



STANDING ADVISORY COMMITTEE AGENDA

Tuesday, October 1, 2019 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) 835-8002. 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 June 4, 2019 meeting (**For Possible Action**)
5. Water Supply Update — Bill Hauck*
6. Presentation of preliminary, unaudited financial performance for fiscal year ended June 30, 2019 — Matt Bowman*

7. Presentation of preliminary funding plan for fiscal years 2020 through 2024, discussion and possible recommendation to the Board — Michele Sullivan **(For Possible Action)**
8. Presentation on large capital improvement projects — Danny Rotter*
9. Presentation of Board decision regarding Water System Facility fees and Business Service Fees — Scott Estes*
10. Status update on the sale of Farad Property — John Zimmerman*
11. Discussion and possible direction to staff regarding agenda items for future meetings **(For Possible Action)**
12. Staff Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
13. Committee Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
14. Public Comment — limited to no more than three minutes per speaker*
15. Adjournment **(For Possible Action)**



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

June 4, 2019

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 3:01 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Robert Chambers, ***Harry Culbert, *Jordan Hastings, Don Kowitz, Carol Litster, Neil McGuire, Ken McNeil, Ann Silver, Jim Smith and Jerry Wager.

Alternates Present: Fred Arndt, Bruce Gescheider, Ken Becker, **Susan Hoog, Bill Hughes, Jonnie Pullman, Karl Katt, and Dale Sanderson.

Primary Members and Alternates Absent: Colin Hayes, Scot Munns, Mike Schulewitch, and Fred Schmidt.

Staff Present: Matt Bowman, Robert Charpentier, John Enloe, Scott Estes, Sonia Folsom, Mark Foree, Andy Gebhardt, Joe Petrelli, Danny Rotter, Michele Sullivan, Shawn Stoddard, Sandra Tozi, John Zimmerman, Legal Counsel Mat Trachok (McDonald Carano), Legal Counsel Michael Pagni (McDonald Carano), and Lobbyist Steve Walker (Walker & Associates).

**Member Hastings arrived at 3:08 p.m.*

***Member Hoog left at 4:17 p.m.*

****Member Culbert left at 4:27 p.m.*

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE APRIL 2, 2019 MEETING

Upon motion duly made by Member McNeil and seconded by Member Schulewitch, and carried by unanimous consent of the members present, the Committee approved the April 2, 2019 meeting minutes with the corrections.

5. DISCUSSION AND POSSIBLE RECOMMENDATION REGARDING BILLS IN THE 2019 LEGISLATIVE SESSION THAT MAY AFFECT TMWA

Steve Walker, TMWA Lobbyist, updated the Committee on the status of water bills and bills on which TMWA has taken a position of either support or oppose. Mr. Walker noted the bills that failed to meet the deadline and those bills that are exempt. He provided an overview of several bills, including the following: AB30 (3M bill) went through several amendments and will go to interim session; AB62 (extend time to complete construction of projects to divert water) had been enrolled with amendments and delivered to the Governor; AB84 (issuance of state general obligation bonds to protect and preserve natural and cultural resources) had passed both houses; AB132 (prohibiting the denial of employment because of the presence of marijuana in a screening test taken by a prospective employee with certain exceptions), had passed both houses; AB136 (revises how prevailing wage is determined, reduced from \$250k to \$100k) had passed both houses and been approved by the Governor; SB250 (dedication of water rights, amendment accepted by the state engineer and bill sponsor) had passed both houses, TMWA amendments were accepted; SB358 (revision to definition of what qualifies as a renewable energy system), amendments were passed and TMWA's hydro facilities are no longer excluded from the bill.

No action taken.

6. PRESENTATION OF FINANCIAL PERFORMANCE FOR THE QUARTER ENDED MARCH 31, 2019

Matt Bowman, TMWA Financial Controller, informed the Committee that not much had changed in overall performance since the last update: change in net position was \$10.8m more than budget; operating revenue was \$1.3m higher than budget year-to-date, but lower in the third quarter due to lower water usage by customers and ongoing maintenance at the Fleish plant; operating expenses were \$3.0m under budget; nonoperating expenses were \$2.5m less than budget due to higher investment earnings; and capital contributions were \$4.0m more than budget, driven by higher water rights will-serve sales and developer contributions.

Member McNeil inquired about the next rate increase. Mr. Bowman replied staff will conduct an analysis and present in October.

7. PRESENTATION ON THE TMWA FINAL BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2020 AND CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2020 THROUGH 2024

Mr. Bowman presented the final budget for fiscal year ending June 30, 2020. The only change to the tentative budget presented at the March 20, 2019 Board meeting is a favorable increase in the change in net position of \$300,000 due to an increase in hydroelectric revenue estimates.

Joe Petrelli, TMWA Financial Analyst, presented the changes to the 2020-2024 Capital Improvement Plan, which include a net increase of \$2.23m in FY 2020 and an increase in total spending across five years (2020-2024) of \$300,000 (\$213.4m to \$213.7m).

Member Gescheider inquired about the cause of the significant increase in the capital budget. Mr. Petrelli replied that a significant contributing cause was that the Mt. Rose Water Treatment Plant project increased the budget for FY 2020 & 2021 by \$2.0m. Additional questions were taken from Committee Members about specific projects, which staff responded to.

No action taken.

8. PRESENTATION ON DEVELOPER FEES, BUSINESS SERVICES FEES AND PROPOSED AMENDMENTS AND POSSIBLE RECOMMENDATION TO THE BOARD

Scott Estes, TMWA Director of Engineering, presented the changes and updates to the Water System Facility (WSF) and Business Service Fee (BSF) rate schedules. Pursuant to prior Board direction on customer rates, growth pays for growth and the amendments to TMWA's WSF and BSF rate schedules apply only to developers applying for new or expanded water service, and do not affect existing customer rates. In one of the examples given, the increase will be \$380 per single-family residence. Mr. Estes further explained that the reason for the time it took to update the fees was due to the economic downturn and acquiring the Washoe County systems just as the economy picked up again, which took extra staff time to conduct their analysis of the systems. Mr. Estes also pointed out that not all area fees are increasing. The Area 10 Fee is decreasing by a significant amount because the TMWA Supply-Treatment Fee is no longer applicable (the Vidler resource will be used). The Area 15 Fee will also decrease significantly due to using the new lower maximum day demand factor which coincidentally resulted in no change in the denominator (demand of growth).

Mark Foree, TMWA General Manager, further explained that all developer fees are paid for by the developers before customers use any water.

At this time, the Committee discussed the possibility of increasing the fees gradually, and staff explained that to do so would increase cost over time. Member Pullman commented that TMWA staff did a thorough analysis and are credible. The Committee also discussed that TMWA's expansion-related costs have increased faster than WSF and BSF fees. Additional questions were taken from Committee Members about Mr. Estes' presentation, which staff responded to.

Upon motion duly made by Member Pullman and seconded by Member Kowitz, and carried by unanimous consent of the members

present, the Committee's recommendation to the Board is to approve staff recommendation on the proposed amendments to developer fees and business services fees.

9. PRESENTATION ON 2019 COMMUNICATION PLAN

Andy Gebhardt, TMWA Director of Operations & Water Quality, presented on the agenda item. Mr. Gebhardt informed the Committee that, due to significant winter precipitation, TMWA is promoting smart watering practices and no additional conservation measures are taking place.

Discussion followed regarding communication regarding the WSF and BSF fee increase (TMWA has emailed its databases, discussed with the Builders Association of Northern Nevada and held workshops); whether TMWA has tried to educate the public that TMWA's tap water is safe to drink and relatively cheap compared to bottled water (it has, but staff noted that the public drinks bottled water out of convenience); and the fact that TMWA provides great quality water.

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

Next meeting:

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

1. Water supply update
2. Presentation on large capital improvement projects
3. Presentation on financial performance for fiscal year ended June 30, 2019
4. Presentation of Board decision regarding WSF and BSF fees
5. Presentation of Board decision regarding the sale of the Farad property

Upon motion duly made by Member Wager and seconded by Member Katt, and carried by unanimous consent of the members present, the Committee approved cancelling the July 2nd meeting.

Upon motion duly made by Member Wager and seconded by Member Culbert, and carried ten to one, the Committee approved cancelling the August 6th meeting.

11. STAFF ITEMS

Sonia Folsom, TMWA SAC Liaison, reminded the Committee of TMWA's summer party on July 13th and that staff will be scheduling tours of both the Chalk Bluff Water Treatment Plant and Verdi Hydroelectric Power Plant in the Fall for Committee members to attend and they should receive an invitation soon. New legal counsel Mat Trachok was introduced to the Committee.

12. COMMITTEE ITEMS

There were no committee items.

13. PUBLIC COMMENT

There was no public comment.

14. ADJOURNMENT

With no further items for discussion, Vice Chair Schmidt adjourned the meeting at 4:32 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Secretary

**Member Hastings was present for agenda items 5 thru 14 only.*

***Member Hoog was present for agenda item 1 thru 9 only.*

****Member Culbert was present for agenda items 1 thru 10 only.*



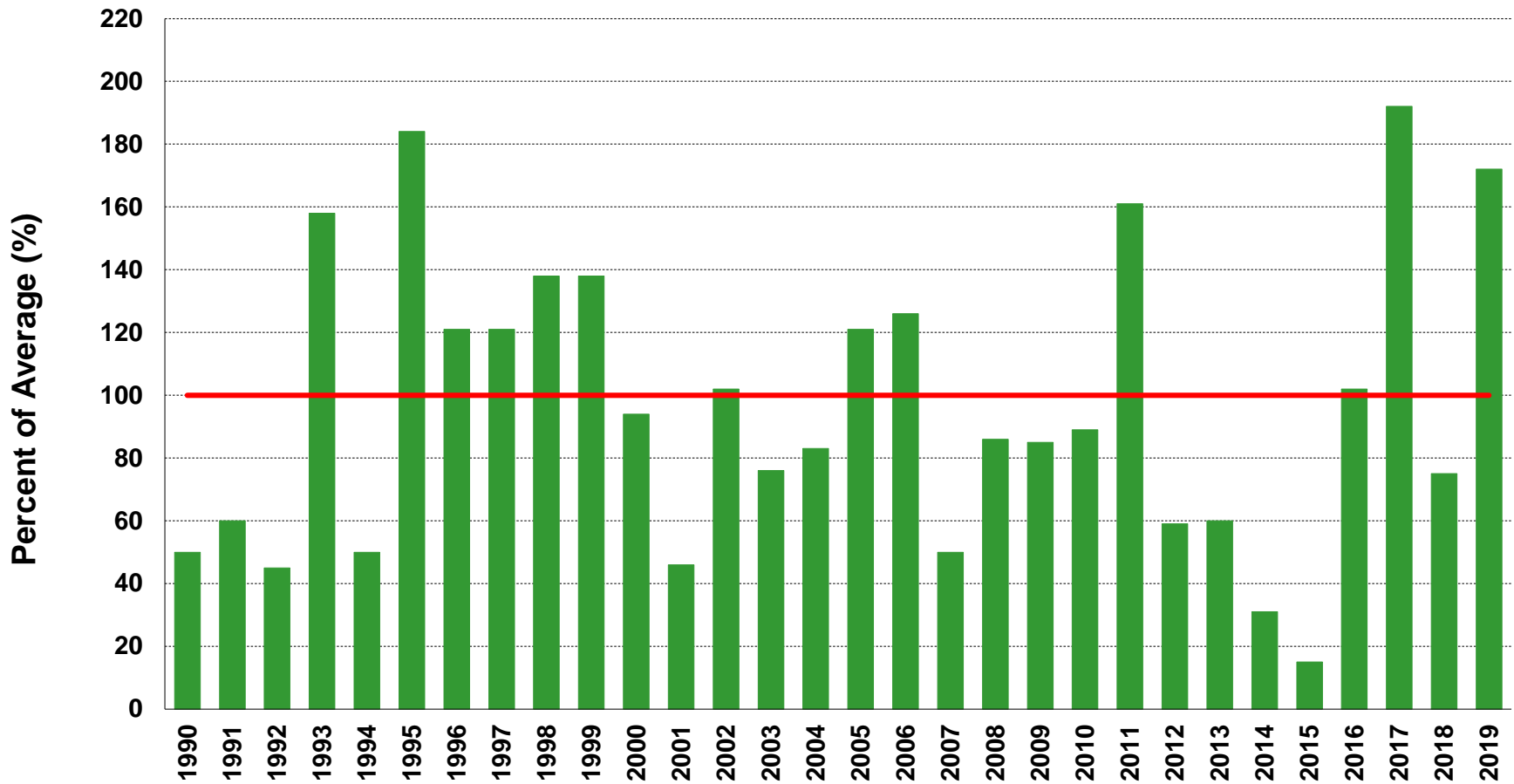
Northern Nevada Water Supply Outlook

TMWA Standing Advisory Committee Meeting

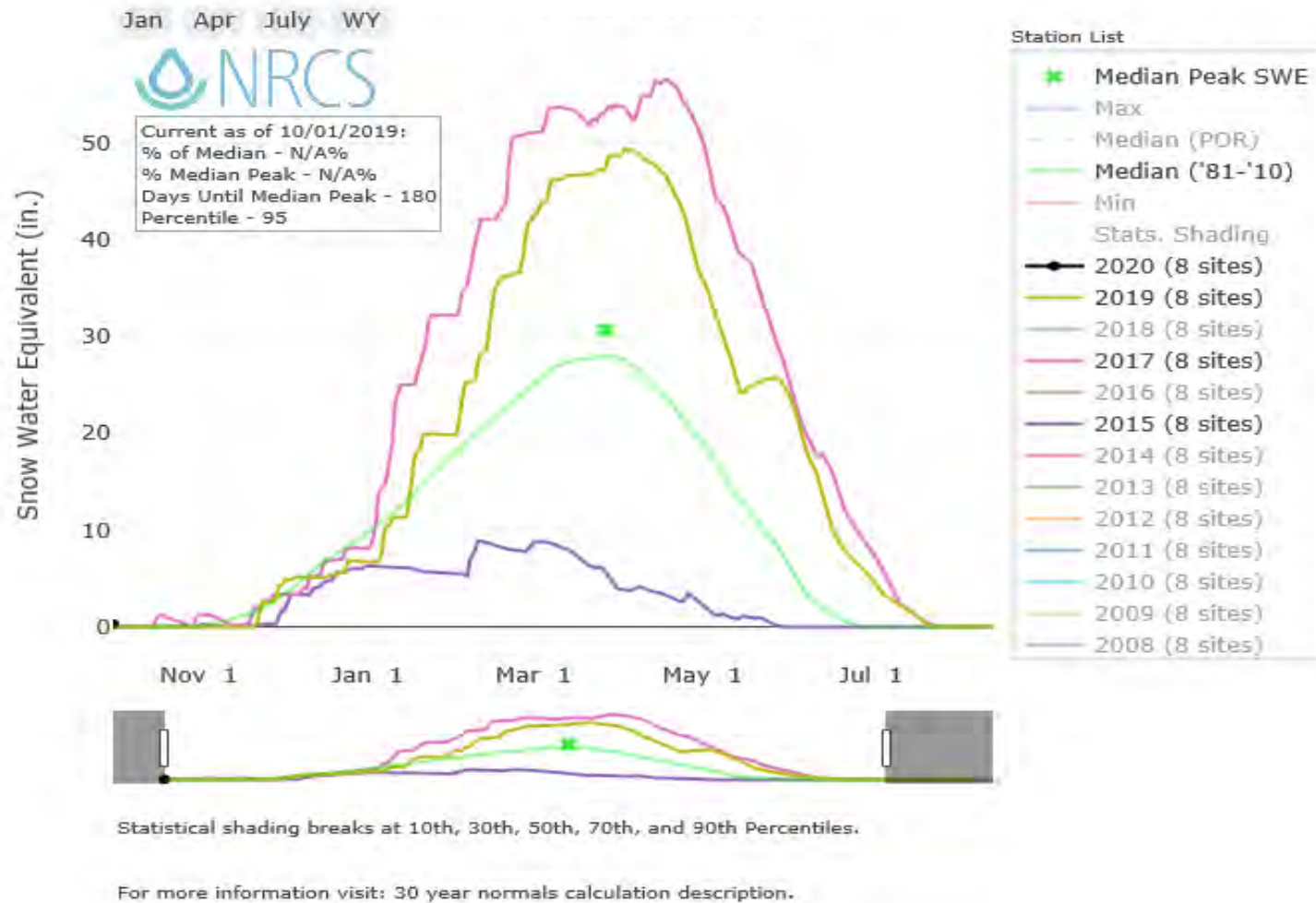
Bill Hauck, Senior Hydrologist

October 01, 2019

Truckee River Basin Snowpack (30 years 1990-2019)



Truckee River Basin Snow Water Equivalent WY 2019

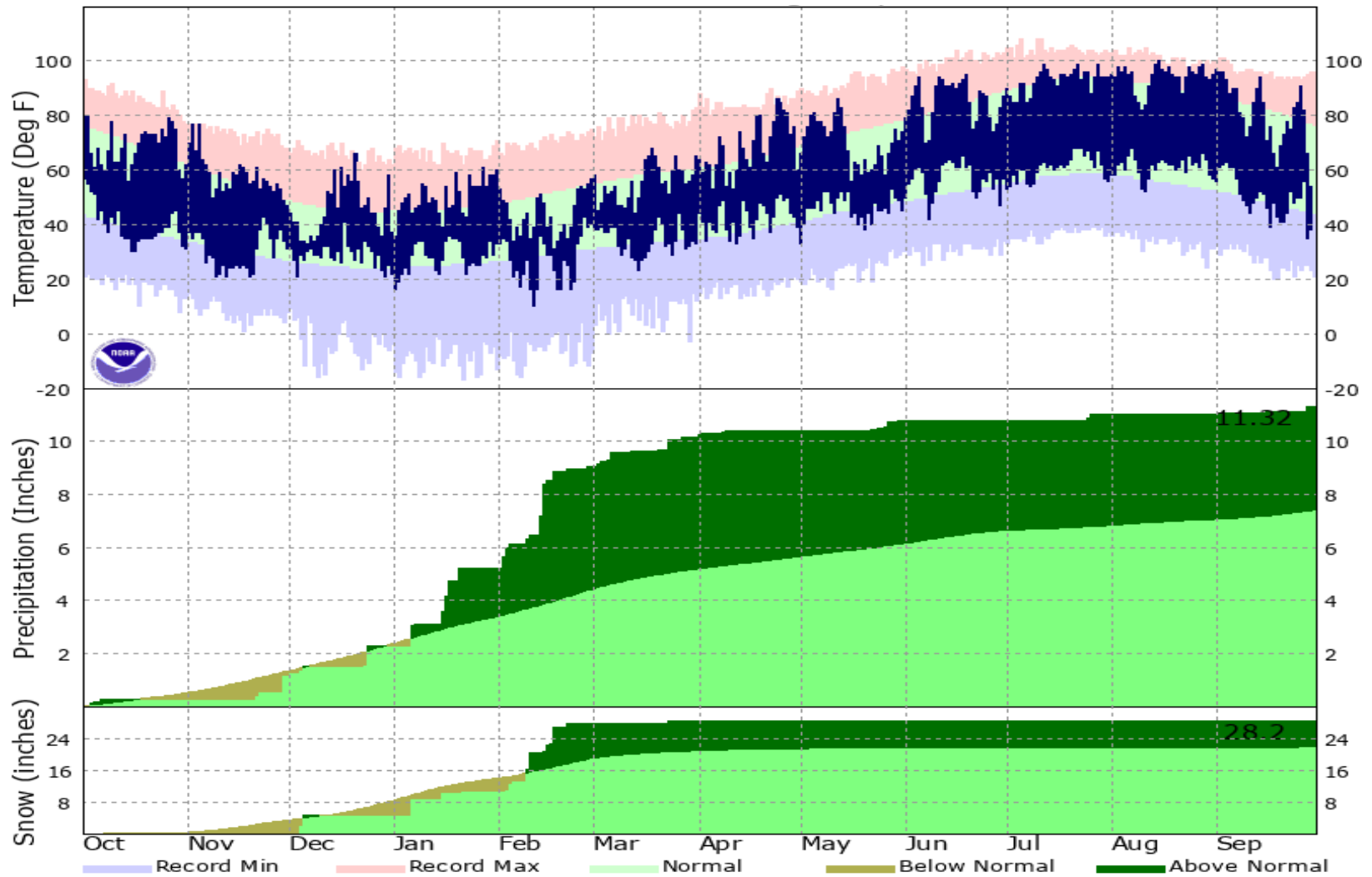


Truckee River Basin Watershed

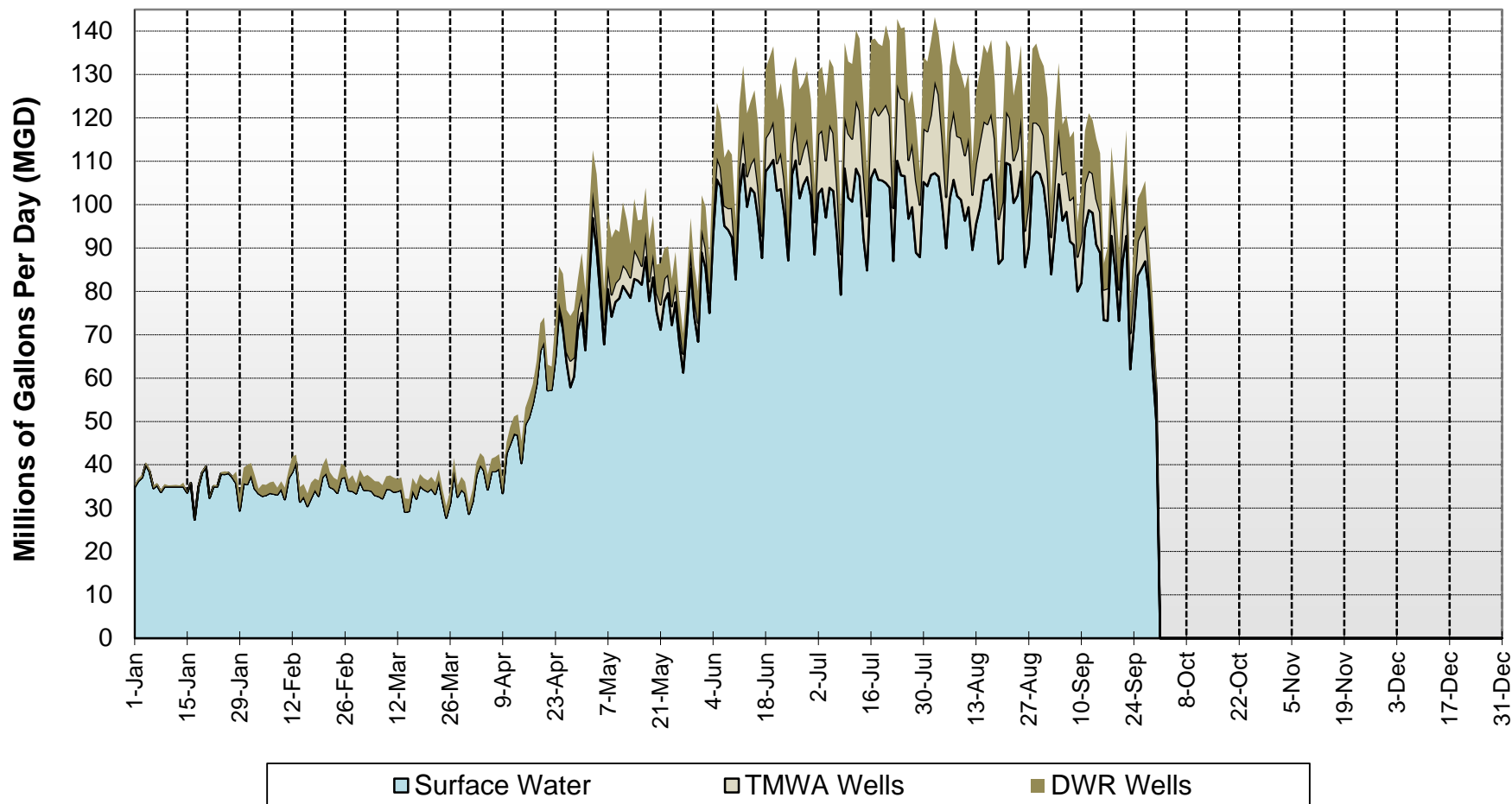




NWS Statistics @ Reno Airport (October – September 2019)

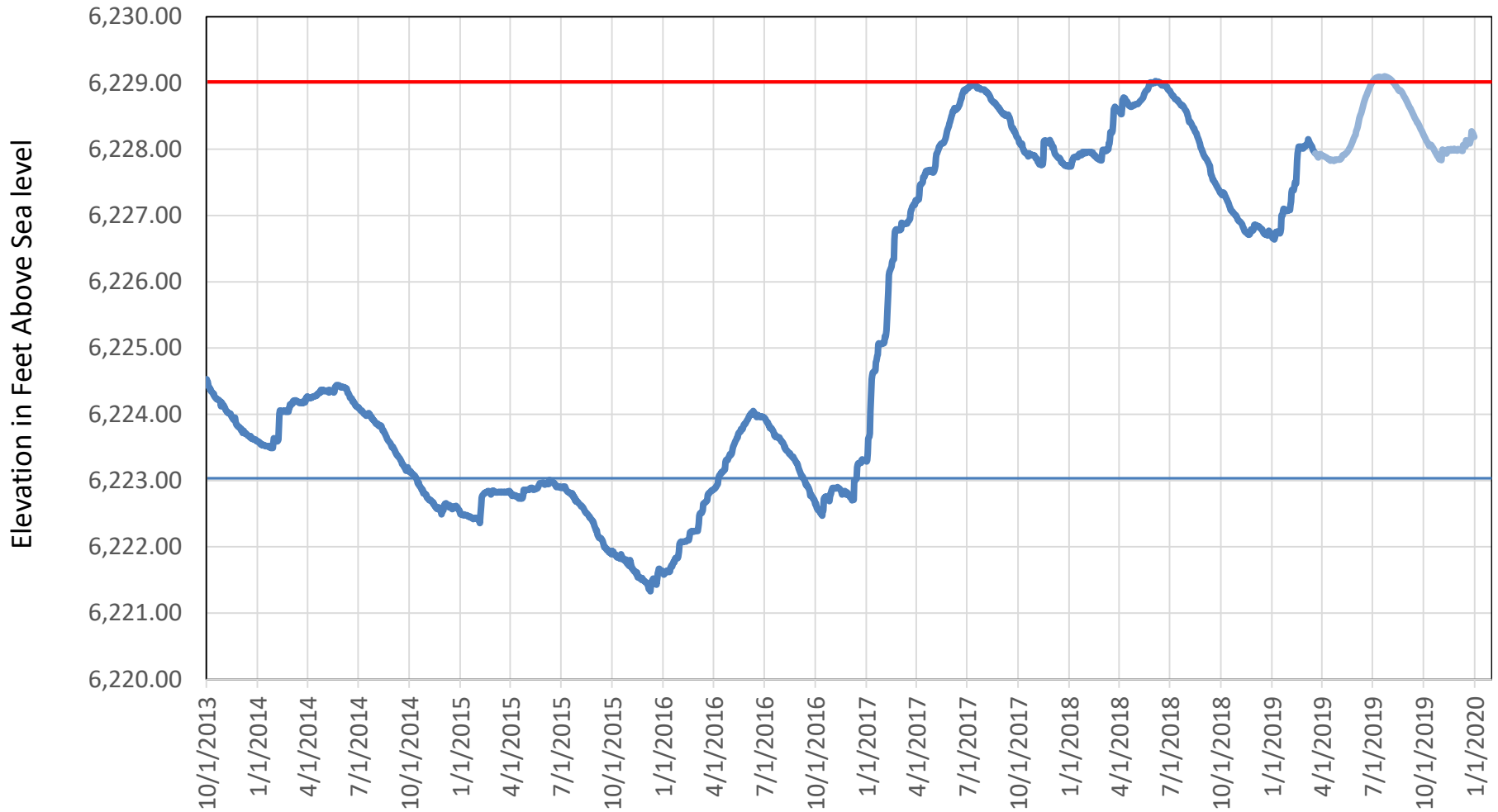


Actual 2019 TMWA Sources of Supply

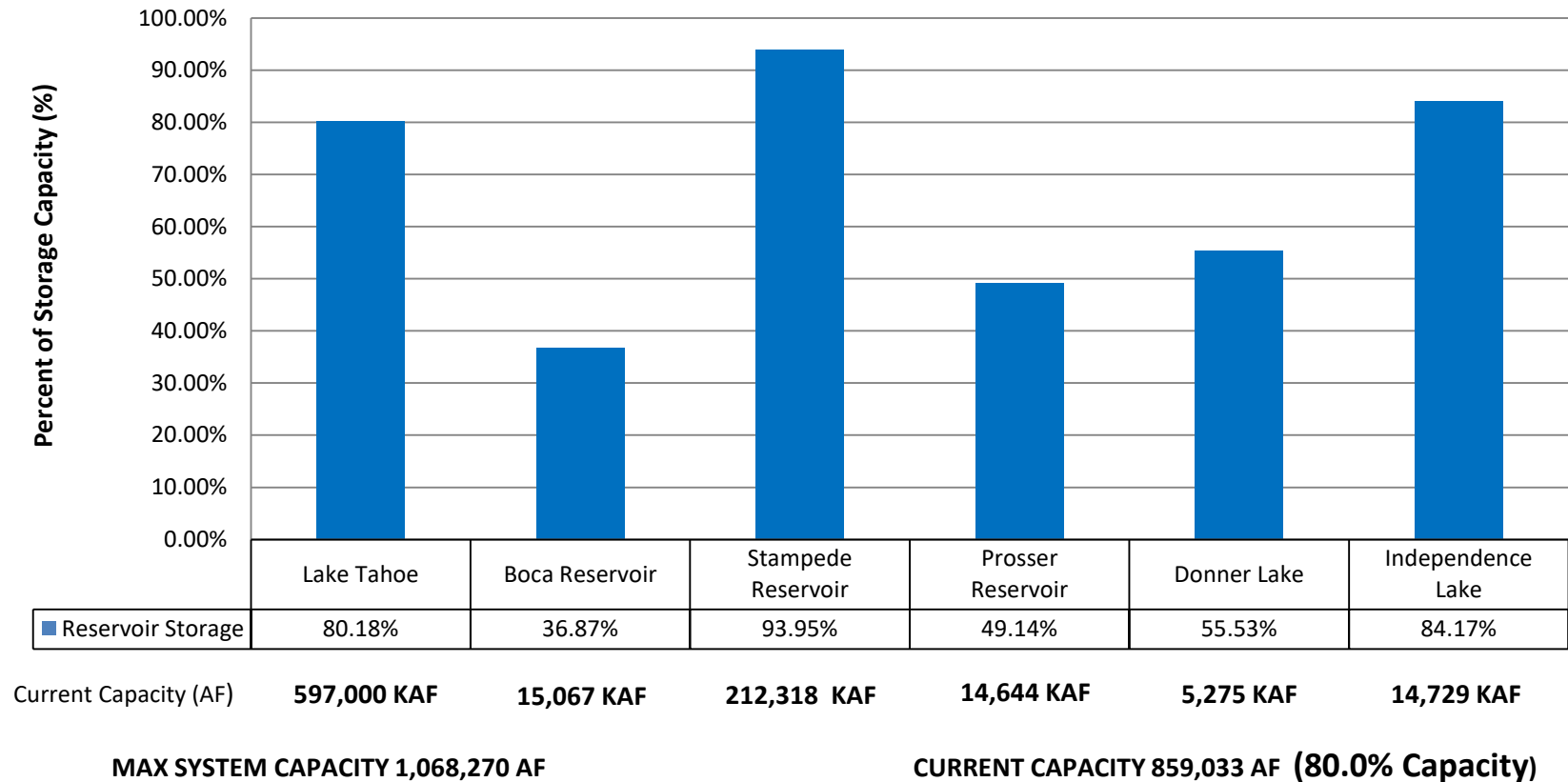


Lake Tahoe Elevation (actual and projected through 2019)

10-01-19 SAC Agenda Item 5



Truckee River Reservoir System Storage (10/01/2019)





Thank you!
Questions?

Bill Hauck, Senior Hydrologist
Email: bhauck@tmwa.com
O: (775) 834-8111 M: (775) 250-1333



TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
 Matt Bowman, Financial Controller
DATE: September 10, 2019
SUBJECT: **Presentation of fiscal year 2019 unaudited financial performance**

Summary

Please refer to Attachments A-1 and A-2 for full Statements of Revenues, Expenses and Changes in Net Position for both actual to budget and year-over-year comparisons as discussed in the report below.

Budget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
CHANGE IN NET POSITION	50,154,355	19,409,032	30,745,323	158%

Change in net position (or overall P&L) in FY 2019 was \$30.7m higher than budget. This is due primarily due to non-cash developer contributed assets which totaled \$19.1m for the year. This is typically not budgeted for due to the uncertainty of the amount and timing of receipts. Additionally, higher investment earnings and higher developer cash contributions led to the variance from budget. These variances will be discussed in further detail in the sections below.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
CHANGE IN NET POSITION	50,154,355	37,748,630	12,405,725	33%

Year over year, change in net position was \$12.4m higher in FY 2019 compared to FY 2018. This is due to higher operating income (\$3.2m), lower nonoperating expenses (\$4.5m), higher capital contributions (\$4.8m). These variances will be discussed in further detail in the sections below.

RevenueBudget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	101,496,912	100,626,513	870,399	1 %
Hydroelectric Sales	2,624,285	2,812,568	(188,283)	(7)%
Other Operating Sales	2,968,321	3,404,500	(436,179)	(13)%
Total Operating Revenues	107,089,518	106,843,581	245,937	— %

Operating revenue was \$0.2m higher than budget due to \$0.8m (1%) more in water sales offset by lower hydroelectric and other operating sales of \$0.6m. Through the first half of FY 2019, water sales were \$2.0m (3%) over budget driven by additional services (growth) and higher usage by customers. However, during the third and fourth quarters, we saw water sales drop due to lower consumption. Hydroelectric revenue came in less than budget due to work at the Fleish plant during the year to replace the tail race and to repair the flume.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	101,496,912	95,181,554	6,315,358	7 %
Hydroelectric Sales	2,624,285	3,757,043	(1,132,758)	(30)%
Other Operating Sales	2,968,321	2,873,495	94,826	3 %
Total Operating Revenues	107,089,518	101,812,092	5,277,426	5 %

Total operating revenues ended up \$5.3m higher in FY 2019 compared to the prior year. This is due to higher water sales of \$6.3m driven by the 3% rate increase in May 2018 (in effect for all of FY 2019), increased service connections of approximately 2% and increased water use of approximately 2%.

Operating ExpensesBudget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
OPERATING EXPENSES				
Salaries and Wages	20,973,151	21,078,273	(105,122)	— %
Employee Benefits	10,184,189	10,125,916	58,273	1 %
Services and Supplies	28,475,961	28,268,124	207,837	1 %
Total Operating Expenses Before Depreciation	59,633,301	59,472,313	160,988	— %
Depreciation	32,791,153	33,862,476	(1,071,323)	(3)%
Total Operating Expenses	92,424,454	93,334,789	(910,335)	(1)%

Total operating expenses ended up \$0.9m or 1% less than budget. This variance is made up of \$1.1m in non-cash depreciation that was less than budget, offset by operating expenses before depreciation that was higher than budget by \$0.2m. As expected, each category ended the year close to budget. There were not any major surprises during the year from an operating expense standpoint. Any budget overages were generally offset by budget savings.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
OPERATING EXPENSES				
Salaries and Wages	20,973,151	18,735,892	2,237,259	12 %
Employee Benefits	10,184,189	12,919,692	(2,735,503)	(21)%
Services and Supplies	28,475,961	25,835,318	2,640,643	10 %
Total Operating Expenses Before Depreciation	59,633,301	57,490,902	2,142,399	4 %
Depreciation	32,791,153	32,820,720	(29,567)	— %
Total Operating Expenses	92,424,454	90,311,622	2,112,832	2 %

Total operating expenses were \$2.1m higher in FY 2019 compared to the previous year. Salaries and wages have increased due to additions in headcount and step and cost of living increases. Headcount has risen by approximately 7% since the end of FY 2018, some of which is due to backfilling (or overlapping) positions with upcoming known retirements. These increases are temporary. Employee benefits were lower than prior year by \$2.7m due to large non-cash adjustments in prior fiscal year following the implementation of GASB 75 and 82 which required new accounting for OPEB and Pension plans, respectively. Services and supplies were higher due to several factors including general price increases in supplies and labor and also additional workload caused by continued growth in the service area. Specific increases year over year include an increased contribution to the Truckee River Fund of \$850k in FY 2019 compared to \$450k in FY 2018, higher chemical costs of approximately \$0.7m due principally to price increases, higher electric power costs of \$0.5m due to the start up of Fish Springs booster pumps, and a property tax assessment related to the acquisition of Donner Lake water rights of \$0.2m. The remaining variance is made up of several smaller increases in services and supplies costs.

Non-Operating ExpensesBudget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	4,409,486	2,833,548	1,575,938	56 %
Net Increase (Decrease) in FV of Investments	2,843,154	—	2,843,154	— %
Gain (Loss) on Disposal of Assets	(225,687)	—	(225,687)	— %
Amortization of Bond/note Issuance Costs	(218,132)	(215,748)	(2,384)	1 %
Interest Expense	(13,268,153)	(13,436,520)	168,367	(1)%
Other Nonoperating Revenue	19	—	19	— %
Other Nonoperating Expense	(233,514)	—	(233,514)	— %
Total Nonoperating Revenues (Expenses)	(6,692,827)	(10,818,720)	4,125,893	(38)%

Nonoperating expenses are \$4.1m less than budget due mostly to higher investment earnings than budgeted. Although interest rates have dropped in recent months, rates were generally higher during FY 2019 compared to FY 2018, especially early in the fiscal year. Of the \$4.4m variance from budget due to investment earnings, \$1.6m is cash and fully realized. The remaining \$2.8m is non-cash and recognized as fair value changes in investments due to investments held at higher rates than market rates. These unrealized gains, can fluctuate as rates increase or decrease and may not result in actual cash gains.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	4,409,486	2,313,513	2,095,973	91 %
Net Increase (Decrease) in FV of Investments	2,843,154	(934,120)	3,777,274	(404)%
Gain (Loss) on Disposal of Assets	(225,687)	133,972	(359,659)	(268)%
Amortization of Bond/note Issuance Costs	(218,132)	(942,927)	724,795	(77)%
Interest Expense	(13,268,153)	(11,720,356)	(1,547,797)	13 %
Other Nonoperating Revenue	19	—	19	— %
Other Nonoperating Expense	(233,514)	(12,749)	(220,765)	1,732 %
Total Nonoperating Revenues (Expenses)	(6,692,827)	(11,162,667)	4,469,840	(40)%

Nonoperating expenses are lower than prior year by \$4.7m due to several factors. First, both realized and unrealized investment income increased by \$5.9m due primarily to the reasons discussed above. This is offset mostly by more interest expense incurred following the bond refunding in April 2018 (see Agenda Item 7 from May 2018 BOD Meeting for additional information on the refunding). This bond refunding decreased the principal of commercial paper which is variable rate debt, while increasing principal on fixed rate debt. While this transaction increased interest expense in the short term, it reduced risk by fixing a portion of the debt at a reasonable rate and limiting exposure to interest rate fluctuations in future years.

Capital ContributionsBudget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
CAPITAL CONTRIBUTIONS				
Grants	831,116	1,700,000	(868,884)	(51)%
Water Meter Retrofit Program	994,706	676,020	318,686	47 %
Water Resource Sustainability Program	689,060	—	689,060	— %
Developer Infrastructure Contributions	19,112,590	—	19,112,590	— %
Developer Will-serve Contributions (Net of Refunds)	4,663,826	3,470,232	1,193,594	34 %
Developer Capital Contributions - Other	6,636,417	5,922,000	714,417	12 %
Developer Facility Charges (Net of Refunds)	9,154,403	4,950,708	4,203,695	85 %
Net Capital Contributions	42,182,118	16,718,960	25,463,158	152 %

Capital contributions were \$25.5m more than budget in FY 2019, primarily due to non-cash developer infrastructure contributions which were \$19.1m during the year. These represent water infrastructure constructed by developers then dedicated to TMWA following the completion of the project. Contributing another \$7m to the variance was all other developer contributions. The volume of projects in the service area has remained high, and while construction continues at the current pace these contributions are expected to continue.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
CAPITAL CONTRIBUTIONS				
Grants	831,116	348,248	482,868	139 %
Water Meter Retrofit Program	994,706	2,379,206	(1,384,500)	(58)%
Water Resource Sustainability Program	689,060	—	689,060	— %
Developer Infrastructure Contributions	19,112,590	15,017,446	4,095,144	27 %
Developer Will-serve Contributions (Net of Refunds)	4,663,826	6,652,819	(1,988,993)	(30)%
Developer Capital Contributions - Other	6,636,417	6,448,549	187,868	3 %
Developer Facility Charges (Net of Refunds)	9,154,403	6,464,559	2,689,844	42 %
Net Capital Contributions	42,182,118	37,410,827	4,771,291	13 %

Year over year, capital contributions are \$4.8m higher in FY 2019 compared to FY 2018. Certain categories are higher and lower, but primarily, this variance is due to non-cash developer contributed infrastructure which was \$4.1m higher than prior year.

Capital Spending

Spending on capital outlays and construction projects during the year was approximately \$40.1m. Total planned spend for the year was \$52.3m. Top 5 project spending for the year was -

- Mount Rose Water Treatment Plant \$9.1m
- South Virginia Main Replacement \$3.4m
- California - Marsh Main Replacement \$2.1m
- Paloma PRS & Pipeline Improvements \$1.8m
- Verdi Main Extension \$1.6m

Cash Position

At June 30, 2019, total cash on hand was \$197.8m or \$4.4m higher than at the beginning of the fiscal year. Of the total cash on hand, \$152.9m was unrestricted to be used to meet upcoming and future operating & maintenance expenses, principal & interest payments and construction project payments. The remaining \$44.9m was restricted to pay for scheduled bond principal and interest payments as well as maintaining required reserves as stipulated in our bond covenants.

Truckee Meadows Water Authority

Comparative Statements of Revenues, Expenses and Changes in Net Position
For fiscal year ended June 30, 2019

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 101,496,912	\$ 100,626,513	\$ 870,399	1 %
Hydroelectric Sales	2,624,285	2,812,568	(188,283)	(7)%
Other Operating Sales	2,968,321	3,404,500	(436,179)	(13)%
Total Operating Revenues	107,089,518	106,843,581	245,937	— %
OPERATING EXPENSES				
Salaries and Wages	20,973,151	21,078,273	(105,122)	— %
Employee Benefits	10,184,189	10,125,916	58,273	1 %
Services and Supplies	28,475,961	28,268,124	207,837	1 %
Total Operating Expenses Before Depreciation	59,633,301	59,472,313	160,988	— %
Depreciation	32,791,153	33,862,476	(1,071,323)	(3)%
Total Operating Expenses	92,424,454	93,334,789	(910,335)	(1)%
OPERATING INCOME	14,665,064	13,508,792	1,156,272	9 %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	4,409,486	2,833,548	1,575,938	56 %
Net Increase (Decrease) in FV of Investments	2,843,154	—	2,843,154	— %
Gain (Loss) on Disposal of Assets	(225,687)	—	(225,687)	— %
Amortization of Bond/note Issuance Costs	(218,132)	(215,748)	(2,384)	1 %
Interest Expense	(13,268,153)	(13,436,520)	168,367	(1)%
Other Nonoperating Revenue	19	—	19	— %
Other Nonoperating Expense	(233,514)	—	(233,514)	— %
Total Nonoperating Revenues (Expenses)	(6,692,827)	(10,818,720)	4,125,893	(38)%
Gain (Loss) Before Capital Contributions	7,972,237	2,690,072	5,282,165	196 %
CAPITAL CONTRIBUTIONS				
Grants	831,116	1,700,000	(868,884)	(51)%
Water Meter Retrofit Program	994,706	676,020	318,686	47 %
Developer Infrastructure Contributions	19,112,590	—	19,112,590	— %
Developer Will-serve Contributions (Net of Refunds)	4,663,826	3,470,232	1,193,594	34 %
Developer Capital Contributions - Other	6,636,417	5,922,000	714,417	12 %
Developer Facility Charges (Net of Refunds)	9,154,403	4,950,708	4,203,695	85 %
Net Capital Contributions	42,182,118	16,718,960	25,463,158	152 %
CHANGE IN NET POSITION	50,154,355	19,409,032	30,745,323	158 %

Truckee Meadows Water Authority

Comparative Statements of Revenues, Expenses and Changes in Net Position
For fiscal year ended June 30, 2019

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 101,496,912	\$ 95,181,554	\$ 6,315,358	7 %
Hydroelectric Sales	2,624,285	3,757,043	(1,132,758)	(30)%
Other Operating Sales	2,968,321	2,873,495	94,826	3 %
Total Operating Revenues	107,089,518	101,812,092	5,277,426	5 %
OPERATING EXPENSES				
Salaries and Wages	20,973,151	18,735,892	2,237,259	12 %
Employee Benefits	10,184,189	12,919,692	(2,735,503)	(21)%
Services and Supplies	28,475,961	25,835,318	2,640,643	10 %
Total Operating Expenses Before Depreciation	59,633,301	57,490,902	2,142,399	4 %
Depreciation	32,791,153	32,820,720	(29,567)	— %
Total Operating Expenses	92,424,454	90,311,622	2,112,832	2 %
OPERATING INCOME	14,665,064	11,500,470	3,164,594	28 %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	4,409,486	2,313,513	2,095,973	91 %
Net Increase (Decrease) in FV of Investments	2,843,154	(934,120)	3,777,274	(404)%
Gain (Loss) on Disposal of Assets	(225,687)	133,972	(359,659)	(268)%
Amortization of Bond/note Issuance Costs	(218,132)	(942,927)	724,795	(77)%
Interest Expense	(13,268,153)	(11,720,356)	(1,547,797)	13 %
Other Nonoperating Revenue	19	—	19	— %
Other Nonoperating Expense	(233,514)	(12,749)	(220,765)	1,732 %
Total Nonoperating Revenues (Expenses)	(6,692,827)	(11,162,667)	4,469,840	(40)%
Gain (Loss) Before Capital Contributions	7,972,237	337,803	7,634,434	2,260 %
CAPITAL CONTRIBUTIONS				
Grants	831,116	348,248	482,868	139 %
Water Meter Retrofit Program	994,706	2,379,206	(1,384,500)	(58)%
Developer Infrastructure Contributions	19,112,590	15,017,446	4,095,144	27 %
Developer Will-serve Contributions (Net of Refunds)	4,663,826	6,652,819	(1,988,993)	(30)%
Developer Capital Contributions - Other	6,636,417	6,448,549	187,868	3 %
Developer Facility Charges (Net of Refunds)	9,154,403	6,464,559	2,689,844	42 %
Net Capital Contributions	42,182,118	37,410,827	4,771,291	13 %
CHANGE IN NET POSITION	50,154,355	37,748,630	12,405,725	33 %



STAFF REPORT

TO: TMWA Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer/Treasurer
DATE: September 25, 2019
SUBJECT: **Presentation of preliminary funding plan for Fiscal Years 2020 through 2024, discussion and possible recommendation to the Board**

Recommendation

Recommendation to consider processing the next rate increase of 2.5% scheduled for May, 2020 with a final vote by the Board of Directors (BOD) at their scheduled meeting in January or February of 2020, and maintain the possibility of two rate increases in May of 2021, and 2022 at a maximum of 2.5% each. Continue to monitor the closing of the funding gap between recurring revenues and the cost of servicing TMWA customers, based on the Funding Plan annually.

Summary

At the April, 2017 TMWA Board meeting, the TMWA BOD approved Resolution No. 250 which included rate increases of 3% in May, 2017 and May, 2018 with additional rate increases of 2.5% in May, 2019 through 2021 to be brought for reconsideration to the SAC and BOD before they are implemented, so that they can be thoroughly vetted. Principal payments on Senior Lien debt were deferred in the 2016 Bond Refunding to give TMWA time to bring rates in line with cost of service. Annual principal payments averaging \$11 million annually will resume in 2020, and should be covered by recurring revenue, which is mainly water sales. Increases of 3% in May of 2017 and 2018 were implemented, and the 2.5% rate increase scheduled for May, 2019 was deferred for one year.

The 2020-2024 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. Increases in water sales revenues, hydroelectric and other operating revenues, and investment earnings have helped to close some of the funding gap. Water flows in the Truckee River are projected to be sufficient to operate hydroelectric plants at near capacity levels, but required maintenance will need to be performed which will take them out of service for periods of time. Higher than anticipated cash balances resulted in higher than originally anticipated investment earnings. One time cash windfalls of \$21.4 million from an insurance settlement related to Farad, and \$9.5

million from banks for releasing them from Forward Delivery Agreements have placed TMWA in a strong cash position; However, closing the funding gap still needs to occur to ensure TMWA can maintain critical financial goals which are essential to maintain adequate cash balances and investment grade credit ratings.

Discussion

A survey performed by American Water Works Association (AWWA) of 318 water utilities nationwide showed that from 1996 to 2012, the average residential price of water (excluding wastewater) climbed 4.9% per year compared to an annual growth of 2.5% in general CPI, or almost twice CPI. The study also identified an average rate increase between July 2012 and July 2014 of 9.5%. The following graph published by the U.S. Bureau of Labor Statistics shows the water and sewage CPI compared to all in CPI.

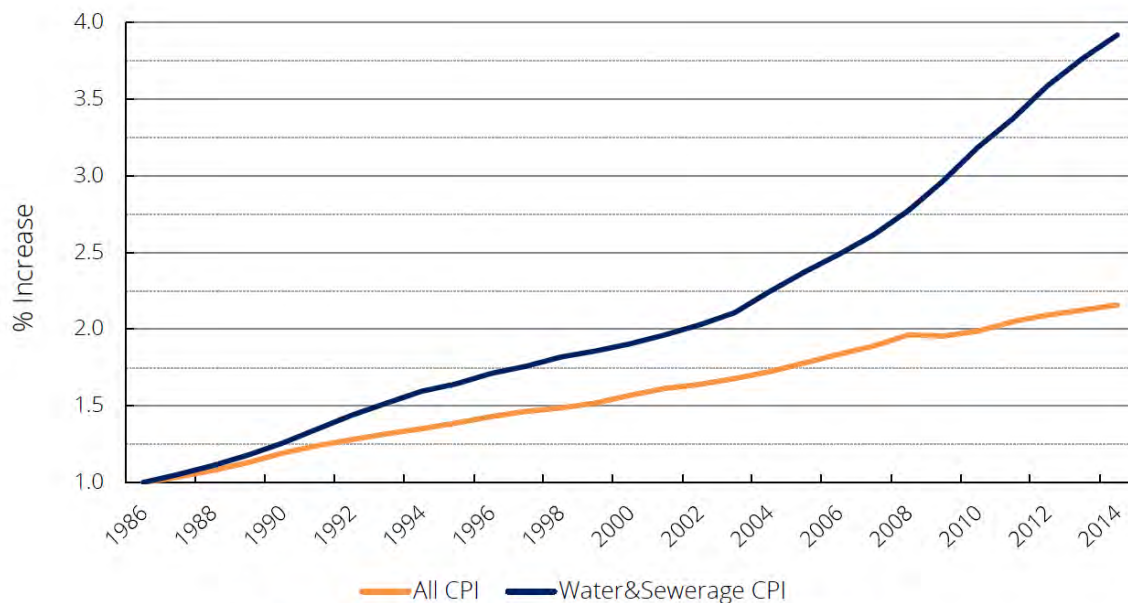


Figure 3.1 CPI for Water Rates versus CPI for All Items

Source: U.S. Bureau of Labor Statistics, <http://www.bls.gov/cpi/data.htm>

TMWA rates over the past 10 years have increased six times, with an average increase of 3.63%, and an average annual increase of 2.18%, which is considerably lower than the CPI for water, and slightly lower than all in CPI. Fitch ratings recently awarded TMWA an upgrade in ratings to AA- from A+, with an improved outlook of Positive from Stable. They state that “rates are low relative to median household income, suggesting the district has adequate flexibility to implement possible inflation-like rate increases over the next several years.” Fitch’s affordability threshold is 1% of median household income and TMWA’s bill equates to 0.7% as of 2018. They also note that if TMWA implements inflation-like rates, we will remain within their measure for affordability.

The last rate increase implemented was in May, 2018. Since then the all in CPI has increased by 2.3% from June, 2018 to August, 2019. CPI for water and sewer has increased 4.1%. If TMWA can stay in line with lower inflation-like rate increases it will best meet its financial objectives. CPI should be above 2.5% for the two-year period ended May, 2020, therefore, a rate increase of 2.5% in May, 2020 is advised by staff. If CPI starts to reduce, we would recommend using a lower rate increase. This can be reconsidered early next year.

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 meets the board designated goal of 1.5x.
- Maintain sufficient cash balances to facilitate the payment for rehabilitative capital projects on a pay-go basis.
- Maintain high investment grade credit ratings to effectively access the credit markets.

The Draft Funding Plans analyze the ability of TMWA to fund the cost to serve customers which includes operating expenses, principal and interest payments on current outstanding debt related to customers, and all capital improvements presented in the TMWA 2019-2023 Capital Improvement Plan (CIP) that relate to maintaining service for current customers from recurring revenues. 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. If recurring revenues are less than the cost to serve customers this is referred to as a funding gap.

This high-level presentation is based upon very detailed financial projections. Assumptions used in these financial projections can be found in ***Attachment C***.

Over the last three years, revenue has rebounded somewhat from drought levels. Compared to original projections in 2017, when the rate increase was adopted, water sales revenue for FY2019 was \$1.0 million or 1.0% higher than the funding plan projection used at that time, even with the deferral of the 2.5% increase last year. It is uncertain whether this trend will continue. Hydroelectric revenues are expected to remain solid for several years due to sufficient Truckee River flows, but this could also change later in the funding plan period. TMWA had several one-time cash infusions from insurance proceeds for the Farad Hydro diversion, and settlements on release of forward delivery agreements totaling over \$30 million. This additional cash gives TMWA time to reduce the funding gap, but current projections show that much of this cash will be used to pay down debt principal when the debt service increases by \$11 million annually in 2020.

The Draft Funding Plans found in ***Attachment A-1*** and ***A-2***, present the financial metrics and disparity between recurring revenues and the cost to serve customers. ***Attachment A-1*** projects

financial performance metrics if the next increase is not implemented. **Attachment A-2** projects financial performance metrics with the three approved increases beginning in May, 2020.

Critical metrics for TMWA are projected as follows related to **Attachment A-1**:

- TMWA's revenue deficiency as a combined utility increases to \$11.4 million and 9.1% in 2020 when principal payments on Senior Lien debt resume. Recurring revenue is below cost of service by 4.1% after two rate increases.
- Unrestricted cash balances decline significantly beginning in 2021 and fall below required levels based on TMWA's Reserves Policy which are needed to maintain investment grade credit ratings by 2023.

In **Attachment A-2** the funding plan from **Attachment A-1** is shown with all three approved 2.5% rate increases implemented, which strengthens TMWA's DSC calculations and better preserves cash balances.

Critical metrics for TMWA are projected as follows:

- Recurring revenue is within 1.9% of projected cost of service by 2023.
- TMWA maintains an adequate DSC ratio.
- Unrestricted cash balances are maintained at levels sufficient to maintain investment grade credit ratings and meet required cash reserves based on TMWA's Reserves Policy.

TMWA management will continue with strong cost control measures, as demonstrated over past years. The 3% increases approved by the board in May of 2017 and 2018 have put TMWA in a better position to address increased principal payments on debt in 2020. At this time, staff recommends implementing the 2.5% increase in May, 2020, and revisiting the increases in May, 2021 and 2022 to consider implementation.

Truckee Meadows Water Authority
2020-2024 Funding Plan with Delayed Rate Increases

<i>TMWA's Revenue Sufficiency and Cost of Service</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Projected Rate Increases	0.0%	2.5%	2.5%	0.0%	0.0%
Operating Expenses	\$ 64,696,259	\$ 64,983,724	\$ 65,633,489	\$ 66,789,307	\$ 68,518,656
Principal and Interest on customer related debt	29,102,896	28,221,433	28,602,175	28,531,333	28,465,258
Rehabilitative Capital Spending	30,675,000	30,675,000	30,675,000	30,675,000	30,675,000
Total Projected Cost of Service	\$ 124,474,155	\$ 123,880,157	\$ 124,910,664	\$ 125,995,640	\$ 127,658,914
Recurring Revenues	\$ 113,101,031	\$ 114,420,023	\$ 117,697,192	\$ 120,777,872	\$ 122,409,402
Surplus (Deficiency)	\$ (11,373,124)	\$ (9,460,134)	\$ (7,213,472)	\$ (5,217,768)	\$ (5,249,512)
Surplus (Deficiency) as a % of Cost of Service	-9.1%	-7.6%	-5.8%	-4.1%	-4.1%
<i>Debt Service Coverage Ratios</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water Sales Revenues	102,508,086	104,781,095	108,456,053	111,632,442	112,477,556
Hydroelectric Sales	3,664,180	3,100,000	2,800,000	2,500,000	3,000,000
Other Operating Sales	3,518,950	2,673,823	2,331,513	2,269,902	2,263,820
Investment Income	3,409,815	3,865,105	4,109,626	4,375,528	4,668,026
Total Revenues	113,101,031	114,420,023	117,697,192	120,777,872	122,409,402
Operating Expenses	(66,633,759)	(64,983,724)	(65,633,489)	(66,789,307)	(68,518,656)
Net Revenues	46,467,272	49,436,299	52,063,703	53,988,565	53,890,746
Senior Lien Debt Service	28,185,550	27,829,750	28,275,250	28,274,500	28,287,250
Senior Lien DSC	1.65	1.78	1.84	1.91	1.91
Total Sr. Lien and SRF Debt Service	30,606,271	30,250,471	30,695,971	30,695,221	30,707,971
Total Sr. Lien and SRF DSC	1.52	1.63	1.70	1.76	1.75
Total Annual Debt Service incl. TECP Interest	31,358,959	30,479,829	30,864,842	30,794,938	30,732,821
Total Subordinate DSC	1.48	1.62	1.69	1.75	1.75
<i>TMWA's Cash Balances</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Restricted Cash	\$ 53,409,093	\$ 50,398,778	\$ 50,965,363	\$ 51,790,650	\$ 52,637,426
Rate Stabilization Fund	9,171,715	9,746,088	9,976,982	10,124,142	10,203,237
Unrestricted Cash Required by Policy	94,242,472	93,692,460	93,909,048	94,294,320	94,870,770
Required Cash Balances	156,823,280	153,837,325	154,851,392	156,209,112	157,711,433
Total Cash Balance	193,128,755	181,638,514	168,325,456	157,068,015	149,343,361
Difference	\$ 36,305,475	\$ 27,801,189	\$ 13,474,064	\$ 858,903	\$ (8,368,072)

Truckee Meadows Water Authority
2020-2024 Funding Plan with Delayed Rate Increases

<i>TMWA's Revenue Sufficiency and Cost of Service</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Projected Rate Increases	2.5%	2.5%	2.5%	0.0%	0.0%
Operating Expenses	\$ 64,696,259	\$ 64,983,724	\$ 65,633,489	\$ 66,789,307	\$ 68,518,656
Principal and Interest on customer related debt	29,102,896	28,221,433	28,602,175	28,531,333	28,465,258
Rehabilitative Capital Spending	30,675,000	30,675,000	30,675,000	30,675,000	30,675,000
Total Projected Cost of Service	\$ 124,474,155	\$ 123,880,157	\$ 124,910,664	\$ 125,995,640	\$ 127,658,914
Recurring Revenues	\$ 114,083,173	\$ 117,069,663	\$ 120,468,851	\$ 123,603,831	\$ 125,256,888
Surplus (Deficiency)	\$ (10,390,982)	\$ (6,810,494)	\$ (4,441,813)	\$ (2,391,809)	\$ (2,402,026)
Surplus (Deficiency) as a % of Cost of Service	-8.3%	-5.5%	-3.6%	-1.9%	-1.9%
<i>Debt Service Coverage Ratios</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water Sales Revenues	103,490,228	107,430,735	111,227,712	114,458,401	115,325,042
Hydroelectric Sales	3,664,180	3,100,000	2,800,000	2,500,000	3,000,000
Other Operating Sales	3,518,950	2,673,823	2,331,513	2,269,902	2,263,820
Investment Income	3,409,815	3,865,105	4,109,626	4,375,528	4,668,026
Total Revenues	114,083,173	117,069,663	120,468,851	123,603,831	125,256,888
Operating Expenses	(66,633,759)	(64,983,724)	(65,633,489)	(66,789,307)	(68,518,656)
Net Revenues	47,449,414	52,085,939	54,835,362	56,814,524	56,738,232
Senior Lien Debt Service	28,185,550	27,829,750	28,275,250	28,274,500	28,287,250
Senior Lien DSC	1.68	1.87	1.94	2.01	2.01
Total Sr. Lien and SRF Debt Service	30,606,271	30,250,471	30,695,971	30,695,221	30,707,971
Total Sr. Lien and SRF DSC	1.55	1.72	1.79	1.85	1.85
Total Annual Debt Service incl. TECP Interest	31,358,959	30,479,829	30,864,842	30,794,938	30,732,821
Total Subordinate DSC	1.51	1.71	1.78	1.84	1.85
<i>TMWA's Cash Balances</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Restricted Cash	\$ 53,409,093	\$ 50,398,778	\$ 50,965,363	\$ 51,790,650	\$ 52,637,426
Rate Stabilization Fund	9,171,715	9,993,505	10,230,335	10,024,692	9,660,631
Unrestricted Cash Required by Policy	94,242,472	93,692,460	93,909,048	94,294,320	94,870,770
Required Cash Balances	156,823,280	154,084,743	155,104,745	156,109,661	157,168,826
Total Cash Balance	194,110,897	185,270,296	174,728,897	166,297,415	161,420,247
Difference	\$ 37,287,617	\$ 31,185,553	\$ 19,624,152	\$ 10,187,754	\$ 4,251,421

2020-2024 Draft Funding Plan Assumptions

Operational Assumptions

- 1) Reliance on surface water will continue due to improved weather patterns with groundwater supplies augmenting the surface water treatment plants.
- 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 will be maintained to optimize water quality.
- 3) The Mt. Rose/Galena Surface Water Treatment Plant operational in fiscal year 2021 with operating costs assumed to be \$1000 per mgal with total annual production of 750mg.

Revenue/Capital Contribution Assumptions

- 1) The Draft Funding Plan anticipates an additional 6,477 service connections over the five-year period. Growth in service connections is slightly lower than growth projections presented in the Draft 2016-2035 Water Resource Plan and the prior year's funding plan. Growth percentage goes from 1.51% in 2020, decreasing to 0.81% in 2024. Usage is based on patterns over the last several years.
- 2) Hydroelectric sales projections are based on higher river flows in 2020 through 2022, and median river flows in 2023 and 2024. Downtime for construction and maintenance of hydro plants is considered.
- 3) Weighted average yield on investable cash is estimated to be 1.84% in fiscal year 2020 rising to 2.50% in fiscal year 2024. These yields are slightly lower than the prior year's funding plan.
- 4) Will serve sales are expected to be approximately \$19.4 million over the ensuing period, and will be used to pay down commercial paper balances.
- 5) Other developer contributions are projected to be \$55.7 million over the ensuing period. This does not include any significant funding to expand a water main to Verdi.

Operating Expense Assumptions

- 1) Wages and salaries increase for IBEW workers are based on the latest contract with the union or 3% in 2020, and 2021. Thereafter, IBEW increases are budget at 2.0%. MPAT employees increase by 2.75% annually in 2020 and 2021, 2.5% in 2022 and 2.0% in 2023 and 2024.
- 2) Headcount was increased by seven in the 2020 budget and is projected to increase by seven in 2021, and two in 2022. Headcount will decrease by four in 2023 and by another four in 2024 as retirements occur.
- 3) Public Employee contribution rates are assumed to remain at 29.25% in fiscal year 2020 through 2022, and increase to 30.5% in fiscal year 2023 through 2024.
- 4) Health care premiums and life insurance premiums are assumed to increase 3% annually. No change to employer/employee allocation of costs.

- 5) Workmen's compensation premiums assumed to increase 3% annually.
- 6) Funding for the Truckee River Fund is \$850k in 2020-2024.
- 7) TMWA's anticipated share of TROA administration expenses is approximately \$360k annually beginning in FY 2020.
- 8) General annual inflation of 2.0% is assumed on most service and supplies, with the exception of chemicals, ditch and storage fees which are assumed to increase 3% annually.

Debt Management Assumptions

- 1) Tax-exempt commercial paper interest rates are assumed to be 1.5% in fiscal year 2020 increasing to 1.9% in fiscal year 2023. Payments of \$23.5 million are assumed based on will-serve sales and other revenue to reduce commercial paper to a zero balance before the end of the five-year period.
- 2) No new debt is assumed to be issued during the 2020-2024 period.
- 3) Debt service on developer related funding is assumed to be funded by developer fees.

Treasury Assumptions

- 1) Total cash and investments at the beginning of fiscal year 2020 are \$197.8 million. Of this total \$152.9 million is unrestricted.
- 2) Restricted reserves that were transferred from the South Truckee Meadows General Improvement District (STMGID) are sufficient to fund capital improvements in this former service area through 2021.
- 3) Customer funded capital spending from the five year CIP plan is spread evenly over the five year period to avoid fluctuations in the funding gap. Implementation of a new remote read meter system is planned during the period, and adds approximately \$11 million to the CIP plan.

TMWA

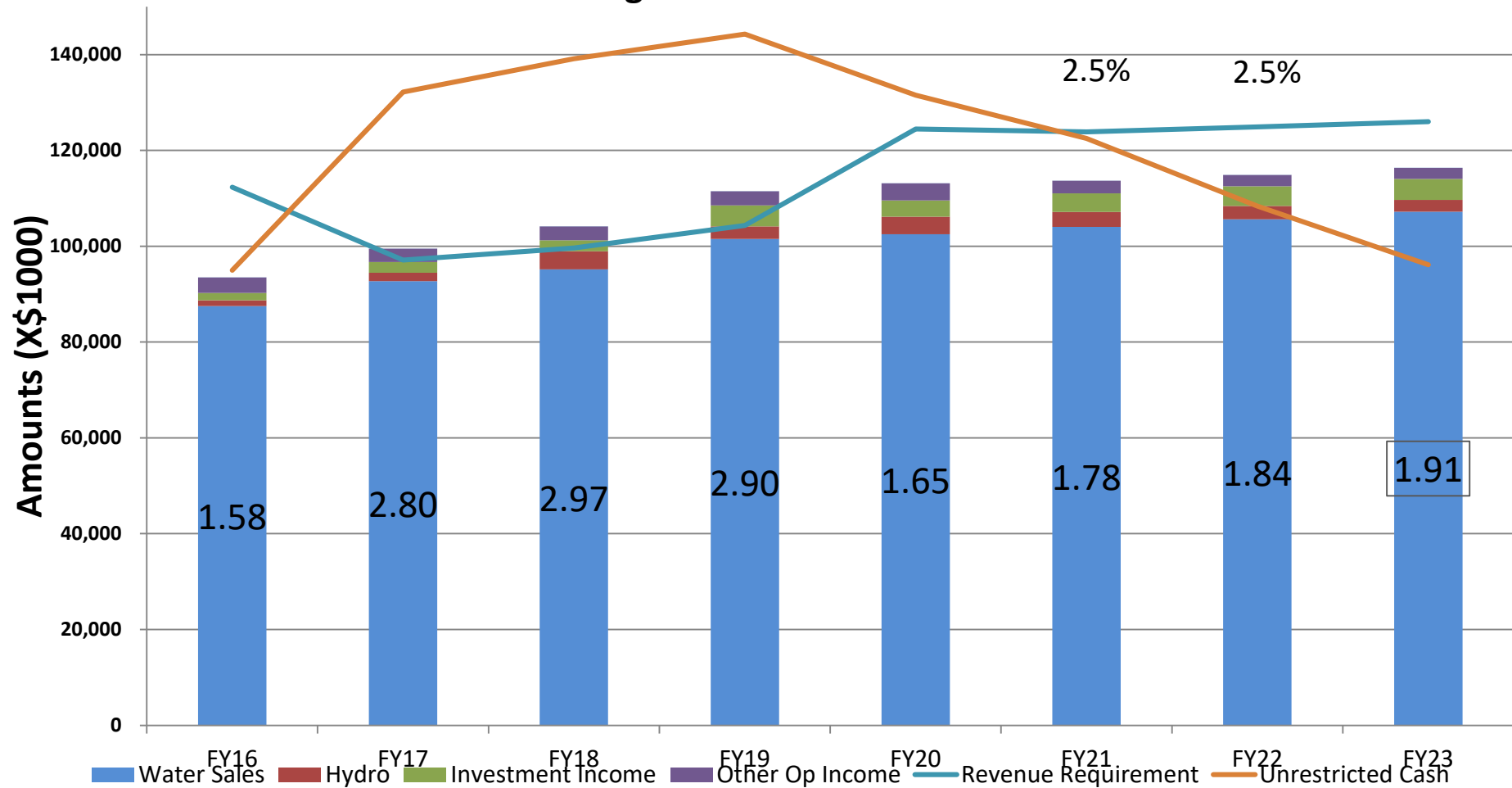
Financial Metrics Related to Draft Funding Plan 2020-2024



Truckee Meadows Water Authority (TMWA)

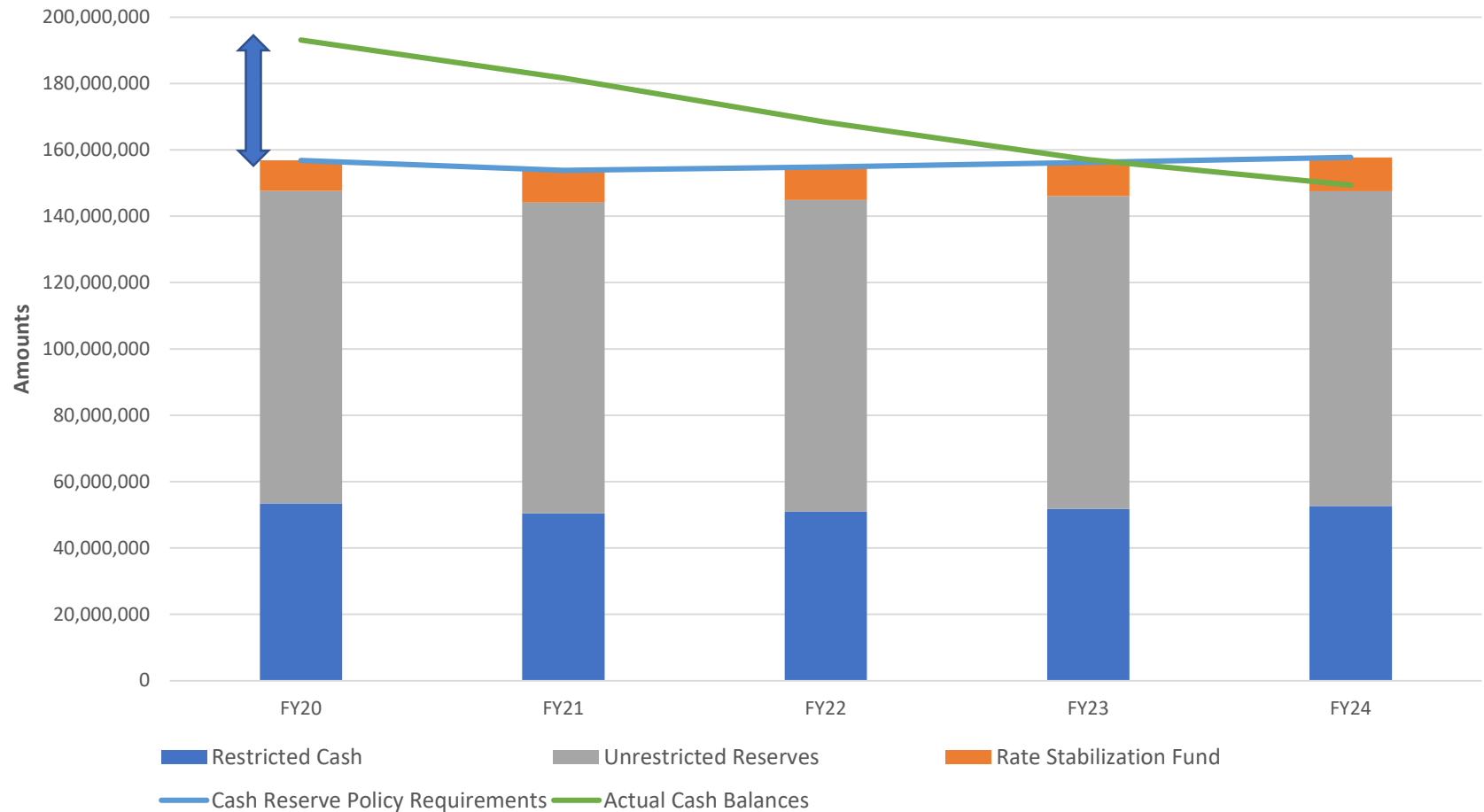
Financial Metrics 2016 - 2023 (Attachment A-1)

2020 Funding Plan - No Rate Increase 2020



Truckee Meadows Water Authority (TMWA)

Cash Balances Attachment A-1

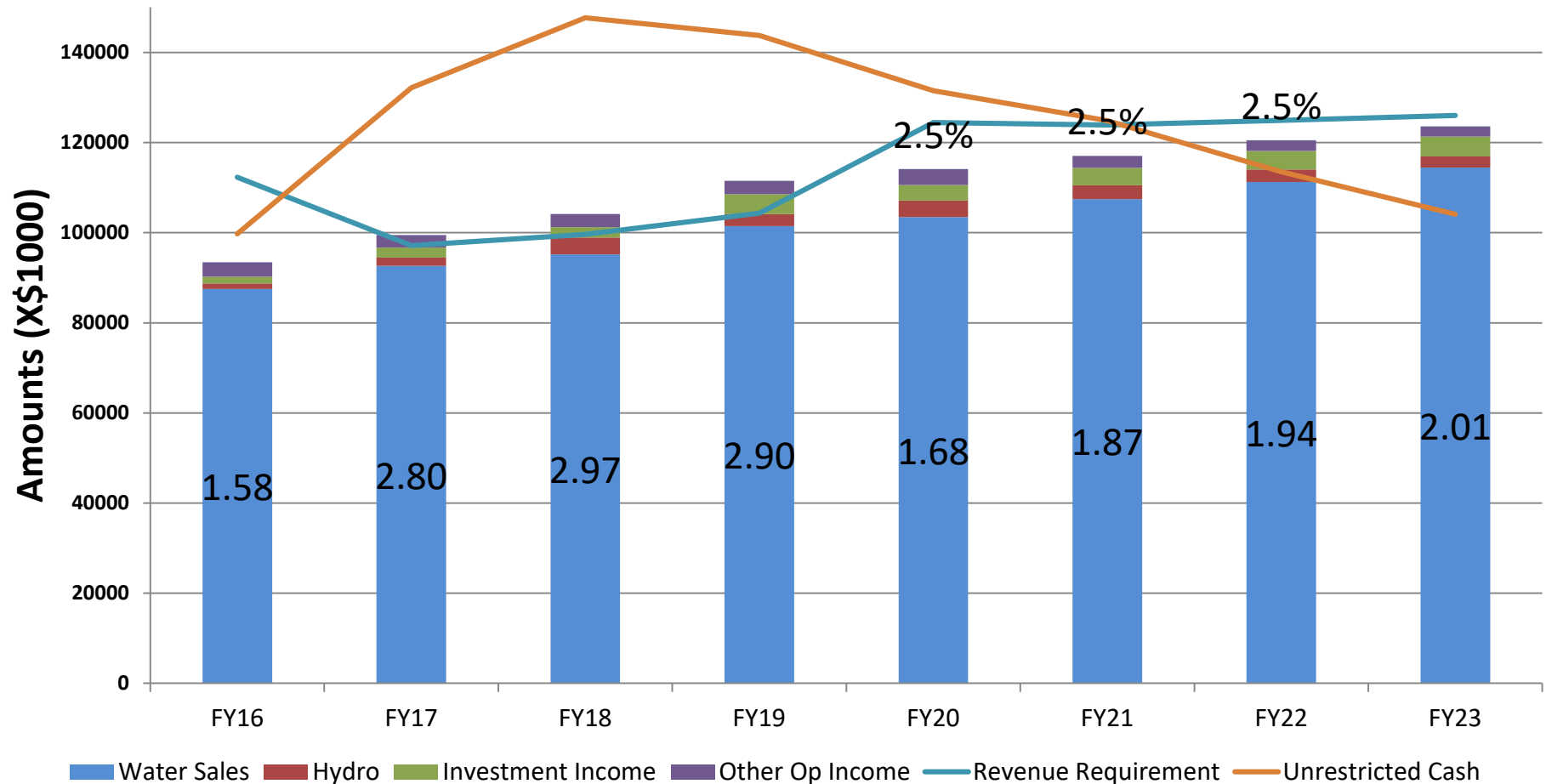


Arrow indicates current excess cash balances due to one time events

Truckee Meadows Water Authority (TMWA)

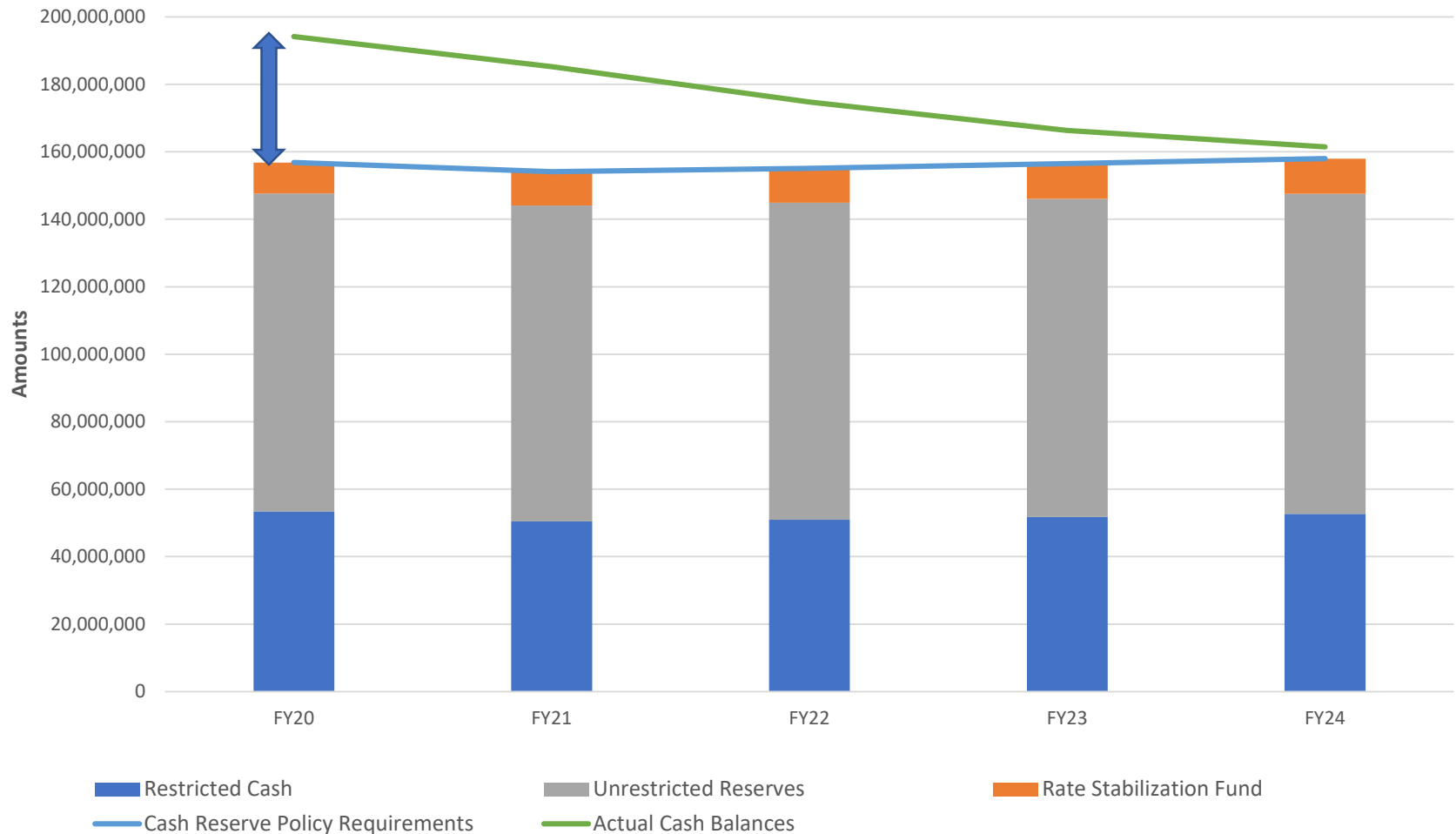
Financial Metrics 2016 - 2023 (Attachment A-2)

2020 Funding Plan - Implement Rate Increases



Truckee Meadows Water Authority (TMWA)

Cash Balances Attachment A-2



Arrow indicates current excess cash balances due to one time events

Thank you!
Questions?

Michele Sullivan, CFO
Email: msullivan@tmwa.com

CIP Major Projects Update

Standing Advisory Committee

Danny Rotter, P.E.
10/1/19



Capital Improvement Plan – Fleish Hydro Projects



Flume Reconstruction \$1.34M Total (\$815k Construction \$331k Lumber)
 Overflow / Spill Structure Replacement \$1.66M Total (\$1.44M Construction)
 Tailrace Replacement \$526k (\$413k Construction)
 Started 10/2018 All completed in June 2019 by Q&D Construction

Fleish Hydro Projects – Spill Structure

10-01-19 SAC Agenda Item 8



Fleish Hydro Projects – Flume Reconstruction

10-01-19 SAC Agenda Item 8



2/1/19 1:41:32 PM PST

Fleish Hydro Projects – Tailrace Replacement

10-01-19 SAC Agenda Item 8



Fleish Hydro Projects – Tailrace Replacement

10-01-19 SAC Agenda Item 8



Fleish Hydro Projects – Tailrace Replacement

10-01-19 SAC Agenda Item 8



Capital Improvement Plan – Glendale Diversion

Repairs and Hardening



2017 Flood Damage

- Initial Emergency Repairs
Fall 2017 ~\$300k
- Commence project to complete
Full repairs and 'hardening'
To ensure it doesn't happen
again



Capital Improvement Plan – Glendale Diversion

Repairs and Hardening (FEMA)

Truckee River reconstruction



By Terri Russell |
Posted: Mon 6:12 PM, Sep 23, 2019



FY2020 CIP \$1.6M Expense Budget \$1.6M – Total \$3.2M
Bids Opened 7/10/19 - \$2.14M, Nearly Complete Today

Glendale Diversion Repairs and Hardening

10-01-19 SAC Agenda Item 8



Capital Improvement Plan – Chalk Bluff

Additional Backup Generator



FY2020 CIP \$700k

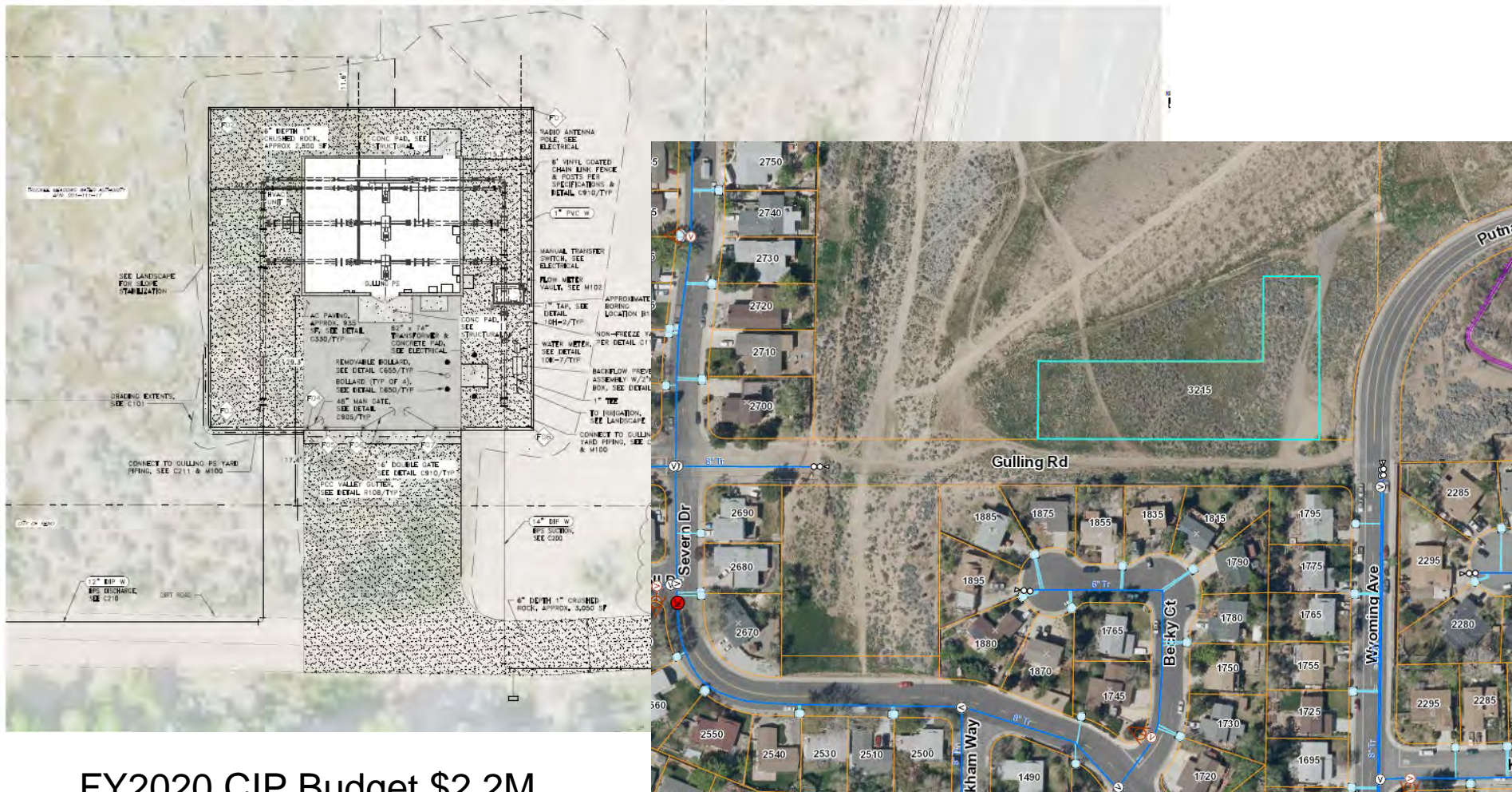
Total expended through August: \$200k

Bid opened 1/9/19 – Nelson Electric

Site Construction began 9/4/19, 100% completion slated 2/14/20

2.0 MW, 65.4L V-16 Turbo Diesel, total 3.4MW backup power

Capital Improvement Plan – Kings Row 1 BPS



FY2020 CIP Budget \$2.2M

Bids Opened 8/5/19 Gerhardt and Berry \$1.799M

Projected in Service Date April 2020

Capital Improvement Plan – Mt. Rose WTP

10-01-19 SAC Agenda Item 8



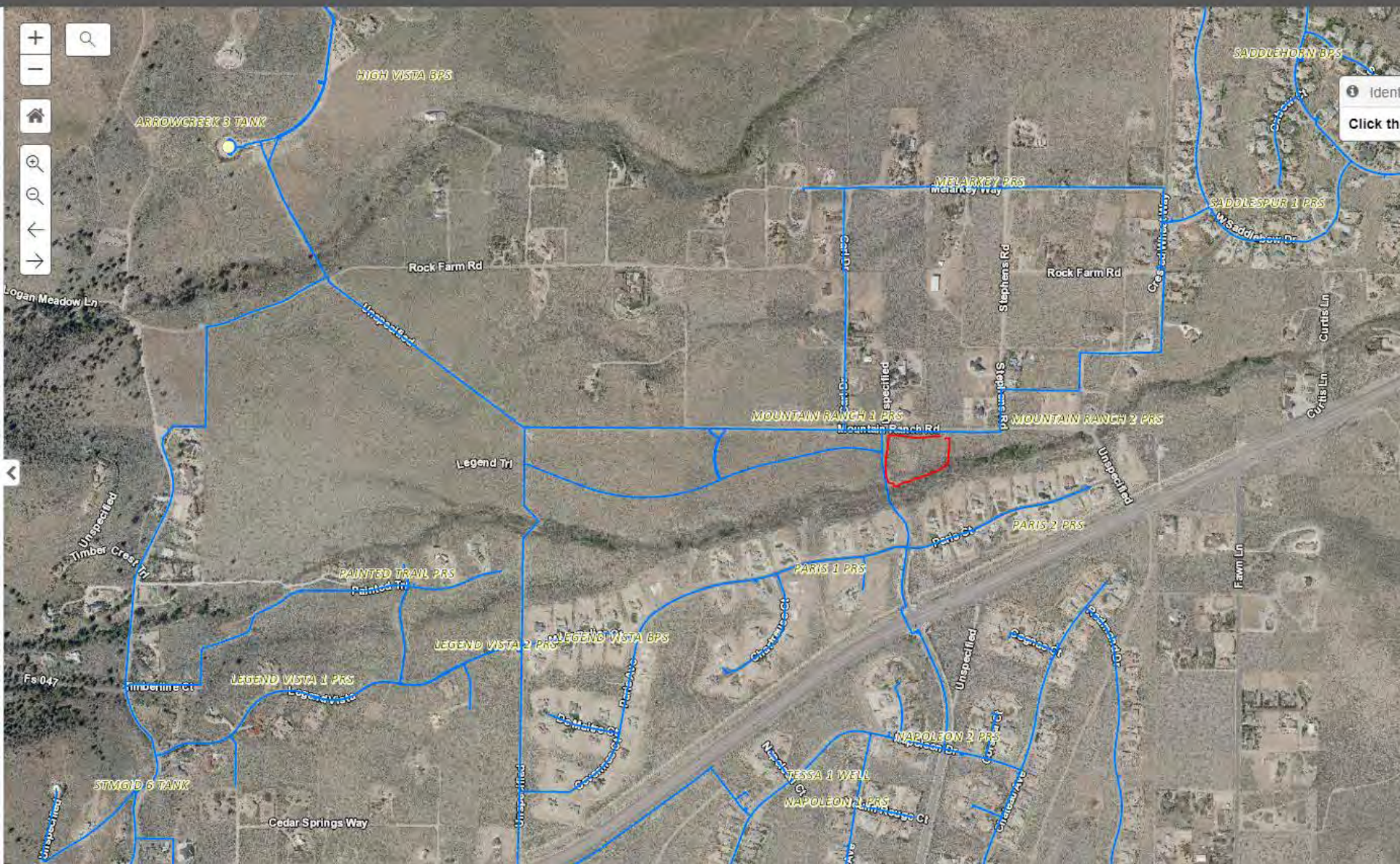
4 MGD capacity. Conventional Surface Water Treatment with Package Filtration Unit.

Whites Creek water now. Thomas Creek in future.

\$19.933M Original Contract Sum – K.G. Walters. NTP Oct. 15

\$19.847M Current Contract Sum per Change Order #6

Total KGW Work Completed through August \$8.927M



Mt. Rose WTP – July 2018

10-01-19 SAC Agenda Item 8



Mt. Rose WTP – 11/21/18

10-01-19 SAC Agenda Item 8



Mt. Rose WTP – 12/19/18

10-01-19 SAC Agenda Item 8







Mt. Rose WTP – 4/11/19

10-01-19 SAC Agenda Item 8











Thank you!
Questions?

Danny Rotter, P.E.
Engineering Manager
Email: drotter@tmwa.com
O: (775) 834-8020



STAFF REPORT

TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
DATE: 12 August 2019
SUBJECT: **Rate Amendment, Second Hearing and Adoption: Discussion and action on Resolution No. 278: A resolution to adopt amendments to TMWA Rate Schedule BSF - Business Services Fees and Rate Schedule WSF - Water System Facility Charges revising area fee, supply and treatment, and storage unit costs**

SUMMARY

- A public hearing and first reading of the proposed modifications to the two rate schedules was originally conducted at the May 23rd TMWA Board meeting where the Board requested additional information and directed that the item be continued at the next Board meeting in June. At the June 19, 2019 TMWA Board meeting, the Board approved moving the public process forward to the second reading stage.
- TMWA has completed an update of its Water Facility Plan for the 2015-2035 planning period (2035 WFP). This is the first update that includes master planning and facility recommendations for former Washoe County water systems. The 2035 WFP establishes future maximum day demands and geographically distributes these demands based on where the growth is anticipated to occur.
- The primary product of the 2035 WFP is a Capital Improvement Plan (CIP) which provides the basis for revised developer Facility Charges. Facility Charges were last updated in 2013. The process of updating developer fees allocates the cost of water facilities required to serve future growth to the Areas that will benefit from the improvements.
- New Business Fees collected by TMWA are significantly less than the cost of providing new business services which include application processing, facility planning, determining water rights dedications and construction inspection. New Business Fees were last updated in 2012.

RECOMMENDATION

Staff submits for the Board's consideration for possible adoption the attached redline of TMWA's Rate Schedule WSF-Water System Facility Charges to revise and update Area Fee, Supply and Treatment, and Storage Unit Costs based on current collection of revenues and cost information. In addition, staff submits for the Board's consideration for possible adoption the attached redline of TMWA's Rate Schedule BSF-Business Services Fees to revise and update application fees, engineering review fees and inspection fees based on current collection of revenues and cost information. Staff recommends the adoption of Resolution No. 278 and recommends that the revised rates become effective Tuesday, October 1, 2019.

REVISIONS TO TMWA'S RATE SCHEDULE WSF & BSF

August 12, 2019

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DISCUSSION

Rate Schedule WSF contains Area Fee and Facility Charge Unit Costs which are used to calculate fees that TMWA collects from new development to reimburse the utility for facility improvements required to meet the demands of new growth. Area Fee 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.

Area Fee Unit Costs are applied on a maximum day demand and geographic basis based on the cost to expand the capacity of the water system in specific areas where growth is occurring. The only change proposed to the current Area Fee boundaries is the formal addition of Area 7 (Verdi). The attached red-line version of Rate Schedule WSF presents a summary of the proposed changes and provides a comparison with existing Area Fee Unit Costs and Facility Charge Unit Costs.

The existing and proposed TMWA fees for a Single Family Residential (SFR) unit on a typical 6000 square foot (SF) lot is shown in Table 1. The existing and proposed TMWA fees for a Multi-Family Residential (MFR) unit are shown in Table 2. The proposed increases in the Area Fee Unit Costs (\$/GPM) shown in Tables 2 & 3 appear to be very large. The increases are exaggerated due to (a) a decrease in demand, which is the denominator (GPM) in the calculation of the Unit Costs; and (b) the Unit Costs have not been updated in six years. The actual fees paid by growth are a result of Unit Costs multiplied by the Maximum Day Demand (MDD in GPM), so the large Unit Cost increase is moderated somewhat by a decrease in the MDD.

The process to update the Developer Fees are as follows:

1. Utilizing the current WFP determine if recommended improvements are still applicable and if new/additional improvements are required.
2. Review historical construction costs and recent bid results. Modify and/or add facility cost estimates as needed.
3. Update estimated facility costs with actual costs where applicable.
4. Update Facility Charges and Area Fees collected.
5. Update the GPM added/sold in each Area.
6. Calculate New Unit Costs:

Actual Costs Allocated to Growth	
+ Applicable Finance Charges	
+ Estimated Cost of Future Facilities	Expected Growth (GPM)
- <u>Fees Collected</u>	- <u>GPM Added/Sold</u>
= Remaining Cost of Growth	= Remaining GPM

$$\text{Remaining Cost of Growth} \div \text{Remaining GPM} = \text{Unit Cost } (\$/\text{GPM})$$

$$\text{Actual Fee Paid } \$\$ = \text{Unit Cost } (\$/\text{GPM}) \times \text{MDD (GPM)}$$

REVISIONS TO TMWA'S RATE SCHEDULE WSF & BSF

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The proposed rate changes were presented to a meeting of BANN's I&P Committee on April 18 (50-60 attendees); during public workshops conducted on April 24 (1 attendee) and May 29 (4 attendees); to the SAC Meeting of June 4; and at a follow up meeting with the BANN Board of Directors on June 17 (approx. 12 attendees). The SAC voted to forward a recommendation to the Board to approve the fee increases and to implement the revisions as recommended by staff. After the First Reading, staff was contacted by the Northern Nevada chapter of the NAIOP Commercial Real Estate Development Association requesting additional information about the proposed rate changes. A presentation was made to the group's leadership and interested members (8 attendees) on July 29. During discussions following the presentation, members indicated that they understood the need for the rate increases, but that the increase to MFR development was significantly more (on a percentage basis) than the increases for SFR development and they are concerned that this will negatively impact the viability of some affordable housing projects currently in the pipeline. The group indicated that they would attempt to contact TMWA Board members to discuss their issues. One follow-up e-mail on the subject from a member of the group is attached to this staff report.

Table 3 presents the results of a high-level analysis to determine the adequacy of existing New Business Fees. New business costs are basically the salaries and benefits of TMWA employees (Project Coordinators, Planning Engineers, Design Review Engineers, Inspectors) who are directly involved in the new business process. Since TMWA is a not-for-profit organization, we only need to ensure that we are covering our actual costs to provide the necessary new business services. A direct side-by-side comparison of existing and proposed fees is difficult since the fee sheet has been reformatted, but the changes can be garnered from examination of the red-line version of Rate Schedule BSF. In general, the proposed new business fees are double the existing fees.

TABLE 1 - TMWA FACILITY CHARGES & AREA FEES FOR A TYPICAL SFR UNIT

08-21-19 BOARD Agenda Item 8

10-01-19 SAC Agenda Item 9

EXISTING AREA FEES & FACILITY CHARGES

Area Description	Existing					Total Fees for SFR on 6000 SF Lot	Old Equation:		
	Unit Cost	Supply- Trtmnt Unit Cost	Storage Unit Cost	Total Unit Cost \$/GPM			MDD = 0.0090 x SQRT(Lot Size, SF)	New Equation:	MDD = 0.0066 x SQRT(Lot Size, SF)
1 South Virginia	\$ 958	\$ 4,163	\$ 772	\$ 5,893	\$ 4,125		Lot Size	OLD MDD	NEW MDD
2 Sparks-E. Reno	\$ 1,711	\$ 4,163	\$ 772	\$ 6,646	\$ 4,652		6000	0.7	0.5
2A Sparks-E. Reno-A	\$ 856	\$ 4,163	\$ 772	\$ 5,791	\$ 4,054		7000	0.8	0.6
3 NW Reno	\$ 1,575	\$ 4,163	\$ 772	\$ 6,510	\$ 4,557		8000	0.8	0.6
4 NE Sparks-Sp. Sprgs	\$ 2,877	\$ 4,163	\$ 772	\$ 7,812	\$ 5,468		9000	0.9	0.6
5 Sparks-The Vistas	\$ 4,555	\$ 4,163	\$ 772	\$ 9,490	\$ 6,643		10000	0.9	0.7
6 Sun Valley-Sullivan	\$ 1,309	\$ 4,163	\$ 772	\$ 6,244	\$ 4,371		11000	0.9	0.7
7 NW Reno-Verdi	\$ -	\$ -	\$ -	\$ -	\$ -		12000	1.0	0.7
8 Sierra-No. Virginia	\$ 4,142	\$ 4,163	\$ 772	\$ 9,077	\$ 6,354		13000	1.0	0.8
9 Southwest Reno	\$ 1,838	\$ 4,163	\$ 772	\$ 6,773	\$ 4,741		14000	1.1	0.8
10 Stead-Lemmon Vly	\$ 5,057	\$ 4,163		\$ 9,220	\$ 6,454		15000	1.1	0.8
11 SE Truckee Mdws	\$ 2,828	\$ 4,163		\$ 6,991	\$ 4,894		16000	1.1	0.8
12 Spanish Springs	\$ 5,789	\$ 4,163		\$ 9,952	\$ 6,966		17000	1.2	0.9
13A Heppner ⁽¹⁾	\$ 1,011	\$ -		\$ 1,011	\$ 1,921		21780	1.3	1.0
14 STMGID West	\$ 655	\$ 4,163		\$ 4,818	\$ 3,373		43560	1.9	1.4
15 Arrowcreek/Mt Rose	\$ 12,568	\$ -		\$ 12,568	\$ 8,798		cap	2.5	1.5

PROPOSED AREA FEES & FACILITY CHARGES

						Proposed	Existing		
						Total Fees	Total Fees	Increase	Increase
						for SFR	for SFR	or	or
						on 6000	on 6000	(Decrease)	(Decrease)
Area	Description	Proposed	Proposed	Proposed	Total Unit	on 6000	on 6000		
		Unit Cost	Supply- Trtmnt	Storage	Cost	for SFR	for SFR		
		Unit Cost	Unit Cost	Unit Cost	\$/GPM	SF Lot	SF Lot	\$\$\$	%%%
1	South Virginia	\$ 1,677	\$ 6,328	\$ 1,658	\$ 9,663	\$ 4,832	\$ 4,125	\$ 707	17%
2	Sparks-E. Reno	\$ 2,627	\$ 6,328	\$ 1,658	\$ 10,613	\$ 5,307	\$ 4,652	\$ 655	14%
2A	Sparks-E. Reno-A	\$ 1,314	\$ 6,328	\$ 1,658	\$ 9,300	\$ 4,650	\$ 4,054	\$ 596	15%
3	NW Reno	\$ 3,679	\$ 6,328	\$ 1,658	\$ 11,665	\$ 5,833	\$ 4,557	\$ 1,276	28%
4	NE Sparks-Sp. Sprgs	\$ 4,483	\$ 6,328	\$ 1,658	\$ 12,469	\$ 6,235	\$ 5,468	\$ 767	14%
5	Sparks-The Vistas	\$ 7,167	\$ 6,328	\$ 1,658	\$ 15,153	\$ 7,577	\$ 6,643	\$ 934	14%
6	Sun Valley-Sullivan	\$ 2,311	\$ 6,328	\$ 1,658	\$ 10,297	\$ 5,149	\$ 4,371	\$ 778	18%
7	NW Reno-Verdi	\$ 7,916	\$ 6,328	\$ -	\$ 14,244	\$ 7,122	\$ -	n/a	n/a
8	Sierra-No. Virginia	\$ 9,260	\$ 6,328	\$ 1,658	\$ 17,246	\$ 8,623	\$ 6,354	\$ 2,269	36%
9	Southwest Reno	\$ 3,290	\$ 6,328	\$ 1,658	\$ 11,276	\$ 5,638	\$ 4,741	\$ 897	19%
10	Stead-Lemmon Vly	\$ 6,279	\$ -	\$ -	\$ 6,279	\$ 3,140	\$ 6,454	\$ (3,315)	-51%
11	SE Truckee Mdws	\$ 4,232	\$ 6,328	\$ -	\$ 10,560	\$ 5,280	\$ 4,894	\$ 386	8%
12	Spanish Springs	\$ 9,383	\$ 6,328	\$ -	\$ 15,711	\$ 7,856	\$ 6,966	\$ 890	13%
13A	Heppner ⁽¹⁾	\$ 2,085	\$ -	\$ -	\$ 2,085	\$ 2,919	\$ 1,921	\$ 998	52%
14	STMGID West	\$ 815	\$ 6,328	\$ -	\$ 7,143	\$ 3,572	\$ 3,373	\$ 199	6%
15	Arrowcreek/Mt Rose	\$ 12,942	\$ -	\$ -	\$ 12,942	\$ 6,471	\$ 8,798	\$ (2,327)	-26%

Notes:

1. All Heppner lots are 1.0 acre in size

AVERAGE - w/o decreases

\$ 709 16%

TABLE 2 - TMWA FACILITY CHARGES & AREA FEES FOR A MFR UNIT

08-21-19 BOARD Agenda Item 8

10-01-19 SAC Agenda Item 9

EXISTING AREA FEES & FACILITY CHARGES

<u>Area</u>	<u>Description</u>	<u>Existing Unit Cost</u>	<u>Existing Supply-Trtmnt Unit Cost</u>	<u>Existing Storage Unit Cost</u>	<u>Total Unit Cost \$/GPM</u>
1	South Virginia	\$ 958	\$ 4,163	\$ 772	\$ 5,893
2	Sparks-E. Reno	\$ 1,711	\$ 4,163	\$ 772	\$ 6,646
2A	Sparks-E. Reno-A	\$ 856	\$ 4,163	\$ 772	\$ 5,791
3	NW Reno	\$ 1,575	\$ 4,163	\$ 772	\$ 6,510
4	NE Sparks-Sp. Sprgs	\$ 2,877	\$ 4,163	\$ 772	\$ 7,812
5	Sparks-The Vistas	\$ 4,555	\$ 4,163	\$ 772	\$ 9,490
6	Sun Valley-Sullivan	\$ 1,309	\$ 4,163	\$ 772	\$ 6,244
7	NW Reno-Verdi	\$ -	\$ -	\$ -	\$ -
8	Sierra-No. Virginia	\$ 4,142	\$ 4,163	\$ 772	\$ 9,077
9	Southwest Reno	\$ 1,838	\$ 4,163	\$ 772	\$ 6,773
10	Stead-Lemmon Vly	\$ 5,057	\$ 4,163		\$ 9,220
11	SE Truckee Mdws	\$ 2,828	\$ 4,163		\$ 6,991
12	Spanish Springs	\$ 5,789	\$ 4,163		\$ 9,952
14	STMGID West	\$ 655	\$ 4,163		\$ 4,818
15	Arrowcreek/Mt Rose	\$ 12,568	\$ -		\$ 12,568

Old MFR Demand:

MDD = 0.15 GPM/unit

New MFR Demand:

MDD = 0.14 GPM/unit

Unit Cost X 0.14 GPM

\$ 235	\$ 886	\$ 232	\$ 1,353
\$ 368	\$ 886	\$ 232	\$ 1,486
\$ 184	\$ 886	\$ 232	\$ 1,302
\$ 515	\$ 886	\$ 232	\$ 1,633
\$ 628	\$ 886	\$ 232	\$ 1,746
\$ 1,003	\$ 886	\$ 232	\$ 2,121
\$ 324	\$ 886	\$ 232	\$ 1,442
\$ 1,108	\$ 886	\$ -	\$ 1,994
\$ 1,296	\$ 886	\$ 232	\$ 2,414
\$ 461	\$ 886	\$ 232	\$ 1,579
\$ 879	\$ -	\$ -	\$ 879
\$ 592	\$ 886	\$ -	\$ 1,478
\$ 1,314	\$ 886	\$ -	\$ 2,200
\$ 114	\$ 886	\$ -	\$ 1,000
\$ 1,812	\$ -	\$ -	\$ 1,812

PROPOSED AREA FEES & FACILITY CHARGES

<u>Area</u>	<u>Description</u>	<u>Proposed Unit Cost</u>	<u>Proposed Supply-Trtmnt Unit Cost</u>	<u>Proposed Storage Unit Cost</u>	<u>Total Unit Cost \$/GPM</u>	<u>Proposed Total Fees for one MFR</u>	<u>Existing Total Fees for one MFR</u>	<u>Increase or (Decrease) per MFR \$\$\$</u>	<u>Increase or (Decrease) per MFR %%%</u>
1	South Virginia	\$ 1,677	\$ 6,328	\$ 1,658	\$ 9,663	\$ 1,353	\$ 884	\$ 469	53%
2	Sparks-E. Reno	\$ 2,627	\$ 6,328	\$ 1,658	\$ 10,613	\$ 1,486	\$ 997	\$ 489	49%
2A	Sparks-E. Reno-A	\$ 1,314	\$ 6,328	\$ 1,658	\$ 9,300	\$ 1,302	\$ 869	\$ 433	50%
3	NW Reno	\$ 3,679	\$ 6,328	\$ 1,658	\$ 11,665	\$ 1,633	\$ 977	\$ 657	67%
4	NE Sparks-Sp. Sprgs	\$ 4,483	\$ 6,328	\$ 1,658	\$ 12,469	\$ 1,746	\$ 1,172	\$ 574	49%
5	Sparks-The Vistas	\$ 7,167	\$ 6,328	\$ 1,658	\$ 15,153	\$ 2,121	\$ 1,424	\$ 698	49%
6	Sun Valley-Sullivan	\$ 2,311	\$ 6,328	\$ 1,658	\$ 10,297	\$ 1,442	\$ 937	\$ 505	54%
7	NW Reno-Verdi	\$ 7,916	\$ 6,328	\$ -	\$ 14,244	\$ 1,994	\$ -	n/a	n/a
8	Sierra-No. Virginia	\$ 9,260	\$ 6,328	\$ 1,658	\$ 17,246	\$ 2,414	\$ 1,362	\$ 1,053	77%
9	Southwest Reno	\$ 3,290	\$ 6,328	\$ 1,658	\$ 11,276	\$ 1,579	\$ 1,016	\$ 563	55%
10	Stead-Lemmon Vly	\$ 6,279	\$ -	\$ -	\$ 6,279	\$ 879	\$ 1,383	\$ (504)	-36%
11	SE Truckee Mdws	\$ 4,232	\$ 6,328	\$ -	\$ 10,560	\$ 1,478	\$ 1,049	\$ 430	41%
12	Spanish Springs	\$ 9,383	\$ 6,328	\$ -	\$ 15,711	\$ 2,200	\$ 1,493	\$ 707	47%
14	STMGID West	\$ 815	\$ 6,328	\$ -	\$ 7,143	\$ 1,000	\$ 723	\$ 277	38%
15	Arrowcreek/Mt Rose	\$ 12,942	\$ -	\$ -	\$ 12,942	\$ 1,812	\$ 1,885	\$ (73)	-4%

AVERAGE - All Areas

\$ 448 42%

TABLE 3
NEW BUSINESS FEE ANALYSIS

Cost Category	Costs Incurred	Fees Collected	Estimated Collections from Proposed Fees
Inspection	\$1,342,403	\$1,135,530	\$1,222,400
Engineering	\$1,023,267	\$ 445,258	\$ 956,380
Water Rights	\$ 158,685	\$ 64,400	Not Estimated ⁽¹⁾
TOTALS	\$2,524,355	\$1,645,188	

1. Number and type of project not readily available. Annual report to be developed.
2. Costs and Fees for calendar year 2018.



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: John Zimmerman, Water Resources Manager
Pat Nielson, Distribution, Maintenance and Generation, Director
DATE: September 10, 2019
SUBJECT: Discussion and possible direction to staff regarding parameters for the sale of the Farad Property

SUMMARY

The Board directed staff to put an item on the September Board meeting agenda regarding certain parameters related to the sale of the Farad property, to include: exploring the possibility of an economic development sale, contracting with a real estate broker to assist with the sale, setting a minimum bid amount, and providing clarity on the Truckee River water right associated with Farad. The following is a brief update regarding the sale of the Farad property and a list of the items to discuss if the property is not sold at the September Board meeting.

Update on Property Sale

At the August Board meeting Bill Black offered \$63,000 to purchase the property, which bid the Board rejected. Shortly after the Board meeting Mr. Black told staff that he was willing to increase his bid to purchase the property and has since submitted a bid of \$127,500. Accordingly, in case the Board was willing to accept Mr. Black's new bid, staff proceeded to re-notice the sale hearing to allow the Board to consider the bid at the September Board meeting. The sale is subject to the same terms and conditions as discussed at the August Board meeting. In addition to again publishing and posting the notice of sale as required by TMWA policy, staff also notified everyone who submitted their contact information and those who had previously expressed an interest in the property. To date, no one other than Mr. Black has submitted a bid.

Parameters to Discuss if the Property is not Sold

If the Board rejects all bids, then the following parameters should be discussed to determine the next steps to proceed with the sale of the property.

1. Selling the property outside the bid process to an entity for economic development;
2. Engaging a real estate broker to assist with selling the property;
3. Setting a minimum bid; and
4. Allowing the buyer to lease the Farad water right for hydroelectric purposes.