



STANDING ADVISORY COMMITTEE AGENDA

Tuesday, October 3, 2017 at 3:00 p.m.
Truckee Meadows Water Authority
Independence Meeting Room
1355 Capital Boulevard, Reno, NV 89502

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), at <http://www.tmwa.com>, and State of Nevada Public Notice Website, <https://notice.nv.gov/>.
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 at least 24 hours before the meeting date.
3. Staff reports and supporting material for the meeting are available at TMWA and on the TMWA website at <http://www.tmwa.com/meeting/> or you can contact Sonia Folsom at (775) 834-8002. Supporting material is made available to the general public in accordance with NRS 241.020(6).
4. The Committee 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.
5. Asterisks (*) denote non-action items.
6. 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.
7. In the event the Chairman and Vice-Chairman are absent, the remaining SAC 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**).

1. Roll call*
2. Public comment — limited to no more than three minutes per speaker*
3. Approval of the agenda (**For Possible Action**)
4. Approval of the minutes of September 5, 2017 meeting (**For Possible Action**)
5. Presentation on the Smart About Water Day event — Andy Gebhardt*
6. Informational update on new development and number of connections — Shawn Stoddard*
7. Presentation of preliminary funding plan for Fiscal Years 2018 through 2023, discussion and possible recommendation to the Board — Michele Sullivan (**For Possible Action**)

8. Presentation on the draft Wholesale Water Service Agreement between TMWA and West Reno Water Company, discussion and possible recommendation to the Board — John Enloe, Scott Estes and Mark Foree **(For Possible Action)**
9. Discussion and possible direction to staff regarding agenda items for future meetings **(For Possible Action)**
10. Staff Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
11. Committee Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
12. Public Comment — limited to no more than three minutes per speaker*
13. Adjournment **(For Possible Action)**



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

September 5, 2017

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority (TMWA) in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chair McGuire called the meeting to order at 3:06 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Harry Culbert, Bruce Gescheider, Colin Hayes, Don Kowitz, Carol Litster, Neil McGuire, Ken McNeil, Mike Pidlypchak, Jonnie Pullman, Fred Schmidt* and Jerry Wager.

Alternates Present: Fred Arndt, Ken Becker*, Karl Katt, Dale Sanderson, Mike Schulewitch, and Jim Smith

Primary Members and Alternates Absent: Bob Chambers, Kevin Haddock, Jordan Hastings, Bill Hughes, Scot Munns and Jonnie Pullman.

Staff Present: Jack Byrom, Robert Charpentier, Laine Christman, Scott Estes, Andy Gebhardt, Mark Foree, Bill Hauck, Daniel Morley, Joe Petrelli, Shawn Stoddard, Michele Sullivan, Sandra Tozi, Marci Westlake, John Zimmerman, and Steve Walker, TMWA Lobbyist, and Legal Counsel Debbie Leonard.

****Ken Becker arrived at 3:07 p.m.***

*****Fred Schmidt arrived at 3:13 p.m.***

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

Member McNeil inquired, since agenda item #10 is not an action item, could the committee choose to communicate to the Board in some manner other than a motion, by way of a consensus vote instead. Debbie Leonard, TMWA Legal Counsel, replied if it is not listed as an action item on the agenda it is

not something SAC can take action on. Ms. Leonard reminded members that only the Chair or Vice Chair or designee can speak to the Board on behalf of the SAC, but staff can raise any issues discussed by the SAC to the Board on the SACs behalf.

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

4. APPROVAL OF THE MINUTES OF THE APRIL 4, 2017 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the April 4, 2017 meeting minutes.

5. SUMMARY OF RESULTS OF THE 2017 LEGISLATIVE SESSION

John Zimmerman, TMWA Water Resources Manager, referred to the list of bills that passed and failed that TMWA had been monitoring in the legislative session; specifically, AB193, requiring the fluoridation of the water system, did not pass.

Steve Walker, TMWA Lobbyist, reported to the SAC that it was a good legislative session, with the most water bills introduced than in any other session, and all bills TMWA opposed did not pass.

6. WATER SUPPLY UPDATE

Bill Hauck, TMWA Senior Hydrologist, reported the region experienced precipitation that was more than 200% of average; new record of snowpack on April 1st on Mt. Rose where 82 inches of water was measured, 243% of normal back to 1910; Lake Tahoe saw a record rise in water level for one season, beating the record by 1.65 feet; and all reservoirs, except Prosser, remain full.

7. PRESENTATION ON THE FINAL FY 2018 BUDGET AND THE CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2018 THROUGH 2022

Michele Sullivan, TMWA Chief Financial Officer, presented the staff report including the changes to the tentative budget the Board had requested at its April meeting. Employee benefits incurred additional expenses of \$195k because of GASB 75 implementation. Services and supplies budget decreased by \$958k; per the Board's request, staff reduced Truckee River Fund (TRF) funding to \$450k instead of \$850k and eliminated funding of \$210k for the cloud seeding program for FY2018; additional savings because money was set aside for TROA administration that will last through FY2018, (but will be brought back in FY2019). Interest expense savings because of the bond refunding. TMWA had additional money come in from will-serve commitments in FY2017 to pay down commercial paper in FY2018. Beginning of FY2018 cash balance is higher due to \$11.8 million received from insurance as partial settlement for flood damage at the Farad Hydro Plant in FY 2017.

Member Wager asked about the reason for the reduced funding to TRF and about the reduction of TROA administration fees by TMWA or other agencies. Ms. Sullivan replied there was concern due to the rate increase and the Board was looking to cut expenses where they could and another agency has the money to pay for the TROA administration fees, but TMWA will have to make payments beginning in FY2019.

8. PRESENTATION ON PRELIMINARY FINANCIAL PERFORMANCE FOR FY 2017

Ms. Sullivan reported on the preliminary financial performance for FY 2017. She stated water sales ended at \$1.5M ahead of budget at the end of FY 2017; operating expenses were on track; employee benefits increased based on GASB 68 in addition to the increase in the number of employees; operating income was \$5.4M higher than anticipated due to savings in operating expenses of \$2.5M, \$1.1M lower depreciation, and \$1.8M higher operating revenue; developer infrastructure contributions were \$10.8M. Overall net change in position was \$21M higher than anticipated and cash balances decreased \$13M or \$10.5M less than the anticipated decrease of \$23.5M.

Vice Chair Schmidt asked how much revenue was attributed to the rate increase and how much is anticipated for a full year of revenue. Ms. Sullivan replied \$500,000, but anticipate about \$2.5M in additional revenue for a full year.

Discussion revolved around whether the second-year rate increase was necessary. The topic will be addressed during the presentation of the 5-year funding plan update at the October Strategic Planning Workshop as well as to the SAC in October.

Vice Chair Schmidt asked if connection fees and the number of customers were anticipated to increase. Ms. Sullivan replied current numbers align with the budget right now, but anticipated an increase for the next year.

Member Becker inquired if the rate increase had been approved and suggested not going so long without a meeting. Ms. Sullivan replied yes, it was approved in April and Chair McGuire replied that if there was not much going on, meetings get cancelled.

Member Schulewitsch asked about the rate of new connections per month and existing connection fees. Mr. Foree replied the forecast was 200 per month, but running a bit behind and Ms. Sullivan added it is about 1800 or 1900 for the year.

9. INFORMATIONAL REPORT REGARDING THE METER RETROFIT FUND PROGRAM

John Zimmerman, TMWA Water Resources Manager, presented the staff report, which was requested by Board Member Jenny Brekhus at the June Board meeting. Mr. Zimmerman reported that the current fund balance as of June 30, 2017 was \$2,425,647 and the estimated fund revenue by the end of fiscal year 2022 will be between \$4.2M and \$9.7M.

Discussion followed regarding flat rate multi-unit customers not being on a meter because of the high cost associated with retrofitting. The amount of water being used is monitored. The Board is looking to

staff to make a recommendation on what to do with the meter retrofit fund once all remaining flat rate customers that can be feasibly retrofitted are completed and the possibility to end the developer fee or repurpose the fee.

Vice Chair Schmidt commended staff on retrofitting 99% of services and confirmed the remaining 253 services would cost about \$25K per meter. He stated it may be prudent to have the owners who purchase existing properties that have not yet been retrofitted pay the cost to retrofit, not the developers. Mr. Foree replied the Board is looking to address this situation and what is financially reasonable to be retrofitted, but did not recommend retrofitting the small unit flat rate customers.

Member Wager asked if these customers were low-water users. Andy Gebhardt, TMWA Water Operations and Quality Director, replied most are, but some mobile home parks use more, and there is no place to put a meter.

Vice Chair Schmidt requested that staff recommendations be presented to the SAC for consideration prior to it being presented to the Board. Mr. Foree replied yes, it would be towards the end of the year.

10. UPDATE REGARDING THE DRAFT WHOLESALE WATER SERVICE AGREEMENT BETWEEN TMWA AND WEST RENO WATER COMPANY AND REQUEST FOR BOARD AUTHORIZATION FOR GENERAL MANAGER TO FINALIZE AND EXECUTE THE AGREEMENT

Mr. Foree reported this agenda item was presented to the Board at its August meeting, but no action was taken and the item was continued to a future meeting. He referred to the staff report regarding the development in the Verdi Area, how the Boomtown water system, how West Reno Water Company (West Reno) is expanding its service to the residences, that the City of Reno approved development for an additional 270-unit subdivision, which TMWA was not involved with, and an additional tentative subdivision for approximately 80 units will be going before the City of Reno Planning Commission for approval. Currently, Boomtown is in the process of applying to the Public Utilities Commission (PUC) to become a regulated utility once it acquires more than 25 bill-paying customers. The Reno City Council expressed desire to potentially require TMWA to be the retail service provider in Verdi, but West Reno did not want to give up its system to TMWA under the conditions presented to it. Discussions are under way about a wholesale agreement to provide treated water service to the area. There is concern about the groundwater sustainability, as well as water quality, in the basin.

Vice Chair Schmidt stated this was contrary to the policy of the last 15 years where the Nevada State Legislature made clear TMWA was to ensure planning and developing the water resource for the whole area, including consolidation of the water resources from Washoe County. He recommended that TMWA or the Board intervene at the PUC to question whether or not it is best to have another private water company and urged TMWA to be more proactive. Mr. Schmidt also pointed out the PUC can force Boomtown to work with TMWA to resolve the issues and let the PUC mediate to enter a resolution, and continue to add services to TMWA as directed by the legislature. He stated he would go to the Board to discuss this issue to ensure water resources are planned conjunctively. Mr. Foree replied the application has not been submitted to the PUC, there is no way for TMWA to cost effectively serve

the area without acquiring the Boomtown water system, agreed that conjunctively managing the resources is paramount and addressed the question of how the customer would be billed. Mr. Foree continued that TMWA plans to intervene but cannot do anything right now since the application has not been filed.

Vice Chair Schmidt asked if staff planned to have a wholesale agreement in place and, if so, would it ensure that existing customers not be required to subsidize new development. Mr. Foree replied that it would be up to the Board and provided the City of Reno put a condition on the development that it is a retail service provided by TMWA, address how to do that without parallel infrastructure, and yes, existing customers would not be required to subsidize this service area.

Member Gescheider asked if the new developments were inside city limits and where they would be getting the water service. Mr. Foree yes, within the sphere of influence and/or city limits and Mr. Estes replied the Boomtown Water System.

Chair McGuire noted that Boomtown water system had been sued numerous times due to issues with the wells and he would be happy to discuss with the Board.

Member McNeil expressed his concerns about providing service at a wholesale rate, when Boomtown would be using the same booster pumps and pipelines that supplies water to existing customers, whereby existing customers would be subsidizing them paying a lesser rate. Also, he referenced the Mortenson Development Standards handbook, which is no longer in effect, but originally it stated TMWA was to be the water provider and can do a better job in providing water service to residential customers.

Chair McGuire stated that would fall under cross-subsidization, which is not supported by any policy.

Member McNeil questioned the efficacy of the water company and whether they had a crew and resources to take care of residential system and customer issues or would they call TMWA for assistance; it makes more sense for TMWA to provide service. He noted developers state they cannot afford the improvements a utility requests, but there is proof they continue making improvements.

Chair McGuire stated the SAC should wait and see what the Board decides to do. Mr. Foree replied staff will not bring this back to the Board until the meeting in October and will get input from the SAC in October as well.

Chair McGuire reminded Member McNeil that he could attend the Board meeting and voice his concerns as an individual.

Member McNeil replied he would be attending the meeting and stated that if the Board approved this it would be a step in the wrong direction, that TMWA should be the water purveyor in this area and not to allow private water companies to expand. He commented that Boomtown is not in the greatest financial position and TMWA would probably have to take it over if it goes under in the future.

Vice Chair Schmidt asked if the wholesale service agreement negotiations included providing service to individual lots or wholesale, and if acquiring Boomtown was the right option. Mr. Foree replied its model is similar to the County agreements, which provide that everything behind the meters was the County's responsibility. In the end, staff will do what the Board directs. Mr. Foree added, no, currently it would be the only way to provide service.

Ms. Leonard reminded the SAC they are entitled to attend and speak at any public meetings but should make it clear on the record they are not speaking on behalf of SAC but rather as individuals.

Mr. Foree added the reason staff agendaized this was to initiate discussion of the issues and ask what the Board and City of Reno wanted to do.

Member Becker verified this agenda item was not an action item. Ms. Leonard replied correct, it was an action item for the Board, not the SAC.

Member Gescheider stated sending treated water out to Verdi is a huge capital expenditure and asked if it was included in the Capital Improvement Plan (CIP). Mr. Foree replied that the currently planned Verdi Main Extension project is not a huge expenditure and Mr. Estes added it would be about \$2M. Ms. Sullivan replied the Mogul booster pump project was included and Mr. Estes added the extension of the main from West Meadows to Riverbelle was included.

Member McNeil asked how much of the \$15M would be required by TMWA to provide water service. Mr. Estes replied all of it; right now, we are extending the water main and providing temporary water service from the Mogul system to the Boomtown system. To supply water to the entire Verdi area TMWA would need to build the entire backbone system including a new pump station at Mogul and new pipeline from Mesa Park to Sommerset Ridge Parkway.

Member McNeil asked if developers would pay for some of the costs. Mr. Estes replied staff has been waiting for the developers to get organized and to discuss cost-sharing possibilities, which has not happened yet.

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

Vice Chair Schmidt asked if the meter retrofit staff report would be ready for October. Mr. Foree replied no, it would be too soon.

October meeting:

1. Discussion on the West Reno Water Company wholesale agreement
2. Presentation of the 5-year funding plan, including discussion on the next rate increase
3. Smart About Water Day update
4. Update on new development and number of connections

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

12. STAFF ITEMS

Chair McGuire inquired about the letter of credit. Ms. Sullivan stated there is a letter of credit on commercial paper which will have to go to request for proposal (RFP) or negotiation in 2018.

13. COMMITTEE ITEMS

Member Wager presented copies of the book “The Big Thirst” for any SAC member who may be interested in reading the book.

14. PUBLIC COMMENT

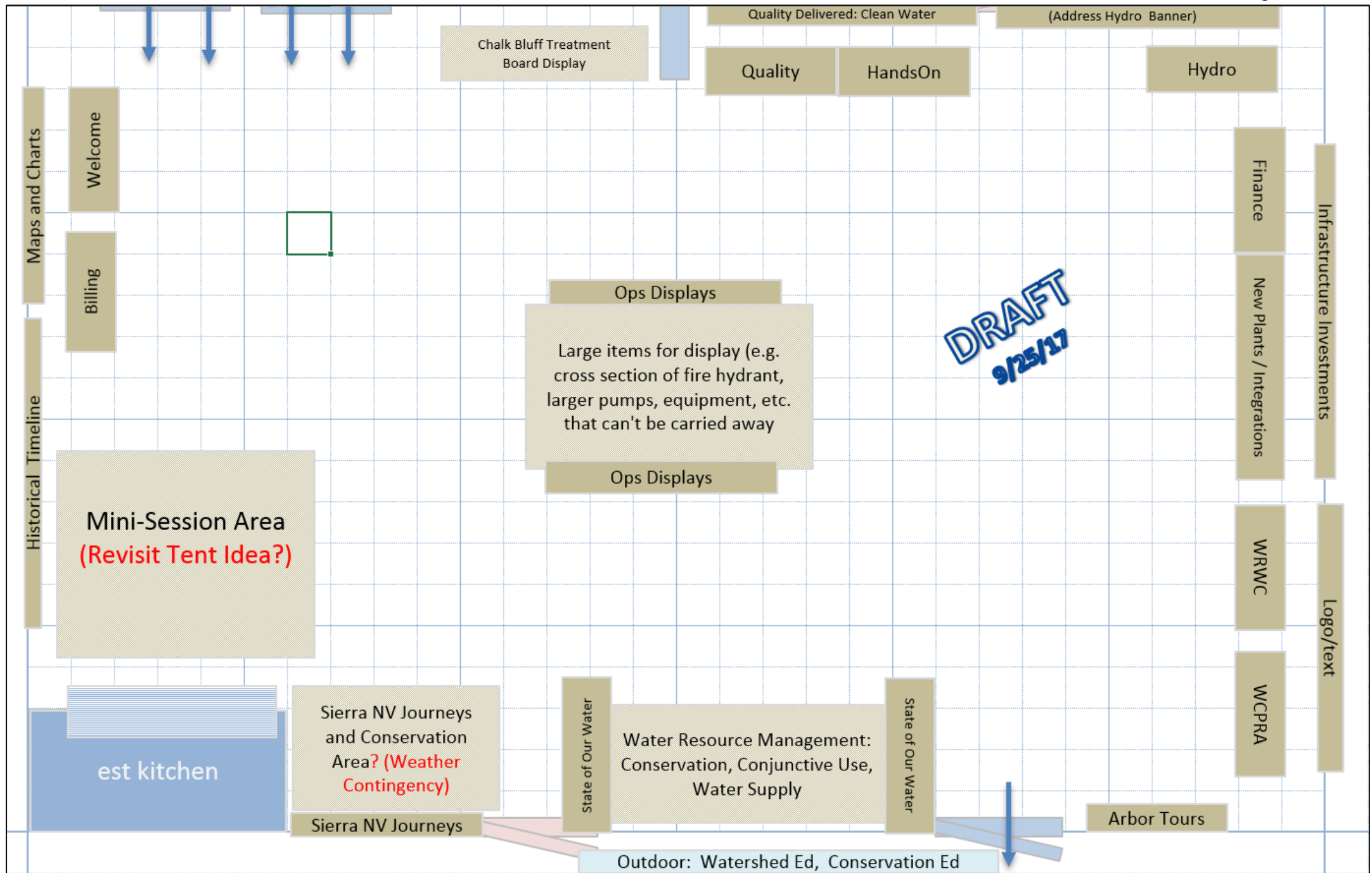
There was no public comment.

15. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:21 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Secretary



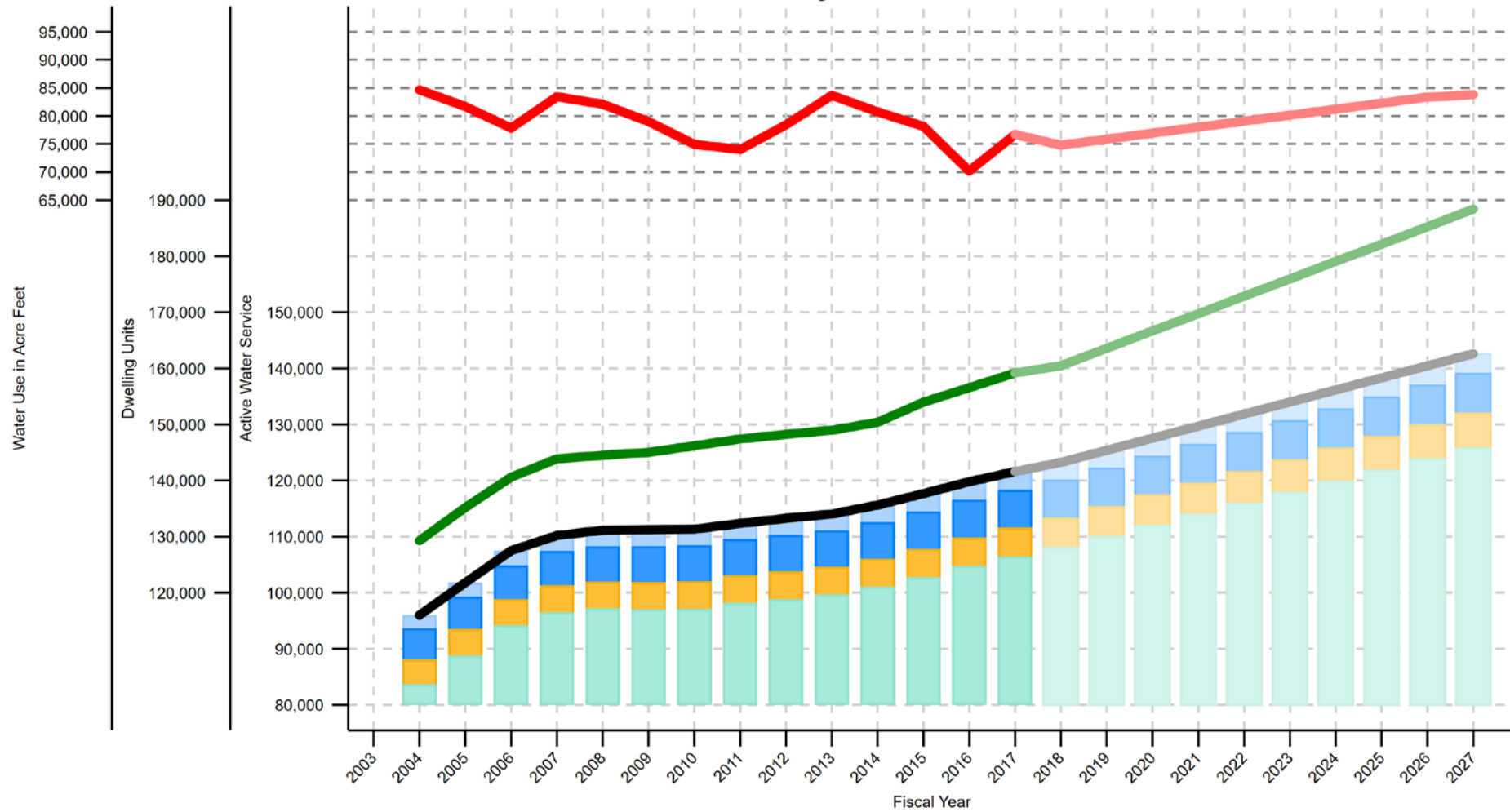
ACTIVE WATER SERVICES

TRENDS AND PROJECTIONS

SAC MEETING OCTOBER 2017

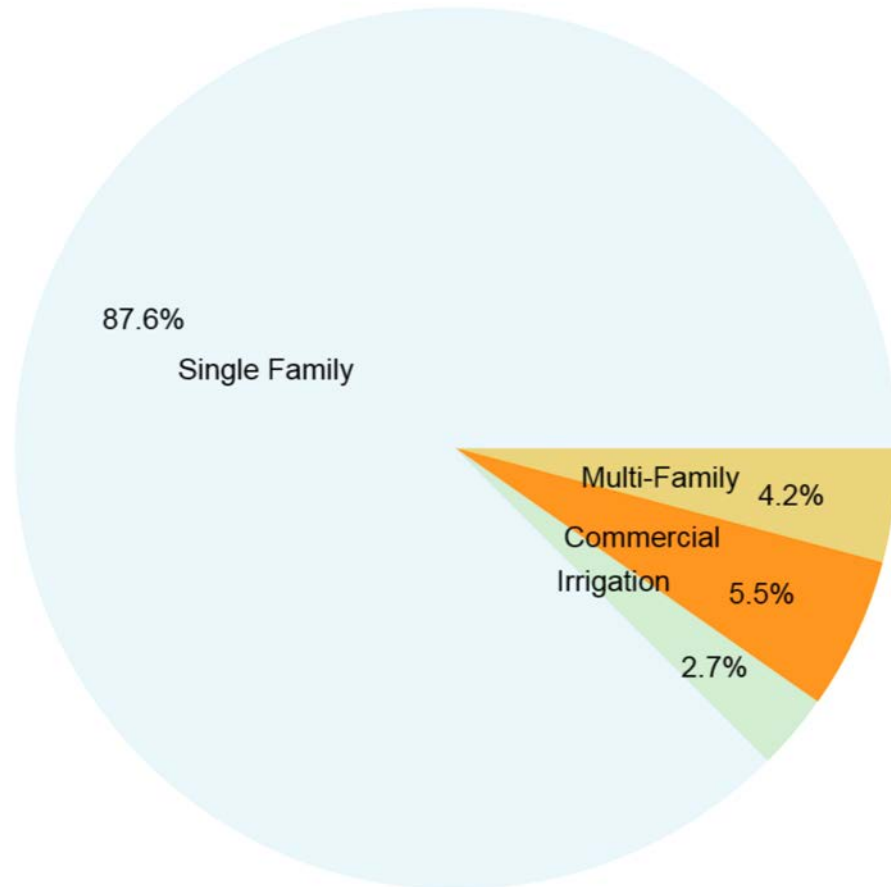
Historic and Projected Active Water Service

10-03-17 SAC Agenda Item 6



- | | | | | |
|-----------|------------------------|---------------------------|---------------------|---------------------|
| Historic | Single Family Services | Multi-Family Services | Commercial Services | Irrigation Services |
| Projected | Single Family Services | Multi-Family Services | Commercial Services | Irrigation Services |
| Totals | Total Active Services | Projected Active Services | Retail Water Use | Projected Water Use |
| | Total Dwelling Units | Projected Dwellings | | |

121,596 Active Retail Water Services in 2017
By Major Customer Class



CUSTOMER CLASS DISTRIBUTION

Class	2017	2027	Change	%Change
Sgl Fam	106,458	125,696	19,238	18%
Multi Fam	5,147	6,211	1,064	21%
Comm.	6,743	7,127	384	6%
Irrig.	3,224	3,548	324	10%
Other	24	26	2	8%
Total Srv*	121,596	142,608	21,012	17%
Dwellings	159,181	188,396	29,215	18%

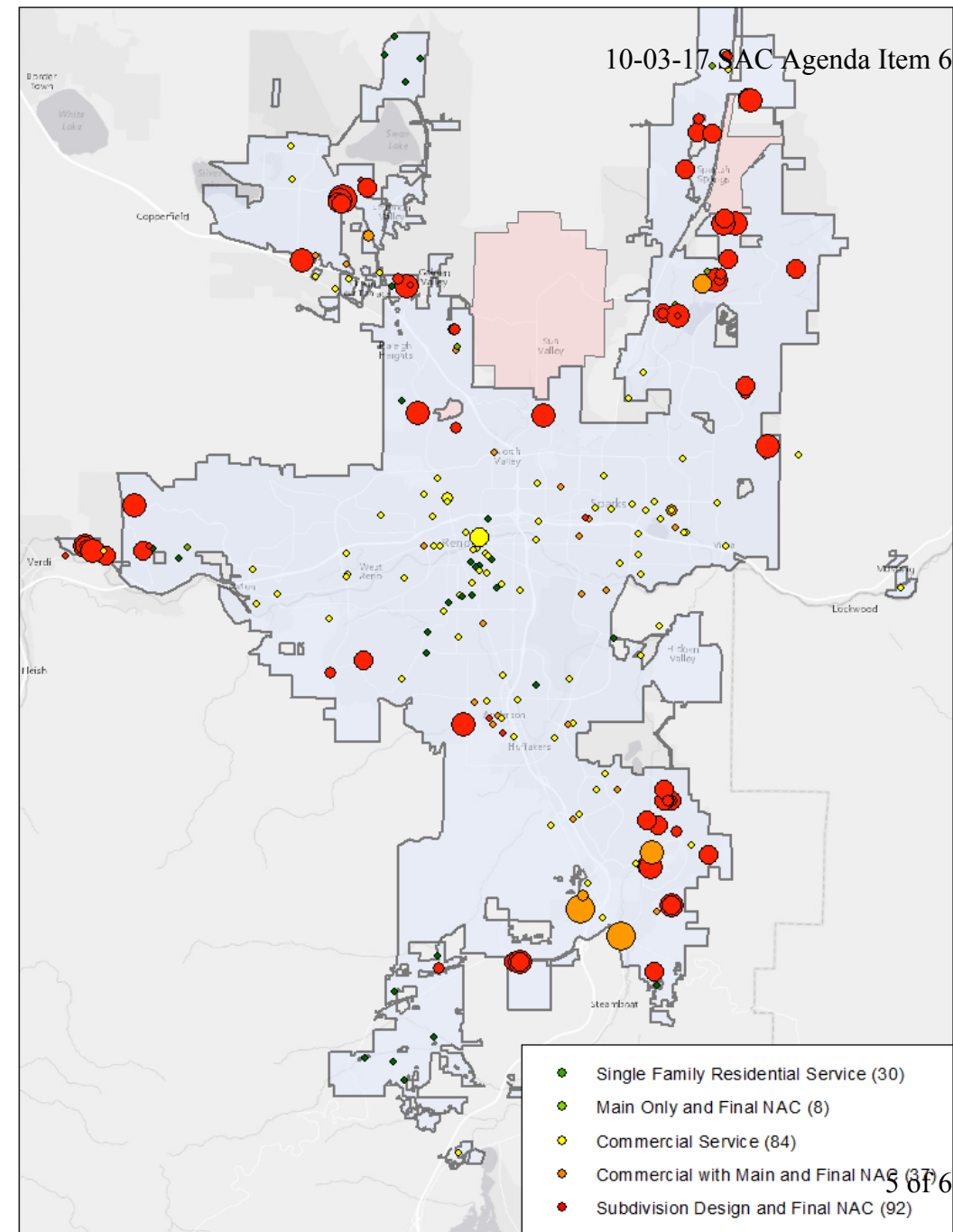
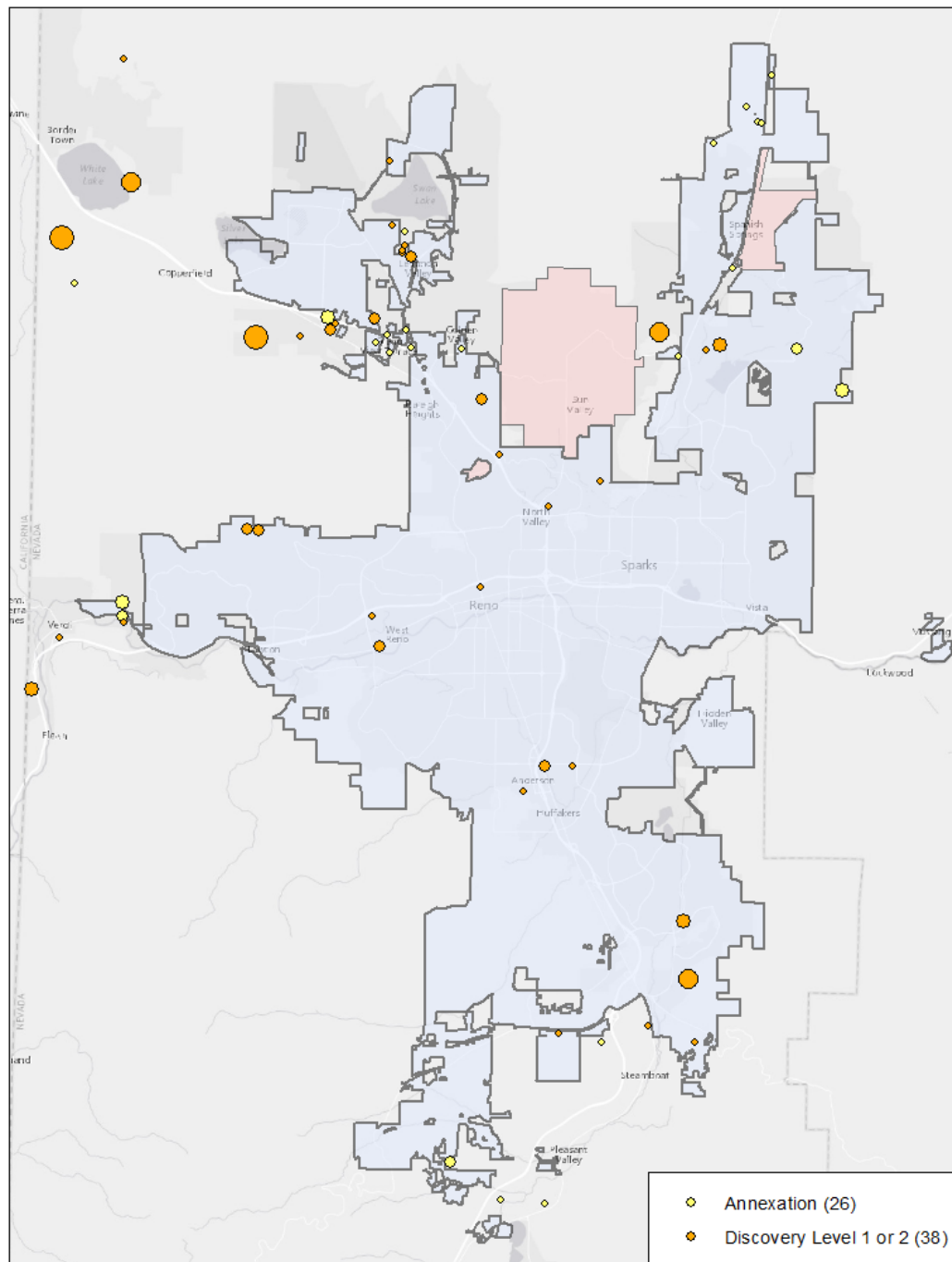
*Other include interruptible and non-potable services.

ALMOST RANDOM STATISTICS

Description	2017	2027*	Description	2017	2027	Change
Commercial Services	6,743	7,127	Dwellings served by TMWA	159,181	188,396	29,215
Total Employment	223,369	275,128	Population (Tesla) **	453,362	512,838	59,476
Employees / Service	33.1	38.6	Population (no Tesla) **	456,309	495,924	39,615
			Persons / Dwelling (Tesla)	2.8	2.7	-0.1
			Persons / Dwelling (no Tesla)	2.9	2.6	-0.3

* 2027 Employment is a Reno area projection for 2014 from NevadaWorkForce.com used here only for discussion and general test if projected numbers could be reasonable. Shown is that projected commercial water services should meet the needs of project employment growth.

** State Demographer's 2017 Draft population projection for Washoe County. Subject to change. Shown here is that projected dwelling units should meet the needs of projected population growth.



MORE STATISTICS – MULTI FAMILY

MMWS Sizes	Avg. Units/Service	MMWS Services 2017	Units 2017	Serv 2027	Units 2027
¾"	2.49	1,285	3,202	1,434	3,574
1"	4.71	1,553	7,321	1,885	8,886
1 ½"	8.59	730	6,273	797	6,849
2"	13.55	1,232	16,695	1,719	23,294
3"	70.4	40	2,816	65	4,576
4"	53.59	28	1,501	32	1,715
6"	110.35	17	1,876	17	1,876
8"	147.86	7	1,035	7	1,035
10"	216	1	216	1	216
Total		4,893	40,935	5,957	52,021

Note: MRFS, MRIS, MMWD are all closed customer classes and are assumed to remain constant for current projections. Only MMWS is expected to grow, conversions of MRFS and MRIS to MMWS is assumed to be neutral to the projection.



STAFF REPORT

TO: TMWA SAC Members
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer/Treasurer
DATE: September 27, 2017
SUBJECT: **Presentation of preliminary funding plan for Fiscal Years 2018 through 2022, discussion and possible recommendation to the Board**

Recommendation

Recommendation to maintain the current approved rate increase of 3% in the first billing cycle of May, 2018 and continue to close the funding gap between recurring revenues and the cost of servicing TMWA customers, based on the Draft Funding Plan attached.

Summary

The 2018-2022 Draft Funding Plan shows that rate adjustments are still necessary to close the funding gap between recurring revenues and the cost of servicing the customer base. The TMWA Board of Directors (BOD) approved rate increases of 3% in May, 2017 and 3% in May, 2018. TMWA debt service increases by \$10.6 million in FY2020, due to deferral of principal payments in FY2018 and FY2019. Continued low single digit rate increases are necessary so TMWA is prepared when these principal payments resume. Closing the funding gap, ensures TMWA can maintain critical financial goals which are essential to maintain adequate cash balances and investment grade credit ratings. Additional rate increases of 2.5% in FY2019 through FY2021 will all be brought for vote to the SAC and BOD before they are implemented, and can be thoroughly vetted at that time.

Discussion

The Draft Funding Plans analyzes the ability of TMWA to fund operating expenses, principal and interest payments on all currently outstanding debt, and all capital improvements presented in the TMWA 2018-2022 Capital Improvement Plan (CIP). This high-level presentation is based upon very detailed financial projections. Assumptions used in these financial projections can be found in *Attachment C*.

Critical financial goals for TMWA that need to be considered in these funding plans are as follows:

- Maintain recurring revenues sufficient to cover the cost to serve customers
- Maintain a senior lien coverage (DSC) ratio that not only meets bond covenants (1.25x) but also facilitates the payment for rehabilitative capital projects on a pay-go basis.
- Maintain high investment grade credit ratings to effectively access the credit markets

Recurring revenues are comprised of water sales, hydroelectric revenues, other miscellaneous operating revenues and investment income with water sales making up anywhere from 90 to 95% of recurring revenues. The cost to serve customers is defined as annual cash operating expenses, principal and interest payments on all outstanding debt as well as rehabilitative capital projects and outlays. If recurring revenues are less than the cost to serve customers this is referred to as a funding gap.

Over the last two years, revenue has rebounded somewhat from drought levels. Two summers with record dry spells and heat have helped contribute to increased water sales. Even with the dry summer and no call for additional conservation, water sales revenue for FY2017 was only \$1.5 million or 1.64% higher than the funding plan projection. Implementing the 3% increase in May, 2017 has improved revenue projections, but a funding gap still remains without further increases in rates.

The Draft Funding Plan found in *Attachment A-1* and *A-2* presents the financial metrics and disparity between recurring revenues and the cost to serve customers. In this five-year projection, water sale assumptions are based on a blending of water sales over the last three years, blending the effects of the drought with the last couple of years of higher water sales. *Attachment A-1* projects financial performance metrics with no rate increases under these assumptions and others as listed in *Attachment C*.

Critical metrics for TMWA are projected as follows:

- TMWA's revenue deficiency as a combined utility increases to \$10.1 million and 8.8% by 2020. Lower projected CIP spending in FY2022 closes some of this gap but there is still a gap of \$7.1 million and 6.2%.
- Unrestricted cash balances decline significantly beginning in 2020 and fall below required levels to maintain investment grade credit ratings by 2022.

In *Attachment A-2* the funding plan from *Attachment A-1* is shown with projected rate increases sufficient to increase recurring revenues to cover the projected cost of service by 2022, which strengthens TMWA's DSC calculations and preserves cash balances. Rate increases are estimated at 3% annually in May, 2018, with 2.5% in each May 2019 – 2021, consistent with the presentation made in the FY2017-2022 funding plan approved in the prior fiscal year.

Critical metrics for TMWA are projected as follows:

- Recurring revenue is sufficient to cover projected cost of service by 2022.
- TMWA maintains an adequate DSC ratio.
- Unrestricted cash balances are maintained at levels sufficient to maintain investment grade credit ratings.

For comparison purposes the prior year's (FY2017) Draft Funding Plan can be found in ***Attachment B-1 and B-2***. Revenue projections are higher in the FY2018-FY2022 funding plan mainly due to slightly higher growth expectations in FY2018 and FY2019 (approximately 1000 additional connections over the five years). Hydroelectric revenues are also higher in FY2018 and FY2019 due to higher expected river flows. Over the five-year period, operating expenses in the 2018 Draft Funding Plan are in line with last year's funding plan, and are in total lower by \$879K. Slightly higher interest expense on commercial paper is offset by slightly higher interest income due to estimated higher interest rates over the period. Capital spending is higher over the period mainly due to \$8.1 million in projects that were to be completed in FY2017 that were moved to later years.

TMWA management will continue with strong cost control measures, as demonstrated over the past five years. The Draft Funding Plan demonstrates that addressing the funding gap now will avoid higher rate increases in the future. After the 3% increase that is approved for May, 2018 future water rate increases to narrow the funding gap will be revisited and analyzed before any additional rate increases are approved. At this time, it is important to move forward with the approved 3% increase to prepare for the financial impact evident in FY2020 when principal payments on TMWA senior lien bonds resume and will continue through at least FY2034.

Truckee Meadows Water Authority
2018 - 2022 Funding Plan with No Rate Increases

<i>TMWA's Revenue Sufficiency and Cost of Service</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Projected Rate Increases	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Expenses	\$ 54,576,379	\$ 57,611,474	\$ 59,926,899	\$ 61,920,554	\$ 63,688,345
Principal and Interest on all outstanding debt	18,958,595	19,140,953	29,703,765	29,347,007	29,770,778
Rehabilitative Capital Spending	33,223,000	26,798,000	25,205,000	23,845,000	20,463,000
Total Projected Cost of Service	\$ 106,757,974	\$ 103,550,427	\$ 114,835,664	\$ 115,112,561	\$ 113,922,123
Recurring Revenues	\$ 103,188,963	\$ 104,543,942	\$ 104,785,543	\$ 105,739,372	\$ 106,842,743
Surplus (Deficiency)	\$ (3,569,011)	\$ 993,515	\$ (10,050,121)	\$ (9,373,189)	\$ (7,079,380)
Surplus (Deficiency) as a % of Cost of Service	-3.3%	1.0%	-8.8%	-8.1%	-6.2%
<i>Debt Service Coverage Ratios</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Water Sales Revenues	95,724,380	97,110,788	98,177,599	99,173,061	100,175,882
Hydroelectric Sales	2,990,391	2,884,754	2,474,599	2,423,808	2,448,046
Other Operating Sales	3,131,500	3,011,500	2,587,115	2,612,986	2,639,116
Investment Income	1,342,692	1,536,900	1,546,230	1,529,517	1,579,699
Total Revenues	103,188,963	104,543,942	104,785,543	105,739,372	106,842,743
Operating Expenses	(54,576,379)	(57,611,474)	(59,926,899)	(61,920,554)	(63,688,345)
Net Revenues	48,612,584	46,932,468	44,858,644	43,818,818	43,154,398
Senior Lien Debt Service	15,696,200	15,700,800	26,243,800	25,888,000	26,333,500
Senior Lien DSC	3.10	2.99	1.71	1.69	1.64
Total Sr. Lien and SRF Debt Service	18,116,921	18,121,521	28,664,521	28,308,721	28,754,221
Total Sr. Lien and SRF DSC	2.68	2.59	1.56	1.55	1.50
Total Annual Debt Service incl. TECP Interest	18,958,595	19,140,953	29,703,765	29,347,007	29,770,778
Total Subordinate DSC	2.56	2.45	1.51	1.49	1.45
<i>TMWA's Asset/Liability Matching</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Unrestricted Cash and Investments (End of Year)	\$ 98,297,730	\$ 98,899,817	\$ 89,002,758	\$ 79,420,586	\$ 72,646,191
Projected outstanding Tax-Exempt Comercial Paper	74,200,000	68,000,000	61,800,000	55,600,000	49,400,000
Asset/Liability-Match (Mismatch)	\$ 24,097,730	\$ 30,899,817	\$ 27,202,758	\$ 23,820,586	\$ 23,246,191

Truckee Meadows Water Authority
2018 -2022 Funding Plan with Rate Increases

<i>TMWA's Revenue Sufficiency and Cost of Service</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Projected Rate Increases	3.0%	2.5%	2.5%	2.5%	0.0%
Operating Expenses	\$ 54,576,379	\$ 57,611,474	\$ 59,926,899	\$ 61,920,554	\$ 63,688,345
Principal and Interest on all outstanding debt	18,958,595	19,140,953	29,703,765	29,347,007	29,770,778
Rehabilitative Capital Spending	33,223,000	26,798,000	25,205,000	23,845,000	20,463,000
Total Projected Cost of Service	\$ 106,757,974	\$ 103,550,427	\$ 114,835,664	\$ 115,112,561	\$ 113,922,123
Recurring Revenues	\$ 103,722,405	\$ 107,924,463	\$ 110,282,333	\$ 113,367,111	\$ 116,575,307
Surplus (Deficiency)	\$ (3,035,569)	\$ 4,374,036	\$ (4,553,331)	\$ (1,745,450)	\$ 2,653,184
Surplus (Deficiency) as a % of Cost of Service	-2.8%	4.2%	-4.0%	-1.5%	2.3%
<i>Debt Service Coverage Ratios</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Water Sales Revenues	96,257,822	100,491,309	103,514,259	106,447,040	109,424,371
Hydroelectric Sales	2,990,391	2,884,754	2,474,599	2,423,808	2,448,046
Other Operating Sales	3,131,500	3,011,500	2,587,115	2,612,986	2,639,116
Investment Income	1,342,692	1,536,900	1,706,360	1,883,277	2,063,774
Total Revenues	103,722,405	107,924,463	110,282,333	113,367,111	116,575,307
Operating Expenses	(54,576,379)	(57,611,474)	(59,926,899)	(61,920,554)	(63,688,345)
Net Revenues	49,146,026	50,312,989	50,355,434	51,446,557	52,886,962
Senior Lien Debt Service	15,696,200	15,700,800	26,243,800	25,888,000	26,333,500
Senior Lien DSC	3.13	3.20	1.92	1.99	2.01
Total Sr. Lien and SRF Debt Service	18,116,921	18,121,521	28,664,521	28,308,721	28,754,221
Total Sr. Lien and SRF DSC	2.71	2.78	1.76	1.82	1.84
Total Annual Debt Service incl. TECP Interest	18,958,595	19,140,953	29,703,765	29,347,007	29,770,778
Total Subordinate DSC	2.59	2.63	1.70	1.75	1.78
<i>TMWA's Asset/Liability Matching</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Unrestricted Cash and Investments (End of Year)	\$ 98,831,172	\$ 102,813,780	\$ 98,413,511	\$ 96,459,078	\$ 99,417,247
Projected outstanding Tax-Exempt Comercial Paper	74,200,000	68,000,000	61,800,000	55,600,000	49,400,000
Asset/Liability-Match (Mismatch)	\$ 24,631,172	\$ 34,813,780	\$ 36,613,511	\$ 40,859,078	\$ 50,017,247

Truckee Meadows Water Authority
2017 - 2022 Funding Plan No Rate Increase

<i>TMWA's Revenue Sufficiency and Cost of Service</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Projected Rate Increases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Expenses	\$ 53,731,126	\$ 55,821,167	\$ 57,688,696	\$ 59,640,994	\$ 61,933,775	\$ 63,517,771
Principal and Interest on all outstanding debt	20,371,505	18,700,035	18,700,685	28,004,471	28,418,287	27,918,759
Rehabilitative Capital Spending	36,347,500	30,818,000	23,569,500	21,272,000	21,207,000	20,000,000
Total Projected Cost of Service	\$ 110,450,131	\$ 105,339,202	\$ 99,958,881	\$ 108,917,465	\$ 111,559,062	\$ 111,436,530
Recurring Revenues	\$ 96,766,148	\$ 97,158,031	\$ 97,627,567	\$ 98,062,994	\$ 98,386,072	\$ 98,422,849
Surplus (Deficiency)	\$ (13,683,983)	\$ (8,181,170)	\$ (2,331,314)	\$ (10,854,471)	\$ (13,172,989)	\$ (13,013,680)
Surplus (Deficiency) as a % of Cost of Service	-12.4%	-7.8%	-2.3%	-10.0%	-11.8%	-11.7%
<i>Debt Service Coverage Ratios</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Operating Revenues	94,924,988	96,675,135	96,974,221	97,041,673	97,177,280	97,279,466
Investment Income	1,841,160	482,896	653,346	1,021,321	1,208,792	1,143,383
Total Revenues	96,766,148	97,158,031	97,627,567	98,062,994	98,386,072	98,422,849
Operating Expenses	(53,731,126)	(55,821,167)	(57,688,696)	(59,640,994)	(61,933,775)	(63,517,771)
Net Revenues	43,035,022	41,336,864	39,938,871	38,422,000	36,452,297	34,905,078
Senior Lien Debt Service	17,694,242	15,863,075	15,715,950	24,862,625	25,179,475	24,717,225
Senior Lien DSC	2.43	2.61	2.54	1.55	1.45	1.41
Total Sr. Lien and SRF Debt Service	19,905,339	18,075,414	17,886,072	26,989,314	27,261,478	26,753,254
Total Sr. Lien and SRF DSC	2.16	2.29	2.23	1.42	1.34	1.30
Total Annual Debt Service incl. TECP Interest	20,371,505	18,700,035	18,700,685	28,004,471	28,418,287	27,918,759
Total Subordinate DSC	2.11	2.21	2.14	1.37	1.28	1.25
<i>TMWA's Asset/Liability Matching</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Unrestricted Cash and Investments (End of Year)	\$ 84,489,640	\$ 76,189,757	\$ 75,562,415	\$ 67,160,263	\$ 51,881,874	\$ 38,908,794
Projected outstanding Tax-Exempt Comercial Paper	83,400,000	78,400,000	73,600,000	68,000,000	62,800,000	57,800,000
Asset/Liability-Match (Mismatch)	\$ 1,089,640	\$ (2,210,243)	\$ 1,962,415	\$ (839,737)	\$ (10,918,126)	\$ (18,891,206)

Truckee Meadows Water Authority
2017 - 2022 Funding Plan With Rate Increase

<i>TMWA's Revenue Sufficiency and Cost of Service</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Projected Rate Increases	0.0%	3.0%	3.0%	2.5%	2.5%	2.5%
Operating Expenses	\$ 53,731,126	\$ 55,821,167	\$ 57,688,696	\$ 59,640,994	\$ 61,933,775	\$ 63,517,771
Principal and Interest on all outstanding debt	20,371,505	18,700,035	18,700,685	28,004,471	28,418,287	27,918,759
Rehabilitative Capital Spending	36,347,500	30,818,000	23,569,500	21,272,000	21,207,000	20,000,000
Total Projected Cost of Service	\$ 110,450,131	\$ 105,339,202	\$ 99,958,881	\$ 108,917,465	\$ 111,559,062	\$ 111,436,530
Recurring Revenues	\$ 96,766,148	\$ 99,880,351	\$ 103,177,501	\$ 106,040,114	\$ 108,820,671	\$ 111,371,214
Surplus (Deficiency)	\$ (13,683,983)	\$ (5,458,851)	\$ 3,218,620	\$ (2,877,351)	\$ (2,738,391)	\$ (65,316)
Surplus (Deficiency) as a % of Cost of Service	-12.4%	-5.2%	3.2%	-2.6%	-2.5%	-0.1%
<i>Debt Service Coverage Ratios</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Operating Revenues	94,924,988	99,397,455	102,524,155	105,018,793	107,611,879	110,227,831
Investment Income	1,841,160	482,896	653,346	1,021,321	1,208,792	1,143,383
Total Revenues	96,766,148	99,880,351	103,177,501	106,040,114	108,820,671	111,371,214
Operating Expenses	(53,731,126)	(55,821,167)	(57,688,696)	(59,640,994)	(61,933,775)	(63,517,771)
Net Revenues	43,035,022	44,059,184	45,488,805	46,399,120	46,886,896	47,853,443
Senior Lien Debt Service	17,694,242	15,863,075	15,715,950	24,862,625	25,179,475	24,717,225
Senior Lien DSC	2.43	2.78	2.89	1.87	1.86	1.94
Total Sr. Lien and SRF Debt Service	19,905,339	18,075,414	17,886,072	26,989,314	27,261,478	26,753,254
Total Sr. Lien and SRF DSC	2.16	2.44	2.54	1.72	1.72	1.79
Total Annual Debt Service incl. TECP Interest	20,371,505	18,700,035	18,700,685	28,004,471	28,418,287	27,918,759
Total Subordinate DSC	2.11	2.36	2.43	1.66	1.65	1.71
<i>TMWA's Asset/Liability Matching</i>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Unrestricted Cash and Investments (End of Year)	\$ 84,489,640	\$ 78,912,077	\$ 83,834,669	\$ 83,409,637	\$ 78,565,846	\$ 78,541,131
Projected outstanding Tax-Exempt Comercial Paper	83,400,000	78,400,000	73,600,000	68,000,000	62,800,000	57,800,000
Asset/Liability-Match (Mismatch)	\$ 1,089,640	\$ 512,077	\$ 10,234,669	\$ 15,409,637	\$ 15,765,846	\$ 20,741,131

**2018-2022 Draft Funding Plan Assumptions
(ATTACHMENT C)**

Operational Assumptions

- 1) Greater reliance on surface water in fiscal year 2018 due to improved weather patterns with groundwater supplies augmenting the surface water treatment plants. Both surface water treatment plants to operate.
- 2) 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.
- 3) The Mt. Rose/Galena Surface Water Treatment Plant operational in the middle of fiscal year 2019 with operating costs assumed to be \$600 per mgal.
- 4) River flows are assumed to be adequate to operate the hydroelectric facilities.

Revenue/Capital Contribution Assumptions

- 1) Projected water sale revenues for FY 2018-FY2022 are based upon an average of the last three years of usage so that the effects on water sales from the drought are diluted.
- 2) Hydroelectric sales assumed to be based on higher river flows in 2018 and 2019, and median river flows in 2020 through 2022.
- 3) The Draft Funding Plan anticipates an additional 9,152 service connections over the five-year period. Growth in service connections is slightly higher than growth projections presented in the Draft 2015-2035 Water Resource Plan and the prior year's funding plan.
- 4) Weighted average yield on investable cash is estimated to be 1.0% in fiscal year 2017 rising to 1.55% in fiscal year 2022. These yields are slightly higher than the prior year's funding plan.
- 5) Will serve sales are expected to be approximately \$25.2 million over the ensuing period, and will be used to pay down commercial paper balances.
- 6) Other developer contributions are projected to be \$41.3 million over the ensuing period. This does not include any significant funding to expand to Verdi or other currently unserved areas.
- 7) Collection of Water Meter Retrofit fees are suspended in fiscal year 2019 assuming sufficient funds are collected to finalize meter installations on the remaining non-metered connections.

Operating Expense Assumptions

- 1) Wages and salaries increase for IBEW workers based on the latest offer presented to the union. MPAT employees increase by 2.5% annually.
- 2) Headcount is increased by four in years 2019 and 2020, by two in 2021, with no increase in 2022.
- 3) Public Employee contribution rates are assumed to increase to 29% in fiscal year 2020 through 2022.

- 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) Funding for the Truckee River Fund is returned to \$850k in 2019-2022 and DRI cloud seeding funding is returned to \$210k for the same period.
- 7) TMWA's anticipated share of TROA administration expenses is approximately \$400k annually beginning in 2019.
- 8) 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.

Debt Management Assumptions

- 1) Tax-exempt commercial paper interest rates are assumed to be 1.075% in fiscal year 2018 increasing to 1.94% in fiscal year 2022. Payments of \$34.0 million are assumed based on will-serve sales to reduce commercial paper to a balance of \$49.4M during the five-year period.
- 2) No new debt is assumed to be issued during the 2018-2022 period.

Treasury Assumptions

- 1) Total cash and investments at the beginning of fiscal year 2018 are estimated to be \$174.0 million. Of this total \$110.7 million is 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 2022.
- 3) Insurance proceeds received of \$21.5 million related to the Farad hydro facility will be used to rehabilitate the Farad property, and expand hydroelectric facilities. These expenses and construction plans are not currently included in TMWA's projections, but these cash balances are assumed to be restricted for this use.

TMWA

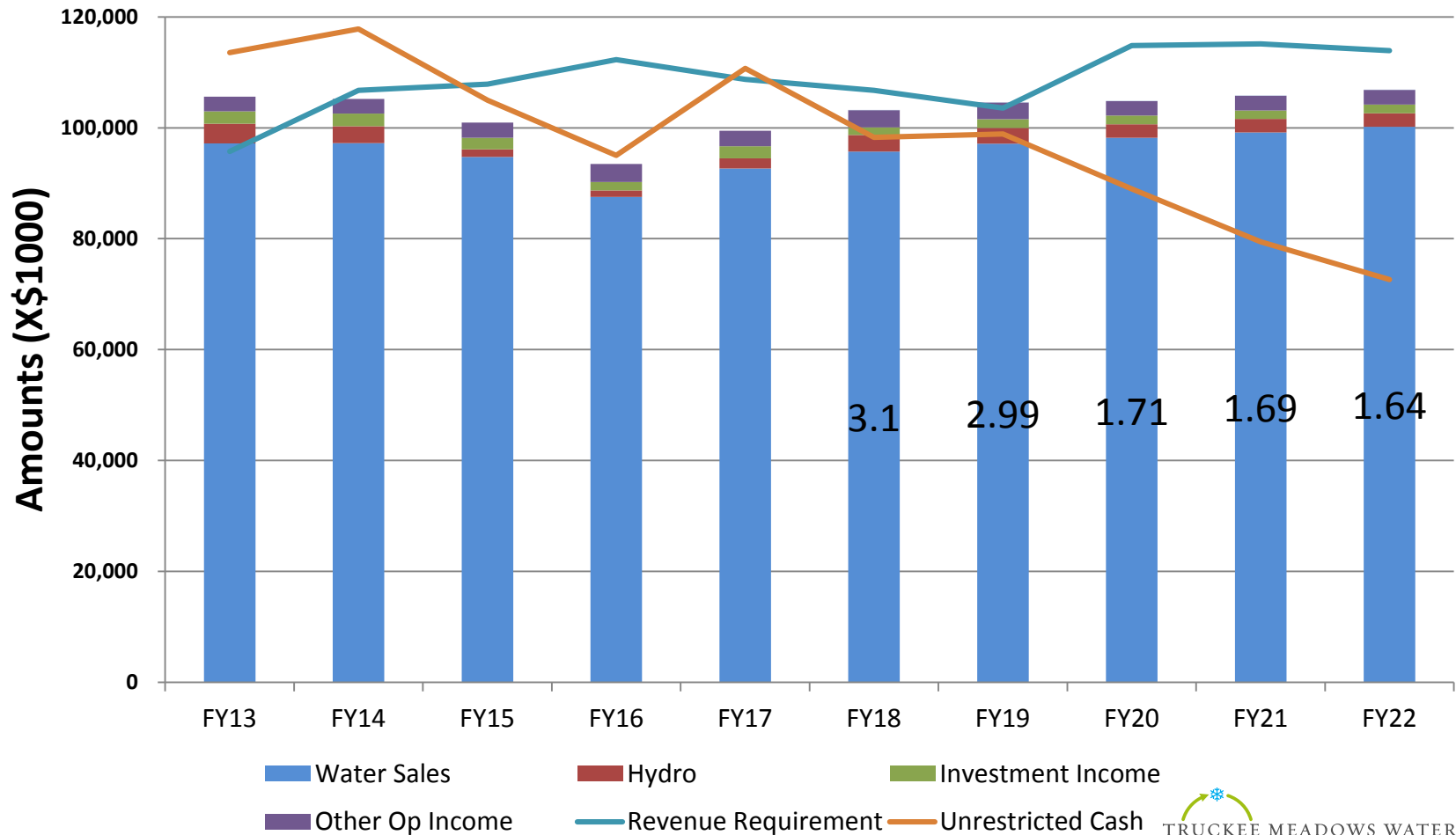
Draft Funding Plan 2018-2022 Financial Metrics 2013-2022



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2022 (Attachment A-1)

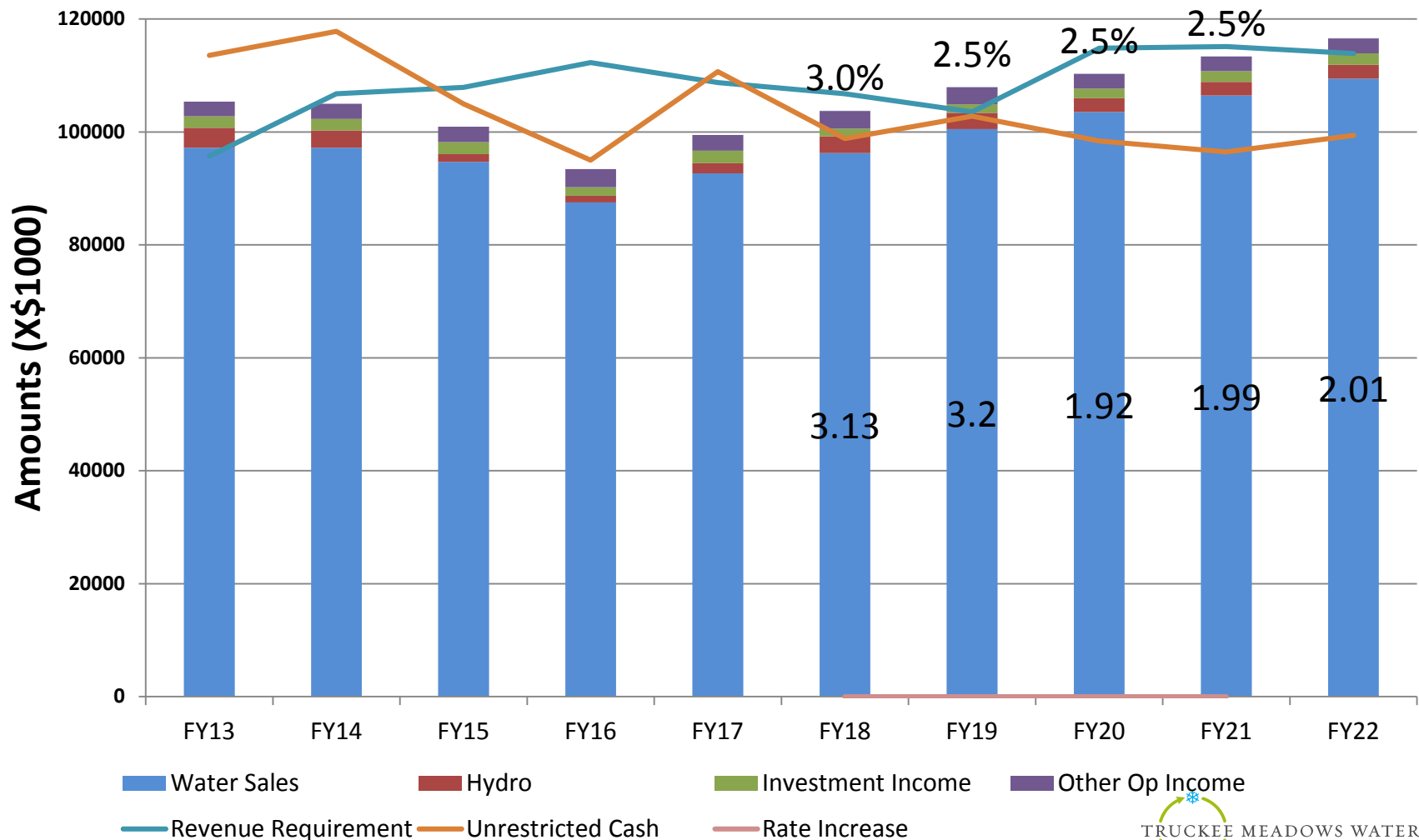
2018 Funding Plan - No Rate Increase



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2022 (Attachment A-2)

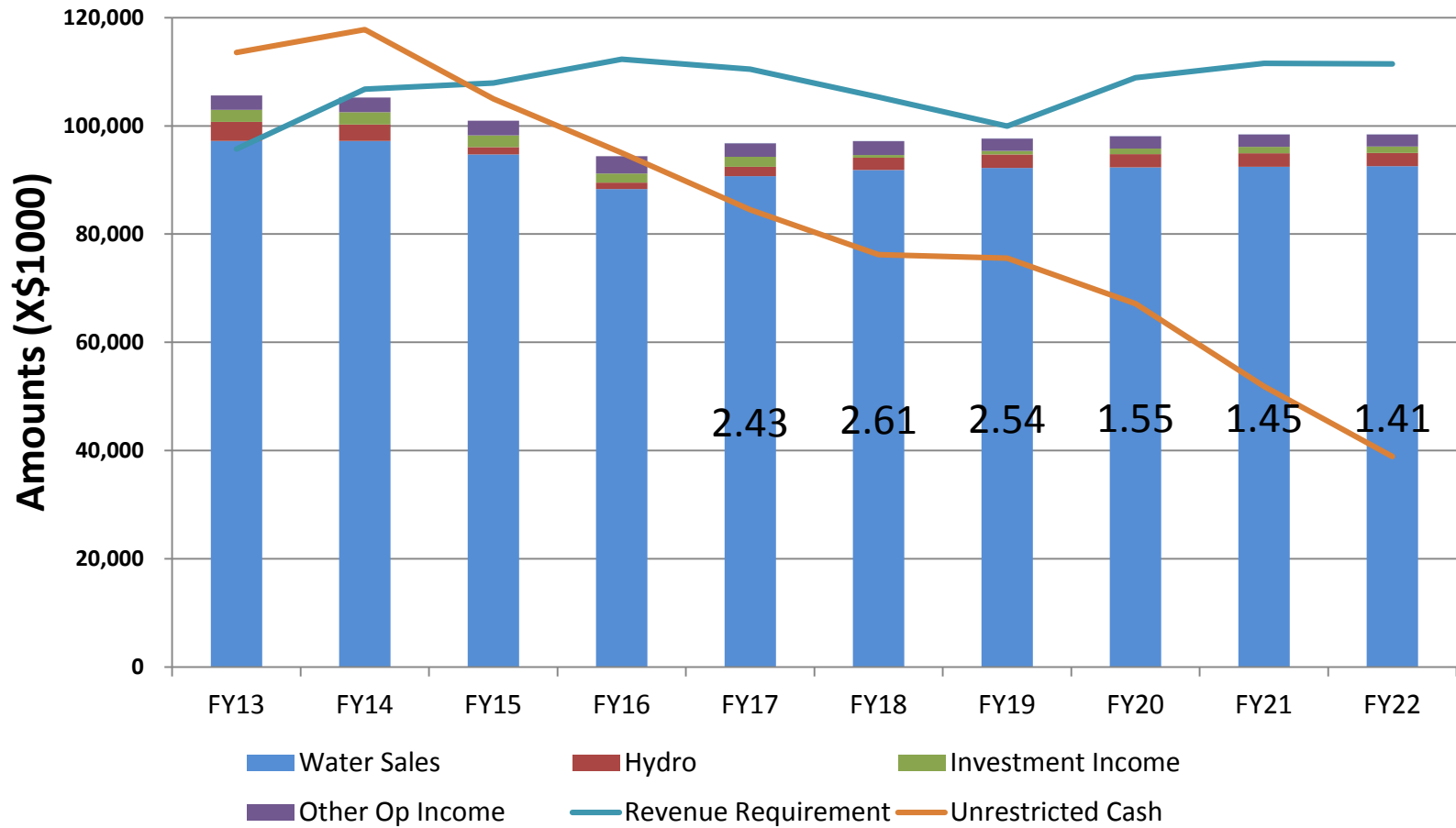
2018 Funding Plan – With Rate Increase



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2022 (Attachment B-1)

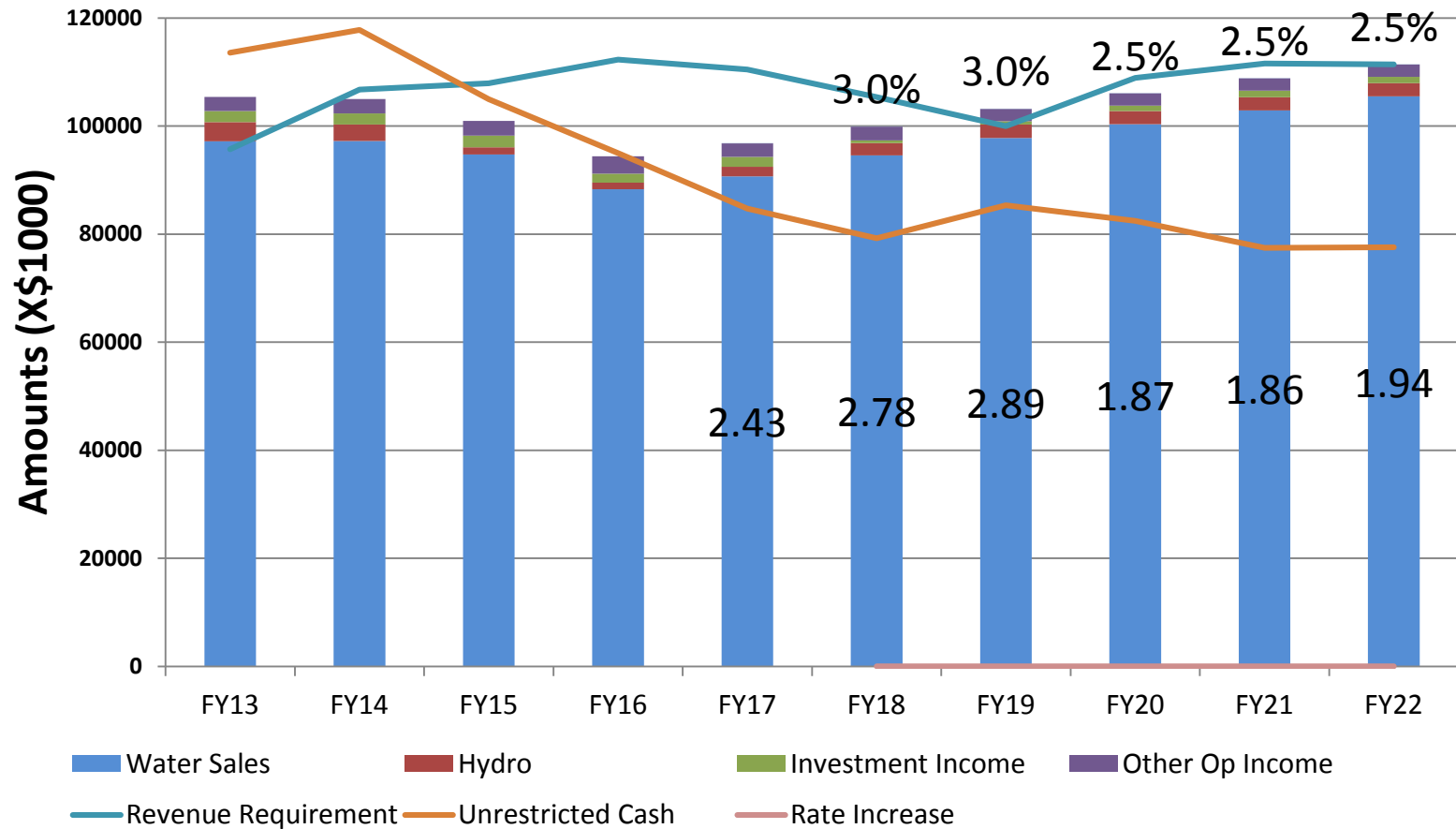
2017 Funding Plan (prior year) – No Rate Increase



Truckee Meadows Water Authority (TMWA)

Financial Metrics 2013-2022 (Attachment B-2)

2017 Funding Plan (prior year) - With Rate Increases



Thank you!
Questions?

Mark Foree, General Manager
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STAFF REPORT

TO: Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: John Enloe and Scott Estes
DATE: September 28, 2017
SUBJECT: **Presentation on the draft Wholesale Water Service Agreement between TMWA and West Reno Water Company, discussion and possible recommendation to the Board.**

Background and Discussion

West Reno Water Company, Inc. (West Reno) proposes to provide retail water service to certain areas within its anticipated initial PUCN authorized service territory (PUCN application currently in process) in the Boomtown/Verdi area (see attached figure). West Reno will own, maintain, and operate its own distribution system for retail water service including wells, transmission and distribution mains, and storage tanks. West Reno has separate groundwater supplies that it intends to use to serve all or a portion of the proposed development within the anticipated PUCN authorized service territory, but desires to receive wholesale water service from TMWA to serve a portion of its total water demand to allow for conjunctive management of its groundwater resources with surface water.

TMWA has developed a Verdi Area Facility Plan (Area Plan) to meet the projected buildout demands in the Verdi area. Portions of the Area Plan facilities have been, or are currently being, constructed, including a new water main extension to convey water to the West Meadows development within the east Verdi area. The water system currently being extended into the Verdi area will be a temporary extension of the Mogul/Verdi Business Park tank zone, which has 150 GPM of excess supply capacity.

West Reno has initially requested 50 GPM of supply capacity, which would be provided as a year-round, base load supply. The necessary Truckee River water rights required to support this demand is approximately 80 acre feet per year. These water resources could be purchased through TMWA's Rule 7 Inventory or acquired on the open market. The wholesale service would be billed under the Firm Standby Partial Requirements (FSPR) rate schedule, which would generate a revenue of approximately \$3,400 per month. Required facility fees for the proposed wholesale service amount to \$602,500.

Presently, TMWA does not have the ability to provide retail water service to the planned and proposed developments in the Boomtown / Verdi area. Several major water system improvements are required to deliver the estimated 1,933 GPM buildout demand. Due to the significant cost of the facilities required to supply the necessary capacity (\$13.85 million), TMWA staff does not propose to fund the improvements based on the Area Fee model; therefore, new development will be responsible for the construction of all subsequent water system improvements and facility costs.

At the August meeting of the TMWA Board of Directors, action was deferred on the wholesale agreement, and staff was directed to further evaluate water service options. Three options are under consideration:

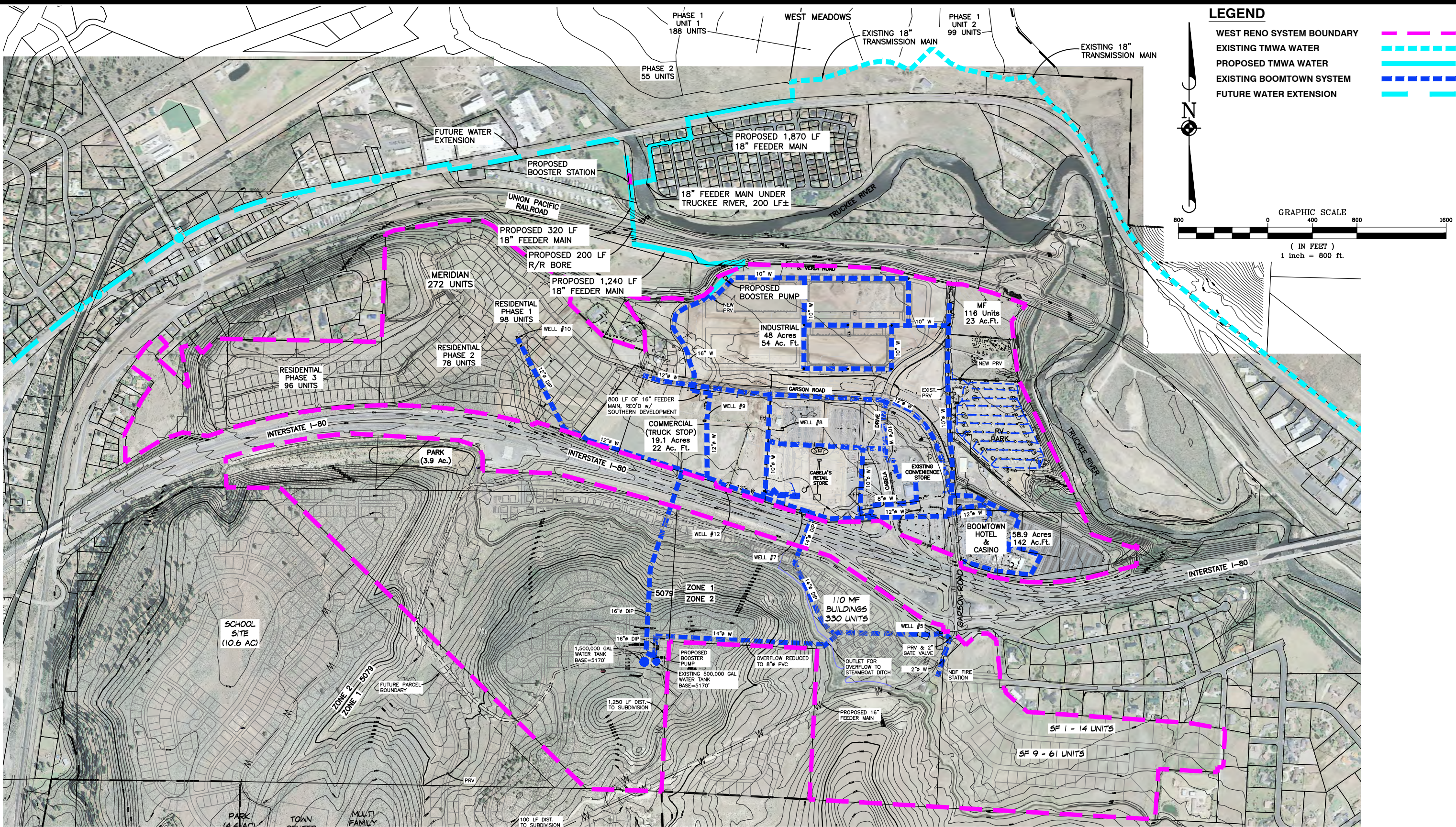
1. West Reno serves the new development in the area to the extent their groundwater resources allow.
2. West Reno serves the new development in the area to the extent their groundwater resources allow, supported by a TMWA wholesale agreement that would allow for conjunctive use management of groundwater and surface water.
3. West Reno serves the new development in the area to the extent their groundwater resources allow, supported by a TMWA wholesale agreement that would transition to a TMWA acquisition of the West Reno water system at a future date, whereby TMWA would become the retail service provider in the long term.

Possible Recommendation to the Board

At last month's SAC meeting, when this item was presented as an informational item, discussion ensued and it was suggested that the SAC may choose to forward a recommendation to the Board of Directors regarding water service to the Verdi area. This agenda item now provides that opportunity for the SAC.

Attachments:

Figure A: West Reno Water Company



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WEST RENO WATER COMPANY			
BOOMTOWN, NEVADA			
BOOMTOWN WATER SYSTEM LAYOUT			
DRAWN BY:	DATE:	SCALE:	CODE:
MB	09/27/17	1"=800'	Bhcrenv