pursuant to NRS 354.615; and, record these changes in the minutes of the board meeting.

SUMMARY

The Board approved final budget was submitted to the State of Nevada in June 2016. It was augmented in September, 2016 to increase capital expenditures by \$4.3 million to a total of \$47.8 million. A second budget augmentation request is for a net increase in capital expenditures of zero dollars. Increases to project spending, and new projects added to CIP for FY17 total \$3.9 million and are detailed in Attachment A. Estimated cost for the Mesa Park Drainage project already included in the FY17 budget has increased by \$2.6 million. New capital projects include installation of an altitude valve on the Double Diamond Tank #1 for \$0.5 million, replacement of the floor of the Northgate tank #2 for \$0.4 million, and replacement of a hydro flume due to recent flooding for \$0.4 million. Offsetting are \$3.9 million in project spending that will be deferred until FY18 and include Mt Rose water treatment plant project spending of \$1.5 million, Verdi Main Extension of \$1.5 million, Mogul pump station upgrade of \$0.5 million, and Satellite Hills pump station replacement of \$0.4 million. A full listing of capital projects is included in Attachment B.



December 13, 2016

To: Michele Sullivan
Mark Foree

From: Scott Estes

RE: Capital Budget Augmentation

As you know, the low bid for the Highland Canal Drainage Project came in significantly above the engineer's estimate. Per the Interlocal Agreement (ILA) for the Project, TMWA was responsible for the design and permitting of the project and the City of Reno (COR) agreed to bid and construct the project. The COR's participation was based on securing grant funding for construction of the project through the Truckee River Fund and the Northern Nevada Water Planning Commission. Based on a 30% design level cost estimate, grant funding in the amount of \$979,000 was secured and per the terms and conditions of the ILA, TMWA would be responsible for additional funding if bids were to exceed that amount. The final design cost estimate indicated a revised construction cost of \$1.7 million. Based on that estimate, TMWA requested an additional \$800,000 in FY 2017 in a budget augmentation approved by the TMWA Board in September. Based on the actual bid results, the current funding shortfall is as follows:

Mesa Park Drainage Low Bid:	\$4,185,300
Less Grants:	(979,000)
Less Approved TMWA Budget:	<u>(800,000)</u>
Existing Budget Shortfall:	\$2,406,300
Plus 4.5% Change Order Contingency:	<u>188,300</u>
Additional Mesa Park Budget Required:	\$2,600,000 (rounded)

Because the need for the project has been confirmed by Board action (September 2016 Budget Augmentation) and because construction costs are not anticipated to decrease in the future, it is recommended that lower priority projects be deferred to provide the additional funding for the Mesa Park project in the current FY.

Other anticipated budget shortfalls include the need to install an altitude valve on the Double Diamond Tank #1 prior to the peak water use period in 2017 due to regional storage tank operational issues in the Double Diamond area at an estimated cost of \$500,000; the need to increase the tank rehab budget by \$400,000 due to the need to completely replace the floor of the Northgate #2 Tank; and repair last week's flood damage to hydro flumes at an estimated cost of \$400,000. **Therefore, total budget increases are estimated to be \$3,900,000.**

Budget Augmentation
Page 2 – 12/13/16

The recommended project deferrals are:

Mt Rose WTP:	\$1,500,000	(design/permitting will be completed)
Verdi Main Extn:	\$1,500,000	(new demand will not materialize in FY17)
Mogul PS Upgrade:	\$ 500,000	(design of both Verdi projects will continue)
Pump Station Rehab:	\$ 400,000	(Satellite Hills pump station replacement)

Therefore, the net amount of the current budget augmentation would be zero (\$3.9 million increase balanced by \$3.9 million in deferred costs).

cc: John Enloe, Juan Esparza

Attachment B

TRUCKEE MEADOWS WATER AUTHORITY
CAPITAL IMPROVEMENT PLAN
Augmented Budget Comparison 2017
(Amounts in thousands of dollars)

Summary of Capital Expenditures by Function	Current Budget	Augmented	Proposed
	FY 2017	FY 2017	Augmentation
Raw Water Supply Improvements	\$ 1,650	\$ 4,250	\$ 2,600
Ground Water Supply Improvements	4,595	4,595	-
Treatment Plant WQ Improvements	7,180	5,680	(1,500)
Distribution System Improvements	25,785	23,385	(2,400)
Potable Water Storage Improvements	1,050	1,950	900
Hydroelectric Improvements	2,600	3,000	400
Customer Service Outlays	1,800	1,800	-
Administrative Outlays	2,710	2,710	-
Sub-Total TMWA Construction Spending & Outlays	47,370	47,370	-
Water Meter Retrofit/ Water Right Purchases	450	450	-
Total Projected Capital Spending	\$ 47,820	\$ 47,820	\$ -

SUMMARY OF PROJECTS

	Current Budget	Augmented	Proposed
	FY 2017	FY 2017	Augmentation
Raw Water Supply Improvements			
Highland Canal-Upgrades-Downstream	\$ 225	\$ 225	\$ -
Highland Canal-Upgrades-Diversion to CB	225	225	-
Donner Dam Improvements	150	150	-
Indirect Potable reuse	50	50	-
TROA Drought Storage/Implementation	200	200	-
Mesa Park Drainage	800	3,400	2,600
Subtotal -Raw Water Supply	1,650	4,250	2,600
Ground Water Supply Improvements			
Well Rehabilitation Improvements	925	925	-
Well Bypass and Chlorine Room Improvements (former STMGID)	110	110	-
Double Diamond (#3 Equip)	1,260	1,260	-
Bedell Flat Water Bank	50	50	-
STMGID Well #1 Replacement	1,500	1,500	-
Well Fix & Finish	350	350	-
Spanish Springs Nitrate Treatment	300	300	-
Fish Springs Ranch	100	100	-
Subtotal-Groundwater Development	4,595	4,595	-
Treatment Plant WQ Improvements			
Treatment Plants- General Fix & Finish	2,210	2,210	-
Eagle Canyon Transmission Main Phase 2	100	100	-
Truckee Canyon Water Treatment Improvements	500	500	-
Lightening W Treatment Improvements	500	500	-
SCADA Rehab/Plant Operating Software	1,370	1,370	-
Mt Rose Surface Water Treatment Plant	2,500	1,000	(1,500)
Subtotal Treatment Improvements	7,180	5,680	(1,500)
Distribution System Improvements			
Pressure Improvements			
Pressure Regulator Rehabilitations	650	650	-
Pressure Reducing Valve (Roll Seal) Removal & Replace (25% RSRV)	400	400	-
Land Acquisitions	500	500	-
Pump Station Oversizing	100	100	-
Pump Station Fix & finish	1,800	1,400	(400)
D'Andrea #3 Pump station	100	100	-
NAC Deficiencies-Saddlehorn, Upper Toll Road, STMGID East	340	340	-
Standby Generator Replacements	650	650	-
Mogul Booster Pump Station	500	-	(500)
Sub-Total Pressure Improvements	5,040	4,140	(900)
Water Main-Distribution-Service line Improvements			

Street & Highway Main Replacements	8,170	8,170	-
Stead Main Replacement Phase II (75/25)	5,000	5,000	-
Hidden Valley Intertie Pumping Capacity	500	500	-
California-Marsh 24" Main Replacement	100	100	-
Verdi 18" Main oversizing	375	375	-
NE Sparks Feeder Main Relocation	900	900	-
Spanish Springs -SC South Zone Conversion	700	700	-
STMGID Conjunctive Use Facilities	1,500	1,500	-
Arrowcreek-Mt. Rose Conjunctive Use Ph 2	1,200	1,200	-
Arc Flash Improvements	100	100	-
General Waterline Extensions	100	100	-
Galv/Poly Service Line Replacements	400	400	-
Verdi Main	1,700	200	(1,500)
Subtotal Main-Distribution Improvements	20,745	19,245	(1,500)
Potable Water Storage Improvements			
Peavine Tank Replacement	100	100	-
Double Diamond Tank #1	-	500	500
Northgate Tank #2	-	400	400
Former STMGID Tank Recoats	170	170	-
Storage Tank Recoats; Access; Drainage improvements	780	780	-
Subtotal Storage Improvements	1,050	1,950	900
Hydroelectric Improvements			
Flume, Forebay, Diversion, and Canal Improvements	2,600	3,000	400
Subtotal Hydroelectric Improvements	2,600	3,000	400
Customer Service Outlays			
New Business Meters	350	350	-
Mueller Pit Replacements former Washoe County	125	125	-
Mueller Pit Replacements former STMGID	75	75	-
Meter -ERT-RTR Replacements	1,250	1,250	-
Subtotal Customer Service	1,800	1,800	-
Administrative Outlays			
GIS System Mapping Equipment	40	40	-
Desktop Computer Upgrades	100	100	-
Network Server/Storage upgrades	275	275	-
Network Security Upgrades	150	150	-
Computer/Network Licensing	150	150	-
Furniture -Office Equipment	50	50	-
Dump trucks/Vac Trucks/Backhoe Replacements	125	125	-
Crew Trucks / Vehicles	690	690	-
Security-ER Projects	150	150	-
Emergency Operations Annex-Design	550	550	-
Corporate Office Expansion-Design	430	430	-
Subtotal Administrative-Outlays	2,710	2,710	-
	47,370	47,370	-
Special Projects Funded by Development			
Water Meter Retrofits	300	300	-
Water Right Purchases	150	150	-
	450	450	-
Total Projected Capital Spending	\$ 47,820	\$ 47,820	\$ -

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 247

A RESOLUTION TO APPROVE THE SECOND BUDGET AUGMENTATION AND REVISION TO THE FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2017.

WHEREAS, TMWA prepared, presented and approved the final Budget for Fiscal Year 2017 at a public hearing in May 2016;

WHEREAS, TMWA expects changes in project spending from additional capital projects and/or adjustments to estimated costs offset by delays in other capital projects for a net increase of zero dollars;

WHEREAS these changes are currently occurring or are expected to occur in fiscal year 2017;

WHEREAS the expenditures are necessary to complete high priority projects;

WHEREAS, the TMWA Board has determined the augmentation and revisions described in the staff report attached hereto as Exhibit 1 and incorporated herein by reference are appropriate and justified;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority: that the second budget augmentation and revisions to the final annual Budget for Fiscal Year ending June 30, 2017 described in the Staff Report attached as Exhibit 1 is hereby approved and staff is directed to submit such information as necessary and appropriate in connection with the augmentation and revisions to the Nevada Department of Taxation.

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted this 21st day of December, 2016, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Approved this ____ day of _____, 2016

Geno Martini, Chairman

Truckee Meadows Water Authority
Resolution 247 (continued)

STATE OF NEVADA,)
 : ss.
COUNTY OF WASHOE.)

On this 21st day of December, 2016, Geno Martini, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.

Notary Public



STAFF REPORT

TO: Chairman and Board Members
FROM: Mark Foree, General Manager
DATE: November 17, 2016
SUBJECT: Discussion and possible direction to staff on parameters of potential rate adjustment proposal and future public input and hearing process

Summary

Following is a discussion related to some questions posed by Board members related to the rate adjustment proposal presented at the November 16 Board meeting.

Discussion

Based on some of the questions posed at the November Board meeting, it is appropriate to reference and review TMWA's Financial Guidelines Policy adopted by the Board of Directors on September 26, 2001 (**Attachment A**).

Page 1 (Item 2. – last paragraph) of this policy states, “In any equitable water rate structure, consideration must be given to cross-subsidization between customer groups, between customer classes and within customer classes.” Page 2 (Item 2.A. – top of page) goes on to state, “One example of cross-subsidization between major customer groups is existing customers subsidizing construction of new facilities to serve new development. This subsidization shifts the financial responsibility of construction of new capacity to existing customers . . .”. It goes on to state, “To the extent practicable, new development should fund the capital costs required to accommodate growth . . .”

In view of this policy, TMWA has always separated the costs that customers pay for monthly service from the costs that new or expanded service (growth) pays for connecting to the system. These two things are separate and distinct. Following are the components of costs attributable to each of these groups:

<u>Group</u>	<u>Costs attributable to group</u>
Existing Customers Service	O & M expenses, Rehabilitative Capital Impr., Debt
New or expanded service charges),	Facility charges (Supply/Treatment, Storage, Area Will-Serves (water rights required to serve project)

The cost basis related to charges for New or expanded service (Facility Charges and Will-Serves) include:

1. Cost or estimated cost of improvements necessary for growth (Facility Charges) and cost of acquisition of water rights (Will-Serves), plus
2. Administrative costs (i.e. labor and filing fees, etc. related to water rights purchases), plus
3. Carrying cost (interest on prior investment in facilities and water rights), if applicable.

One Board member questioned whether costs charged to new development (facility charges and water will-serves) could be increased beyond their cost basis, with the resulting incremental increase providing revenue for the benefit of existing customers. This suggestion proposes that new or expanded service (growth) customers subsidize existing customers, which would be a departure from the Board adopted financial guidelines as described above. Also, relying on growth to pay a portion of costs typically borne by existing customers is risky in that if development slows (as it did for approximately 5-6 years during the recent recession) that source of revenue goes away.

Based on other questions posed by Board members, attached are supporting staff reports regarding Rule 5 (Water System Facilities – **Attachment B**) and Rule 7 (Dedication of Water Resources and Will-Serve Commitments – **Attachment C**) that describe how these charges are calculated, etc.

Another question asked at the November meeting was – “if we are proposing to adjust customer rates, shouldn’t we also be proposing to adjust facility charges paid by new growth?” As discussed above, these two groups and the costs applicable to each are separate and distinct from one another. Staff analyzes the need for adjustments to monthly customer rates on a routine basis and also analyzes the need for adjustments to facility charges on a routine basis, however, the need to adjust rates or fees does not necessarily coincide with the other. For example, it has been nearly three years since monthly customer rates were last adjusted (February 1, 2014) but all facility charges have been adjusted since that time and some area charges have been adjusted more than once within the past three years. Staff is currently working on an update of the Water Facility Plan and we expect to propose adjustments to facility charges after that plan has been completed (within approximately the next 12 months).

A separate report related to questions about rate design and estimated customer growth is also attached (**Attachment D**).

September 26, 2001

12-06-16 SAC Agenda Item 9

12-21-16 BOARD Agenda Item 8

Attachment A

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 19

INTRODUCED BY: Malyn Malquist, General Manager

A RESOLUTION ADOPTING A FINANCIAL GUIDELINES POLICY

WHEREAS, the Truckee Meadows Water Authority will be establishing operational cash reserves in accordance with the documents governing the 2001 Series A and 2001 Series B Bonds and the funding of such cash reserves must be taken into consideration in future water rate cost recovery studies;

WHEREAS, the Truckee Meadows Water Authority is required by the documents governing the 2001 Series A and the 2001 Series B Bonds to establish the operational cash reserves; and

WHEREAS, the Truckee Meadows Water Authority desires to establish a policy that considers equitable water rate structures and the mitigation of cross subsidization between different customer classes;

WHEREAS, the Board has determined that the Financial Guidelines Policy attached hereto as Exhibit A appropriately accomplishes these objectives;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of TMWA that the Financial Guidelines Policy attached hereto as Exhibit A is adopted.

Upon motion of Alternate Member Rigdon, seconded by Alternate Member Doyle, the foregoing Resolution was passed and adopted this 26th day of September, 2001, by the following vote of the Board:


Ayes: Armstrong, Carrigan, Sferrazza-Hogan, Shaw, Doyle, and Rigdon

Nays: None

Abstain: None

Absent: None

Approved this 26th day of September, 2001


Chairman

STATE OF NEVADA,)
 : ss.
COUNTY OF WASHOE.)

On this 17th day of October, 2001, personally appeared before me, a
Notary Public in and for said County and State, Tony Armstrong,
Chairman of the Truckee Meadows Water Authority, known to me to be the Chairman,
who acknowledged to me that he executed the above instrument freely and voluntarily
and for the purposes therein mentioned.



Jackie Lewis
Notary Public

**TRUCKEE MEADOWS WATER AUTHORITY
FINANCIAL GUIDELINES**

Policies that Guide the Establishment of Reserves and Cost Recovery of TMWA

1. The ultimate goal of water rates, associated fees, and other charges is to provide sufficient cash flow to (1) meet the cash operating expenses of Truckee Meadows Water Authority (TMWA), (2) provide for maintenance of certain reserve and fund balances, (3) satisfy debt service payment requirements and associated financial covenants, and (4) fund a portion of new capital for new capacity and existing capacity. All recommendations are consistent with the Flow of Funds section of the legal documents governing the 2001 Series A and 2001 Series B Bonds.
 - A. Operating revenues shall be sufficient to cover the expenses of TMWA including, but not limited to, payroll and operating and maintenance expenses. Revenues should be sufficient to meet scheduled and unscheduled repair and replacement demands (funded depreciation and emergency repairs). Funds for depreciation will be available by maintaining adequate and reasonable reserve funds to maintain stability and flexibility to the utility's financial position. A sixty-day working capital reserve of approximately \$4,600,000 for cash operating and maintenance expenses should be maintained to mitigate seasonal revenue and expense fluctuations. Additional amounts, if any, required to fund the working capital reserve shall be included in the annual budget.
 - B. An emergency repair and replacement reserve should be established to finance the cost of unscheduled repairs and/or major replacements. The minimum target emergency reserve should be \$10,000,000 in accordance with the Authority's bond documents and is consistent with American Water Works Association's guidelines. Additional amounts, if any, required to fund the emergency reserve shall be included in the annual budget. The annual review ensures that the reserve level keeps pace with inflation, and is adequate in light of the Authority's capital improvements program and the condition of its water system. This reserve allows for the funding of major replacement projects without necessarily relying on debt financing.
 - C. The TMWA shall maintain a debt coverage ratio **consistent with bond covenants**. The actual debt service coverage level should not fall below the minimum level required by bond financing documents. All revenues and fees shall be sufficient to meet operating and maintenance expenses in addition to each year's principal and interest payments on outstanding debt, pay-as-you-go capital requirements, and necessary reserve deposit and replenishments. Revenues need to be forecasted based on the most reliable information available and adjusted based upon collection experience.
2. In light of the aforementioned financial reserve requirements, attention must be directed to the recovery of the cost of service. In any equitable water rate structure, consideration must be given to cross-subsidization between customer groups, between customer classes and within customer classes. Any cross subsidization between customer groups, between customer classes and within customer classes should be mitigated as much as possible. Price signals should be developed to address consumption that may stress design criteria of the water system or cause the need for peak production facilities. Also, attention should be directed to address consumption that exceeds water right dedications for a particular service connection.

- A. One example of cross-subsidization between major customer groups is existing customers subsidizing construction of new facilities to serve new development. This subsidization shifts the financial responsibility of construction of new capacity to existing customers, in effect allowing the last customers to connect on the water system at the expense of all prior existing customers. To the extent practicable, new development should fund the capital costs required to accommodate growth, including the possible reimbursement of funding advances made by existing customers.
 - B. Cross-subsidization between customer classes means that certain customer classes subsidize other customer classes. Specifically, residential customers are not allowed to subsidize commercial customers and other major consumers of water. Additionally, metered customers do not subsidize flat rate customers or vice-versa. A well-designed rate structure will allocate the cost of service among these major customer classes of customers based upon a rational and defensible methodology.
 - C. Of particular importance is cross-subsidization within a customer class. A water rate structure should be designed so that the "lifeline customer" does not subsidize the water user that puts a greater demand on the water system. A "lifeline customer" is defined as that customer that uses water only to meet indoor purposes. This class of customer is generally the multi-tenant dweller or individuals with a lifestyle that puts the least per-connection impact on the water system throughout the year. This class of customer is also typical of individuals of less economic means.
 - D. In a well-designed water rate structure, price signals are developed to address consumption patterns that exceed the design criteria of the water system, cause the need for peak production facilities, and/or exceed the total annual water duty allowed through water right dedications. These consumption patterns are indicative of wasteful water use such as not repairing leaks controllable by the customer or wasteful irrigation practices. These price signals are established in such a way to respect lifestyle requirements consistent with water right dedications but also addresses efficient use of the water system.
3. At least annually, the Authority shall conduct a rate review and adjust rates and charges as required to meet all of its financial obligations, whether established by governing bond documents or Authority policy.



STAFF REPORT

TO: Chairman and Board Members
FROM: Scott Estes, Director of Engineering
THRU: Mark Foree, General Manager
DATE: November 17, 2016
SUBJECT: Board Rate Proposal Questions and Answers

Summary

Following is a discussion regarding some questions posed by Board members related to TMWA Rule 5 and Water System Facility Charges (Rate Schedule WSF) at the November 16 Board meeting.

Background

Rule 5 defines cost and other responsibilities for water facilities required to provide new or modified water service. Rate Schedule WSF contains Area Fees and Facility Charges which TMWA collects from new development to reimburse the utility for facility improvements required to meet the demands of new growth. Area Unit Costs, Supply and Treatment Facility Unit Costs, and Storage Facility Unit Costs apply only to developers applying for new or expanded water service, and do not affect the costs or rates to serve existing customers. In other words, pursuant to prior Board direction on customer rates, growth pays for growth.

Discussion

Area Fees are applied on a geographic basis and are based on the cost to expand the capacity of the water system in specific areas where growth is occurring. Area Fees are normally associated with investment in transmission mains, regional pump stations and some local supply and storage facilities. Supply-Treatment Facility Charges and Storage Facility Charges (STS Charges) generally apply to growth occurring anywhere in the TMWA system. STS Charges are normally associated with investment in treatment plants, wells and raw water delivery improvements. Area Fees and STS Charges (collectively referred to as WSF Charges) are directly tied to the Water Facility Plan (WFP) which is formally updated normally every five years, but is informally reviewed and may be tweaked (primarily concerning the timing of projects) on an annual basis as part of the capital budget process. The current WFP was prepared for the 20-year planning period of 2010-2030 and was approved by the Board in October 2010. It has not been possible to maintain the normal five-year update cycle because of the merger and the need to first complete the Water Resource Plan for the expanded service area containing former County and STMGID water systems. The next formal update of the WFP will be for 2018-2038 and should be brought to the Board within the next 12 months.

WSF Charges are updated or revised from time to time to reflect actual project costs, current construction cost increases or decreases, updated facility plans, fees collected and carrying charges. Table 1 showing the history of updates or revisions to the WSF Charges is attached to this report. The Builders Association of Northern Nevada (BANN) has thoroughly reviewed and has accepted TMWA's methodology and calculation of WSF Charges. TMWA has not changed its methodology and continues to approach the calculation of developer fees as follows:

- Based on the current approved WFP, review where growth is occurring and determine whether the WFP improvements are still applicable.
- Review the rate of growth and determine if adjustments to the schedule of WFP are necessary.
- Review recent historical facility construction costs and determine if revisions to the facility cost estimates are necessary.
- For facilities constructed since the last Fee review cycle, replace/update the estimated costs with actual construction costs.
- Update capacity sold and capacity remaining to be sold for all Areas and for the major water system gravity zones (for STS Fees).
- Update developer fees collected and facility costs remaining for all Areas and for the major water system gravity zones (for STS Fees).
- If a finance or carrying charge was in effect, the total amount of the finance charge collected must be deducted from the developer fees collected to accurately reflect the remaining facility costs.
- Divide facility costs remaining by the capacity remaining to be sold. If facility costs have been undercollected in any Area, divide the undercollected amount by the capacity remaining to be sold and add the finance charge to the calculated fee.

The attached Table 2 shows historical developer fees collected since the inception of TMWA. An example of an Area Fee calculation from the 2013 WSF Fee update is attached as Table 3. Please note that if a water system improvement benefits existing customers and also provides capacity for growth, the costs are allocated to both categories based on maximum day demand.

As part of the public process to update or revise WSF Charges, proposed rate changes are presented to a meeting of the Building and Development Committee of BANN and to TMWA's Standing Advisory Committee (SAC). In addition, staff conducts at least one additional public workshop on the proposed changes at the TMWA corporate offices on a weekday evening. Following the public presentations, a First Reading and Second Reading of the proposed changes are presented at consecutive TMWA Board meetings where additional public input can be received. At the First Reading, the Board can provide input to staff or direct that changes be made in the proposed rates.

Table 1 – WSF Charge Revision History

Effective Date	Revision/Comments
2-1-02	Original Area Fees established (feeder mains)
9-15-03	Original STS Fees established (supply-treatment, storage)
3-18-05	All WSF fees updated
11-16-06	All WSF fees updated
3-1-08	All WSF fees updated
7-1-13	All WSF fees updated
1-1-15	Area Fees for former DWR systems established
6-1-15	Area 14 & 15 Fees revised
6-16-16	Consolidated Area 10 created & Fee for Areas 8, 8A, 10, 13 & 13B revised, Storage Fee revised

Table 2 – WSF Fees Collected History

FY	WSF Fees Collected
02	\$ 322,398
03	\$ 1,581,427
04	\$ 4,555,372
05	\$13,384,923
06	\$11,423,302
07	\$10,080,441 ⁽¹⁾
08	\$13,015,969 ⁽¹⁾
09	\$ 8,751,968 ⁽²⁾
10	\$ 535,858
11	\$ 334,885
12	\$ 369,246
13	\$ 1,412,459
14	\$ 1,175,417
15	\$ 3,614,183
16	\$ 4,600,484

Notes:

1. Amounts include \$1,866,768 in FY07 and \$8,497,948 in FY08 paid by DWR for subdivision projects located (at the time) within the DWR service area served by TMWA wholesale supply.
2. Amount includes \$7,591,100 paid in Area 8 and S-T Fees by SVGID for an additional wholesale take point off of the North Virginia system.

AREA 4 FEE

Updated Through June 30, 2012

Actual Costs to Date: \$ 9,636,391

Improvements:

<u>Project</u>	<u>FY</u>	<u>Total Cost</u>	<u>Exist. Cust.</u>	<u>New Growth</u>	<u>Cost to Growth</u>	<u>Comments</u>
Pyramid PS #2	2006	\$ 2,802,564	0.37	0.21	\$ 588,538	42% paid by County
Spanish Springs #2 Disch.	20xx	\$ 115,800	0	1.00	\$ 115,800	
Pyramid Hwy Parallel Main	20xx	\$ 2,614,200	0	1.00	\$ 2,614,200	
Highland Gravity Mains	20xx	\$ 3,389,600	0	0.38	\$ 1,282,397	
Spanish Springs #2 Cap. Inc.	20xx	\$ 400,000	0	1.00	\$ 400,000	
Pyramid PS Suction Pipe	20xx	\$ 612,000	0	1.00	\$ 612,000	
Wingfield Springs Imp.	20xx	\$ 177,800	0	1.00	\$ 177,800	
Central NES Fdr Mains		\$14,678,879	0	1.00	\$14,678,879	
Northern NES Fdr Mains		\$ 4,708,579	0	1.00	\$ 4,708,579	

Total Cost of Improvements:

\$ 25,178,193

Less Area 4 Fees Collected:

\$ (1,978,471) (thru 6/30/12)

Plus Finance Charges Collected:

\$ 16,434

Balance Remaining:

\$ 23,216,156

GPM added since previous fee adjustment: 249 GPM

Finance charges collected since last adjustment: \$16,434

Max Day Demands:

2003-2025 WFP Growth	12,607	GPM	
Area 4 Sales	<u>(3,852)</u>		(thru 6/30/12)
Net Remaining GPM	8,755	GPM	

AREA 4 FEE	=	\$23,216,156	=	\$2652 /GPM
		8755 GPM		



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Zimmerman, Manager, Water Resources
DATE: 1 December 2016
SUBJECT: Water Demand and Will-Serve Commitment Price

The following summary is provided in response to Board questions regarding the manner in which TMWA is required to calculate water Demand and Will-Serve Commitment price under Rule 7.¹

Water Demand

Rule 7 is intended to assign sufficient water resources for a proposed development or modified use of an existing property. Demand is defined as the “estimated annual quantity of water to be delivered to a Service Property...” and is computed based on the unit type (See Table 1 below).

Table 1 – Demand Formula²

Unit Type	Demand (Acre-Feet Annually)
Single-family residential lot (0.12 acre-foot minimum)	$\frac{1}{1.1 + (10,000 \div \text{lot sq.ft.})}$
Mobile home park	0.25/space
Apartments, duplexes, condominiums, or townhouse units (excluding outside, utility room, laundry room and/or recreation uses)	0.12/unit
Commercial or Industrial Services	Best available data and estimating procedures as determined by TMWA or estimated average annual Demand as furnished by the Applicant and accepted by TMWA
Irrigation	3.41 acre-feet/acre, or, for drip systems, the Demand as calculated by a landscape architect or

¹ Capitalized terms used in this report have the meaning set forth in TMWA’s rules.

² Source: http://tmwa.com/docs/Customer_Services/rules/20150101_Rule_07.pdf

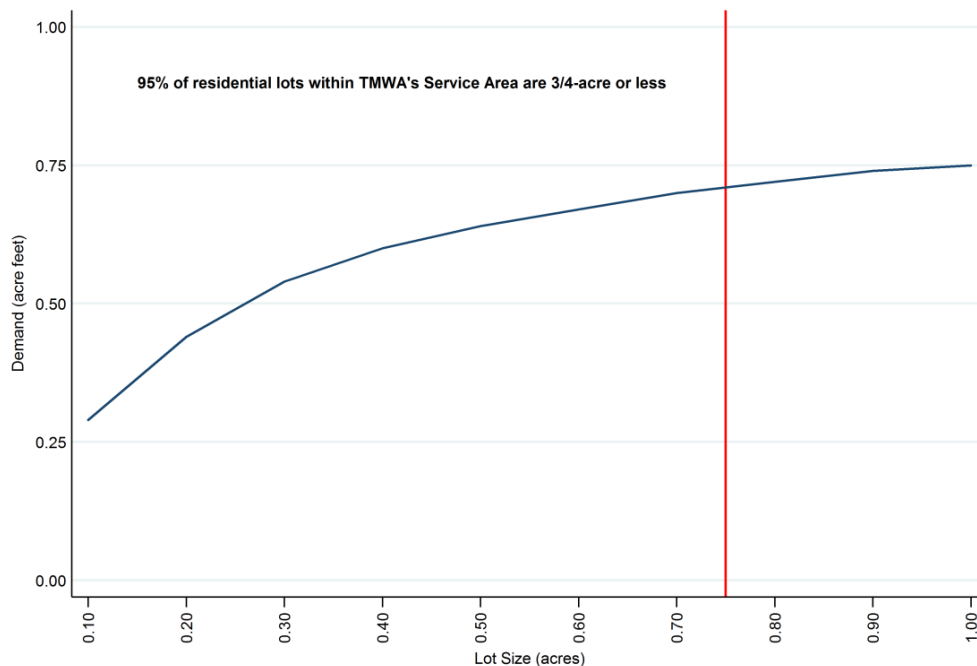
	other qualified professional and verified by TMWA
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Table 2 below lists the calculated Demand for various-sized single-family residential lots.

Table 2 – Single-Family Residential Lots

Lot Size		Demand ³
Acreage	Sq. Ft.	Acre-Feet
0.1	4,356	0.29
0.2	8,712	0.44
0.3	13,068	0.54
0.4	17,424	0.60
0.5	21,780	0.64
0.6	26,136	0.67
0.7	30,492	0.70
0.8	34,848	0.72
0.9	39,204	0.74
1	43,560	0.75
2	87,120	0.82

The following graph shows the change in Demand under Rule 7 as single-family residential lot size increases.



³ If Truckee River water rights (the majority of rights in the Inventory) are used to obtain a Will-Serve Commitment, then TROA requires that 1.11 acre-feet of water rights be provided for each acre-foot of demand. Section 4.B.2(b).

Figure 1 – Residential Demand under Rule 7

Will-Serve Commitment Price

A person may obtain a Will-Serve Commitment by dedicating acceptable water rights to TMWA or, if they do not own water rights, by purchasing an allocation of water resources from TMWA's Will-Serve Inventory. Under Rule 7, the price of water resources (per acre-foot) in the Inventory is based on the weighted average of all direct and indirect costs of acquiring, processing, and maintaining all water rights in the Inventory. These costs include, but are not limited to: actual purchase price of acquired water rights, estimated value of water rights acquired through exchange or trade, TMWA's due diligence costs and State Engineer fees to change any acquired water rights, and an annual carrying charge equal to the interest rate on TMWA's short-term debt. The purpose of this process is to recover all costs associated with the water resources in the Inventory by accounting for such costs when establishing the price of Will-Serve Commitments from the Inventory. The price is updated as required based on purchases and sales. As of the date of this report, the total volume and cost of water resources in the Inventory are approximately 6,500 acre-feet and \$48.5M, respectively. The current Inventory price is \$7,500/acre-foot, which was last updated in January 2016.

TMWA tracks the above-described costs and any changes (i.e. sales, purchases, exchanges) to the Inventory and reports to the Board monthly regarding the Inventory balance and current per acre-foot price of a Will-Serve Commitment. Additionally, as changes occur throughout the month, TMWA determines whether such changes impact the Will-Serve Commitment price and, if so, establishes a new price in accordance with Rule 7(G)(3).

At the last meeting, the Board mentioned increasing the price of water resources in the Inventory as a potential option for reducing a rate increase. This would require Rule 7 to be amended because the Rule does not allow TMWA to increase the price beyond TMWA's actual cost of acquiring and maintaining the water resources in the Inventory. To amend a rule, TMWA must present the proposed change to the Board at two consecutive meetings and seek public input through those meetings and the Standing Advisory Committee and public workshops.

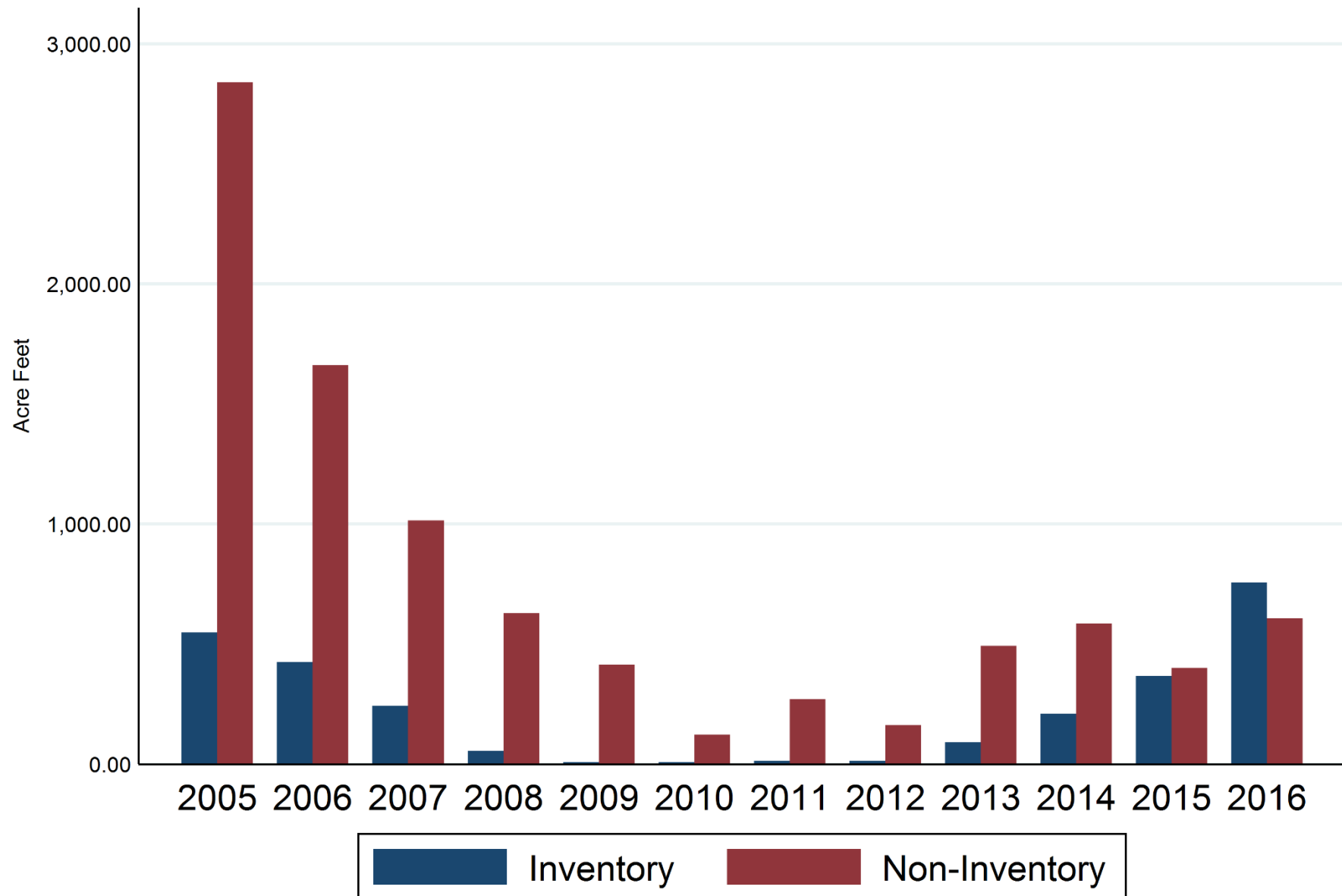
To date in calendar year 2016, TMWA has sold approximately \$5.6M in Will-Serve Commitments from the Inventory. Table 3 below shows the revenue impact of various price increases based on calendar year 2016 Inventory sales to date. A caveat is that this analysis is very simplistic and intended only to show the potential impact of a price increase on revenue using actual sales data and assumes that a price increase would not have decreased sales. The water rights market in TMWA's service territory is a free market environment where the quantity of rights sold takes place between willing sellers and buyers. As set forth in TMWA's 2016-2035 Water Resource Plan, there are potentially over 46,000 acre-feet of water rights that are not owned by TMWA and could be purchased and dedicated to support a Will-Serve Commitment instead of purchasing water resources from the Inventory.

Table 3 – Estimated Added Revenue from Rule 7 Inventory Price Increase
(Based on calendar year 2016 Inventory sales)

Rule 7 Increase	Net Increase Above Actual (\$7,500/Acre-Foot)	Total Rule 7 Price/Acre-Foot w/Increase	Total Additional Revenue w/ Increase
5%	\$375	\$7,875	\$280,000
10%	\$750	\$8,250	\$560,000
15%	\$1,125	\$8,625	\$840,000
20%	\$1,500	\$9,000	\$1,120,000

In addition to a Rule 7 change, increasing the price new customers pay for Will-Serve Commitments from the Inventory and using the profit to pay for the cost to provide service to existing customers contradicts TMWA's financial guidelines policy against cross-subsidization. Lastly, because Will-Serve Commitment sales are variable and somewhat unpredictable, using a price increase to support existing customer costs is unreliable. The attached graph shows annual Will-Serve Commitments issued on Inventory and non-Inventory water resources from 2005-2016.

Annual Will-Serve Commitments





STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, CFO
DATE: November 22, 2016
SUBJECT: Board Rate Proposal Questions and Answers

Summary

Following is a discussion related to some questions posed by Board Members related to the rate adjustment proposal presented at the November 16th Board meeting.

Recommendation

Staff and the SAC recommend the following proposal for rate adjustments.

As presented in the funding plan, TMWA can close the funding gap with rate increases of:

- 3% in years 1 & 2
- 2.5% in years 3, 4 & 5

The first two 3% increases being implemented in anticipation of higher debt service beginning in FY2020. After implementation of year 1 & 2 rate adjustments, increases in years 3-5 should be subject to an annual review of TMWA's financial performance to determine if rate increases can be lowered or deferred. This will set TMWA up to meet its debt service requirements, and allows for more time to discern whether customer water usage will continue at current levels.

Staff's recommendation is that monthly customer charges and all commodity tier charges be increased by the same percentage. Applying higher rates to water usage in higher tiers will promote further conservation and demand hardening. It will also be more difficult to explain to customers, and involves calculating and explaining percentages across multiple tier structures. It is also uncertain how this would apply to STMGID historical rate tiers.

Applying a CPI index is becoming a common strategy in long term planning for rate increases. Right now TMWA is trying to close its current funding gap, and but would like to consider a standardized CPI index increase in the future to maintain more level rate adjustments. The proposed rates to close the funding gap allow for flexibility in application over the next five years.

Discussion

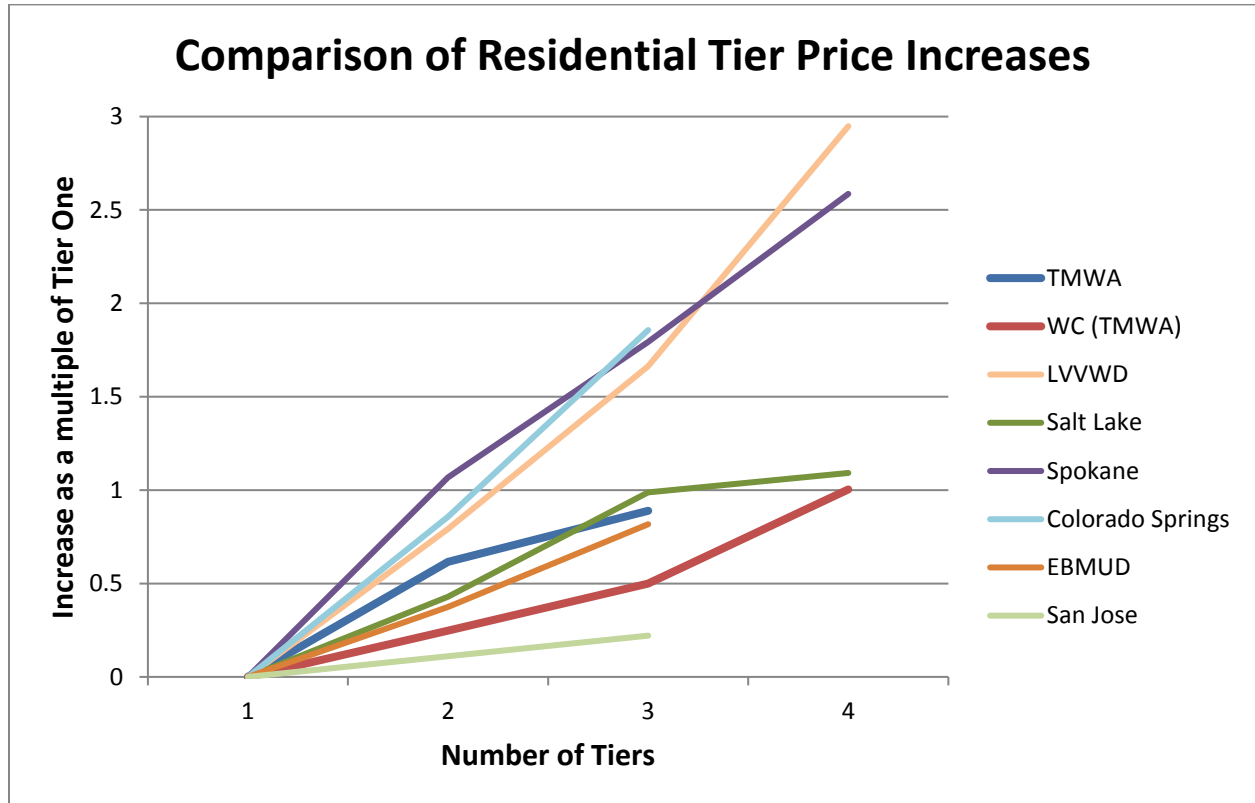
Monthly Customer Charge

The monthly customer charge, sometimes referred to as monthly meter charge, provides 36% of total water sale revenue (all rate classes included). The remaining 64% of water sale revenue comes from the amount of water customers use based on commodity tier charges. Staff's recommendation is that monthly customer charges and all commodity tier charges be increased by the same percentage.

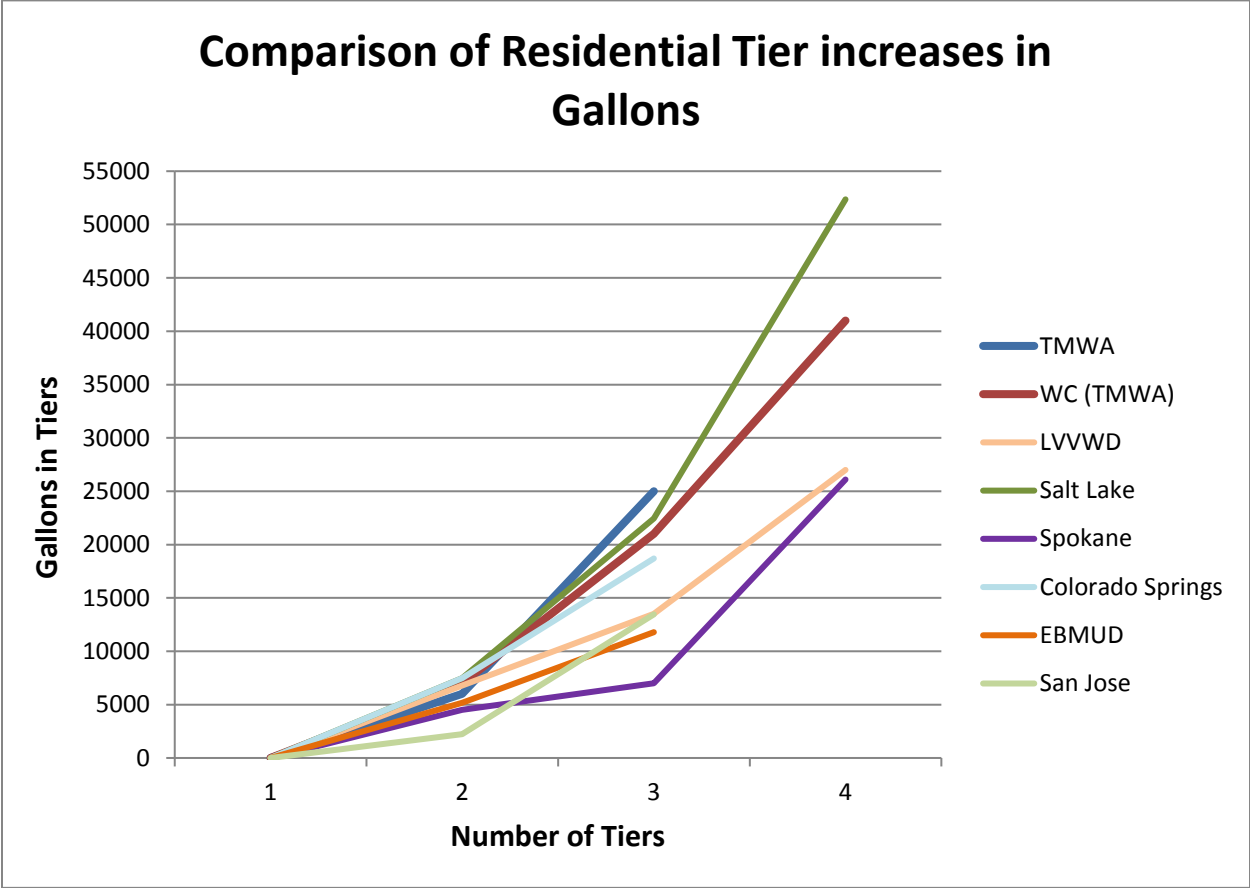
TIER STRUCTURE

Based on several questions from the board related to water commodity charges and tiers, we have compared TMWA's tier structure to several other utilities.

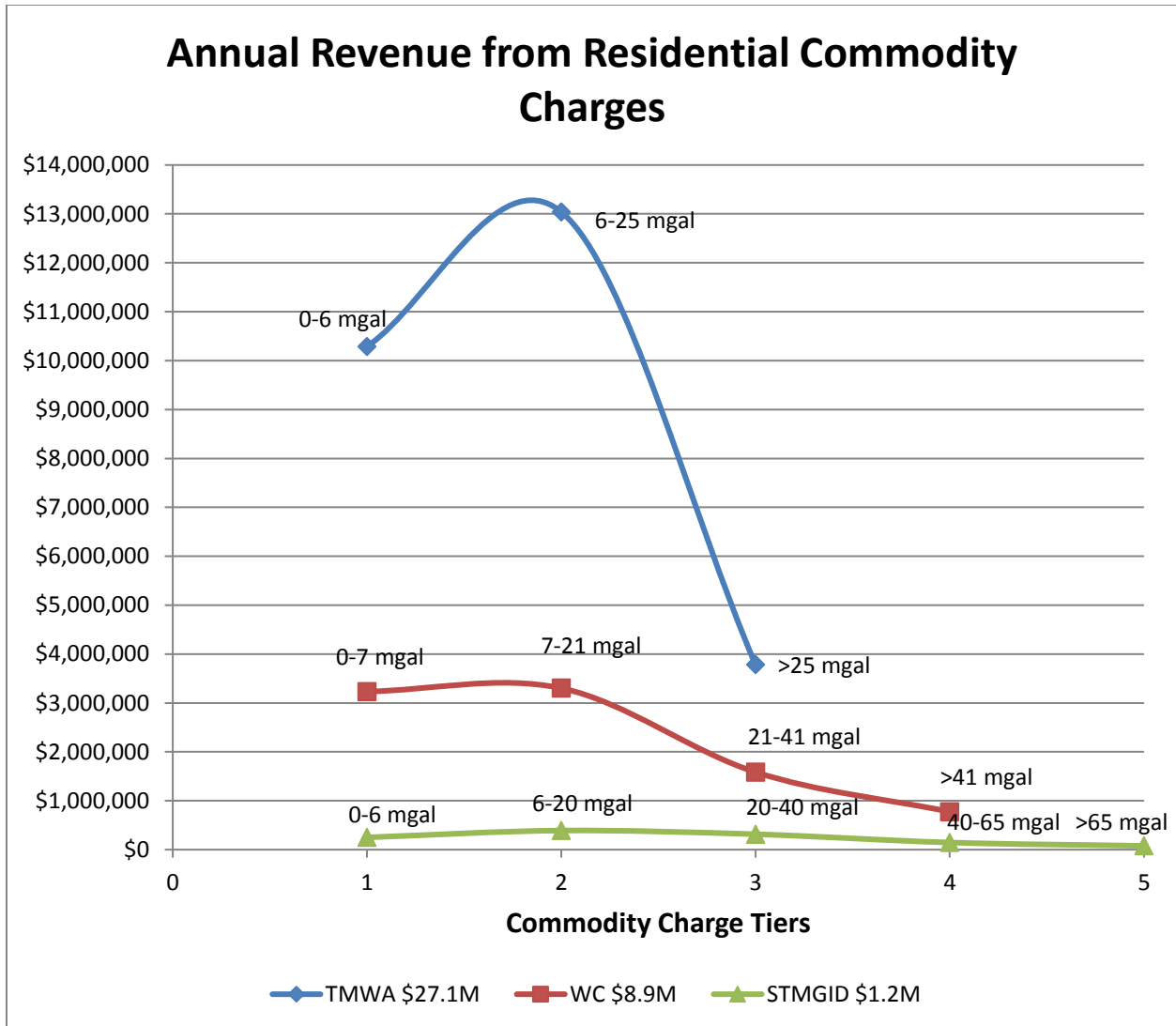
Looking at the graph below, comparable water utilities that apply increased charges for higher water usage have three to four tiers. The increase from the first tier to the last tier in this comparison ranges from a 22% increase in San Jose, to almost a 300% increase in Las Vegas (LVVWD). An item to note is that utilities with the steepest increases in tiers have much lower charges for their tier 1 water sales. TMWA rates increase by 89% in three tiers and TMWA rates related to the former Washoe County service area increase by 100%. While there are only three tiers in the historical TMWA rate structure, the second tier increases by 62%, which is above the midrange when compared to the other utilities. It is also important to note that several utilities selected for comparison had no tiers for their water commodity charge. Those utilities were Contra Costa, Phoenix, and Fresno. Contra Costa charges an energy surcharge based on the zone in which the service connection is located. Phoenix has a seasonal commodity charge, with water being more expensive in the summer months.



The next graph compares the amount of gallons that are allowed in each tier in the same utilities compared above. TMWA allows for 6,000 gallons in tier 1 and up to 25,000 gallons in tier 2, with any usage above that level charged Tier 3 amounts. Tier 1 in the former Washoe County service area allows for 7,000 gallons in tier 1, 21,000 gallons in tier 2, and 41,000 gallons in tier 3 with any usage above that level charged Tier 4 amounts. TMWA's tier cut offs appear comparable to other utilities with tiered commodity charges.



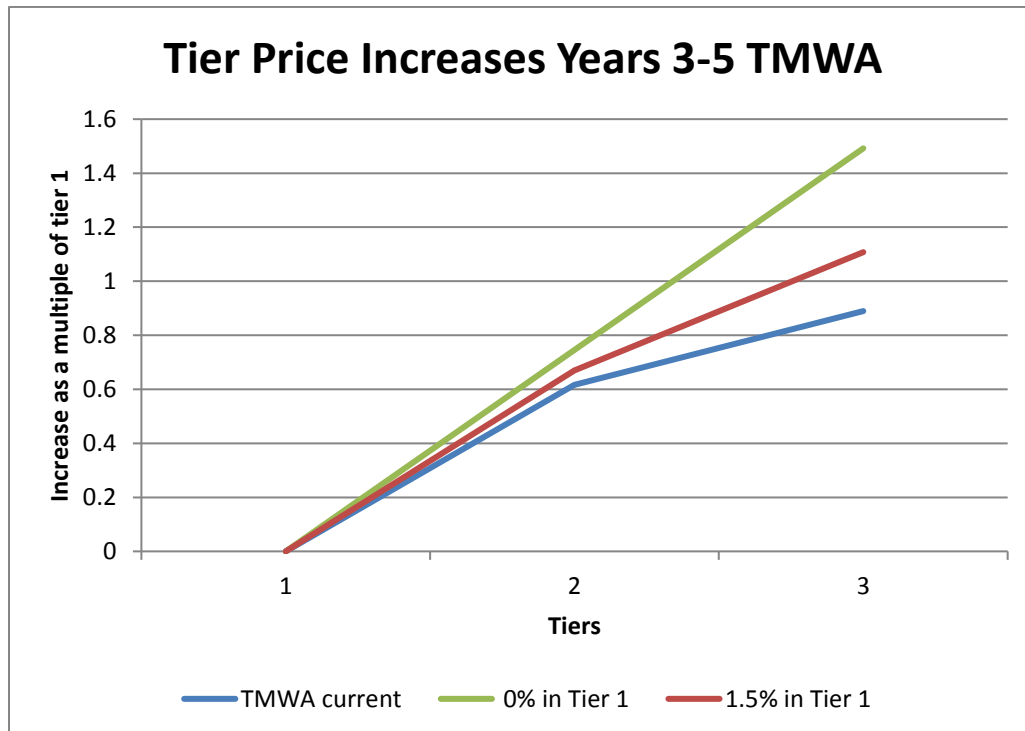
Questions about water used by tier in the TMWA service area were asked at the board meeting in November. The following graph depicts revenue generated by each residential water tier in fiscal year 2016. It is adjusted for the conversion of flat fee customers to meters that were placed in service in October of 2015, and reflects water usage in the first three months of the year based on the 2017 budget. Revenue from tiers one and two make up 82% of total revenue from residential commodity charges.

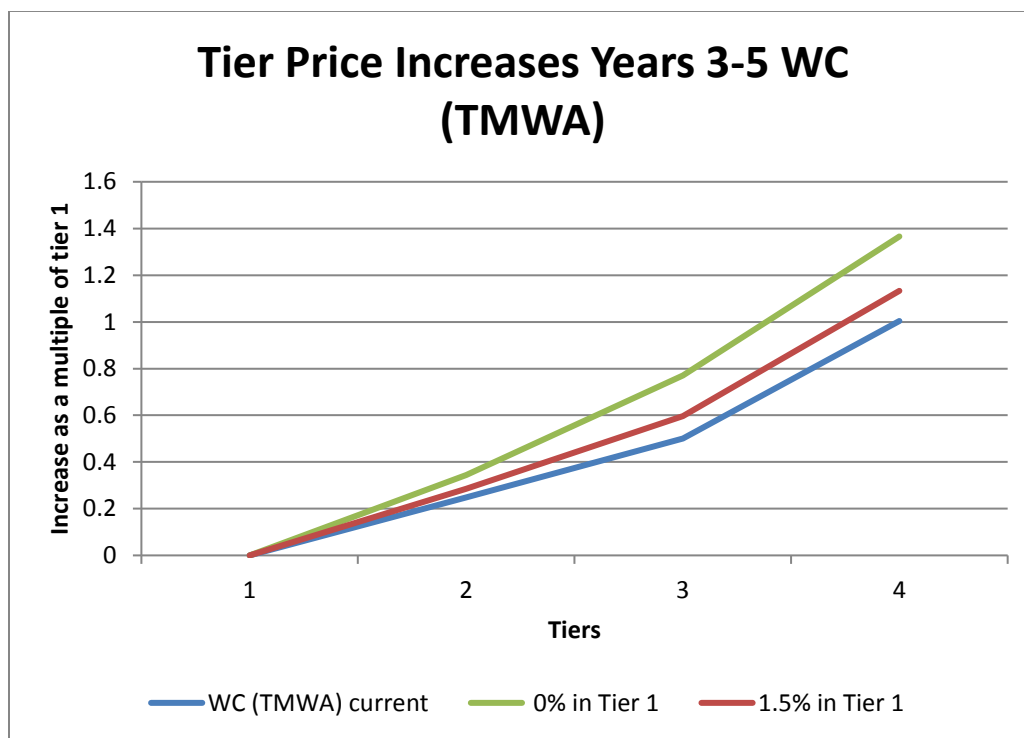


Another request from a board member was to evaluate how much higher tiers would need to be charged if we did not increase rates for the lowest tier. These calculations were made assuming this would be applied beginning in Year 1 or in Year 3. The adjustments required to obtain the revenue needed to close the funding gap are listed below:

YEAR 1 & 2			YEARS 3-5		
TMWA			TMWA		
Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
0.0%	3.0%	11.5%	0.0%	2.5%	9.5%
1.0%	3.0%	8.7%	1.0%	2.5%	6.6%
1.5%	3.0%	7.4%	1.5%	2.5%	5.2%
2.0%	3.0%	6.0%	2.0%	2.5%	3.7%
WC (TMWA)			WC (TMWA)		
Tier 1	Tier 2	Tier 3&4	Tier 1	Tier 2	Tier 3&4
0.0%	3.0%	7.1%	0.0%	2.5%	5.7%
1.0%	3.0%	5.7%	1.0%	2.5%	4.3%
1.5%	3.0%	5.1%	1.5%	2.5%	3.6%
2.0%	3.0%	4.4%	2.0%	2.5%	3.0%

If this methodology were applied to the tiers Year 1-5, TMWA's tiers would gradually move from a 61.2% increase for tier 2 to anywhere from 67.2% to 84.7% depending on the percentage applied to tier 1. Tier 3 would go from being 89% higher than tier one to anywhere from 114.4% to 208.6% higher. Below are graphs showing the tier price changes as a percentage of tier 1 if the tiers adjust beginning in year 3.





Issues involved with implementing this type of rate adjustment include:

- Encourages further conservation and demand hardening which could cause further revenue loss and require additional rate increases
- Difficult to explain to customers, especially with customers on different rate schedules
- Without significant discrepancies in the percentages applied by tier, there is little effect on the customer
- Uncertainty about how to apply these percentages to the former STMGID rates

Based on the comparable figures shown, TMWA's gallons per tier, and price increases by tier appear reasonable when compared to other water utilities. Due to the issues stated above related to adjusting tiers at different rates, and the low single digit rate increases proposed to close the funding gap, staff would recommend that the tiers be charged equally in any rate adjustment implemented.

CPI ESTIMATES

TMWA's last increase was in February of 2014. If the CPI index for the Western United States was applied annually in the years 2015 (1.3%) and 2016 (1.8%) TMWA would have rates almost equal, and actually slightly higher than what TMWA will experience after one year of a 3.0% increase. Estimating that CPI will continue at 1.8% (it is at 2.3% October, 2016 to date, so 1.8% appears conservative), if TMWA had a standard CPI increase in fiscal year 2015 thru fiscal year 2018 rates would be 3.7% higher than rates will be after one year with a 3% increase. We would be

experiencing rates in fiscal year 2018 at 0.7% higher than rates will be after the second 3% increase proposed is implemented in fiscal year 2019.

One of the basic assumptions with using a standard CPI increase is that it is applied consistently and implemented on a long term basis. Not applying the CPI index consistently can result in years when a higher increase in rates is needed. The original plan presented to SAC and the board was for a five year period. If we use the CPI index it is important to consider applying it on a long term basis. In LVVWD's Citizens Advisory Committee report for 2016, the committee recommends 3% increases for two years, and a CPI increase annually thereafter. The CPI increase is not to exceed 4.5% or fall below 1.5% in any year. This is similar to TMWA's proposed floor of 1.0% and ceiling of 2.5%. The committee also discussed future rate reviews to ensure that the approved rates perform as modeled.

Using the CPI index instead of projections based on the funding gap is a different, but possible approach for a long term solution to rate setting. TMWA management would recommend a long term approach to applying CPI.

GROWTH ESTIMATES

A question was presented as to how growth in the TMWA service area has been applied in the funding plan. The following represents revenue from growth by customer category.

Growth in TMWA Funding Plan							
Customer Type	2017	2018	2019	2020	2021	2022	Total
Single Unit	1,120,814.22	960,276.38	883,503.31	831,056.80	791,687.73	791,687.73	5,379,026.17
Multi Unit	25,294.37	60,761.24	56,175.66	53,175.84	15,383.28	15,383.28	226,173.67
Total Residential	1,146,108.59	1,021,037.61	939,678.96	884,232.64	807,071.01	807,071.01	5,605,199.84
Commercial	98,664.10	125,000.83	83,819.84	53,708.50	41,764.13	41,764.13	444,721.52
Irrigation	64,538.63	101,052.40	77,448.28	53,618.04	34,879.50	34,879.50	366,416.35
Total	1,309,311.32	1,247,090.84	1,100,947.08	991,559.18	883,714.64	883,714.64	6,416,337.71

TMWA experienced \$87.5 million in water sales revenue in fiscal year 2016. By 2022, water revenue will grow to \$93.9, with \$6.4 million in growth. There are other small sources of revenue, and a small increase of 3% in water sales demand projected, but cost of service is estimated at \$111.4 million in 2022. If the funding gap closes early due to growth, or increased demand, or any other change to the assumptions made, the board can decrease, defer, or eliminate rate increases.

**2017-2022 Draft Funding Plan Assumptions
(ATTACHMENT C)**

Operational Assumptions

- 1) Greater reliance on surface water in fiscal year 2017 due to improved weather patterns with groundwater supplies augmenting the surface water treatment plants. Both surface water treatment plants to operate.
- 2) The Longley Lane Water Treatment Plant will be operated more as a pump transfer station rather than using the treatment membranes in order to reduce operating expenses.
- 3) The North Valleys Integration Pipeline Project should be completed during fiscal year 2017. Fish Springs Ranch (Vidler) groundwater will be made available to the North Valleys reducing reliance on groundwater in the Lemmon Valley Basin. Water flow maintained to optimize water quality.
- 4) The Mt. Rose/Galena Surface Water Treatment Plant operational in the middle of fiscal year 2018 with operating costs assumed to be \$600 per mgal.
- 5) River flows are assumed to be adequate to operate the hydroelectric facilities with the exception of fiscal year 2017 when river flows are anticipated to drop off in October and return in the February 2017 timeframe.
- 6) Truckee River Operating Agreement (TROA) is expected to diminish hydroelectric revenues by at least \$0.5 million per year due to storage activities of the various parties to the agreement and bypass flows.

Revenue/Capital Contribution Assumptions

- 1) Projected water sale revenues for FY 2017-FY2022 are based upon calendar year 2015 customer demands, with a 3% rebound in customer demand. This includes the impact of the drought and converting flat rate customers to metered billing.
- 2) Hydroelectric sales assumed to be based on median river flows except for fiscal year 2017.
- 3) Growth in service connections is consistent with growth projections presented in the Draft 2015-2035 Water Resource Plan. The Draft Funding Plan anticipates an additional 10,630 service connections over the six year period from approximately 2,400 connections in fiscal year 2017 decreasing to 1,630 connections in fiscal year 2022.
- 4) Weighted average yield on investable cash is estimated to be 0.40% in fiscal year 2017 rising to 1.27% in fiscal year 2022. These yields are sufficient to maintain prudent asset/liability management practices. The Forward Delivery Agreements for the Debt Service Reserve Fund and part of the Operations and Maintenance Fund are assumed to continue in effect yielding 5.5%
- 5) Will serve sales are expected to be approximately \$30.4 million over the ensuing period. Other developer contributions are projected to be \$40.8 million over the ensuing period, sufficient to pay for expanded capacity projects.
- 6) Collection of Water Meter Retrofit fees are suspended in fiscal year 2019 after sufficient funds are collected to finalize meter installations on the remaining non-metered connections.

Operating Expense Assumptions

- 1) Wages and salaries are assumed to increase by 2.0% in fiscal year 2017 as previously approved by the TMWA Board pursuant to labor negotiations with IBEW Local 1245. Thereafter wages and salaries are assumed to increase 2.5% annually.
- 2) Headcount is increased by two positions annually in years 2018 thru 2022.
- 3) Public Employee contribution rates are assumed to increase to 29% in fiscal year 2018 and 2019 and to 30% in fiscal years 2020 and 2021.
- 4) Health care premiums are assumed to increase 5% annually. No change to employer/employee allocation of costs. OPEB trust contributions are assumed to increase 4% per year - less than health premiums due to funded status of the trusts.
- 5) Life and disability premiums assumed to increase 4% annually. Workmen's compensation premiums assumed to increase 2.5% annually due to favorable loss modification factors to premium calculations.
- 6) General inflation on all service and supplies assumed to increase by 2.5% annually with the exception of power and fuel assumed to increase 3% annually and postal rates 5% annually.
- 7) Power consumption is estimated to be approximately 51,500 megawatt hours in fiscal year 2017 increasing to 52,900 megawatt hours in fiscal year 2021.

Debt Management Assumptions

- 1) The Draft Funding Plan presented in Attachments B-1 and B-2 assumes benefits as stated in the staff report from a Series 2007 Refunding Bonds defeasance in the fourth quarter of fiscal year 2017. The springing of the debt service reserve fund and termination of operations and maintenance reserve forward delivery agreements are included in this scenario. Assumptions are based on analysis provided by JP Morgan, net of 20% lower principal savings than anticipated from a positive interest rate environment in JP Morgan's projections.
- 3) Tax-exempt commercial paper interest rates are assumed to be 0.60% in fiscal year 2017 increasing to 1.86% in fiscal year 2022.
- 4) Total draws on the 2015 Drinking Water State Revolving Fund Loan (DWSRF) is expected to be \$12.0 million, \$3.0 million less than the \$15.0 million authorization.

Treasury Assumptions

- 1) Total cash and investments at the beginning of fiscal year 2017 are estimated to be \$187.5 million. Of this total \$98.3 million is restricted and \$95.0 million unrestricted.
- 2) Restricted reserves that were transferred from the South Truckee Meadows General Improvement District (STMGID) are sufficient to fund all capital improvements in this former service area through 2021.
- 3) Collection of the Water Meter Retrofit Fee is suspended in fiscal year 2019 since sufficient proceeds are projected to be collected to fund the remaining services with no meter currently installed.



STAFF REPORT

TO: TMWA Board of Directors
THRU: Mark Foree, General Manager
FROM: Sonia Folsom, TMWA SAC Liaison
DATE: December 8, 2016
SUBJECT: **Discussion and action on appointments to the Standing Advisory Committee (SAC) to fill the two new at-large representative positions, the irrigation customer representative alternate, and alternate members and other possible vacancies for terms beginning January 1, 2017 to December 31, 2018 from the following pool of candidates listed in alphabetical order: Fred Arndt, Kenneth Becker, Chris Bruch, Victor Buick, Petra Gonsalves, Bob Hammond, Jordan Hastings, Steve Jaffe, John Kadlic, Ray Mason, Ken McNeil, Scot Munns, Michael Pidlypchak, Bob Pohl, Dale Sanderson, Ed Tilzey and Gerry Tomac**

Recommendation

Staff is presenting the Standing Advisory Committee's (SAC) recommendation to fill the vacancies for the two new at-large positions, the irrigation customer class alternate vacancy and other possible vacancies.

The SAC's vote to recommend filling the irrigation customer class alternate vacancy was based on only one applicant for that position. Since the application deadline, staff has received additional requests. Staff believes it would be worthwhile to re-open the recruitment process for the irrigation position for the SAC to consider additional applicants for possible recommendation to the Board.

Summary

- A total of twenty (20) applications were received for the four vacant positions:
 - Residential 1 alternate – One (1) vacancy; 14 applicants
 - At-large – Two (2) vacancies; *20 applicants (All applicants qualify for at-large)
 - Irrigation alternate – One (1) vacancy; 1 applicant
- The residential 1 alternate position became vacant during the recruitment process.
- One applicant, a current SAC member, withdrew her application to one of the at-large positions.
- Two current SAC alternates are recommended to fill the two at-large positions, which created two new vacancies in the residential customer class alternate positions. The SAC recommends that these vacancies be filled from the list of applicants for the at-large primary positions.
- The SAC has recommended creating two at-large alternate positions to be filled from the list of applicants to the primary at-large positions.
- Due to lack of participation and attendance, SAC is recommending that the Board not renew the current alternate commercial customer class representative and moving the current primary

commercial customer representative to the alternate position, thereby creating a vacancy for the primary commercial customer representative.

Attachment 1 illustrates the SAC's recommendation, for Board approval, of the applicants to fill the vacant positions by customer class.

Background

The SAC was created in 2005 to review budgets, rate proposals and other matters as directed by the Board. The committee currently consists of Board-appointed representatives of eight customer classes and four other seats held by representatives of community-interest groups. However, at its September meeting, the TMWA Board decided to remove the two appointments made by the Northern Nevada Water Planning Commission and the Office of Consumer Advocate and replace those with two at-large positions (**Attachment 2**). During the month of November staff recruited for three vacant positions on the SAC. The vacancies were for the two at-large, and irrigation customer class alternate positions. In the midst of recruitment, one other position became vacant, the residential 1 alternate position, which also needed to be filled. Recruitment methods included the use of our bill insert, public notices, press releases and social media.

Discussion

The applicants are summarized in the table below, and the applications submitted are compiled in **Attachment 3**. The summary of pertinent experience for each applicant is derived from statements made in the applicant's application. The SAC was pleased to have such skilled and diverse applicants express interest in representing customer issues to the TMWA Board as part of the SAC.

During the SAC meeting an applicant for one of the at-large positions withdrew her application. Her name is included in this package but is shown as italicized and crossed out in the chart below. She will retain her current position as the multi-family customer class representative.

After introductions by the six applicants present and deliberation, the SAC recommended two current alternate SAC members to the two at-large positions, which created two vacancies for the alternate residential class positions. SAC also recommended that the Board replace the current alternate commercial customer representative and move the current primary commercial customer representative to the alternate position due to lack of attendance and participation. This created another vacancy. In addition, the SAC recommended alternates for the at-large positions as well, subject to the Board's creation of those alternate positions. The SAC voted to recommend an applicant to fill the alternate irrigation customer representative position; however, only one application was received for that position. Since that time staff has received additional requests from parties interested in applying for the irrigation position. Staff believes it would be worthwhile to re-open the recruitment process for the irrigation position so that the SAC can consider more than one applicant.

In addition, **Attachment 4** is a map showing locations of all current SAC members, as well as all applicants.

APPLICANT NAME	CITY	CUSTOMER CLASS	PERTINENT EXPERIENCE
Victor Buick	Reno or Sparks	At-Large	<ul style="list-style-type: none"> • Metered rate residential customer • Owns rental property in Sparks • Fiscal auditing and financial management experience on many board & subcommittee • Successfully managed federally funded (Title IIC) program • Owns a water filtration equipment company that builds mechanical systems in commercial and industrial facilities • Volunteer experience • Can represent property owners, commercial water users, community groups
Ken McNeil	Reno	At-Large	<ul style="list-style-type: none"> • Metered rate residential customer • Current TMWA SAC Residential 3 Customer Class Alternate • Currently serves on the Somerset Owners Association West Park Committee • Served on the Sierra Canyon HOA Board of Directors & San Antonio Water Company Board of Directors • Strong supporter of TMWA, its staff and how they serve their customers • Retired from Rancho Cucamonga Fire Department • Experience in decision-making on protecting historic water rights, increasing water rates, maintaining water quality and comprehensive master plan
Michael Pidlypchak	Reno	At-Large	<ul style="list-style-type: none"> • Current TMWA SAC Residential 2 Customer Class Alternate • Retired from NV Energy • Extensive knowledge in utility rules and regulations, government affairs, budgets, engineering and construction practices • Understands TMWA's operations and budgets, rate-making decisions, water reserves, TROA and operations of the SAC
<i>Jonnie Pullman</i>	<i>Reno</i>	<i>At-Large</i>	<ul style="list-style-type: none"> • Current TMWA SAC Multi-Family Customer Class, Primary Representative • Can bring different perspectives to the At-Large position: single family rate payer, senior, owner of a residential 4-ples and experience on the SAC for the past 4 years • More than 25 yrs experience in local government: Deputy City Manager (Sparks) and Budget Manager (Reno)

			<ul style="list-style-type: none"> Experience in governmental budgeting implementation of TROA, multi-government projects and cooperative agreements and customer appeals
Fred Arndt	Reno	Residential	<ul style="list-style-type: none"> Experience serving on boards Knowledge in building/defending budgets; reviewing /approving revenue plans and operational planning Used to sell water meters to municipalities and commercial water companies Desire to assist TMWA in protecting precious resource
Ken Becker	Reno	Residential	<ul style="list-style-type: none"> Experience in accounting and finance Has been involved in the community Certified Management Accountant Certified Public Accountant in Washington Planning Commissioner of municipality for many years Participated on municipal Financial Policy Advisory Board recommending water rates Member of neighborhood association board in Minnesota, Oregon, and Washington
Chris Bruch	Reno or Sparks	Residential or Commercial	<ul style="list-style-type: none"> Metered rate residential customer Owns a water treatment business in Sparks 20+ years experience in the bottled water industry 20+ years in water treatment
James Cleary	Reno	Residential	<ul style="list-style-type: none"> Experienced in the hospitality industry Financial experience: budgeting, analysis and projection Experience in overseeing operations of water treatment facility and waste water treatment plant
Petra Gonsalves	Reno	Residential	<ul style="list-style-type: none"> Strategic planning and marketing experience Developed multi-million dollar budgets Publisher – Smart Energy Universe Knowledge in ramifications of drought and how to protect water supplies Graduate degree in chemistry Would like to give back to the community and believes her background and experience would benefit the community on the SAC
Bob Hammond	Reno	Residential	<ul style="list-style-type: none"> Retired Hydrologist after 35 year at USGS, Water Resources Division Experience in surface water, groundwater, and water quality projects – data acquisition, managing and interpreting data Has worked for the USGS in California, Idaho, Virginia, New Hampshire and Vermont New to the area and is interested in contributing to the community and learning more about TMWA, its operations and water resources

Jordan Hastings	Reno	Residential	<ul style="list-style-type: none"> • Longtime Reno resident • Visiting lecturer at UNR Economics Department • Research area is water security in the Middle East and North Africa • Has participated in U.S. federal flood modeling and mitigation activities • Interested in management and politics of freshwater in human activities • Strong technical background
Steve Jaffe	Reno	Residential	<ul style="list-style-type: none"> • Retired after 43 years from Sierra Pacific Power Company (SPP)/NV Energy • Experience in purchasing, distribution, supply chain, accounts payable and IT • Worked on labor and equipment acquisitions for both new construction and maintenance at SPP for the water system before TMWA was formed
John J. Kadlic	Reno	Residential	<ul style="list-style-type: none"> • Retired attorney • Experience in the public service in various capacities
M. Donald Kowitz	Reno	Residential	<ul style="list-style-type: none"> • CPA for 12 years and 30 years in executive financial and management positions in the health industry • Experienced in analyzing budgets, rates and business proposals • Has served on a variety of not-for-profits and public boards and commissions • Longtime resident; wants to contribute to benefit the community
Ray Mason	Reno	Residential	<ul style="list-style-type: none"> • Professional in Informational Technology • Experienced in technical operations and delivery of managed services • New to the area and would like to contribute to the community
Scot Munns	Reno	Residential	<ul style="list-style-type: none"> • Metered rate residential customer • Longtime Reno resident • Retired Sergeant from Washoe County Sheriff's Office • Concerned with availability of water and usage in the Truckee Meadows due to limited supply • Wants to improve understanding of water availability and allocation process • Believes will be able to provide valuable citizen/user input serving on the SAC
Bob Pohl	Sparks	Residential	<ul style="list-style-type: none"> • Metered rate residential customer • Believes the cost of providing water services should be appropriately priced for TMWA customers, both old and new • Retired CPA • 30 years at Sierra Pacific Power (SPP) Tax Department

			<ul style="list-style-type: none"> • Experience in various rate cases relating to tax issues, electric, gas and water rates • Understanding of property taxes and franchise fees • Part of the SPP team for the sale of TMWA out of SPP and the transition post-sale
Dale Sanderson	Sparks	Residential	<ul style="list-style-type: none"> • BS in civil engineering and MBA • Experience in project engineering on large infrastructure projects • Participated in the site work for the Glendale water treatment plant and Farad flume and forebay hydroelectric plant • Facilitated the acquisition of WCSD locations for TMWA well sites • Retired from WCSD as Director of Facilities for the District; responsible for facility operations and capital improvement plans (i.e. bond issues) • Retired from CLEAResult Consulting managing the Energy Smart Schools program for NV Energy
Ed Tilzey	Sparks	Residential	<ul style="list-style-type: none"> • 40-year resident of Sparks • Graduate of US Army Command & General Staff College, and Air Force War College • Biologist and project manager, BLM – retired • Past experience with project and agency budget processes • Consultant on environmental and water issues • Experience in water issues, water and utility projects • Current board member of Sierra Nevada Military Officers Association of America and Nevada Waterfowl Association
Gerry Tomac	Reno	Residential or Irrigation or Commercial	<ul style="list-style-type: none"> • Has accounting and financial experience • Owned his own business for 23 years • Owns commercial property • A director on the Board of Caughlin Ranch HOA* <p>*Staff subsequently clarified that Mr. Tomac is board a member of the Juniper Ridge HOA, not the Caughlin Ranch HOA.</p>

TMWA Standing Advisory Committee
Appointments
2017 Membership List

Customer Class	Primary Representative	Member Since	Term Ends	Alternate Representative	Member Since	Term Ends
Wholesale (Sun Valley)	Fred Schmidt	2005	12/31/2017	N/A		
Irrigation	Neil McGuire	2005	12/31/2018	<i>Vacant</i>		
Multi-family Residential	Jonnie Pullman	2012	12/31/2017	Mike Shulewitch	2013	12/31/2018
Commercial	Donald Kowitz	2017	12/31/2018	Kevin Haddock	2011	12/31/2018
Senior Citizen	Robert Chambers	2005	12/31/2018	Karl Katt	2013	12/31/2018
At-Large 1	Ken McNeil	2013	12/31/2018	Ken Becker	2017	12/31/2018
At-Large 2	Mike Pidlypchak	2013	12/31/2018	Jordan Hastings	2017	12/31/2018
Residential						
Representative 1	Carol Litster	2014	12/31/2018	Dale Sanderson	2017	12/31/2018
Representative 2	Harry Culbert	2006	12/31/2018	Fred Arndt	2017	12/31/2018
Representative 3	Jerry Wager	2014	12/31/2018	Scot Munns	2017	12/31/2018
Appointments						
BANN	Colin Hayes	2010	12/31/2017	Jim Smith	2010	12/31/2017
Reno-Sparks Chamber	Bruce Gescheider	2009	12/31/2017	Bill Hughes	2016	12/31/2017



TMWA Standing Advisory Committee History

Bullet Points for SAC history

- 2004: The Board formed a Rate Making Review Committee (RMRC) for the purpose of reviewing and providing customer input on the proposed second and third phases of the current rate case that was going before the Board in 2005. At the time this Committee was formed, the Board did not foresee a permanent role for it.
- The initial RMRC recommended that the Board form a committee that serves in an advisory capacity on a permanent basis. Staff supported the recommendation for a standing committee.
- January 2005: Staff first approached the Board to recommend formation of the Standing Advisory Committee (SAC).
- March 2005: the Board established a SAC consisting of eleven (11) members: one (1) each of the following customer types – commercial; irrigation; multi-family; senior citizen; wholesale; and three (3) residential users all appointed by the TMWA (Truckee Meadows Water Authority) Board. The Builders Association of Northern Nevada, Reno-Sparks Chamber of Commerce and the Regional Water Planning Commission to appoint one (1) member each. Duties of the SAC include budget and rate increase review and recommendations and other matters the Board may assign.
- July 2005: The Board appointed a subcommittee to select applicants.
- September 2005: The Board appointed the first SAC members.
- August 2007: The State of Nevada Consumer Advocates Office appointed a member to the SAC.
- The SAC reviewed rate proposals in 2009, 2010 and 2012.
- December 31, 2014: Successful consummation of the mergers of South Truckee Meadows General Improvement District and Washoe County Water Utility into TMWA.
- September 2016: The Board eliminated the Northern Nevada Water Planning Commission and the State of Nevada Consumer Advocates Office appointments and created two At-Large positions.

**TRUCKEE MEADOWS WATER AUTHORITY
STANDING ADVISORY COMMITTEE
GOVERNING RULES**

1. **Members:** Membership in the Standing Advisory Committee (“Committee”) is governed by the Truckee Meadows Water Authority’s Board of Directors (“Board”). Each Member is appointed for a two-year term. Members serve and may be reappointed at the Board’s pleasure.
2. **Compliance with NRS Chapter 241:** Meetings shall be conducted in compliance with NRS Chapter 241, the Nevada “Open Meeting Law.”
3. **Quorum:** A quorum shall consist of a simple majority of the Members. Members may participate telephonically in meetings, but telephonic participation shall not be considered in establishing a quorum.
4. **Action:** For items other than those that constitute recommendations to the Board, an action may be taken by affirmative vote of the majority of Members physically present. For items that constitute recommendations to the Board, an action shall be taken only by an affirmative vote of the majority of the Membership. Each member shall have one vote. Members participating telephonically may not vote on action items. An Alternate sitting in for an absent Member has all of the voting rights of the absent Member. Otherwise, an Alternate has no voting rights.
5. **Agenda Items:** The Committee may, by action at a prior meeting, make suggestions to staff as to items to be placed on a future agenda. Except as otherwise directed by the Board, Staff shall have discretion as to the items that will be placed on the Committee’s agendas.
6. **Officers:** There shall be a Chair and a Vice Chair, elected by the Members. The Chair will conduct the meetings. The Vice Chair will conduct the meetings in the absence of the Chair. The Chair or Vice Chair may designate an alternate to conduct the meeting in their absence. Or, in the absence of the Chair and Vice Chair, a majority of the Members present may designate an alternate to conduct the meeting. The Chair and Vice Chair each shall serve for a one-year term, with their terms expiring at the first meeting scheduled following the beginning of the calendar year following their election. The Vice Chair shall automatically succeed to the position of Chair for the subsequent term, unless an alternate action is made by the Members. Officers may be reelected. The Chair or the Chair’s designee is the only Member who may speak on behalf of the Committee to the Board, to any member of the Board, or to the public.
7. **Conflicts of Interest:** Members shall disclose conflicts of interest regarding any decisions of the Committee and shall disclose any financial interest in Committee decisions and in organizations affected by Committee action, other than the financial interest that derives from being a TMWA customer. Members who will receive a direct financial benefit from any action taken by the Committee, other than a financial interest that derives from being a TMWA customer, shall abstain from voting on such action. In the event that a Member presents an idea to the Committee for consideration on behalf of another individual or entity, said Member shall disclose to the Committee the identity of said individual or entity.

- 8. Uses of staff:** Staff will provide reasonable assistance to facilitate meetings and provide readily available information to the Committee to carry out its functions. The Committee shall reasonably limit its demands on staff time, and any demands made in excess of what staff deems reasonable shall require Board approval. No Member may request the use of staff time without approval of the Committee.
- 9. Amendment of Rules:** Any amendments to these Rules shall require an affirmative vote of the majority of the members.

As amended, February 3, 2015

November 21, 2016

Good morning Sonia,

My name is Victor Buick, and I am interested in filling one of the at large volunteer positions on the TMWA Oversight Committee.

My wife and I have a home in Reno and we recently purchased a rental property in Sparks. I found your information post while looking through the TMWA website for service connection info. Please accept this email as my application and informal resume for one of the available seats on this committee.

This opening has a broad range of appeal to myself, and I truly believe that because of my availability and ability to serve, coupled with my knowledge, resources, and education, I offer a broad range of benefits to this program, while providing a valuable service to our community.

Currently, I am a self employed entrepreneur with a degree in Finance from the California State University of Sacramento. I have a broad range of work experience with several years of fiscal auditing and financial management experience in both the private and non-profit sectors. Among my many qualifications, I have direct work experience with many boards of directors and sub-committees, and have successfully managed a federally funded (Title IIIC) program with monthly, quarterly and annual compliance demands and reporting obligations to County and State agencies.

Aside from our residential property investments, my current businesses also include a water filtration equipment company that builds systems for mechanical systems in commercial and industrial facilities, and a specialty foods business that sells packaged sauces, condiments, and seasonings.

In my spare time I am a volunteer at the church where my wife and I attend in several of their community programs, I volunteer as a mentor at Vaughn Middle School that helps at-risk boys through their Community In Schools Program (CIS of NV), and also enjoy working in our garden, winter sports activities, and fishing.

As with all the other volunteer work that I provide, my interests in this position are for the benefit of the community. Being passionate about our community, I believe that it is my duty to help out wherever and whenever my skills would be a valuable asset, and with all due respect, I represent and will represent property owners, commercial water users, community groups, and the preservation societies of our area. If you would like to speak directly with me regarding this position and the selection process, or to have a general conversation about the program and the responsibilities, please contact me by email reply or by phone.

References and my official resume are available by request.

Thank you for taking the time to read this letter, and have a wonderful Thanksgiving,

Sincerely,

Victor Buick

[REDACTED]
[REDACTED]

November 19, 2016

Sonia Folsom
Truckee Meadows Water Authority
P.O. Box 30013
Reno, Nevada 89520

Dear Ms. Folsom,

I am currently serving on the TMWA Standing Advisory Committee as a residential alternate representative. I would like to be considered for one of the newly created primary at-large positions.

It has been my pleasure and honor to have served on the TMWA Standing Advisory Committee as an alternate for over 3 years, and I have enjoyed participating in the Standing Advisory Committee process. TMWA SAC meetings have taught me a great deal, and have given me a greater understanding and knowledge of the challenges TMWA faces in providing water to its customers.

I am a strong supporter of TMWA. TMWA's professional and, at the same time, personal approach to running TMWA is to be admired. People are important in any organization, and I am impressed that TMWA staff members respect each other and the customers they serve. That is something hard to achieve, especially in a large agency like TMWA.

I retired from the Rancho Cucamonga Fire Department, an urban fire department on the western edge of San Bernardino County, in 2006. I enjoyed working for "Rancho Fire" and in retirement, I coordinate lunch gatherings 3 times a year for the retired fire department employees. Working for the Fire Department also provided me with some basic knowledge about water systems.

From 1988 to 2001, I served on the San Antonio Water Company Board of Directors, first as an auditing member of the Board, and after a couple of years I became a regular Board member eventually serving as Secretary-Treasurer and Vice-President. The San Antonio Water Company is a non-profit mutual benefit water company in Southern California. The San Antonio Water Company is a historic water company founded in 1882 to supply water for citrus groves as well as businesses and homes.

Current customers of the San Antonio Water Company include the Cities of Upland and Ontario, Monte Vista Water District, the Cucamonga Water District, two golf courses, a large rock company operation, and 1,250 domestic customers. I enjoyed serving on the San Antonio Water Board, and during my tenure on the Board a number of major decisions were made. Some of those decisions included protecting the Company's historic water rights, increasing water rates to meet projected expenses, a comprehensive master plan, and ensuring water quality.

Sonia Folsom
Truckee Meadows Water Authority
P.O. Box 30013
Reno, Nevada 89520
Page Two of Two

Since moving to Reno I have served on the Sierra Canyon Homeowners Association Board of Directors, and am considering serving again in 2017-18. I currently serve on the Somerset Owners Association West Park Committee which is working on the plans for the new park in Somerset. My interest in the new park is incorporating a community garden into the park plans. After much debate and discussion, the community garden is now included in the park plans.

I believe in maintaining TMWA's high water quality standards, and having a water distribution system which is reliable. I also believe in paying down the debt load of TMWA. I support reasonable and fair water rate increases to make sure TMWA continues to operate with adequate income to pay down its debt, and to make sure TMWA's water system is adequate to meet the water demands of TMWA customers.

Thank you for your consideration of my application for one of the primary at-large positions.

Kenneth J. McNeil

[REDACTED]
Reno, Nevada 89523-3805

[REDACTED]
[REDACTED]

November 16, 2017

Michael Pidlypchak

[REDACTED]

Reno, NV 89523

Home Phone: [REDACTED]

Cell Phone: [REDACTED]

Email: [REDACTED]

I would like to represent the Primary At Large seat currently open.

I am retired from NV Energy after nearly 44 years. I acquired extensive knowledge in utility rules and regulations, government affairs, budgets, engineering, and construction practices. I have been on TMWA's Standing Advisory Committee for nearly 4 years as the Residential 2 Alternate and have gained extensive knowledge with TMWA's operations and budgets, rate making decisions, TROA, its water reserves, and the workings of the SAC. With this knowledge and experience I feel I would make an excellent Primary At Large representative.

Thank you for considering this application.

Mike Pidlypchak

December 5, 2016

Jonnie Pullman Application

Sonia, I am interested in applying for the At-Large position on TMWA's Standing Advisory Committee.

I currently serve on the SAC as the representative for Multi-family customers, and have since 2012. I believe I have been a contributing and conscientious member, and wish to continue serving. I do believe, however, that if I move to an at-large member position, then perhaps the SAC could fill the multi-family position with someone who had a broader field of experience in that area, such as ownership of larger housing complexes.

I am qualified as an at-large member because I bring the perspectives of a single-family rate-payer, a senior, and owner of a residential 4-plex within the City of Reno boundaries. During the last four years of service on the SAC I have gained an increased understanding of the workings of TMWA, the role of the Standing Advisory Committee and the impact of TMWA's services on residents and rate-payers in the Truckee Meadows.

Some of my education and experiences that enable me to contribute to TMWA and the SAC are as follows:

More than **25 years of local government experience**, including **Deputy City Manager** (City of Sparks), **Budget Manager** (City of Reno), and Management Analyst for 2 California counties (Solano and Kern). These provide knowledge and experience in governmental budgeting, implementation of TROA, operations of irrigation districts, multi-government projects and cooperative agreements, and customer appeals.

Executive Director of the **Affordable Housing** Resource Council, a non-profit corporation dedicated to the development of affordable housing, primarily in northern Nevada. Knowledge of water rights and service are an integral part of development, and can be a significant barrier.

Trustee, Washoe County School District. As an **elected official** for 12 years, I gained an increased appreciation for the interaction of governmental agencies and the need for clear communication with the public. I served as the liaison to the Regional Planning Governing Board, and on the Washoe County Debt Management Commission in my capacity as a Trustee.

Other professional and volunteer activities in the community have included participation in the Chamber of Commerce, Rotary International, United Way and various boards and commissions.

I've tried to keep this brief, and would be happy to answer any questions or provide more information, perhaps in a more traditional linear format.

Thank you, Sonia.

November 30, 2016

Sonia,

I am submitting my application for the above and am providing the requested information:

Fred Arndt; [REDACTED] Reno NV; 89519

Email: [REDACTED]

Phone: [REDACTED]

Cell [REDACTED]

Customer Represented: single family residence

My interest in serving on the committee stems from a desire first, to serve the community in a meaningful way, but more importantly to assist the Authority in maintaining a precious resource in the most cost effective and judicious way possible. Having lived in water starved western states for the past 30 years has raised my level of concern and interest in making certain citizens enjoy all the amenities water brings, recreation, commerce and a healthy ecosystem.

Experience: Having served in managerial and executive capacities as well as board membership, I have been responsible for building and defending budgets; reviewing and approving revenue plans as well as operational planning both short and long term. While not being formally financially trained I understand balance sheets, income statements and budget planning processes. Finally, in my early career I sold water meters to municipalities and commercial water companies. This allowed me to gain unique insight into opportunities and problems facing the management of these entities fiscally and environmentally.

Thank you for allowing me to submit this application. I look forward to participating in the endeavor if selected. Even if I am not chosen, I plan as a citizen to support the TMWA's mission in any way possible.

Should you have follow-up questions please feel free to contact via email, text or phone.

Sincerely,

Fred Arndt

[REDACTED]

November 29, 2016

[REDACTED]
Reno NV 89523
November 29, 2016

Truckee Meadows Water Authority
Attn.: Sonia Folsom
PO Box 30013
Reno NV 89520

Please consider this my application for a position on the Standing Advisory Committee of Truckee Meadows Water Authority.

- Name and contact information: Kenneth M. Becker, [REDACTED]
[REDACTED], Reno NV 89523, [REDACTED].
- Type of customer group represented: single-family residential.
- Statement of interest in serving on the SAC: I am very interested in water issues in the area in which I live, and bring a background of career experience in accounting and finance as well as a record of community involvement in several locations.
- Pertinent experience:
 - Certified Management Accountant (CMA), and Certified Public Accountant (CPA) in Washington State and formerly in Minnesota.
 - Planning Commissioner of municipality for several years
 - Member of municipal Financial Policy Advisory Board recommending water rates
 - Member of neighborhood association Board in Minnesota, Oregon, and Washington (Seattle and Vancouver).

Sincerely,

Kenneth M. Becker

KENNETH M. BECKER, C.M.A., M.B.A.

[REDACTED]
Reno, Nevada 89523

Telephone: [REDACTED]
[REDACTED]

PROFILE

Highly experienced and trained Accountant with entrepreneurial focus from business startup experience, and people orientation gained from supervisory responsibilities in a wide diversity of industries and types of organization.

CERTIFICATIONS AND EDUCATION

Certified Management Accountant, and C. P. A. (Washington state)
B.A. and M.B.A. degrees both with emphasis in Accounting

ACCOMPLISHMENTS

Managed all Finance and Accounting functions over 15 years, including Financial Statement preparation, Budgets and Forecasts, General Ledger, Payroll, Accounts Payable, Accounts Receivable, Collections, Bank Relations, Borrowing and Investments, Bank and Account Reconciliations, and Audit coordination.

Supervised 15+ employees in Accounting, Administration, Information Technology, & Operations, including starting multi-state operations.

Directed HR and Information Technology 15+ years.

Experienced in accounting for Manufacturing, Retail, Professional Service, Publishing, Non-Profit organizations, and Financial Institutions.

Co-founded company, managing Operations and Administration while firm grew in 8 years to 100 employees and world's largest in its market niche achieving margins of 25% and averaging 18% while industry margins were 4%.

COMPUTER SKILLS

Selected, Installed, and Operated many Accounting Systems including Q.Books, MAS200/MAS90, J.D. Edwards, ACCPAC, and Dynamics. Proficient in Microsoft Excel and Word, with additional use of Access and Word Perfect.

KENNETH M. BECKER, C.P.A., C.M.A.

EMPLOYMENT HISTORY

CHIEF FINANCIAL OFFICER– Portland Nursery Company, Portland OR - 2006-2016.

Managed accounting, payroll, benefits and H. R. for chain of retail garden centers.

CONTROLLER AND H. R. DIRECTOR – B. V. Resources, Portland OR - 2004-2005.

Brought finances and HR area current and within GAAP for potential firm sale.

FIRM ADMINISTRATOR – Benson & McLaughlin CPA Firm, Seattle WA -1992-1998.

Automated internal finances, reduced space needs, and developed evaluation system.

VICE PRESIDENT – Rockwood Research Corporation, Saint Paul MN - 1983-1992.

Co-founded firm and managed operations while firm grew to over 100 employees with margin averaging 18% and reaching 25% versus industry average of 4%.

CONTROLLER/OFC. MGR. – Miller Publ. Div. of ABC, Minneapolis MN - 1979-1983.

Promoted from Assistant Controller, and managed accounting automation.

CONTRACT AND SHORT-TERM ASSIGNMENTS – Eugene to Seattle – 1998-2004:

STOCK ANALYST/REVIEWER – Bates Private Capital, Lake Oswego OR.

Contract job in litigation support regarding stockbroker relations with investors.

VICE PRESIDENT - FINANCE – Amfit Manufacturing, Vancouver WA.

Relocation of established firm from California, reducing space and labor cost.

INTERIM CONTROLLER – Oregon Community Credit Union, Eugene OR.

Contract job Reporting and Budgeting for multi-county non-profit in merger talks.

FINANCIAL REPORTING MANAGER – U. of O. Foundation, Eugene OR.

Contract job preparing statements for audit during vacancy in all accountant positions.

CONTROLLER & DIR. OF ACCOUNTING – Maps Credit Union, Salem OR.

Reorganized Credit Card and Accounting Departments in 8-branch financial institution.

DIRECTOR OF FINANCE – Integrative Therapeutics, Inc., Wilsonville OR.

Established Accounting, while absorbing 3 established supplement manufacturers.

CHIEF FINANCIAL OFFICER – Puentes Brothers Manufacturing, Salem OR.

Developed unified Accounting for multi-state manufacturer, and began cost accounting.

CONTROLLER – Adams and Associates employment agency, Seattle WA.

Completed complex conversion of Accounting software, and initiation of new school.

PROFESSIONAL AND CIVIC ACTIVITIES

Finance Committee member overseeing funds, and Commissioner of Planning Commission, municipality. Ethics Committee member, and Community Responsibility Committee member, state societies of CPAs. Neighborhood Association officer in Oregon and Minnesota; Regional District President in Seattle. Government Relations Committee and PAC member, Oregon Assoc. of Nurseries and Washington CPAs

November 10, 2016

I would like to serve on the SAC committee. Chris Bruch [REDACTED] Reno, Nv 89502 I am a residential and commercial customer and own a water treatment business Water Unlimited 405 s18th St Sparks, Nv 89431 so I am very interested in the treatment and quality of the water that TMWA produces. I can give a perspective as a customer, and I interact all day long with people wishing to improve their water quality. I have an AA degree in business, and have 20 years in the bottled water industry and 20 years in water treatment. Cell [REDACTED] work [REDACTED]. Let me know if you think I would be a good fit. Thanks, Chris

December 2, 2016

Ms. Folsom,

Please accept this correspondence as my formal submission and expression of interest in serving on the Truckee Meadows Water Authority's Standing Advisory Committee (SAC). I am excited by this opportunity and the responsibility of "reviewing budgets, rates, proposals, and other items; read reports and provide feedback from the customer perspective. The prospect of serving on the SAC is extremely appealing.

I am an accomplished executive with exceptional experience and demonstrated success in the hospitality industry. I have worked in many different markets, for different chains and independent operators, and have experience working the different segments of the hotel business. In each position, I have had financial responsibility to include budgeting, review, analysis, projection, etc. Additionally, my recent position of Senior Vice President also included responsibility for oversight of our water treatment facility and waste water treatment plant.

I am currently a TMWA single-family residential customer. A current resume is attached.

Thank you for your consideration.

James Cleary

[REDACTED]

Reno, NV 89511

[REDACTED]

[REDACTED]

December 1, 2016

To: Sonia Folsom
sfolsom@tmwa.com

Re: SAC Volunteer Committee

I just got the notice from the Truckee Meadows Water Authority that the Standing Advisory Committee (SAC) is looking for volunteers – on reading this, the first thing that came to mind is that I should volunteer to work with the committee as my background can be of help to the committee.

From my current work I know that Water Management, in an era of climate change and looming global water shortages, is going to be one of the important issues of our time; as a Reno resident I think it is my civic duty to offer to assist in Reno's planning in this area.

I live in a single family house, but that does not make me unmindful of the responsibility of the Water Authority to all groups in Reno

Background:

Publisher –Smart Energy Universe, international circulation

Publication covers “smart energy” *issues including the increasing emphasis on the ramifications of the drought and what measures are required to ensure that precious water supplies remain available*

Budgets and resource development : Have worked in strategic planning at both Sun and Novell (working in Eric Schmidt’s group) developing multi million dollar budgets and marketing strategies for new product lines.

Education: Graduate degrees in chemistry.

Contact information:

Name: Petra Gonsalves

Tel: [REDACTED]

Email: [REDACTED]

Address: [REDACTED]

Sincerely

Petra Gonsalves

December 1, 2016

Volunteer application for TMWA Standing Advisory Committee:

Robert Hammond, [REDACTED] Reno NV 89509

Type of customer - single-family residential

I'm a retired Hydrologist for 35 years with the USGS, Water Resources Div. and now a resident of Reno and a user of water provided by TMWA. I'm interested in where the water resources used by TMWA are located, what methods used to measure quantity, water quality, treatment, and managing the resources, both as a user and as a hydrologist.

During my working years I was involved in surface water, ground water, and quality water projects, involving data acquisition, managing data, and data interpreting. Starting with the USGS in California then transferred to Idaho, Headquarters in Sterling VA, and final in New Hampshire and Vermont. My moving to Reno was due requested Grand parenting duties.

Robert (Bob) Hammond

JORDAN T. HASTINGS, PhD

[REDACTED]

[REDACTED]

[REDACTED]

22 November 2016

Truckee Meadows Water Authority
P.O. Box 30013
Reno, NV 89520

Attn: Sonia Folsom

via eMail: sfolsom@tmwa.com

RE: Standing Advisory Committee

To Whom It May Concern:

Please accept my application to serve on the SAC in 2017. I am a single-family residential customer of TMWA in NW Reno (street address above).

As a geographer, I have long been interested in the management and politics of fresh-water in human activities. Ultimately water shapes what we do, all we can do. My current research concerns water security in the Middle East and North Africa. I also participate in U.S. federal flood modeling and mitigation activities, and advise graduate students in those topics.

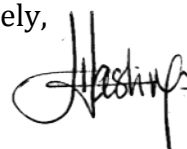
I believe this background prepares me sufficiently to serve on the SAC. Undoubtedly, I would learn much more about local water issues in the Truckee Meadows. It would be an honor to serve the community where I have lived for 20+ years.

I am a broad-ranging problem solver with both strong technical background and solid communication skills. I can also prepare maps, including Web maps, if needed.

As of January 2017, I will be re-appointed as Visiting Lecturer at UNR/Economics, in addition to my online teaching appointment at UCSB/Geography. If a class conflicts with a SAC meeting, I have the flexibility to reschedule class.

I plan to attend the SAC meeting on Tue 6th December.

Sincerely,



Hello Sonia:

My name is Stephen Jaffe and I'm submitting this email to you to request consideration for serving as a volunteer on the TMWA Standing Advisory Committee. I'm friends with Mike Pidlypchak who indicated that you're looking for new members to serve on this committee. I would be looking to serve as a representative for single family residential home owners.

As background information, I am now retired after a 43 year career with Sierra Pacific Power Company / NV Energy. During my years with the power company I held a number of management and staff positions that I think give me a broad background to serve effectively in an advisory role such as this. Specifically, I spent 18 years in Purchasing first as a Buyer, then Supervising Buyer, and finally 6 years as the corporate Purchasing Manager. Other relevant responsibilities I had during my career included 3 years as Supervisor of Distribution Electric Standards, Supervisor of Supply Chain applications for the PeopleSoft enterprise implementation project, 3 years as Supervisor of Accounts Payable, and 8 years as a Business Systems Analyst in Information Technology.

Being retired, I'm looking for new challenges and opportunities to stay engaged and participating on your advisory committee would be one way for me to continue putting my relevant work experiences and background to good use. Prior to when the water system was sold by Sierra Pacific to TWMA, I worked extensively with the engineering and operations group on a wide range of labor and equipment acquisitions for both new construction and maintenance, so I'm quite familiar with the terminology, equipment specifications, and contracting requirements.

My contact information is as follows:

Stephen Jaffe

[REDACTED]

Reno, NV 89502

Phone: [REDACTED]

Cell: [REDACTED]

Feel free to contact me at your convenience. Thank you in advance for your consideration.

Steve Jaffe

November 23, 2016

I am interested in serving on the Standing Advisory Committee.

John J. Kadlic

██████████ (home)

██████████ (cell)

I am a single-family residential user.

I am a retired attorney. Most of my legal career was spent in public service. I have the time to participate in meetings and to review material.

My pertinent experience is having been an attorney in public service in various capacities.

John J. Kadlic

December 2, 2016

Ms. Folsom, my name is M. Donald Kowitz and this email serves as my application to the Standing Advisory Committee (SAC) of the Truckee Meadows Water Authority (TMWA). My contact information is below.

I am a single family residential customer and have lived in the Truckee Meadows for almost 20 years. I serve on a variety of not for profit and public boards and committees, and have an abiding interest in helping to insure a vibrant and stable future for the citizens of the Truckee Meadows. I am interested in serving on the SAC because I believe that the continued availability of a high quality water supply is critical to the quality of life of the current residents of the Truckee Meadows, and for supporting the population growth that is forecast. My professional experience includes 12 years as a CPA and over 30 years in executive financial and management positions in health care and health insurance. My financial, business and analytical background would be useful in reviewing and analyzing budgets, rates, business proposals and other documents that the SAC may be asked to consider. And through both my professional and community board experiences I have developed the ability to provide useful insight and practical suggestions and solutions to problems and opportunities that have been faced by the organizations I have served.

Please refer to my attached resume for more information about my background and the boards and committees on which I serve.

I appreciate the opportunity to be considered for a position on the SAC and hope that you will find my background beneficial to TMWA.

Thank you.

M. Donald Kowitz

[REDACTED]

[REDACTED]

[REDACTED]

Reno NV 89509

M. Donald Kowitz

Reno NV 89509

SUMMARY

- Senior health care executive with over 30 years of experience in provider and payer environments
- Extensive experience in executive consulting; management; strategy; operations; and finance
- Former CPA

PROFESSIONAL EXPERIENCE

Melody Health Insurance Company - June 2016 to present

President - Western Markets

- Responsible for licensing and initiation of operations in Nevada and other Western states

Executive Consulting - May 2014 to June 2016

- Assisted multiple clients with business development, contracting and other health insurance initiatives

Saint Mary's Regional Medical Center - August 1997 to May 2014

President and Chief Executive Officer, Health Plans: November 2007 to May 2014

- Oversaw the development and implementation of key business strategies
- Initiated the development of new products, cost containment and marketing strategies
- Expanded the geographic area of the plans to Las Vegas
- Orchestrated the sale of the plans to a national health system

Senior Vice President and Chief Financial Officer: 2004 to 2007

- Responsible for all financial and managed care functions of \$300 million regional healthcare system
- Profit responsibility for \$100 million health plans division
- Inherited \$20 million annual system operating loss; integral part of team that returned system to breakeven operations in 2006
- Successfully negotiated waivers of bond covenant violations despite major losses
- Oversaw implementation of major clinical information systems on time and within budget

Senior Vice President and Chief Operating Officer, Health Plans: 1997 to 2004

- Turned division from a steady string of losses to profitability in 2002
- Grew revenues from \$25 million to over \$100 million and membership from 14,000 to over 70,000
- Achieved NCQA accreditation becoming the first health plan in Nevada rated excellent by NCQA
- Maintained uninterrupted operations after a major fire completely destroyed the administrative offices
- Developed and licensed an indemnity insurance company

Executive Consulting - 1995 to 1997

- Developed health plans in selected markets for a major Minnesota health plan
- Created a business development strategy for a medical information company

John Alden Financial Corporation - 1992 to 1995

Senior Area Vice President

- Complete profit responsibility for Western Division of national health insurance company with annual division revenues in excess of \$275 million
- Grew membership at an annual rate of over 8% to 215,000

- Developed strategies to transform indemnity business to managed care
- Acquired a 50,000 member PPO; developed and licensed an HMO
- Conducted high level negotiations and developed “partnerships” with integrated delivery systems

HealthCare COMPARE/AFFORDABLE - 1990 to 1992

Vice President of Operations

- Operational responsibility for rapidly growing national PPO with annual revenue in excess of \$50 million
- Directed 300 employees in functional areas of network administration; provider relations; claims pricing; information systems; data analysis and reporting; and office administration
- Restructured operations to accommodate 200% annual growth; reduced direct operating costs by 40%
- Upgraded information systems to provide electronic claims pricing, claims adjustment and provider information to clients
- Opened new 40 person claims pricing office within 4 months

Stone August Baker Communications Companies - 1988 to 1990

Senior Vice President and Chief Financial Officer

Executive Consulting - 1986 to 1988

Independence Health Plan, Inc. - 1984 to 1986

President and Chief Executive Officer: 1985 to 1986

President and Chief Operating Officer: 1984 to 1985

Vice President and Chief Financial Officer: 1984

- Complete operating and profit responsibility for publicly owned HMO with over 170,000 members and annual revenues in excess of \$100 million
- Achieved 40% growth in revenues and membership and doubled the size of the health plan
- Rebuilt executive management team after departure of founder/owner group

Arthur Andersen & Co. - 1971 to 1983

Audit Manager: 1976 to 1983; **Audit Senior:** 1973 to 1976; **Audit Staff Assistant:** 1971 to 1973

EDUCATION

Michigan State University - Bachelor of Science, with high honors – Mathematics; Minor in Accounting.

Licensed as CPA - 1972 through 1990

COMMUNITY INVOLVEMENT

Board Member and Past Chairman of the Board, KNPB - regional public television station

Board Member, HealthInsight Nevada - multi-state healthcare quality improvement organization

Board Member, Access to Healthcare Network - provides healthcare access for low income individuals in NV

Board Member, Community Health Alliance Foundation - supports local federally qualified health center

Board Member, Financial Advisory Board of the City of Reno

December 1, 2016

Sonia, I would like to reach out and convey my interest in serving on the SAC. I recently moved from the SF Bay Area with my family and currently live in Sparks. I am a professional in the IT Technology field with 25+ years of relevant business experience. My area of expertise is around technical operations and the delivery of managed services. I feel that I would bring a rational approach to project management, a clear concise demeanor, and a voice that would be passionate, but reasonable to work with. I would certainly like to become more involved in the community, and given that water is life, this is a great place to start.

Please feel free to contact me if you have any questions.

Sincerely,

Ray Mason

Home: [REDACTED]

Cell: [REDACTED]

November 12, 2016

Truckee Meadows Water Authority
Standing Advisory Committee

C/O Ms. Sonia Folsom
Truckee Meadows Water Authority
Standing Advisory Committee Liaison
1355 Capital Blvd. I
Reno, NV 89502

RE: Letter of interest for open position on the Standing Advisory Committee (SAC)

Dear Ms. Folsom,

Regarding letters of interest for the SAC, please refer to my information below for my interest in participation.

Name and information:

Scot A. Munns

Residence:

[REDACTED]

Reno, NV 89509

Mailing:

[REDACTED]

Reno, NV 89511

Email:

[REDACTED]

Cell:

[REDACTED]

Type of TMWA customer:

Single Family Residence

Interest:

As a longtime resident of the Truckee Meadows, I have come to use TMWA services since moving to Reno in 1965. My interest in water issues in this area has increased as I am now retired and have time to further gain insight on issues in this metropolitan area. Water availability and usage in the Truckee Meadows is even more important with the limited supply from the Sierra Nevada Mountains. The re-development of the area from the economic crash of 2008, and the anticipated housing

and business growth in the Truckee Meadows Valley from the impact of Tesla factory and "Tesla Effect" will increase water usage and tax resources. Being part of the SAC will improve my understanding of the water availability and allocation process throughout the area. With this knowledge, I will be able to provide valuable citizen/user input for the SAC.

Experience:

Washoe County Sheriff's Office, Sergeant (Retired)
Patrol, Internal Affairs, Detention, Training and Compliance


Contractor / Police Advisor (2004-2009)
MPRI on contract to US Department of Justice-ICITAP, Afghanistan

Contractor / Police Advisor (2009-2013)
PRO-Telligent, LLC on contract to US-Department of State-INL, Pakistan

Currently enjoying retirement and available to provide time and experience to the discussion.

Please advise if you require any further information or clarification and I will be happy to do so. Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scot A. Munns', with a long, sweeping horizontal line extending to the right.

Scot A. Munns
Reno, NV

Application to Serve on the Standing Advisory Committee

Name: Robert (Bob) Pohl

Address: [REDACTED] Sparks, Nevada 89436

Phone: [REDACTED] (Home)

[REDACTED] (Cell)

E-mail: [REDACTED]

Customer Group: Single-Family Residential

Statement of interest in serving:

I am interested in serving as a way to give back to my community that has been so giving to me and my family. I feel that this is an important time in our community's life as we try to deal with the growth that is expected to occur in the next few years. We need to be sure that we have all of the resources to serve both the current business and residences but also be able to accommodate the new residents and business. I also feel that the cost of providing the water services must be appropriately priced to TMWA customers both old and new. I feel that my life experiences (see below) make me a good candidate to serve on this important committee.

Experience:

- 61 Year resident of Truckee Meadows
- Retired CPA in the state of Nevada
- Worked 30 years at Sierra Pacific Power in the tax Department
- Work duties included working on various rate cases relating to both tax issues but all areas of the rate cases for electric gas and water rates.
- As part of duties at Sierra was in charge of property taxes and franchise fees paid to municipalities
- Was part of Sierra Pacific Power team for the sale to TMWA and the transition after the sale

I would appreciate the opportunity to become a member of this body.

Standing Advisory Committee (SAC) Volunteer Application

Name and Contact Information

Name: Dale Sanderson, P.E. (retired)
Address: [REDACTED] Sparks, NV 89431
Telephone: [REDACTED] [REDACTED]
Email: [REDACTED]

Group Represented – single-family residential

Statement of Interest

I am a native of Sparks, as is my wife, and I have a deep interest in quality of life and environmental issues for our communities, state and nation. Water quality and supply play major roles for each of these issues. I have been involved with energy efficiency and conservation and believe that water resources are as important, or more important for the west, as energy. For that reason, I am interested in learning as much about water resources as I can in order to bring an intelligent perspective to the issues the SAC reviews.

Experience

I have a BS degree in civil engineering from Stanford University and an MBA from UNR and am a registered civil engineer (retired) in Nevada. Following graduation I spent five years (1973-78) in construction project engineering on large infrastructure projects in the Truckee Meadows and the Truckee/Lake Tahoe area. I worked for Teichert Construction on the site work for the Glendale water treatment plant and for Holcomb Construction on the Farad flume and forebay hydroelectric plant, the Fallon Rattlesnake Mountain water tank and the Glendale bridge.

In 1978 I went to work for the Washoe County School District (WCSD) as Supervisor of Maintenance and in 1983 became the Director of Facilities for the District, a position I held until 2008. As Director, I was responsible for all facility operations and capital improvement programs (i.e. bond issues). During my tenure I implemented a utility consumption tracking and conservation program, a facility condition index data base program and a team cleaning custodial program. I had the responsibility to implement and manage four capital improvement programs which built 38 of WCSD's schools and support facilities. At the request of TMWA staff, I facilitated the acquisition of District locations for TMWA well sites.

Upon retirement from WCSD in 2008, I went to work for CLEAResult Consulting, the contractor managing the Energy Smart Schools program for NV Energy, as a Senior Consultant. I worked with all of the Nevada school districts in NV Energy's service territory providing them with technical information on electrical conservation and efficiency measures, performing mini-energy audits, calculating KWh savings, and issuing rebate incentive checks. I held this position until March, 2016 at which time I retired.

I am a member of the Board of Trustees of the Sparks United Methodist Church. I worked with TMWA staff to sell a portion of the Church property to TMWA for a well site.

Ed Tilzey

[REDACTED] Sparks, NV. 89436

Phone—([REDACTED])

[REDACTED]

I would like to be considered as a volunteer for the TMWA Standing Advisory Committee (SAC).

I have followed and worked on water issues in the Truckee Meadows and Western Nevada for years and am interested in being further involved.

- 40 Year resident of Sparks
- A TMWA customer, single-family residential
- B.S., University of Montana
- Graduate of the US Army Command & General Staff College
- Graduate of the US Air Force War College
- Biologist & Project Manager, BLM – Retired
- US Army LT. Col. – Retired
- Consultant on Environmental and Water issues
- Past experience in water issues and water and utility projects
- Past Board member of: Washoe Co. Wildlife Advisory Board, Wingfield Springs Community Assoc., Lahontan Audubon Society, and the National Public Lands Foundation
- Current Board member of: Sierra Nevada Military Officers Association of America (1st Vice Pres.) and the Nevada Waterfowl Association
- Past experience with project and agency budget processes

November 25, 2016

My name is Gerry Tomac

I would like to submit my application for your volunteer on your Advisory Committee..

I am both a residential and commercial customer.

I have been a business owner for over twenty three years, and most recently sold my business.
Before business ownership I was in the accounting and financial field.

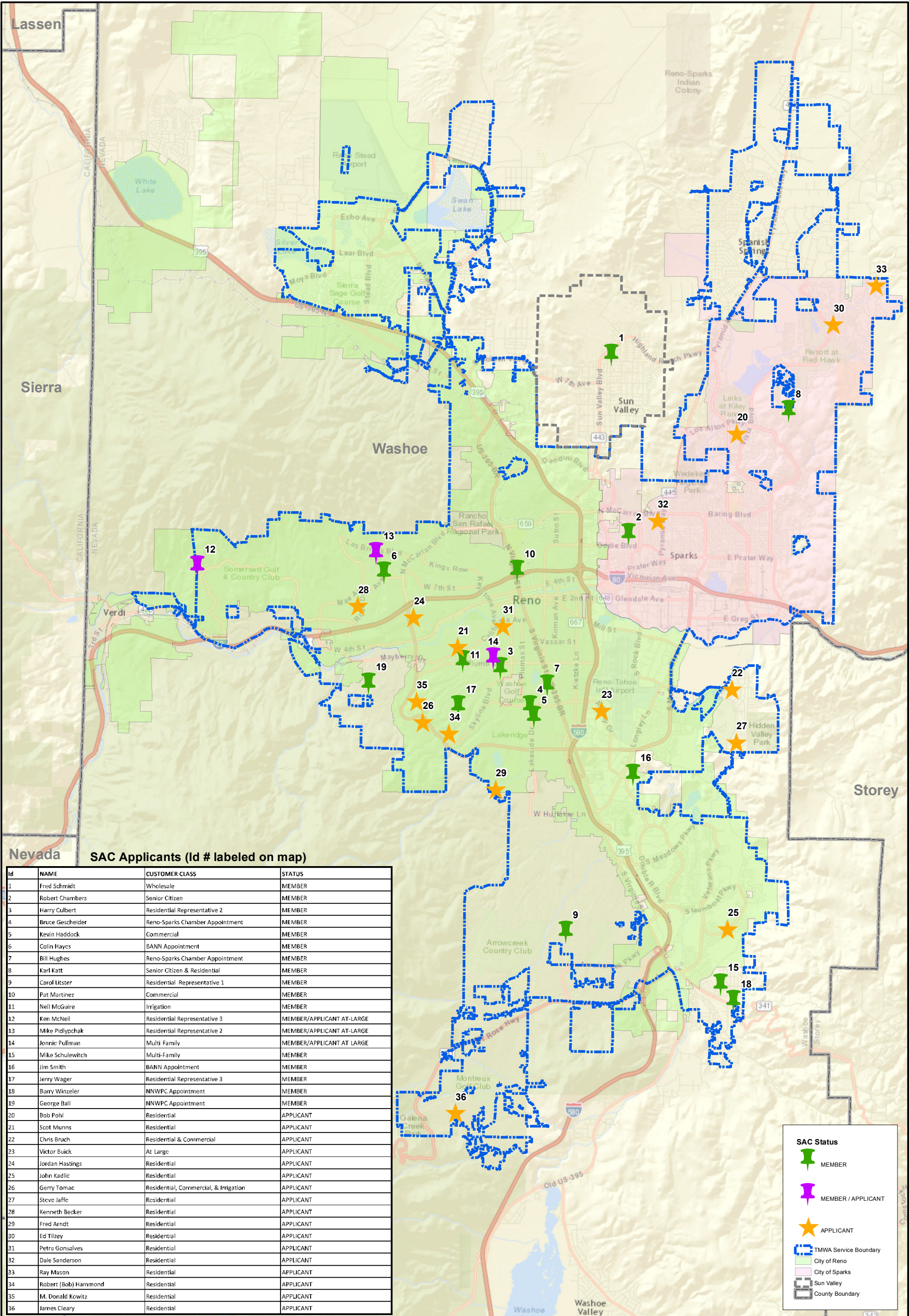
I bring some skills and background that may be of value to your committee.

Currently I serve as a director on the board of Caughlin Ranch HOA.

If there is interest or you need more information you can contact me by my e-mail address.

Thank you

Gerry Tomac



W:\projects\Facilities\Facility_clean_up\projectsmxd\UK_11x17_SAC_MEMBERS_2016.mxd



Distribution of SAC Members & Applicants

DATE	12/6/2016
MAP BY:	JAK
REQUESTED BY:	SF
SCALE:	1 in = 2 miles





STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Sonia Folsom, SAC Liaison
DATE: December 8, 2016
SUBJECT: **Discussion and action, and possible direction to staff regarding appointments to the Standing Advisory Committee to fill vacancies in existing positions whose terms expire December 31, 2016, such appointments to be made for new terms from January 1, 2017 to December 31, 2018 from the following list of candidates: (1) Neil McGuire, primary representative, irrigation customer; (2) Mike Heffner, alternate representative, irrigation customer; (3) Mike Schulewitch, alternate representative, multi-family customer; (4) Kevin Haddock, alternate representative, commercial customer; (5) Robert Chambers, primary representative, senior citizen customer; (6) Karl Katt, alternate representative, senior citizen customer; (7) Carol Litster, primary representative, residential 1 customer; (8) Harry Culbert, primary representative, residential 2 customer; (9) Jerry Wager, primary representative, residential 3 customer; (10) Ken McNeil, primary representative, at-large 1 customer; (11) Mike Pidlypchak, primary representative, at-large 2 customer**

Recommendation

Staff recommends that current Standing Advisory Committee (SAC) members and alternates (if any) be reappointed for an additional two year term beginning January 1, 2017. *(Please refer to the attached membership chart.)*

Background

In August, 2005, a Subcommittee of the TMWA Board appointed the original, eight SAC members along with six alternate members. Subsequently, additional members and alternates were appointed by the Builders' Association of Northern Nevada, the Northern Nevada Water Planning Commission (NNWPC), the Reno-Sparks Chamber of Commerce and the Office of the Consumer Advocate. In September, 2016, the TMWA Board decided to remove the two appointments made by the Northern Nevada Water Planning Commission and the Office of Consumer Advocate and replace those with two at-large positions. Eleven of the eighteen members of the SAC have terms which expire on December 31, 2016.

Discussion

The attached chart reflects the proposed SAC members and their alternates (if any). SAC members and their alternates confirmed their willingness to be reappointed.

- Neil McGuire, primary representative of the irrigation class, has agreed to continue for an additional term and Mike Heffner has resigned, creating a vacancy for the alternate irrigation class.
- Mike Schulewitch, alternate representative of the multi-family class, has agreed to continue for an additional term.
- Kevin Haddock, alternate representative, of the commercial class, has agreed to continue for an additional term.
- Robert Chambers, primary representative, and Karl Katt, alternate representative, of the senior citizen class, have agreed to continue for an additional term.
- Carol Litster, primary representative, residential 1 class, has agreed to continue for an additional term.
- Harry Culbert, primary representative, and Mike Pidlypchak, alternate representative, of the residential 2 class, have agreed to continue for an additional term. Lee Leighton, secondary alternate representative, will no longer continue.
- Jerry Wager, primary representative, of the residential 3 class, has agreed to continue for an additional term.
- Ken McNeil, primary representative, at-large 1 class, has agreed to continue for an additional term.
- Michael Pidlypchak, primary representative, at-large 2 class, has agreed to continue for an additional term.

TMWA Standing Advisory Committee
Term Appointments
2016 Membership List

Customer Class	Primary Representative	Member Since	Term Ends	Alternate Representative	Member Since	Term Ends	Member Since	Secondary Alternate	Term Ends
Wholesale (Sun Valley)	Fred Schmidt	2005	12/31/2017	N/A					
Irrigation	Neil McGuire	2005	12/31/2016	Mike Heffner	2011	12/31/2016			
Multi-family Residential	Jonnie Pullman	2012	12/31/2017	Mike Shulewitch	2013	12/31/2016			
Commercial	Donald Kowitz	2017	12/31/2018	Kevin Haddock	2011	12/31/2016			
Senior Citizen	Robert Chambers	2005	12/31/2016	Karl Katt	2013	12/31/2016			
At-Large 1	Ken McNeil	2013	12/31/2016	Ken Becker	2017	12/31/2018			
At-Large 2	Mike Pidlypchak	2013	12/31/2016	Jordan Hastings	2017	12/31/2018			
Residential:									
Representative 1	Carol Litster	2014	12/31/2016	Dale Sanderson	2017	12/31/2018			
Representative 2	Harry Culbert	2006	12/31/2016	Fred Arndt	2017	12/31/2018	2014	Ralph (Lee) Leighton	12/31/2016
Representative 3	Jerry Wager	2014	12/31/2016	Scot Munns	2017	12/31/2018			
Appointments:									
BANN	Colin Hayes	2010	12/31/2017	Jim Smith	2010	12/31/2017			
Reno-Sparks Chamber	Bruce Gescheider	2009	12/31/2017	Bill Hughes	2016	12/31/2017			

LEGEND
REAPPOINTMENTS
NEW MEMBERS



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Zimmerman, Manager, Water Resources
DATE: December 6, 2016
SUBJECT: **Discussion and action on establishing a Legislative Subcommittee, appointment of Board members to Subcommittee and establishing the process to review legislative activities**

Recommendation

Staff requests the Board provide direction regarding establishing a legislative subcommittee to the Board and a process for reviewing bills proposed during the 2017 legislative session.

Discussion

The 2017 legislative session will begin on February 6th. The timing of TMWA Board meetings may not coincide with legislative activities that may affect TMWA's interests. To monitor the session, the Board since 2007 has formed a Legislative subcommittee consisting of the Board's Chairman and Vice Chairman. In the past, the noticed public meeting of the subcommittee was scheduled for every Friday of the session and was canceled when no action was required for the week. Committee members, staff, and TMWA lobbyists attend the subcommittee meetings to discuss positions on the various bills, which allow it to direct staff and lobbyists if any action is needed.

Also, beginning February, a standing item on legislative matters becomes part of the Board's monthly agenda. At these meetings, staff will provide the Board with a table summarizing the status of Senate and Assembly bills, along with the positions the subcommittee and the Board have taken on each bill (see attachment for a sample table). TMWA lobbyists will attend the Board meetings to answer questions and provide insight into the legislative intent of any particular bill. At times during the session, requests are made to have TMWA attend meetings with legislators or others. In those cases, TMWA staff and lobbyists will communicate with, and receive direction from, the Chairman (or Vice-Chairman if the Chairman is unavailable) regarding the request.

Staff and TMWA lobbyists believe the above-described process has worked well in the past. Subject to Board modification, staff recommends the same procedure and process be implemented for the 2017 session.

NOTE: The Western Regional Water Commission (WRWC) also formed a legislative subcommittee that held a joint meeting with TMWA's legislative subcommittee. TMWA and WRWC share interests on issues affecting water resources in Washoe County.



STAFF REPORT

TO: Board of Directors
FROM: Mark Foree, General Manager
DATE: December 12, 2016
SUBJECT: General Manager's Report

Attached please find the written reports from the Management team including the Operations Report (*Attachment A*), the Customer Services Report (*Attachment B*), the Web Usage and Social Media Report (*Attachment C*), and the Water Resource and the Annexation Activity Report (*Attachment D*).

Also, included in your agenda packet are press clippings from November 10, 2016 through December 15, 2016.



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
BY: Bill Hauck, Senior Hydrologist
DATE: December 12, 2016
SUBJECT: Operations Report

Summary

- Lake Tahoe elevation is 0.03 feet below its natural rim (at this time)
- Floriston Rates are being met at this time as a result of recent winter storms
- Credit storage operations continue as hydrological conditions allow
- More upstream reserves than ever projected to be carried over into 2017 (~39,500 AF)
- Customer demand year to date is 102% of 2015
- Hydro revenue was \$60K in November

(A) Water Supply

- **River Flows** - Truckee River flows at the CA/NV state line were 1,020 cubic feet per second (CFS) as of this morning as a result of significant rainfall in recent days. This is more than the current required rate of flow which is 300 CFS this time of the year.
- **Reservoir Storage** - The elevation of Lake Tahoe is currently at 6222.97 feet (0.03' below its natural rim of 6223.00 feet). There are still no releases possible at this time. Current reservoir storage is as follows:

Reservoir	Current Storage (Acre-Feet)	% of Capacity (Percent)
Tahoe	0	0
Donner	6,180	65%
Independence	16,200	93%
Prosser	10,100	34%
Stampede	98,600	44%

In addition to Donner and Independence lakes, TMWA has approximately 20,500 acre-feet of water stored between Boca and Stampede Reservoirs under the terms of TROA. TMWA has been and will continue credit storage operations as hydrological conditions

allow. It is projected that by December 31, 2016 TMWA will have close to 40,000 acre-feet of upstream storage in reserve.

- **Outlook** - The 2017 water year continues to look promising with precipitation at about two hundred percent (200%) of normal, and snowpack numbers close to average. The consensus according to climate experts is for mild La Nina conditions to continue to develop over this winter which may bring additional moisture to the Pacific Northwest and possibly our region (although there is not a good correlation between La Nina and precipitation in the Truckee River watershed). It is still very early in the snowpack building season and way too soon to read anything into these numbers, but the outlook is good at this point. Another average snowpack year in 2017 would get us through one more year, and provide us with normal river flows all year long, while a *great* snowpack year would provide for normal river flows *and* help the region to make up a portion of the storage deficit created during 2012-2015. Regardless, TMWA is in great shape from a drought supply perspective and prepared for another dry year if that should occur. More upstream reserves or back-up supplies are on-hand than at any point in time due to the new Truckee River operating Agreement. It is projected that TMWA will carry-over a total of close to 40,000 acre-feet into 2017.

(B) Water Production

Demand - Customer demand has reached its wintertime low, averaging ~34 million gallons per day last week. This is typical for this time of year. Eighty three (83) percent of that was met with surface water from the Chalk Bluff water treatment plant, and the remaining seventeen (17) percent from groundwater production wells located throughout TMWA's service area. For the year to date customer consumption is now 102.3% of last year in TMWA's consolidated system.

(C) Hydro Production

Generation - Average Truckee River flow at Farad (CA/NV state line) for the month of November was 287 cubic feet per second (CFS). This flow is below average for this time of year, but high enough to support limited generation, so maintenance was deferred once again at the Verdi plant in order to take advantage of the flow in the river. Both the Fleish and Washoe power plants remained off-line as they are in the midst of major renovations per the planned outage schedule submitted to NV Energy.

Hydro Plant	Days On-Line	Generation (Megawatt hours)	Revenue (Dollars)	Revenue (Dollars/Day)
Fleish	0	0	0	0
Verdi	30	849	\$59,760	\$1,992
Washoe	0	0	0	0
Totals		849	\$59,760	\$1,992

Recent rainfall has helped to keep river flows up and the Verdi plant will likely be able to continue running on a limited basis through the month of December and into January (unless the region experiences a severe cold snap and icing becomes an issue). Both the Fleish and Washoe power plants are scheduled to come back into service in February 2017.



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Andy Gebhardt, Director Customer Relations
DATE: December 21, 2016
SUBJECT: November Customer Service Report

The following is a summary of Customer Service activity for November 2016.

Ombudsman

We had some very sad news regarding the Ombudsman. Joanne took seriously ill during November and has since passed away. We are in the process of finding a replacement. She has been a tremendous consumer advocate, and she will be missed.

As far as Ombudsman calls, there was only one (1) call to the Ombudsman in November:

- A customer called concerning a backbilling issue that occurred because his meter stopped reading. Marci called him back and resolved the issue.

Communications

Attached is the website / social media report.

Customer outreach in November included:

- Participation in Hug High School's Career Fair. This was attended by 1300 students. The TMWA employees that assisted were Johnny Naungayan, Jeremy Hightower, Dana McKinney, Kara Steeland, Jacki Boado, Laine Christman, Justin Greenland and Sonia Folsom.
- Kara Steeland gave a presentation to 24 students at AACT on watershed, river flows, conservation and water supply.
- Necie Schlesener and Lauren Kunin gave the final Winterization Workshop, which was attended by approximately 25 customers.

Conservation (January 1 – November 30)

- 7,842 Water Watcher Contacts
- 2,005 Water Usage Reviews

Customer Calls – November

- 8,072 phone calls handled
- Average handling time – 4 minutes, 38 seconds per call
- Average speed of answer – 21 seconds per call

Billing – November

- 124,616 bills issued
- 71 (<.1%) corrected bills
- 13,097 customers (11.0%) have signed up for paperless billing to date.

Service Orders – November (% is rounded)

- 7,003 service orders taken
- 3,445 (49%) move-ins / move-outs
- 1,144 (16%) cut-out-for-non-payment and cut-in after receiving payments, including deposits and checks for tamper
- 446 (6%) zero consumption meter checks
- 437 (6%) re-read meters
- 616 (9%) new meter sets and meter/register/ERT exchanges and equipment checks
- 337 (5%) problems / emergencies, including cut-out for customer repairs, dirty water, no water, leaks, pressure complaints, safety issues, installing water meter blankets, etc.
- 96 (1%) high-bill complaints / audit and water usage review requests
- 482 (7%) various other service orders

Remittance – November

- 32,567 mailed-in payments
- 26,740 electronic payments
- 26,044 payments via RapidPay (EFT)
- 16,972 one-time bank account payments
- 5,843 credit card payments
- 3,648 store payments
- 2,376 payments via drop box or at front desk

Collections – November

- 17,360 accounts received a late charge
- Mailed 9,294 10-day delinquent notices, 7.5% of accounts
- Mailed 2,758 48-hour delinquent notices, 2.2% of accounts
- 403 accounts eligible for disconnect
- 411 accounts actually disconnected (including accounts that had been disconnected-for-non-payment that presented NSF checks for their reconnection)
- 0.17% write-off to revenue

Meter Statistics – Fiscal Year to November 30

- 2 meter retrofits completed
- 498 meter exchanges completed
- 743 new business meter sets completed
- 121,970 meters currently installed



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Robert Charpentier
DATE: December, 2016
SUBJECT: Web & Social Media Overview for YTD 2016

Web & Social Media Overview – YTD 2016

Highlights

- **Website Overview – YTD 2016:** Visitor numbers have decreased 6% over the same period last year. Pageviews fell 10% from 722,577 to 650,635 in the first 11 months of the year.
- **Mobile Use Continues to Outpace Desktop:** Desktop use has declined from 69% to 65% of all users while mobile users now account for 35% of those visiting the site.
- **Social Media Engagement Growth:** TMWA's Facebook and Twitter followers have increased by 25% and 11% respectively since the end of November, 2015.

tmwa.com — Website Traffic Review – YTD 2016

User traffic to the tmwa.com website in the first ten months of the calendar year has dropped 10.7%, from 228,169 visitors in 2015 to 203,321 in 2016. Despite the year-to-date decline, the numbers indicate a continuing traffic rebound from April's -31% compared to 2015. As it has been throughout the year, the bulk of the traffic decline is attributable to a drop in consolidation-related traffic and a diminished sense of attention on the topics of drought and water supply.

<u>Year</u>	<u>Sessions</u>	<u>New</u>	<u>Returning</u>	<u>Pages/Visit</u>	<u>Avg. Visit Duration</u>	<u>Bounce Rate</u>
2016	420,785.....	45.3%	54.7%.....	1.55.....	1:14 min.....	32%
2015	447,916.....	48.2%	51.8%.....	1.61.....	1:23 min.....	30%
2014	347,728.....	47.6%	52.4%.....	1.66.....	1:38 min.....	38%

Top Content (YTD 2016)

The most visited pages on tmwa.com (listed below) are similar to what we have seen in the past. After the homepage—our most visited page—traffic went mostly to our employment, residential payment, and “contact us” pages.

Rank	Page	Pageviews	Change
1	Homepage	314,551	-4%
2	Residential/Payment Options.....	39,989	-7.6%
3	Employment.....	37,046.....	-22%
4	Contact Us	22,079	-2.6%
5	Assigned-Day Watering.....	15,058.....	-8.3%

Growth by Platform 2016 vs. 2015:

Desktop Users -12%

Mobile Phone +15%

Tablet Use -12%

Traffic to tmwa.com is coming from the following sources (YTD 2016):

		420,785 % of Total: 100.00% (420,785)
<input type="checkbox"/>	1. (direct) / (none)	184,501 (43.85%)
<input type="checkbox"/>	2. google / organic	158,582 (37.69%)
<input type="checkbox"/>	3. bing / organic	21,859 (5.19%)
<input type="checkbox"/>	4. yahoo / organic	15,877 (3.77%)
<input type="checkbox"/>	5. reno.gov / referral	8,843 (2.10%)
<input type="checkbox"/>	6. tmwa.com / referral	7,907 (1.88%)
<input type="checkbox"/>	7. myaccount.tmwa.com / referral	1,557 (0.37%)
<input type="checkbox"/>	8. rank-checker.online / referral	1,468 (0.35%)
<input type="checkbox"/>	9. site-auditor.online / referral	1,463 (0.35%)
<input type="checkbox"/>	10. tmwastorage.com / referral	1,323 (0.31%)

TMWA Social Media



Currently TMWA has **1,389 Twitter followers** and **1,611 Facebook fans**. There is a current Twitter feed on the *tmwa.com* homepage that is updated daily to reflect current topics.

TMWA's YouTube Channel: <http://www.youtube.com/user/truckeemeadowswater>



TMWA videos are intended to provide tips for addressing issues customers may face with their water supply, as well as give customers a window into TMWA's everyday operations, showing everything from infrastructure improvements to water-main repairs. It's a great way to understand both the scope and complexity of the many processes and projects we manage here at TMWA

“About TMWA” Videos:

- [A Day in the Life of a Water Conservation Consultant](#)
- [TMWA Takes it Personally](#)

“TMWA How-to” videos:

- [How to Perform a Home, Self Water Audit](#) (NEW!)
- [Household Winterization – Get Ready for the Cold](#)
- [How to Reduce Your Water Use 10%](#)
- [Spring Sprinkler System Start-Up](#)
- [How to Shut off Your Home's Water in an Emergency](#)
- [How to Use Your Water Meter to Determine if you have a Leak](#)
- [How to Test for and Fix a Leaky Toilet Flapper](#)
- [How to Make an Online Bill Payment from Your Checking Account](#)

“TMWA at Work” videos:

- [Stead Water Tank Rehabilitation](#)
- [Partnership For Safe Water Award](#)
- [Idlewild Pump Station Improvements](#)
- [Steamboat Spillway, Flume Repair](#)
- [Fleish 'Railcar Bridge](#)
- [Water Main Repair on Haskell St.](#)
- [Highland Canal Improvement Project](#)
- [Ice Fighting](#)

TMWA also manages the following informational websites:

- www.communityforestry.org:
- www.tmwastorage.com:
- www.tmwalandscapeguide.com:
- www.truckeeriverfund.org:



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Zimmerman, Manager, Water Resources
DATE: 12 December 2016
SUBJECT: **Report Water Resources and Annexation Activity**

RULE 7

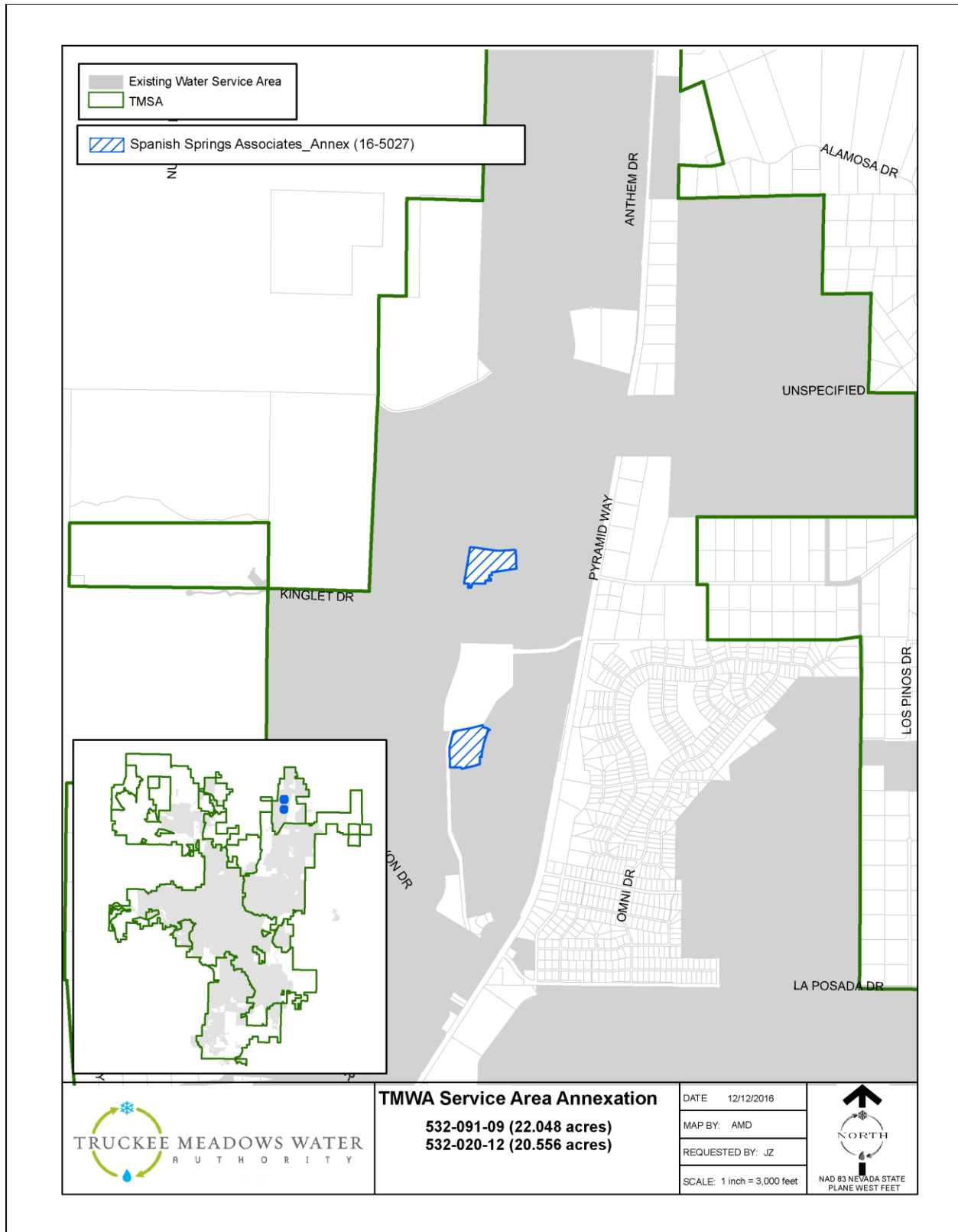
Rule 7 water resource purchases and will-serve commitment sales against purchased water resources through this reporting period:

Beginning Balance		6,573.03 AF
Purchases of water rights	4.95 AF	
Refunds	0.00 AF	
Sales	-82.30 AF	
Adjustments	0.00 AF	
Ending Balance		6,495.68 AF

Price per acre foot at report date: \$7,500

WATER SERVICE AREA ANNEXATIONS

Two residential developments in Spanish Springs. (See attached map).





TMWA Board Meeting

Wednesday, December 21, 2016

Press Clippings

November 10, 2016 – December 13, 2016



DRI Climatologist Kelly Redmond Dies (Updated)

NOVEMBER 7, 2016 BY [BOB CONRAD](#) [LEAVE A COMMENT](#)



UPDATE (11/9/2016) FROM DRI:

A memorial service for Dr. Kelly Redmond will be held on Friday, January 13, 2017 at 2:00 p.m. at Truckee Meadows Community College in Reno, Nevada. [\[CLICK HERE\]](#) to RSVP.

Donations to support the Dr. Kelly Redmond Memorial Fund can be made to the DRI Foundation online. [\[CLICK HERE\]](#) to donate and be sure to select the “Kelly Redmond Memorial Fund” in the gift designation drop down menu.

Reno has lost one of its big brains.

The Desert Research Institute (DRI) announced today that Dr. Kelly Redmond, research professor of climatology, died last week at his home.

“Kelly was one of those special people who was not only a first rate scientist, but felt the responsibility to communicate the science to people of all walks of life. This was a deep held passion of his, and what made him such an extraordinary person,” said Dr. Robert Gagosian, DRI acting president. “He will be sorely missed.”

Redmond’s research showed that drought is linked to climate change and wildfires in the West. He was deputy director of the Western Regional Climate Center (WRCC) and had more than three decades disseminating climate data and information to the public.

DRI explained:

Clear communication of climate data and information to both expert and lay audiences was central to his mission day in and day out. He worked tirelessly to develop tools and services that could support everyone, from kindergarten teachers to research scientists, in utilizing climate data. Through his efforts, he established WRCC as a valued broker of climate information for the West, providing data and services with integrity and transparency.”

Dr. Kelly Redmond, center, and Heidi Parker, right.

I was honored to be a presenter on a panel with Dr. Redmond and Heidi Parker, executive director of Immunize Nevada. We were asked to discuss communicating about issues validated by science but often misunderstood by the public.

Redmond spoke on climate change, I spoke about agriculture and GMOs, and Parker weighed in on communicating about vaccines and vaccinations. The hosting group, the Sierra Nevada Chapter of the Public Relations Society of America, was an inquisitive and incredibly respectful audience, posing excellent questions.

It was an honor to briefly get to know Dr. Redmond and to interview him on our podcast. Please take a few minutes to listen below.

His cause of death was not announced.

DRI Climatologist Dr. Kelly Redmond Dies[CLICK TO TWEET](#)
Related

Brekhus and Bobzien keep seats on Reno City Council

[Anjeanette Damon](#), adamon@rgj.com 9:34 a.m. PST November 9, 2016



Reno Councilwoman Jenny Brekhus and immigration lawyer Victor Salcido are running for Ward 1 on the Reno City Council.(Photo: Handouts)

Story updated with final results at 9:15 a.m.

With final votes tallied, Reno City Councilwoman Jenny Brekhus won a hard-fought race for a second term against Reno lawyer Victor Salcido.

Brekhus claimed victory with 53 percent of the vote.

Councilman David Bobzien also easily won his race against opponent Sam Kumar. Council members Neoma Jardon and Oscar Delgado ran unopposed.

That means the council remain the same for another two years as the city works to repair the turmoil left in the wake of former City Manager Andrew Clinger's termination and meets the challenges of growth and redeveloping downtown.

“It’ll be good to get back to work tomorrow and face all the issues that we are dealing with as a city,” Bobzien said late Tuesday. “We’ve got a lot of important issues coming our way. These four years are super important and I’m ready to get to work.”

ADVERTISING

[inRead invented by Teads](#)

Just after midnight Wednesday, Washoe County Voter Registrar Luanne Cutler reported the county was having trouble transferring about 500 votes from three cartridges, a problem that delayed the final count. The final tally was available by morning.

Most pressing for the council is dealing with the turmoil following Clinger’s termination amid an ongoing sexual harassment and hostile work environment investigation.

The results of that investigation are still pending.

Salcido had sought to capitalize on dissatisfaction from the Reno political establishment with Brekhus’ performance on the council, as well as the dysfunction at city hall, unsuccessfully pinning the blame on Brekhus.

Brekhus is a stickler when it comes to policy, often annoying some of her colleagues on the council with pointed questions and refusal to support what she considers “half-baked” policy proposals.

Brekhus countered Salcido’s criticism by pointing to the significant progress in reducing the city’s debt and trying to deflect blame to Clinger.

In Sparks, Donald Abbott eked out a close victory over opponent Denise Lopez for the seat vacated by Julia Ratti. Incumbent Councilman Ron Smith won a final term on the Sparks City Council over opponent John Rhoads. And Kristopher Dahir bested John Walter in the race to replace outgoing Councilman Ron Schmitt.

Washoe County Commission Chairwoman Marsha Berkgigler, a Republican, easily won a second term over homeless advocate Levi Hooper, a Democrat.

The race between Brekhus and Salcido proved to be one of the more caustic among local races. It also proved to be one of the most expensive.

Both candidates spent more than \$100,000 a piece, with Salcido outpacing Brekhus by nearly \$70,000. Salcido also was given an assist by a Republican-backed political action committee that advertised heavily for him.

One eastbound lane on Prater Way closed after water line break



By Staff |

Posted: Thu 4:45 AM, Nov 24, 2016 |

Updated: Thu 7:18 AM, Nov 24, 2016



[View Map](#)

SPARKS, Nev. (KOLO) - One eastbound lane on Prater Way is closed after a **water** line break. Sparks Police reported the incident around 6:34 p.m. on Wednesday, November 23, 2016.

Police ask the public to avoid the 1100 block of Prater Way, near Robert Mitchell Elementary School, while the Truckee Meadows Water Authority works to repair the water line

New phase of Truckee River Restoration Program begins

by Alexandria Cannito

Tuesday, November 15th 2016

Share Video

VIEW PHOTO GALLERY

3 photos

AA

MORE VIDEO



KRXI_river restoration

RENO, Nev. (News 4 & Fox 11) — Crews are gearing up for a new phase of the Truckee River Restoration Program.

On November 15, crews will begin the Tracy Reach Phase Two Project by dumping 300,000 tons of dirt and rock at the project site.

Officials say they will reconnect the Truckee River to its floodplain which will help direct damaging floods, they'll build two gravel bars in the river to improve stream habitat and they'll replace invasive weeds with native plants to create healthy stream side habitat.

TMWA Seeks Rate Adjustments, Open Houses Planned

NOVEMBER 16, 2016 BY [CARLA O'DAY](#) [LEAVE A COMMENT](#)



The Truckee Meadows Water Authority (TMWA) plans to adjust rates next year to close a funding gap between recurring revenue and cost of services, which is expected to reach \$13 million in the next five years.

The funding proposals account for water revenue increases of three percent over last year's drought levels from residential customers, along with estimated benefits from the refunding of 2007 bonds in 2017.

To close the gap and strengthen its financial metrics by maintaining a favorable credit rating, TMWA proposed two options:

- Adjusting rates to meet current financial needs, but phasing in a rate increase to reduce the impact of one large adjustment, allowing time for economic conditions and TMWA financial metrics to improve. This would consist of rate increases of three percent for each of the first and second years and 2.5 percent in each of the third through fifth years.
- Minimize the size of rate adjustments as much as possible when comparing the cost of service in the funding plan to proposed rates required. This would mean rate increases of three percent each of the first two years and increases commensurate with the Consumer Price Index for urban customers between one and three percent in the following three years.

TMWA staff told board members they recommend an across-the-board three percent increase for the next two years and then an assessment of finances after then.

"We'd re-evaluate in the third year to see if we still need increases," said Michele Sullivan, TMWA chief financial officer.

Several TMWA board members questioned staff on issues they wanted to discuss at next month's board meeting.

Reno Councilwoman Naomi Duerr suggested higher connection fees and wanted to see what differential rate increases would look like based on tiers of water use.



Vaughn Hartung

Washoe County Commissioner Vaughn Hartung said he wanted more information about how projected growth might affect water rates.

“We’ll have an increased customer base over the next two, three and four years,” Hartung said. “I want to see how rates are structured and how projected growth works back into structured rates.”

Reno Councilwoman Jenny Breckhus asked TMWA staff to research how utilities of similar sizes set tiers, adjust rates, and deal with water rights.

The board expects to hear concerns from the public.

Sparks Councilman Ron Smith said people might be reluctant to conserve water if their rates are increased. Breckhus said some constituents have told her they’re not going to conserve water because they think it’ll go toward development.

Selling water rights wasn’t recommended.

“Selling assets would be temporary and we’d still need ongoing revenue,” said Andy Gebhardt, TMWA customer service supervisor.

The next TMWA board meeting is scheduled at 10 a.m. Dec. 21 at Sparks City Hall, 431 Prater Way.

Open houses on rate adjustments are expected the weeks of Feb. 20 and Feb. 27, followed by hearings in March and April. New rates would take effect in May.

Our view: City has not learned from legal woes

The Opinion of the RGJ Editorial Board 5:01 a.m. PST November 21, 2016



The Reno City Council has some explaining to do regardless of what an investigation into sexual harassment claims finds.(Photo: RGJ file)

Legal bills for a sexual harassment investigation at the city of Reno continue to grow, and the expected date of completion keeps getting pushed back.

City Attorney Karl Hall says he hopes to present the 100-plus-page findings on Dec. 14, but there is one concern for which the community will still need answers: The city had claimed to learn from a legal cost overrun two years ago. It clearly has not.

At this point, the city has shelled out more than a half-million dollars related to the harassment claims. Expect this total to keep rising.

This summer, three women alleged City Manager Andrew Clinger sexually harassed them. An initial investigation costing about \$10,000 was completed. It cleared Clinger.

In August, Mayor Hillary Schieve was appointed by the council to select and direct an outside law firm to manage a second investigation. The City Council approved \$50,000 for it, with a predicted completion date by mid-October.

In September, the Reno City Council gave Andrew Clinger [a \\$227,000 severance package](#) with claims of needing to move on.

Next, the council [doubled the investigation's contract amount](#) to \$100,000, and it tacked on an additional \$50,000 for an independent investigator. A [new prediction](#) for informing the public about what happened was given – this time, the reports would be released by mid- to late November.

RGJ government watchdog reporter [Anjeanette Damon](#) discovered earlier this month that the law firm and the investigator had billed the city for more than \$21,000 over what the council OK'd.

This type of overbilling was not supposed to happen again after legal problems related to labor negotiations in 2014. During an expensive fight to secure long-term benefit cuts from public employee unions, [Damon uncovered](#) that the city exceeded the \$150,000 that was supposed to be spent on lawyers by \$172,000.

At the time, Clinger said, “We made a mistake. We screwed up. I’m the city manager; it’s my responsibility.” He said such overages would be prevented because the city was implementing stronger tracking measures.

inRead invented by Teads
[inRead](#) Yet here we are again. On Wednesday, because of the overage for legal fees related to the sexual harassment claims, [the council approved more money](#) for the investigation – \$75,000 this time.

It should also be noted that the three women have been on paid administrative leave this whole time, unable to work and unable to move on.

Hall says the investigation is done and that completing the reporting process is all that remains of this part of the harassment claims. It is unclear how the investigation can be considered complete, however, given that [the three women were not interviewed](#). More will likely come out if and when they file lawsuits against the city.

Regardless of this case’s outcome – Clinger maintains his innocence – the city has some explaining to do:

- Why did the tracking measures not work to keep legal fees to agreed-upon limits, and what will the city do to fix the issue?
- Should the city attorney’s office have played a stronger role in managing expenses or could the mayor have provided more oversight directing the outside law firm? (Schieve, along with Councilwoman Neoma Jardon, voted against the latest \$75,000 increase.)
- And what will the council do to restore community confidence? [It is in danger](#) of [becoming](#) the region’s most dysfunctional government panel.

Reno is at such a tipping point for greatness that it is a shame to see such avoidable mistakes being made by our representatives.

12 CONNECT [TWEETLINKEDIN](#) 1 COMMENTEMAILMORE

President-Elect Says ‘Crystal Clear Water’ Crucial

By [Alex Formuzis, Sr VP Communications and Strategic Campaigns](#)



WEDNESDAY, NOVEMBER 23, 2016

During a sit-down Tuesday with top brass from The New York Times, President-elect Donald Trump told the assembled journalists, columnists and editors that “clean air and ‘crystal clear water’ were vitally important,” the [paper reported](#).

Trump also admitted during the same meeting that there was [“some connectivity”](#) between man-made pollution and global warming, and wavered on his pledge to pull the U.S. out of the Paris treaty on reducing greenhouse gas emissions.

The only way to realize a nation where every American enjoys clean, safe drinking water is to ensure that the Environmental Protection Agency is armed with the [resources and authority](#) it needs to effectively enforce the Safe Drinking Water Act. Let’s hope the incoming administration will stand by this pledge and push Congress to bolster – not cut – the EPA’s budget.

KEY ISSUES:



Long-awaited Tahoe Pyramid Bikeway trail nears completion



Courtesy photo |

Susan Voyles on the Tahoe Pyramid Bikeway trail.

TRUCKEE, Calif. — One more link has been added to the bike trail being built in the rugged Truckee River Canyon connecting Truckee and Reno.

The link — built across a wall of boulders pushed over the edge in building Interstate 80 freeway nearly 60 years ago — opens up a 6.3-mile run from Floriston, past Farad to the rebuilt Fleish footbridge.

That makes a nice little run, hike or bike ride as long as the weather holds. Then it's time to strap on some snowshoes, said Janet Phillips, president of Tahoe Pyramid Bikeway, a nonprofit group based in Reno that's working with the Truckee Donner Recreation and Park District, the official sponsor of this section of trail.

By spring, a section of trail past the Fleish bridge should reopen to take people all the way down the canyon from Floriston to Reno.

The Truckee Meadows Water Authority has closed its maintenance road from the Fleish bridge to Verdi while it rebuilds the spillway at one of its hydro power plants. TMWA opened the road for the bikeway in 2013.

Within two years, the last four miles of trail should be built from the Hirschdale Bridge, just east of the Glenshire community, to Floriston. That will open up the entire Truckee Canyon, allowing people to bike ride between Truckee and Reno.

This work be built in two stages:

- A section of trail starting at the Hirschdale bridge is expected to open following the old highway route in 2017.
- Work for the last leg of the trail through the Truckee Canyon — following the steep, winding curve on Interstate 80 just before Floriston — is expected to start in 2018 after environmental studies are concluded.

But for now, you may want to check out the Floriston to Fleish bridge section if you haven't already. People can safely park just off Interstate 80 exits at Floriston or Farad. The trail location is obvious at Farad while at Floriston people should park on the north side of I-80 and the Truckee River and then head east.

The trail has a few small hills but is generally flat. Riders will have to pick up their bikes and carry them over stairs built across pipes for an old hydro power plant. Several new informational signs can be found about the river and the highway just west of Farad.

The new link east of Farad was supposed to open in the summer of 2015, but builders ran smack into a virtual wall of boulders. The challenge: how to keep the boulders in place above and below the trail route, which runs about 50 feet below the freeway, said Don Hays, who built the trail and has trail construction offices in Sparks and Tahoe City.

Hays has built trails across the country for years and said this section was his second or third most difficult project. "It was like building on a stack of marbles," Hays said. "If you took one marble out, the rest of the mountainside would come down on you."

So for 265 feet, Hays built a wall with two-inch thick boards framed in steel to keep boulders in place above the trail and below the trail in some places. Then he and another worker built a trail bed, using 210 cubic yards of small rocks to create building blocks.

Each block of rocks is wrapped in chain-link fencing and was laid by hand, one rock at a time. The rock bed is up to 12 feet deep in places.

"It was just physically really hard. Just me and one other person. There was no room for more," Hays said.

The California Department of Transportation issued a permit to build this section of trail along the Interstate 80 corridor and would issue more permits for the upcoming trail work.

"It's a great example of what can be achieved with a public/private partnership," Reed said of the bikeway group. "They have a level of expertise on a volunteer basis. It's an amazing group."

A \$2 million federal grant is pending for the last leg. The bikeway group has raised \$150,000 in the last year in reaching \$300,000 in required matching funds for the project, Phillips said.

In all, the bikeway group and its sponsors have raised about \$1 million to open 10.7 miles of trail through the Truckee Canyon.

Susan Voyles is a member of the Tahoe Pyramid Bikeway group's communications committee. Visit tpbikeway.org to learn more.

KTVN---11-28-16

Pipe Burst Near Moya & Lear Blvds, Now Cont



Crews are cleaning up after a pipe burst under the area of Moya & Lear Boulevards in Stead north of Reno Monday morning at approximately 10:15.

Authorities tell us sewage is flowing into a nearby storm drain, but is not expected to reach the river. They say the city sewer line breakage lost "very little sewer" and has now been contained.

A portion of Lear and one north lane of Moya was closed for cleanup. They say traffic is not being impeded, but drivers should use caution when they are close to the area.

Officials say that crews will remain on scene for the rest of the week while they continue to fix the pipe.

There's no immediate word on what caused the pipe burst.

Reno to settle Goldman Sachs lawsuit for \$750,000

[Anjeanette Damon](#), adamon@rgj.com 4:43 p.m. PST November 30, 2016



A lighted sign marks the Goldman Sachs trading post on the floor of the New York Stock Exchange, Tuesday, Aug. 5, 2014.(Photo: Richard Drew/AP file)

The city of Reno is on the cusp of settling its years-long lawsuit against Goldman Sachs, which it accused of misleading the city into taking on risky debt that nearly led the city into insolvency.

Under the terms of the agreement, however, the city will get just a small fraction of the \$13 million it sought as reimbursement for the penalties and sky-high interest rates it had to pay when the auction rate securities market collapsed in 2008.

On Dec. 7, the Reno City Council will vote on whether to approve the settlement, which includes a \$750,000 payment from Goldman Sachs. Other than the payment, the details of the agreement remain confidential.

"We haven't finalized anything yet," said Joe Peiffer, a New Orleans-based lawyer the city hired for the litigation. "We are almost there. It's confidential so there's not too much I can say other than, I think the parties settled to everybody's satisfaction."

ADVERTISING

[inRead invented by Teads](#)

Peiffer worked for the city on contingency, so a portion of the settlement funds will go to his law firm. The exact amount wasn't available on Wednesday.

Robert Chisel, Reno's Finance Director, acknowledged the city wasn't able to recoup all of its losses through the settlement, but added its more than the city would get if it lost in court.

"If you look at some of these other cases that have been out there, they usually don't win these days," he said.

At issue is \$210 million in bonds the city issued in 2005 and 2006 to refinance the debt for the downtown train trench and events center. According to the city's lawsuit, Goldman Sachs failed to disclose the severe risk in the volatile auction rate securities market, nor the fact that the bank was artificially propping up the market by bidding the interest rates down.

Reno's leaders — former City Manager Charles McNeely and former Mayor Bob Cashell — were wooed by the idea of low interest rates, even taking out another \$20 million for "downtown projects," much as a homeowner might buy a boat by borrowing against home equity.

But when the financial markets collapsed in 2008, and the banks stopped bidding on the auction rates, the rates skyrocketed. That landed Reno with a 15 percent interest rate on the debt, as well as millions in penalties owed to Goldman Sachs.

A review of the city's financial documents shows payments to Goldman Sachs more than doubled to \$7 million from \$2.6 million between 2012 and 2013.

In 2008, Reno scrambled to refinance the debt. The majority of it is now held by Bank of New York. Reno still owes \$47 million to Goldman Sachs. That bond, however, is in forbearance until 2018.

The bonds are paid for through a 1/8-cent sales tax, which currently isn't generating enough revenue for the city to make payments to both Bank of New York and Goldman Sachs. Because they are revenue bonds, however, the city's general fund is not on the hook for the payments

Underwater photographer captures clarity of Lake Tahoe



1 / 11



Courtesy / Dylan Silver |
"Bubbles" from Chimney Beach, Lake Tahoe, Nevada.

RELATED MEDIA

Journalist and photographer Dylan Silver slips into a 9 mm-thick wetsuit, booties and gloves before diving into Lake Tahoe on a winter day, underwater camera in hand.

Below the surface it's quiet — no boats churning up the water, decreasing the lake's famous clarity, or other swimmers disturbing his solitude. The water temperature is around 40 degrees, after all, and there's snow in the mountains.

"I've been swimming and snorkeling in Lake Tahoe since I was eight when my family lived in Gardnerville," said Silver. "My mom would bring me up, and I would motor around on my little rubber raft, jump in and swim down into the depths."

When Silver discovered an interest in photography from his work as a journalist, the idea of combining that with his passion for swimming in the lake seemed like a natural next step.

"I knew the underwater scenery was down there. After following the photography scene in Lake Tahoe, I noticed that nobody was taking pictures of it," explained Silver.

“And then combined with that, I saw a lot of the scientists and researchers were using cameras to document the changes in the lake. I thought this would be a good record to have.”

For the past two and a half years, Silver has been capturing Lake Tahoe’s waters in an ongoing series entitled “Tahoe Clarity.”

Donning various snorkel gear and scuba diving equipment, Silver has set out to document the entire circumference of the lake from the sandy bottom to the waves churning on the surface.

“I do mostly surface work, which is photography in that top 30 or so feet. When you go deeper than that, the gear starts to get a lot more complicated,” said Silver, who swims and shoots at least a few times a month, year-round.

His photographs typically fall into three styles: shots taken completely underwater, a split frame showing above and below the surface, and shots of cascading waves.

“Taking pictures of water is unlike other photography because it’s very serendipitous. The water moves so quickly and in ways that you can’t capture just by looking at it,” explained Silver.

“So with a camera you can capture moments of movement that you don’t even realize are happening.”

All around the lake, Silver has favorite spots to shoot for different reasons — Secret Cove on the East Shore for its shallow teal waters and D.L. Bliss State Park for its exceptional clarity, for example.

“You can see 70 or 80 feet some days,” said Silver.

“And in Emerald Bay there are things like the sunken forest, which is where a landslide slid a bunch of old growth Ponderosa pines into the lake and now they are standing on end like they are a forest,” he explained. “It’s just a really surreal landscape.”

Underwater, Silver encounters unique rock formations, sand patterns, fish — like mackinaw and Tahoe suckers — and hundreds of pairs of sunglasses.

“I have a whole collection,” he laughed. “I plan to do something with those, but I don’t know what quite yet.”

A lack of people dropping said sunglasses in the water is part of the reason Silver prefers swimming and shooting during the colder months.

“I feel so lucky in the winter because it feels like I have the lake to myself. In the summer it’s trickier. If you’re diving, you have to be concerned about boats, and you can actually hear boats underwater, so it’s a little bit distracting,” explained Silver.

And the summer water activity affects the clarity of the water, too.

“It’s hard if you don’t swim as much as I do to really see the changes, but anybody who went in during the winter and went in on a typical summer day, you could see it. It’s a night and day difference in terms of how far you can see in the water.”

As his project title suggests, clarity is a big part of what makes Lake Tahoe unique — and preserving that clarity is a big motivator for the underwater photographer.

Silver has begun selling his prints online, and is donating a portion of those proceeds — as well as complete access to his photos for marketing purposes — to The League to Save Lake Tahoe.

“Anyone who lives here or plays here knows the issues that Lake Tahoe is facing. There are a lot of serious threats to not only the water, but the Basin as a whole. The League has been doing so much work, and they seem to make really good decisions regarding conservation,” said Silver.

Silver’s large collection of “Tahoe Clarity” prints are available for purchase on <http://www.tahoeclearity.com>, where you can also browse his gallery and read about his latest dives on the blog.

Several “Tahoe Clarity” prints are also on display at the Benko Art Gallery, located at 3929 Lake Tahoe Blvd. No. 2 in South Lake Tahoe.

Correction: Lake Tahoe-Underwater Photos story

Updated 12:23 pm, Saturday, December 10, 2016

Link to site:



•
•



Photo: Dylan Silver, AP Photo/Courtesy Of Dylan Silver

that Silver is producing to document efforts to restore the alpine lake's famous clarity. SOUTH LAKE TAHOE, Calif. (AP) — In a story Dec. 7 about Lake Tahoe, **The Associated Press** erroneously attached the wrong text to a story. The text has been replaced.

A corrected version of the story is below:

Underwater photographer captures clarity of Lake Tahoe

By **CLAIRE CUDAHY**

Tahoe **Daily Tribune**

SOUTH LAKE TAHOE, Calif. (AP) — Journalist and photographer **Dylan Silver** slips into a 9 mm-thick wetsuit, booties and gloves before diving into Lake Tahoe on a winter day, underwater camera in hand.

Below the surface it's quiet — no boats churning up the water, decreasing the lake's famous clarity, or other swimmers disturbing his solitude. The water temperature is around 40 degrees, after all, and there's snow in the mountains, reported the Tahoe Daily Tribune (<http://bit.ly/2heXnve>).

"I've been swimming and snorkeling in Lake Tahoe since I was eight when my family lived in Gardnerville," said Silver. "My mom would bring me up, and I would motor around on my little rubber raft, jump in and swim down into the dep

When Silver discovered an interest in photography from his work as a journalist, the idea of combining that with his passion for swimming in the lake seemed like a natural next step.

"I knew the underwater scenery was down there. After following the photography scene in Lake Tahoe, I noticed that nobody was taking pictures of it," explained Silver.

"And then combined with that, I saw a lot of the scientists and researchers were using cameras to document the changes in the lake. I thought this would be a good record to have."

For the past two and a half years, Silver has been capturing Lake Tahoe's waters in an ongoing series entitled "Tahoe Clarity."

Donning various snorkel gear and scuba diving equipment, Silver has set out to document the entire circumference of the lake from the sandy bottom to the waves churning on the surface.

"I do mostly surface work, which is photography in that top 30 or so feet. When you go deeper than that, the gear starts to get a lot more complicated," said Silver, who swims and shoots at least a few times a month, year-round.

His photographs typically fall into three styles: shots taken completely underwater, a split frame showing above and below the surface, and shots of cascading waves.

"Taking pictures of water is unlike other photography because it's very serendipitous. The water moves so quickly and in ways that you can't capture just by looking at it," explained Silver.

"So with a camera you can capture moments of movement that you don't even realize are happening."

All around the lake, Silver has favorite spots to shoot for different reasons — Secret Cove on the East Shore for its shallow teal waters and D.L. Bliss State Park for its exceptional clarity, for example.

"You can see 70 or 80 feet some days," said Silver.

"And in Emerald Bay there are things like the sunken forest, which is where a landslide slid a bunch of old growth Ponderosa pines into the lake and now they are standing on end like they are a forest," he explained. "It's just a really surreal landscape."

Underwater, Silver encounters unique rock formations, sand patterns, fish — like mackinaw and Tahoe suckers — and hundreds of pairs of sunglasses.

"I have a whole collection," he laughed. "I plan to do something with those, but I don't know what quite yet."

A lack of people dropping said sunglasses in the water is part of the reason Silver prefers swimming and shooting during the colder months.

"I feel so lucky in the winter because it feels like I have the lake to myself. In the summer it's trickier. If you're diving, you have to be concerned about boats, and you can actually hear boats underwater, so it's a little bit distracting," explained Silver.

And the summer water activity affects the clarity of the water, too.

"It's hard if you don't swim as much as I do to really see the changes, but anybody who went in during the winter and went in on a typical summer day, you could see it. It's a night and day difference in terms of how far you can see in the water."

As his project title suggests, clarity is a big part of what makes Lake Tahoe unique — and preserving that clarity is a big motivator for the underwater photographer.

Silver has begun selling his prints online, and is donating a portion of those proceeds — as well as complete access to his photos for marketing purposes — to **The League** to Save Lake Tahoe.

"Anyone who lives here or plays here knows the issues that Lake Tahoe is facing. There are a lot of serious threats to not only the water, but the Basin as a whole. The League has been doing so much work, and they seem to make really good decisions regarding conservation," said Silver.

Silver's large collection of "Tahoe Clarity" prints are available for purchase on <http://www.tahoeclarity.com>, where you can also browse his gallery and read about his latest dives on the blog.

Several "Tahoe Clarity" prints are also on display at the Benko Art Gallery, located at 3929 Lake Tahoe Blvd. No. 2 in South Lake Tahoe

Reno council to consider 'ratifying' developer subsidy after Open Meeting Law complaint

[Anjeanette Damon](#), adamon@rgj.com 7:44 p.m. PST December 9, 2016

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Renderings of the Park Lane Mall redevelopment plan

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Animal hospital view looking southwest from parking lot of Park Lane Mall redevelopment. Renderings provided to the RGJ

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This empty fenced-off lot was once Reno's Park Lane Mall. Now its an "eyesore." (Photo: Andy Barron/RGJ) Buy Photo

The Reno City Council will take a vote on whether to "ratify" its \$3.5 million subsidy to the developer of the Park Lane site after a complaint from a local lawyer that the public was kept in the dark about the deal and didn't have time to express an opinion about it.

Lawyer Stephanie Rice wrote to council members on behalf of an unnamed client after they approved the \$3.5 million assist for sewer and storm drain relocation work, saying the council likely violated the Open Meeting Law by not providing a clear description of the potential subsidy on the meeting's agenda. She did not file a formal complaint with the Nevada Attorney General's Office.

The agenda described the subsidy up for consideration as an "infrastructure offset," which Rice argued was so vague that a general member of the public wouldn't understand it.

"Citizens, including my client, had absolutely no way of knowing that discussion on such infrastructure improvement offsets and agreements really meant that the Council would be considering allocating public funds through any such agreement," Rice wrote.

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Reno City Attorney Karl Hall disagreed that the council violated the Open Meeting Law, but wrote in a memo that the council should "ratify" the agreement at Wednesday's meeting "in the spirit of complete openness and transparency."

The vote is a largely symbolic action to allow for more public comment, but won't change the outcome of the vote in November to approve the agreement, Hall said.

"We have an agreement in place already," Hall said.

[RENO GAZETTE JOURNAL](#)

[Developer of Park Lane Mall site to get "questionable" \\$3.5 million subsidy](#)

Hall continued to balk at the description of the deal as a subsidy. The first agenda for Wednesday's meeting did not include the \$3.5 million value of the agreement with Reno Land Inc., because Hall didn't believe it was a subsidy. The agenda, however, was revised to include the dollar figure.

Such an agreement has never been done before by the city. And one council member described it as "legally questionable."

This is how it works:

- Reno Land Inc. pays an estimated \$7 million in sewer connection fees that it owes on the \$500 million mixed-use development.

- The developer then spends his own money to reconfigure the public sewer and storm drain system to fit his development. The reconfiguration will include replacing 50-year-old infrastructure that the city would have to replace soon anyway.

-After the sewer work is done, the city will forgive the developer up to \$3.5 million in sewer connection fees over two years. The \$3.5 million in "offsets" to the developer will come from fees paid by residential and commercial sewer customers. Those customers have paid annual increases for more than a decade to ensure the city has enough money to replace aging sewer infrastructure.

[RENO GAZETTE JOURNAL](#)

Tiny-house builder cries foul over big developer subsidy

In his memo, Hall described the deal as an in-kind payment by the developer, not "financial subsidy" or waiving of fees.

In the original discussion, Councilman Paul McKenzie objected to the use of sewer-user fees for the deal. Those fees, by state law, are to be used for maintaining the sewer system, not developer subsidies.

But Public Works Director John Flansberg said the sewer-user fees are appropriate because they are being used to pay for work the city would have to do eventually anyway. He said the public also will benefit from the new sewer infrastructure. The public is further protected because the deal is structured to reimburse the developer for work he performs up front.

Reno Land Inc. is proposing to build 1,200 residential units, 100,000 square feet of retail space and 100,000 square feet of office space on the long-blighted lot on the corner of Plumb Lane and South Virginia Street. The company, headed by Chip Bowlby, hired two lobbyists to help broker the deal with the city: former Councilwoman Jessica Sferrazza and John Griffin.

At the original meeting, no one spoke against the deal.

Anyone wishing to express an opinion on the deal can attend the meeting at 10 a.m. Wednesday at Reno City Hall, or can submit a comment [on the city's website](#)

Editor's note: This story was updated to include additional comments from Hall and to explain the difference between ratification and reconsideration.

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TOP VIDEOS

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December 12, 2016 |

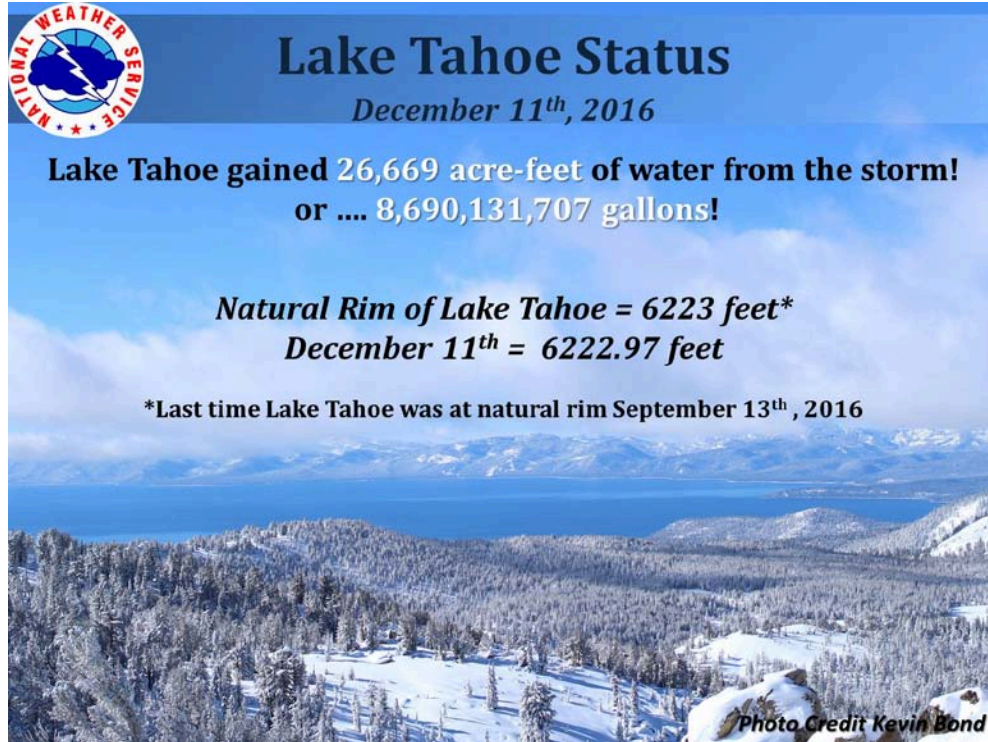


image: noaa, today

“Lake Tahoe and other reservoirs gained an incredible amount of water from the storm that moved through December 9th and 10th. Check out those numbers! It is unusual for Lake Tahoe to be nearing its natural rim during December.” – NOAA, today

The Atmospheric River storm that just clobbered Lake Tahoe in rain did one good thing: It filled Lake Tahoe to its rim!

Lake Tahoe just gained 8,690,131,707 gallons of water in just 2 days last week! Wow...

Lake Tahoe is now just 0.36 inches from its natural rim.

The last time that Lake Tahoe was at its natural rim was on September 13th, 2016.

[Another very wet, very warm, very rainy storm is headed to Tahoe this week.](#) Actually, two wet, warm, rainy storms are headed Tahoe’s way this week.

Environmentalists Praise Passage of Lake Tahoe Restoration Act

Posted: Dec 12, 2016 1:29 PM PST *Monday, December 12, 2016 4:29 PM EST* *Updated: Dec 12, 2016 1:56 PM PST* *Monday, December 12, 2016 4:56 PM EST*



Environmentalists are praising congressional approval of the Lake Tahoe Restoration Act as a critical step toward providing hundreds of millions of dollars necessary to continue efforts to reverse a long-term drop in the clarity of the mountain lake's clarity.

The act approved on Friday as part of a larger national package of water infrastructure improvements authorizes up to \$415 million in federal appropriations at the lake over the next seven years.

Tahoe advocates had expressed concern that President-elect Donald Trump might not sign the measure into law. They say they're relieved it's now headed to the desk of President Obama.

Joanne Marchetta, executive director of the Tahoe Regional Planning Agency, says the importance of the bipartisan legislation "cannot be overstated."

League to Save Lake Tahoe Executive Director Darcie Goodman Collins called it a "great day for Lake Tahoe."

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Washoe County Announcement

Top 5 things to know from the Washoe County Board of Commissioners meeting
County Commission approves expansion of senior services programs to Incline Village.

Media Release
 For Immediate Release
www.washoecounty.us

Contact: Chris Ciarlo
cciarlo@washoecounty.us
 775.328.2070

Reno, Nevada. Dec. 13, 2016. The following report highlights several important agenda items from the Washoe County Board of Commissioners meeting on Tuesday, Dec. 13, 2016. You can watch [videos on-demand online](#).

1. County Commission approves money for a senior center in Incline Village.

County Commissioners approved a General Fund Contingency transfer of \$75,000 to the Senior Services Fund to pay for the expansion of Washoe County senior services programs to Incline Village.

The [expansion will include](#) a new senior center in Incline Village, nutrition, caregiver support, community programs, clinical services and innovative initiatives to benefit indigent seniors living within Washoe County. The senior center will be located at 855 Alder Ave., on Washoe County property near the current Incline Village Library. The expansion will help older adults through caregivers maintain independence, dignity and quality in their lives by providing direct and indirect social and health services.

There is a significant need to enhance senior service resources in Incline Village to include a congregate meal site, increase in social activities, case management services and homemaker services for seniors in that area.

"This is just the beginning when it comes to supporting our valued seniors within Washoe County," said Assistant County Manager Kevin Schiller. "The 60-plus population is the fastest growing age group in Washoe County, so plenty still remains to be done and will get done as County leadership prepares for the influx of seniors anticipated in the near future."

Commissioner Marsha Berkbiger (Dist. 1) said the Commission is dedicated to helping the senior population.

"Our aging community is affecting everyone," Berkbiger said. "The goal of Washoe County Senior Services is to make sure that as the number of seniors living within Washoe County increases, we continue to make improvements in our ability to meet the unique needs of the senior population and this senior center in Incline Village is a good start."

2. County Commission approves a contract with Bell-Men Golf to manage Washoe Golf Course. County Commissioners approved a [professional services agreement](#) to Bell-Men Golf, 3-2 (Hartung, Lucey dissent), to manage Washoe Golf Course beginning Jan. 1, 2017, through June 30, 2021.

Additionally, County Commissioners agreed to accept \$120,000 immediate payment by Bell-Men Golf, 3-2 (Hartung, Lucey dissent), to resolve outstanding payments. Both Washoe County and Bell-Men agreed to forego any future plans of litigation regarding the dispute over the amount of money owed.

Washoe Golf Course is owned by Washoe County. The course, founded in the early 1930s, is the oldest golf course in Reno.

3. County Commission approves transfer of water rights to the Pyramid Lake

Paiute Tribe. Following Tuesday's public hearing, County Commissioners [approved the purchase and sale](#) of 362 acre feet of Truckee River Water Rights (claim DTR-014) to the Pyramid Lake Paiute Tribe.

The County believes the \$2,896,000 sale of water rights will enhance the water quality in the lower Truckee River by allowing the water to stay in the river for the benefit of the river's ecosystem.

According to Nevada Revised Statute, the money from the sale of water rights must be used for capital projects within the County. The money will be put in the Capital Improvement Fund.

"We feel fortunate that the Pyramid Lake Paiute Tribe is in a position to work with Washoe County on this purchase to benefit all residents of Washoe County not only economically, but to help preserve the natural environment leading to and including Pyramid Lake," said Washoe County Director of Community Services Dave Solaro.

4. County Commission proclaims January 2017 as National Radon Action

Month. The University of Nevada Cooperative Extension, the Nevada Division of Public and Behavioral Health and the U.S. Environmental Protection Agency are encouraging all Washoe County residents to [test their homes for radon](#) for National Radon Action Month. Radon is a naturally-occurring radioactive gas in the ground that is colorless and odorless.

The Environmental Protection Agency estimates 21,000 people in the United States die each year from lung cancer caused by indoor radon exposure.

Testing is the only way to find out what the level of radon is within a home. During the months of January and February, free radon test kits will be available at Cooperative Extension and partner offices statewide. In Washoe County, educational programs will be offered at several libraries and partner locations, where free kits will also be offered.

- Jan. 7 – Northwest Reno Library, 2325 Robb Dr., Reno, at 1 p.m.
- Jan. 12 – Sparks Library, 1125 12th St., Sparks, at 6 p.m.
- Jan. 24 – Spanish Springs Library, 7100 Pyramid Way, Sparks, 5:30 p.m.
- Feb. 1 – Incline Village Public Works, 1220 Sweetwater Rd., Incline Village, at 6 p.m.
- Feb. 8 – South Valleys Library, 15650A Wedge Pkwy., at 6 p.m.
- Feb. 12 – Sierra View Library, 4001 S. Virginia St., at 2 p.m.

For other locations offering free radon test kits in January and February, visit the [Cooperative Extension radon website](#) or contact the Radon Hotline at 888-Radon10 (888-723-6610).

"The work the folks at UNR have been doing to raise awareness about the dangers of high levels of radon within the home is extremely important," said Washoe County Commissioner Hartung (Dist. 4). "I thank them and the Commission supports them in their efforts to keep this community safe."

5. County Commissioners praise County Manager John Slaughter during annual review. At Tuesday's meeting, the County Commission conducted their [annual performance evaluation](#) of County Manager Slaughter. The Commission extended Slaughter's contract two more years through the year 2021.

The Commission approved a five percent salary increase. The Commission also approved a 10 percent bonus of his base salary. Slaughter requested that 10 percent of that bonus be deferred to the Employee Scholarship Program.

The Commission praised Slaughter for his leadership over the past year.

"Mr. Slaughter, you display an incredible calm, patience and control in the midst of crisis," said Commission Chair Kitty Jung (Dist. 3). "I thank you for always being responsive to the staff and Commission's needs. We are honored to have you as our Washoe County Manager."

"Mr. Slaughter, I want to commend you for going through a review process publicly as challenging as it is," said Commission Vice Chair Bob Lucey (Dist. 2). "You have done a phenomenal job with leadership and providing access to information for commissioners and the staff. I have heard from the community and how much they appreciate your humble nature."

Slaughter thanked the County Commission for their support.

"I feel very blessed every day that I have the opportunity to work for this organization and this community for 30 years," Slaughter said. "I'm blessed with a great executive team, department directors and most importantly, the employees of Washoe County."

In addition, County Commissioners accepted the following donations:

\$750 from the [Reno Air Racing Association, Inc.](#), National Championship Air Races to the Washoe County Sheriff's Office for the Citizen Corps Program.

\$300 [donation](#) from the Fire Shows West to the Washoe County Sheriff's Office for the Citizen Corps Program (CCP).

All photos from Tuesday's Board of County Commissioners meetings can be seen [online](#)

4 million Americans could be drinking toxic water and would never know

RANGER, Texas — The leaders of this former oil boomtown never gave 2-year-old Adam Walton a chance to avoid the poison.

By Laura Ungar and Mark Nichols, A USA TODAY NETWORK INVESTIGATION

It came in city water, delivered to his family's tap through pipes nearly a century old. For almost a year, the little boy bathed in lead-tainted water and ate food cooked in it. As he grew into a toddler — when he should have been learning to talk — he drank tap water containing a toxin known to ravage a child's developing brain.

Adam's parents didn't know about the danger until this fall.



Adam Walton, 2, in the striped shirt, has high levels of lead in his blood. He lives with his mom, Destiny; dad, John; and brother, Andrew, 1, in Ranger, Texas. The water supplying their house tested high for lead.

(Photo: Laura Ungar, USA TODAY)

Officials at City Hall knew long before then, according to local and state records. So did state and federal government regulators who are paid to make sure drinking water in Texas and across the nation is clean. Ranger and Texas officials were aware of a citywide lead problem for two years -- one the city still hasn't fixed and one the Waltons first learned about in a September letter to residents. The city and state even knew, from recent tests, that water in the Walton family's cramped, one-bedroom rental house near the railroad tracks was carrying sky-high levels of lead.

Destiny and John Walton got their first inkling of a problem when blood tests in June detected high levels of lead in their son's growing body. They first learned that their tap water contained lead — about 28 times the federal limit — when a USA TODAY Network reporter told them in early November.

Millions of Americans face similar risks because the nation's drinking-water enforcement system doesn't make small utilities play by the same safety rules as everyone else, a USA TODAY Network investigation has found.

Tiny utilities - those serving only a few thousand people or less - don't have to treat water to prevent lead contamination until after lead is found. Even when they skip safety tests or fail to treat water after they find lead, federal and state regulators often do not force them to comply with the law.

USA TODAY Network journalists spent 2016 reviewing millions of records from the Environmental Protection Agency and all 50 states, visiting small communities across the country and interviewing more than 120 people stuck using untested or lead-tainted tap water.

The investigation found:

- About 100,000 people get their drinking water from utilities that discovered high lead but failed to treat the water to remove it. Dozens of utilities took more than a year to formulate a treatment plan and even longer to begin treatment.
- Some 4 million Americans get water from small operators who skipped required tests or did not conduct the tests properly, violating a cornerstone of federal safe drinking water laws. The testing is required because, without it, utilities, regulators and people drinking the water can't know if it's safe. In more than 2,000 communities, lead tests were skipped more than once. Hundreds repeatedly failed to properly test for five or more years.
- About 850 small water utilities with a documented history of lead contamination — places where state and federal regulators are supposed to pay extra attention — have failed to properly test for lead at least once since 2010.

This two-tiered system exists in both law and practice. State and federal water-safety officials told USA TODAY Network reporters that regulators are more lenient with small water systems because they lack resources, deeming some lost causes when they don't have the money, expertise or motivation to fix problems. The nation's Safe Drinking Water Act allows less-trained, often amateur, people to operate tiny water systems even though the risks for people drinking the water are the same.

"At the end of the day, it creates two universes of people. One is the universe of people who are somewhat protected from lead. ... Then we have those people served by small water systems, who are treated by the regulations as second-class citizens."

Yanna Lambrinidou, affiliate faculty member and drinking water researcher at Virginia Tech Officials in West Virginia, for example, labeled more than a dozen systems "orphans" because they didn't have owners or operators. Enforcement efforts for those utilities amounted to little more than a continuous stream of warning letters as utilities failed to test year after year. All the while, residents continued drinking untested — and potentially contaminated — water.

"At the end of the day, it creates two universes of people," said water expert Yanna Lambrinidou, an affiliate faculty member at Virginia Tech. "One is the universe of people who are somewhat protected from lead. ... Then we have those people served by small water systems, who are treated by the regulations as second-class citizens."

All of this endangers millions of people across the country, mostly in remote and rural communities. Utilities like East Mooringsport Water, serving part of a bayou town of about 800 people, where drinking water went untested for more than five years. Or Coal Mountain, W.Va., a remote 118-person outpost where a retired coal miner pours bleach into untested water at the system's wellhead in hope of keeping it clean. Or Orange Center School outside Fresno, Calif., where for more than a decade regulators let about 320 grade-school kids drink water that had tested high for lead.

Individually, the communities served by small utilities seem tiny. But together, the number of people getting lead-contaminated drinking water, or water not properly tested for lead, since 2010 is about 5 million.

Virginia Tech's Marc Edwards, one of the nation's top experts on lead in drinking water who helped identify the crisis in Flint, Mich., laments that people in America's forgotten places — rural outposts, post-industrial communities and poor towns — are most at risk from the dangers of lead exposure, such as irreversible brain damage, lowered IQ, behavioral problems and language delays.

Edwards said the effects of lead poisoning could make it even more difficult for families in these communities to climb out of poverty. "I'm worried about their kids," he said. "The risk of permanent harm here is horrifying. These are America's children."

The Waltons fear lead has already harmed their son. At an age when other kids use dozens of words, Adam says just three: “mama,” “dada” and “no.” Destiny and John wish they would have known about the lead earlier so they could have protected him.

“What’s going to happen if my son’s lead levels keep rising? What if the kid next door gets way sicker than my son? What’s Ranger going to do then?” Destiny asked. “They’ve known about it for years now. ... Are they going to fix it?”

The letter the Walton family received from Texas state health officials about their son's blood tests.

(Photo: Laura Ungar, USA TODAY)

Tiny Flint Where everything breaks down at once

Perhaps the best illustration of what can happen when everything breaks down at once is Ranger, where high lead and government inaction have converged in a pervasive contamination problem experts compared to a “tiny Flint.”

Ranger’s water system dates to the city’s heyday nearly 100 years ago, when the discovery of oil attracted a population that historians say reached 30,000. Ranger is now a barren place with 2,500 people, abandoned buildings and a lonely Main Street where a mural of a steer-wrangling cowboy near an oil well fades away like the city.

With ever-shrinking tax rolls and median household income at about half the national average, there’s little money to shore up a decaying infrastructure. Leaks spring daily.

Many residents rely on bottled water. They’ve heard through the grapevine that the city’s water might be unhealthy. They can see for themselves it’s not always clean. While lead is colorless and odorless, algae in the water is not.

“Some days, it’s more brown than green. It smells sort of like a sewer,” said Vietnam veteran Bill Brister, who spends about \$70 a month on bottled water. “We don’t even give the dogs tap water.”

Three years ago, the city found excessive levels of copper. Nine months after that, three of 20 sites tested over the limit of 15 parts per billion of lead. Under federal law, both required immediate action, but documents show the city waited until this fall to start planning to control corrosion. Testing this September found five sites above the limit for lead, the Walton home topping the list at 418 parts per billion. The federal limit is 15.

Similar scenarios play out in hundreds of mostly struggling communities — cities built on boom-bust industries like oil and coal, isolated rural places and mobile home parks housing the poorest people in town.

Ranger is one of about 130 water systems since 2010 that failed to take timely action, and one of dozens that took a year or more to start the treatment process.

City Manager Chad Roberts said Texas environmental officials pushed hard this fall after USA TODAY Network reporters visited Ranger and began asking questions. State officials insist the push came after a weekly review found that Ranger met EPA criteria for the state to take formal enforcement action.

Ranger took its first step toward reducing lead in November — nearly three years late — by giving the state a corrosion-control study that called for adjusting the pH of the water. State officials deemed the plan insufficient, however, and are working with the city to improve it.

As the city formulates its plan, residents continue to drink water that might be dangerous.

A boil notice was in effect in early November when Kay Hodges, 23, said she drank straight from the tap because she was nine months’ pregnant, dehydrated and out of bottled water. “I got really sick. I was throwing up all night,” she said.

Hodges lives with her fiancé and young children in a low-income housing complex called Austin Acres. A tap at the complex has repeatedly tested high for lead, most recently at more than twice the federal limit. Hodges figures she should now get checked for the toxin.

Others fear lead exposure, too. Anita Baker, a 79-year-old colon cancer survivor in Austin Acres, has been using city water for cooking and making coffee but plans to stop after learning from a reporter that boiling the water concentrates the lead.

The Waltons — who squeeze into their one-bedroom home by putting the master bed in the living room — also drank lots of city water, in iced tea, Kool-Aid, diluted juice and by itself. Adam's highest blood lead reading was more than three times the federal cutoff to be considered elevated, and his 1-year-old brother, Andrew, also had slightly elevated lead levels.

Texas environmental officials say they have taken steps to speed Ranger's response. They sent experts to Ranger, referred the city to the EPA for formal enforcement in March, issued new citations in October and fined the city about \$3,000.

The city raised water rates to pay for improvements and now promises to replace more of the old water lines, increase testing and seek grants for more upgrades.

"We are good with the state right now," Mayor Joe Pilgrim said, "and that's all that matters."

Still, residents may have to wait years for clean water. After the state approves a reworked corrosion-control study, Ranger has two years before it must start treating its water. By then,

Adam Walton Double standard Playing by a different set of rules

It's easy to see why a place like Ranger winds up with toxic water when you compare it to a typical large water system like the one in Louisville, Ky.

Louisville Water has about 435 full-time staffers, including a director of water quality and production with a Ph.D. in environmental engineering. Ranger has seven public works employees.

Louisville Water has an operating and maintenance budget of \$127 million. Ranger's entire city budget is \$3.2 million.

The top salary for water quality employees at Louisville Water is \$141,276. Most of Ranger's public works department employees earn from \$8.50 to \$12 an hour.

Some small utilities are even worse off.

"You might have to get more training to run a hot dog stand than a small water system."

Paul Schwartz of the Campaign for Lead Free Water

In Colorado, near Black Canyon, the man in charge of providing safe water to 335 people is a farmer who spends most of his time tending to livestock, wheat, oats and barley.

In West Texas, at Klondike Independent School District, water safety is handled by Superintendent Steve McLaren, whose first job is running a one-building school system serving 260 students. He wears many hats in the district amid cotton fields; he's been known to drive a school bus from time to time.

McLaren acknowledged he skipped required testing for lead and copper in fall 2014 because "some things just slip by." When Klondike did test last year, it found excessive lead in both rounds of testing.

Generally, the bar for running tiny water systems is low. Certification for hands-on operators varies by state and typically involves passing an exam and getting ongoing continuing education credits. Some states require licensing but with varying qualifications. Minimum requirements in Texas, for instance, are a high school diploma or GED and a training course in basic water operations. No experience necessary.

"You might have to get more training to run a hot dog stand than a small water system," said Paul Schwartz with the Campaign for Lead Free Water, a group of people and organizations working to get lead out of drinking water.

Many states, and the EPA, offer extra guidance and instruction. But not everyone avails themselves of this help, leaving many small operators with “a complete lack of training,” Lambrinidou said. “Sometimes, they’re cheating and they don’t know they’re cheating.”

[USA TODAY](#)

Some states, utilities balk at disclosing locations of lead water pipes

Some government funding is available for struggling utilities. EPA’s Drinking Water State Revolving Fund, which includes a state contribution, has provided \$32.5 billion through 2016 to water systems that applied for help. Another EPA program awards millions each year to non-profit organizations that provide training and technical assistance to small, public water systems. The U.S. Department of Agriculture also offers loans and grants.

Edwards and others say the need far outstrips the money, and loans aren’t helpful to utilities that can’t pay them back. An EPA assessment from 2013 estimates infrastructure needs for small water systems will total \$64.5 billion over 20 years. The revolving fund’s 2016 allocation, for systems of all sizes, was less than \$1 billion, and a Congressional Research Service report on the fund in November concluded that “a substantial gap remains between financing needs and available funds.”

Recognizing resource constraints, the federal government lets small water systems play by more lenient rules.

Scattered throughout EPA regulations on lead and copper are specific provisions for small water systems. While utilities serving 50,000 or more people must always control corrosion, for example, smaller systems don’t have to even plan for such treatment when lead is below the federal limit for two consecutive six-month periods. And they can discontinue treatment once lead drops below the limit.

Utilities serving 3,300 or fewer can, if they meet certain criteria, test for lead as little as once every nine years.

Experts say such regulations make it easy for lead problems to go undetected and uncorrected in the very places that are most vulnerable to contamination.

“You might think we have a lead in water law,” Edwards said. “What we have is a national joke.”

Untested water 4 million living with an unknown

A cornerstone of those 25-year-old lead regulations is testing. But the USA TODAY Network found that 9,000 small water systems together serving almost 4 million people failed to test properly for lead in the past six years, meaning the toxin could be there without anyone knowing. More than a quarter of those systems had repeat lead-testing violations.

EPA acknowledges it gives higher priority to immediate public health issues like acute contamination than testing violations.

Money is a factor in skipping lead tests, which can cost around \$50 per tap. Utilities must test from five to 20 locations, depending on how many customers they serve. A USA TODAY Network analysis found it would cost about \$1.2 million to check the water served by every small utility that failed to test twice since 2010. Lead testing for every small water utility that missed even one test would cost around \$5 million.

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Lead taints drinking water in hundreds of schools, day cares across USA

Ranger admits in a letter to residents to three years of skipped or incomplete tests. Roberts, who started as city manager in the spring, blamed lack of expertise and previous neglect, saying “the ball got dropped for sure.”

It also got dropped at Orange Center School in California, which skipped testing for nine years — even after finding excessive lead in 2003. In the rural neighborhood outside Fresno, officials in charge let the kids keep drinking the water for more than a decade.



Resident Larry Free worries about the East Mooringsport Water system in Louisiana, which hadn't been tested for lead in at least five years until this summer. "I don't trust this water. I thought they were taking care of it. They haven't," he said.

(Photo: Henrietta Wildsmith, The Times)

State officials threatened to fine the school, but records show no more lead tests were done until 2012 and no action was taken. Three of those tests again found high lead. Two more years went by before California officials ordered the school to stop using the water and began shipping bottled water to students, while the school waits to be connected to the much-larger Fresno water system.

Customers of East Mooringsport Water in Louisiana, are also waiting to hook up to a larger water system after at least five years of skipped tests.

"Honestly, we just didn't have the money to do (testing)," said Edward "Pat" Turnley, who distributes monthly water bills to the 90 East Mooringsport customers. "We're barely hanging on here."

The state cracked down several times, ordering the district to test three years ago and fining the community more than \$43,500. But little changed. Finally, in late June, the state tested nine homes itself, and found lead contamination in two. More testing will need to be done to determine the extent of the problem.

East Mooringsport buys treated water from the nearby town of Blanchard, then stores it in old tanks. Resident Gladys McCauslin suspects sediment in the tanks is what makes her tap water brownish and gritty. Residents are warned to boil it before drinking or cooking.

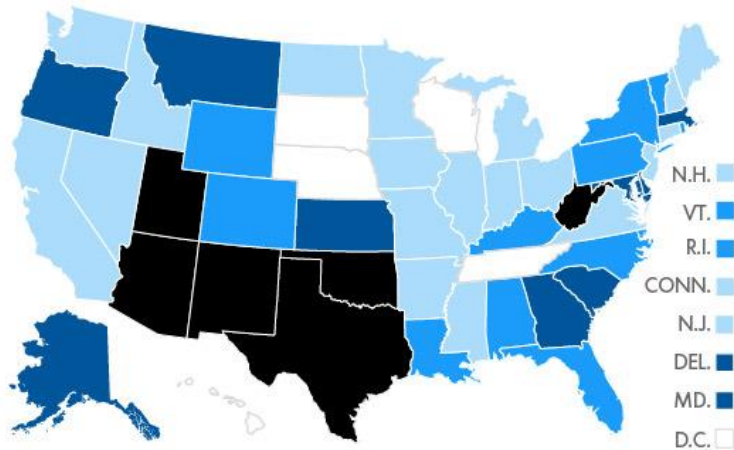
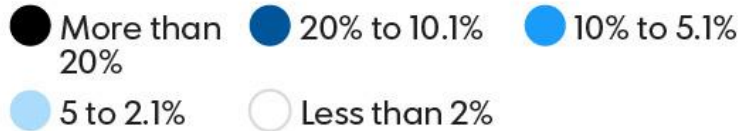
"It makes me feel like I'm in a Third World country," said McCauslin, 75.

McCauslin hopes things will change when Blanchard, which has a new, \$17 million water treatment plant, acquires her community's water system. As she waits for the merger, she keeps doing what she's done for years — paying the bill for untested tap water while shelling out extra money for bottled water to drink and filtered, purified water for bathing.

Residents in remote Coal Mountain, W.Va., have gone as long as anyone can remember with untested, questionable water. No one knows what contaminants it might contain.

CUSTOMERS DRAWING WATER FROM UTILITIES WITH FAILED LEAD TESTS

Percentage of each state's small water-utility customers who draw water from a system that has failed to properly test for lead since 2010:



SOURCE EPA Safe Drinking Water Information System database reports, Q3, 2016
Isabella Lucy, USA TODAY

USA TODAY

Orphan systems Regulators have given up on some places

Their wellhead is housed near a church, in a shed cluttered with empty bleach bottles. They've been left behind by Ravin Kenneda, a 65-year-old with a salt-and-pepper mustache and a baseball cap, who pours bleach into his community's water once in a while to keep it clean. "It's just stuff I've learned down through the years," he said from his front-porch swing as his granddaughter sipped bottled water.



A small shed houses components of the water system for Coal Mountain in a remote corner of West Virginia.

(Photo: Jasper Colt, USA TODAY)

Though he's no water expert, he concedes, "Someone's got to do it."

State and federal governments have pretty much given up on enforcing safe-drinking-water rules here and in similarly tough cases, leaving residents to fend for themselves.

Coal Mountain's tap water comes from a coal company well abandoned in the 1980s. Water is pumped up the mountainside to an old storage tank hidden amid tangled trees, then flows down to homes. It's the subject of 19 water-testing violations since 1988, the most in the nation.

"We don't know what's in it," said Mila Darnell, 62, who is raising two 17-year-old grandsons with her retired coal miner husband. "I'm very concerned about lead or whatever else could be in there."

No doubt something is awry; the water stains the Darnells' clothes, stops up their shower head and sometimes smells like fish. Although they won't drink it, they do use it for cooking — boiling it first and hoping no one gets sick.

West Virginian officials say they can't do much beyond sending out advisories and issuing notices about water-testing violations because Coal Mountain has no owner or operator. The state labels Coal Mountain and about 15 other utilities "orphan systems."

"This happens, actually, across the country. We try to work with them, but the problem is finding someone who's responsible," said Walter Ivey, director of the West Virginia health department's Office of Environmental Health Services.



Kailyn Brooke Taylor, 5, of Coal Mountain, W.Va., drinks bottled water because their tap water might be unsafe.

(Photo: Jasper Colt, USA TODAY)

One option is for states to test the water. But Jon Capacasa, director of EPA's Region 3 Water Protection Division, said that the law calls for utilities to monitor for lead and report results to states, and that the obligation lies with them.

When utilities can't or won't, however, they often face little if any real punishment.

Notices and orders were EPA's weapons against Coal Mountain's lead-testing violations for five years — after which nothing changed and West Virginia asked that no further federal action be taken.

Water-quality advocates say residents deserve better.

Government "owes it to these people to at least provide clean drinking water," said Wyoming County Clerk Mike Goode, adding that the county is working on a proposal to help Coal Mountain. "It's bad. These people live in America. They have a right to good water."

But Mila Darnell laments that such rights don't always extend to poor, rural Americans like her.

"We're a forgotten people," she said. "It hurts to feel ... like you just don't count."

'No responsible party' Accountable officials minimizing danger

Roberts, the city manager, downplayed the danger from Ranger's water. Roberts said small children and pregnant women probably shouldn't drink it (as the city said in a letter to residents). He said overall, "I don't see a problem with drinking (it.) I drink it. ... I don't think it's a health alert serious enough for an emergency."



Ranger, Texas, City Manager Chad Roberts says state environmental officials pushed hard for action on the city's water problems this fall after USA TODAY Network reporters visited the town and began asking questions.

(Photo: Laura Ungar, USA TODAY)

Roberts blamed much of the lead problem on homeowners' pipes, although he acknowledged the city's distribution system contains lead pipes as well.

Pilgrim, Ranger's mayor, agreed the water isn't unsafe, saying his city "has never put any of their people in danger. ... It's not an ongoing medical disaster to anyone in town for any reason."

They are far from the only officials to minimize water problems.

Kentucky's Peter Goodmann, who directs the division of water there, used a similar rationale to defend many years of inaction when a tiny water system without an owner refused to test for contaminants. "There's not much we could do because there's no responsible party," Goodmann said of Kettle Island Water, which was recently downgraded from a public water system because it's gotten so small. "Nobody's dying there, and there doesn't seem to be any public health effects."

The EPA would not allow senior officials including Peter Grevatt, director of the Office of Ground Water and Drinking Water, to be interviewed. The agency would respond only in writing to questions, saying it's revising lead regulations, working with states to strengthen protections and oversight, and remains committed to "vigorous civil and criminal enforcement to protect public health." On Nov. 30, the EPA released a drinking water "action plan" that includes proposed steps to help tiny water utilities comply with the drinking water laws, such as guidance to help them find money for needed improvements and updated certification guidelines for people operating them.

For now, lead continues to taint tap water in places like Ranger. Katelyn Peters, who lives next door to the Waltons, doesn't see anything changing soon.

"This is where I was raised. This is where I was planning on raising my kids," she said, watching three of her four kids chase each other in the front yard, wondering if the water could be slowly poisoning the town's kids. "Now, I'm terrified. I would live anywhere else."

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[Here's what EPA says it's doing about lead in tap water](#)

Contributing: Lex Talamo of The Shreveport (La.) Times and Caitlin McGlade. Talamo reported from Mooringsport, La. McGlade reported from Ranger, Tex. Nichols reported