



STANDING ADVISORY COMMITTEE AGENDA

Tuesday, October 5, 2021 at 3:00 p.m.
Truckee Meadows Water Authority
Virtual Meeting Only

MEMBERS OF THE PUBLIC MAY ATTEND VIA THE WEB LINK, OR
TELEPHONICALLY BY CALLING THE NUMBER, LISTED BELOW.
NO PHYSICAL LOCATION IS BEING PROVIDED FOR THIS MEETING
(be sure to keep your phones on mute, and do not place the call on hold)

Please click the link below to join the webinar:

<https://tmwa.zoom.us/j/86351878667?pwd=K3RxY0phSnFndEJnWUZET01BNWZWQT09>

Password: 780368

Or call:

Phone: (888) 788-0099

Webinar ID:

863 5187 8667

NOTES:

1. Pursuant to NRS 241.020(11), this meeting will be held by teleconference only.
2. The announcement of this meeting has been electronically posted in compliance with NRS 241.020(3) at <http://www.tmwa.com>, and NRS 232.2175 at <https://notice.nv.gov/>.
3. Pursuant to NRS 241.020(3) staff reports and supporting material for the meeting are available 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. Live public comment, whether on action items or general public comment, may be made during the meeting by clicking on the "Reactions" icon at the bottom of your screen and selecting the "raise hand icon and unmuting yourself to speak when your name is called. Or if you are calling in, press *9 to "raise your hand" and *6 to unmute your phone when your name is called. Public comment may also be provided without being physically present at the meeting by submitting written comments online on TMWA's Public Comment Form (tmwa.com/PublicComment) or by email sent to boardclerk@tmwa.com prior to the Committee opening the public comment period during the meeting. In addition, public comments may be provided by leaving a voicemail at (775)834-0255 prior to 4:00 p.m. the day before the scheduled meeting. Voicemail messages received will be noted during the meeting and summarized for entry into the record. Public comment is limited to three minutes and is allowed during the public comment periods. The Committee may elect to receive public comment only during the two public comment periods rather than each action item.
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 1, 2021 meeting **(For Possible Action)**
5. Water Supply Update — Bill Hauck*
6. Discussion and possible recommendation to the Board regarding proposed amendments to TMWA Water System Facility Charges (WSF) and Business Service Fees (BSF) rate schedules — Scott Estes **(For Possible Action)**
7. Presentation of TMWA's preliminary, unaudited financial performance for fiscal year ended June 30, 2021 — Matt Bowman*
8. Presentation of preliminary funding plan for fiscal years 2022 through 2026, discussion and possible recommendation to the Board — Michele Sullivan **(For Possible Action)**
9. Update on Standing Advisory Committee Membership — Sonia Folsom*
10. Presentation and possible approval of 2022 meeting schedule — Sonia Folsom **(For Possible Action)**
11. Election of Chair and Vice Chair for 2022 — Michael Pagni **(For Possible Action)**
12. Discussion and possible direction to staff regarding agenda items for future meetings **(For Possible Action)**
13. Staff Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
14. Committee Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
15. Public Comment — limited to no more than three minutes per speaker*
16. Adjournment **(For Possible Action)**



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

June 1, 2021

The Standing Advisory Committee (SAC) met via ZOOM and at Truckee Meadows Water Authority, 1355 Capital Blvd. Reno, NV. Chair McGuire called the meeting to order at 3:08 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Kristine Brown, Robert Chambers, Harry Culbert, Jordan Hastings, Colin Hayes, Don Kowitz, Carol Litster, Neil McGuire, Ken McNeil, Chris Melton, Jonnie Pullman, and Jerry Wager.

Alternates Present: Fred Arndt, Ken Becker, Karl Katt, John Krmpotic, Kevin Ryan, Dale Sanderson, and Alex Talmant.

Primary Members and Alternates Absent: Susan Hoog, Jim Smith, and Ann Silver.

Staff Present: John Enloe, Scott Estes, Sonia Folsom, Bill Hauck, Danny Rotter, Michele Sullivan, Sandra Tozi, John Zimmerman, and Legal Counsel Michael Pagni (McDonald Carano).

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE APRIL 6, 2021 MEETING

Member McNeil said he did not agree with the minutes as it related to the special assessment districts and TMWA.

Upon motion duly made by Member Litster and seconded by Member Kowitz, and carried seven to one with Member McNeil abstaining, the Committee approved the April 6, 2021 meeting minutes with amendment.

5. WELCOME NEW STANDING ADVISORY COMMITTEE MEMBERS

Chair McGuire welcomed new Committee Members: Kevin Ryan and Alex Talmant.

6. PRESENTATION ON BILLS IN THE 2021 LEGISLATIVE SESSION

John Zimmerman, TMWA Water Resources Manager, updated the Committee that the 2021 Legislative Session ended May 31st. Mr. Zimmerman and Michael Pagni, TMWA General Counsel, presented on the status of key legislation: SCR11 which proposes to create a special committee (made up of members of the Assembly and Senate) to evaluate innovation zones. The intent is that it would meet at least once a month to study the potential economic benefits of innovation zones. The committee is charged with soliciting input from interested stakeholders, including water authorities as well as tribal governments, environmental groups, labor organizations and local governments; recommendations must be submitted to the Governor before December 31, 2021; AB97 (revises provisions governing toxic chemicals), the bill passed and included TMWA's proposed amendment language; and AB356 (State Engineer's water conservation bill) was significantly amended and now states Colorado River water cannot be used to irrigate non-functional turf in the Las Vegas Valley after 2026, passed.

Member McNeil inquired if there was any interest on behalf of TMWA and local agencies to implement a similar program. Mr. Zimmerman replied TMWA's water system is very different, do not have the same allocation to the Colorado River, and cannot resell the conserved water under the Truckee River Operating Agreement (TROA).

8. PRESENTATION OF FISCAL YEAR 2021 Q3 YEAR TO DATE FINANCIAL RESULTS

Michele Sullivan, TMWA Chief Financial Officer, presented the financial results through three quarters of fiscal year 2021: the change in net position was \$10.9m (42%) higher than budget (due to higher than budgeted water sales, lower operating expenses and higher capital contributions offset by lower investment income); operating revenue was \$2.7m (3%) higher than budget due to increased water sales offset slightly by lower hydroelectric and other operating sales; water sales were up \$3.2m (4%) due to higher water usage in residential and irrigation categories; operating expenses were \$6.1m lower (8%) than budget (due to position vacancies and increased labor charged to capital projects, and slower rates of spend on expensed projects expected to be completed in Q4), but staff still expects to be well under budget by the end of the fiscal year; non-operating expenses were \$3.1m (50%) higher than budgeted (due to lower investment income and a net decrease in value of investments due to lower interest rates on invested cash balances); and capital contributions were \$5.2m (20%) higher than budget (driven by developer facility charges).

Chair McGuire inquired when does new infrastructure fall under TMWA. Ms. Sullivan replied TMWA obtains everything when it is finished being built and it meets TMWA's standards.

Member Wager inquired if the chemical treatment costs were expected to increase, the federal infrastructure bill impact TMWA's budget and to identify any capital improvement projects that had any

impact public access to forest land or trails. Ms. Sullivan replied no, they do not expect chemical treatment costs to increase and they will be applying to fund capital improvement projects from any available federal funding. Regarding impact to public access, Danny Rotter, TMWA Engineering Manager, added no, but could look into it.

9. PRESENTATION ON THE TMWA FINAL BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2022 AND DRAFT CAPITAL IMPROVEMENT PLAN (CIP) FOR FISCAL YEARS 2022 THROUGH 2026 AND POSSIBLE DIRECTION TO STAFF

Ms. Sullivan presented the staff report and reported they updated hydro revenue projections, based on the current drought situation, and decreased it by \$1.4M and added that the sponsorship costs remained at \$950k: \$700k (Truckee River Fund); \$200k (Truckee River Water Quality projects); and \$50k (Desert Research Institute (DRI) for their cloud seeding program).

Sandra Tozi, TMWA Senior Financial Analyst, stated the overall total of the CIP, including customer rate funded projects, did not change, but moved up a project due to the decreased Truckee River flows for the Washoe Hydro plant to replace the tailraces and turbine rebuilds 1 and 2, and the AMI project had to push it out to FY2025 due to the chip shortage.

Chair McGuire asked if DRI's program is still benefiting the region. John Enloe, TMWA Director of Natural Resources, replied yes when the program is fully funded the watershed sees benefits, average yield of 14-15k acre feet, in a full year.

Member Wager stated that it has shown to be able to increase approximately 9% of the outfall from various storms, which could still help with soil moisture and groundwater levels. Mr. Enloe agreed.

10. PRESENTATION ON THE 2021 REFUNDING BOND RESOLUTION

Ms. Sullivan provided background information related to the commercial paper program. At the end of fiscal years 2017 and 2018 TMWA had about \$90M in commercial paper at which time they took a large portion out and fixed it as a senior lien debt, leaving about \$30M in commercial paper that was backed by a five-year letter of credit, and was projected to be paid off during FY2018-2023. Staff, along with TMWA's financial advisors, considered the low interest rates, uncertainties surrounding drought and increasing construction costs, and recommended fixing out the commercial paper for a seven year period. The cash would then be available for longer than if TMWA continued with the plan to pay commercial paper off in the next two years. Ms. Sullivan noted they have an offer letter from Wells Fargo bank to fix this out over seven years for about 1.2% and would no longer worry about fluctuations going forward with the commercial paper which is on a variable rate.

7. WATER SUPPLY UPDATE

Bill Hauck, TMWA Water Supply Administrator, stated the region is in its second dry year; two months ago it was thought there would be normal river flows, but now it is expected they will drop off in mid-August; no additional conservation measures will be required due to the significant amount, about 53k acre feet, of upstream storage that will be used to supplement demands for the remainder of the irrigation season; and TMWA is keeping its assigned day water scheduling, but the no watering times have been extended from noon-6pm to 11am-7pm.

Member Ryan inquired what is the water loss in the system. Mr. Hauck replied over the last 10 years it has been about 5-6% which is much lower than the industry standards. A question was raised about how much water is required to keep the hydro plants online. Mr. Hauck replied that about 250 cubic feet per second (cfs) are needed.

11. DISCUSSION AND POSSIBLE REQUESTS FOR AGENDA ITEMS FOR FUTURE MEETINGS

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

Next meeting:

1. Review of SAC Governing Rules
2. Water Supply Update
3. Preliminary FY2021 Year-End Financials
4. Five-Year Funding Plan
5. SAC Membership 2021 Term Limits

12. STAFF ITEMS

Sonia Folsom, TMWA Executive Assistant, informed the Committee that TMWA's 20th Anniversary party is being held on Saturday, August 28th at Verdi Hydro Park.

13. COMMITTEE ITEMS

There were no committee items.

14. PUBLIC COMMENT

There was no public comment

15. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:19 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Clerk

DRAFT



Water Supply and Drought Operations Update

Standing Advisory Committee Meeting

October 05, 2021

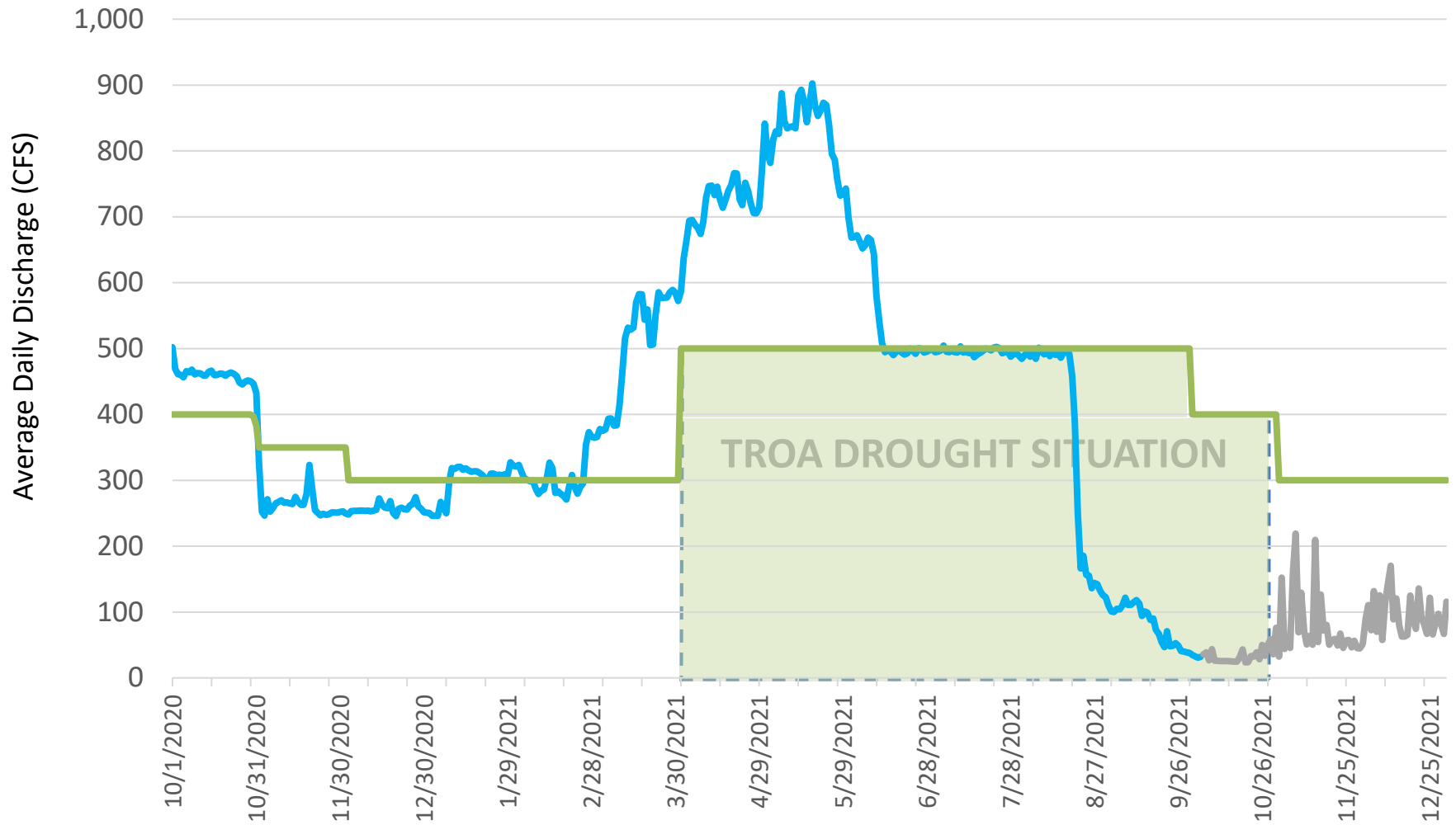


USGS Gage at Farad (CA/NV state line) #10346000

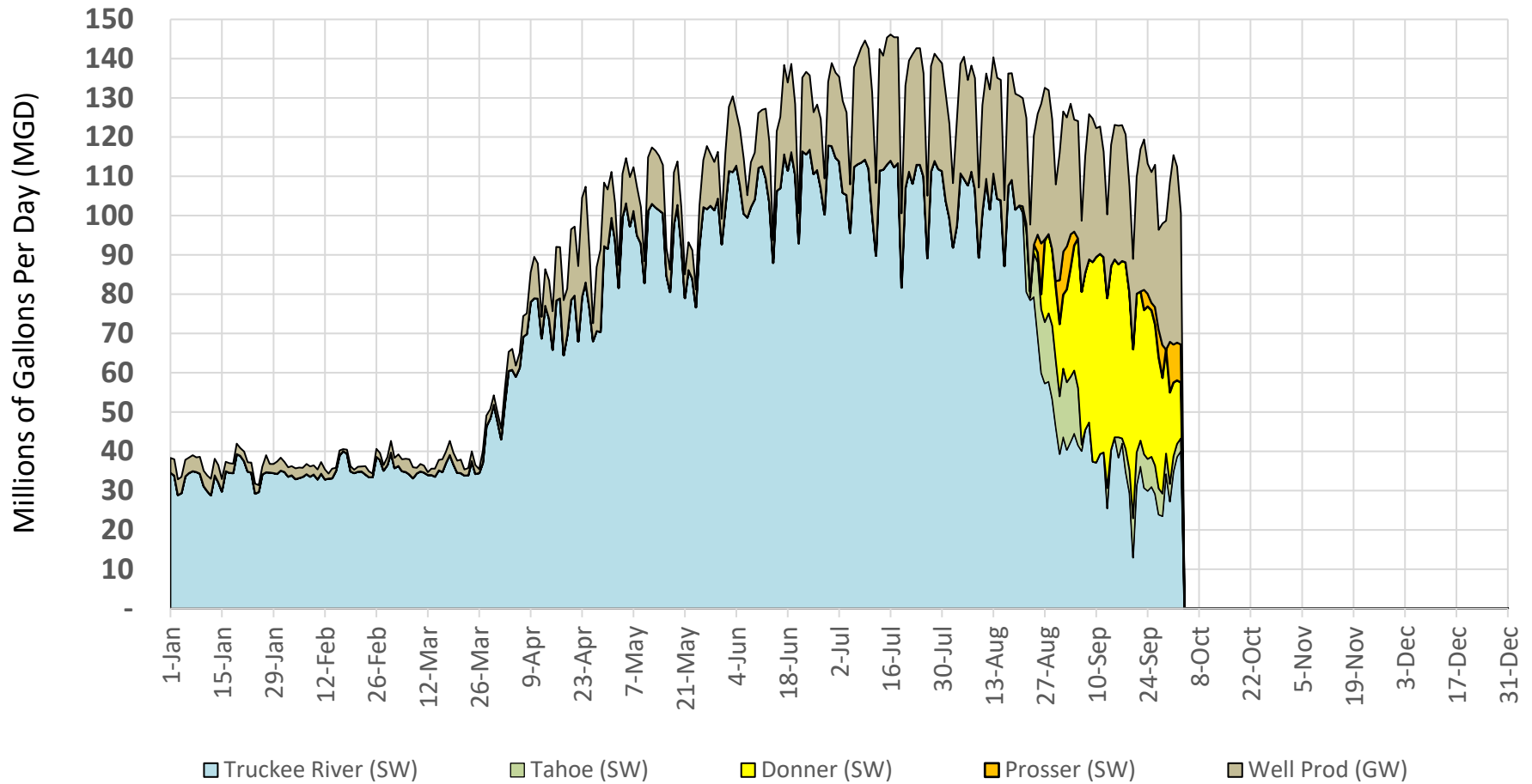




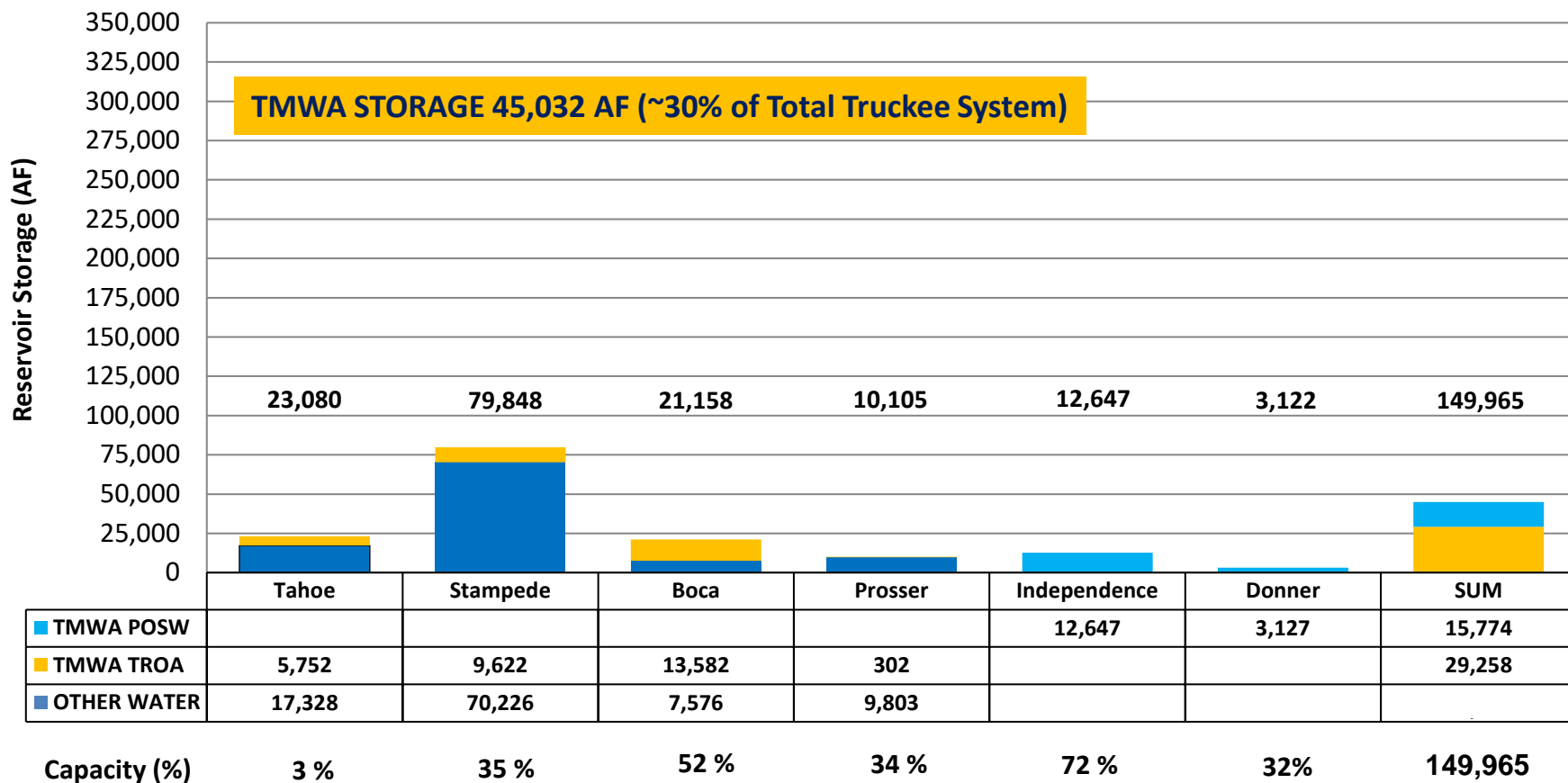
Actual and Projected Floriston Rate Water at Farad through 2021



2021 TMWA Actual Sources of Supply



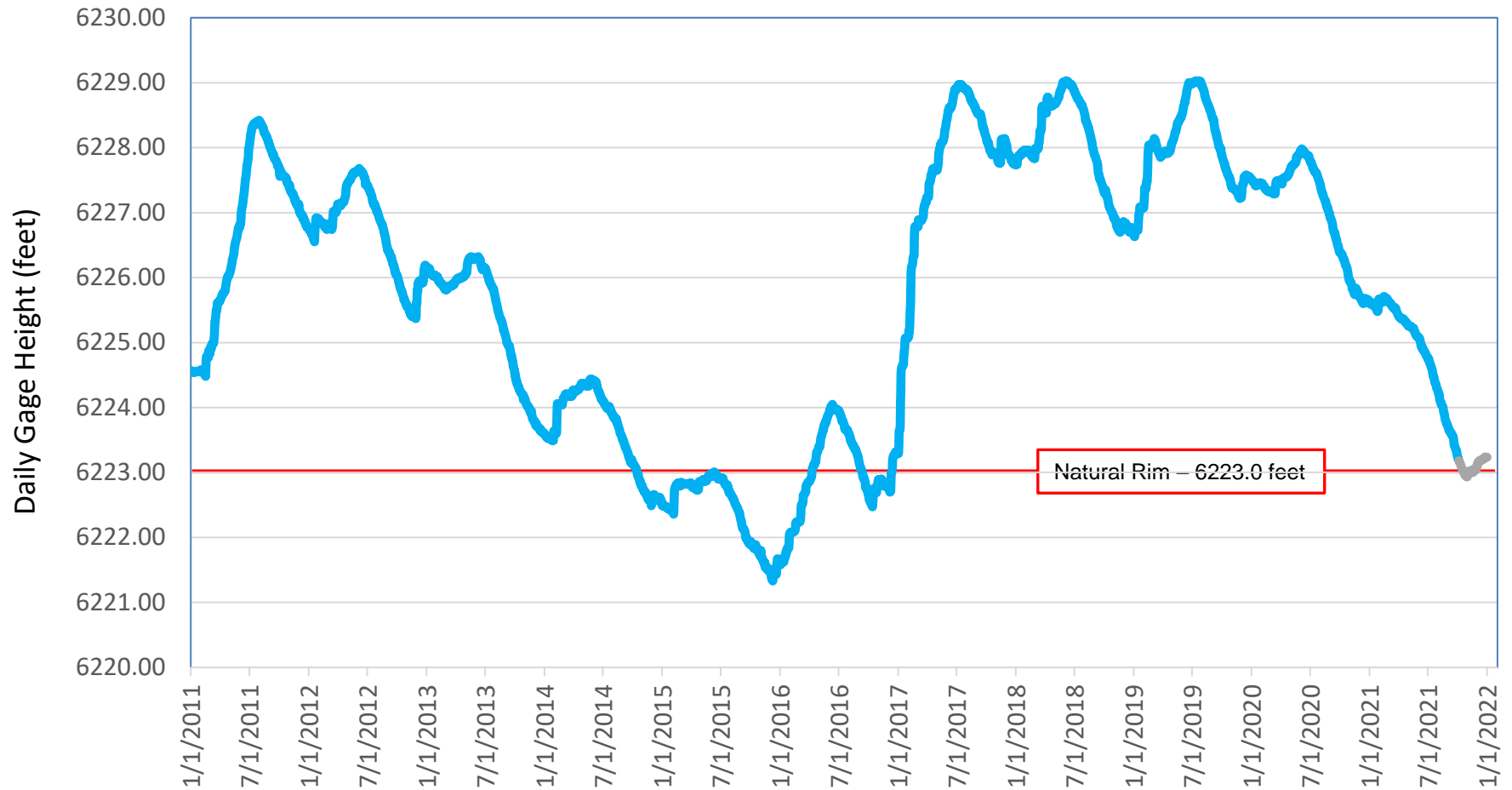
Truckee River System Storage (10/05/2021)



MAX SYSTEM CAPACITY 1,068,270 AF

CURRENT CAPACITY 149,965 AF (14% Capacity)

Actual and Projected Lake Tahoe Elevation through 2021









Thank you!
Questions?

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



STAFF REPORT

TO: Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, CFO
Scott Estes, Director of Engineering
Danny Rotter, Engineering Manager
DATE: October 5, 2021
SUBJECT: Discussion and possible recommendation to the Board regarding proposed amendments to TMWA Water System Facility Charges (WSF) and Business Service Fees (BSF) rate schedules

Summary:

Facility Charges (connection fees) and New Business Fees were last updated in 2018. Staff has completed an analysis of New Business Fees and Facility Charges and is recommending revisions to Rate Schedule WSF (Water System Facility Charges) and Rate Schedule BSF (Business Services Fees) as discussed herein. In the previous update cycle, several developers complained that they were not given sufficient time to obtain approval of their projects prior to the implementation of revised Fees and Facility Charges. In consideration of these concerns, Staff provided public notice at the June TMWA Board Meeting of the proposed schedule to complete the analysis and implement potential revisions to become effective January 31, 2022.

Background:

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 regional facility improvements installed by TMWA 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 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 process to update the Developer Fees are as follows:

1. Utilizing the current Water Facility Plan determine if recommended improvements are still applicable and/or 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)
- Fees Collected	- GPM Added/Sold
= Remaining Cost of Growth	= Remaining GPM

Remaining Cost of Growth ÷ Remaining GPM = Unit Cost (\$/GPM)

Actual Fee Paid \$\$ = Unit Cost (\$/GPM) x Max Day Demand (GPM)

Results – WSF Fees:

The primary factor influencing the proposed revisions are apparent construction cost increases. A list of historical facility costs is attached to this report. The construction cost increases highlighted in the table are significant and are on a level very similar to what we experienced in 2006-2007. However, to be conservative and to acknowledge COVID-19 impacts to supply chains and material prices, staff has used the construction unit costs highlighted at the bottom of the historical facility costs list to update facility construction cost estimates. Facility cost estimates include Engineering and Construction Management costs, overheads and construction contingencies to arrive at a total project cost estimate. Another component of an Area Fee is a finance charge or carrying charge to ensure that growth does pay for growth. Finance charges for the current update cycle (2018-2021) were \$2.5 million.

A summary of existing fees compared to the proposed fees is attached. The results are mixed with a few increases on the order of 88%-105%; a few decreases on the order of -3% to -22%; and the majority are increases ranging from 7%-44%. The largest increases were a result of revisions to area water facility plans resulting in additional facilities and associated costs. Other revisions such as the 40% increases in the South Truckee Meadows and Verdi simply reflect the large volume of future capacity projects with increased cost estimates. There were various reasons for the decreases in some of the Areas. For example, decreases in Areas 4 and 12 (Sparks/Spanish Springs) were a result of reallocating Sparks Feeder Main costs amongst Areas 2, 4, 5 and 12. Similarly, the Area 3 (NW Reno) decrease was a result of adopting a revised facility plan that benefited three Areas and thus spread the cost around a bit more than before.

The final attachments pertaining to WSF Fees shows the impact of the proposed fee revisions on typical Single Family Residential (SFR) and Multi-Family Residential (MFR) units for several

areas where the majority of growth is occurring. The average cost of a SFR unit, based on the six Areas presented, increases by \$443 and the average cost of a MFR increases by \$124.

In addition to Facility Charges, we also analyzed our New Business Fees. Finance has developed new specialized reports that pulls new business labor costs directly from timesheet data and new business fees collected from our finance systems. The new process provides a significant increase in accuracy for analyzing and determining new business costs.

Results – BSF Fees:

Business Services Fees are paid by new development for engineering planning and review time, water rights review time, easement and right-of-way review time, project management time and inspection time in the field during construction. In addition, there are also charges for vehicle time for inspectors and labor and equipment time to perform hot taps. The final attachment to this report provides a comparison of existing fees to the proposed fees. In summary, Engineering category fees are proposed to increase 76%; Lands/Water Rights fees are increasing 34%; and Inspection/Crew Time fees are increasing 100%. Because BSF fees are approximately 95% labor and benefit related, staff will request that the Board approve annual increases equivalent to the Labor Movement Index (LMI) that is used to annually adjust wages and benefits at TMWA.

Public Outreach:

Since the initial presentation to the TMWA Board in June, staff has made a presentation to the NAIOP Commercial Real Estate Developers Association Governing Board and has conducted one public workshop on the evening of September 29 at TMWA corporate offices. TMWA has contacted the Builders Association of Northern Nevada (BANN) twice but has not been able to schedule a presentation to that group yet. Review and action by the TMWA Board is scheduled as follows:

First Reading – TMWA Board Meeting:	December 15, 2021
Second Reading – TMWA Board Meeting:	January 19, 2022
Implementation of Revised Rates:	January 31, 2022

RECENT HISTORICAL FACILITY COSTS - 2021 UPDATE CYCLE**Water Mains:**

<u>Project Name</u>	<u>Year</u>	<u>Diameter</u>	<u>Length</u>	<u>Cost</u>	<u>\$/in-LF</u>	
Caughlin-Mayberry Tie	2013	20	3460	\$1,317,402	\$19.04	
Lemmon Drive	2016	24	27630	\$9,635,646	\$14.53	
North Valleys Integ.	2016	18	2550	\$798,328	\$17.39	
Stead Ph. 2	2017	20	11880	\$3,311,905	\$13.94	
Arrowcreek Prkwy	2019	16	8100	\$2,508,370	\$19.35	
Verdi Main Extn.	2019	18	2700	\$1,444,052	\$29.71	no river xing
California-Marsh	2020	24	3500	\$2,332,324	\$27.77	
Boomtown Intertie	2021	16	1660	\$795,751	\$29.96	no J&B, no BPS
AVG =				\$21.46	per in-LF	

Pump Stations:

<u>Project Name</u>	<u>Year</u>	<u>(gpm)</u>	<u>Hp</u>	<u>Cost</u>	
Sutro #2	2016	2450	125	\$992,901	
Satellite Hills	2017	1500	90	\$1,748,788	
D'Andrea #3	2018	1750	240	\$1,184,438	
Gulling (K-Row#1 Repl.)	2020			\$2,144,289	no pipeline costs
Disc Drive	2021			\$2,719,450	low bid + 20%, no pipeline costs
Kinglet	2021			\$1,726,000	low bid + 20%, no pipeline costs
Common (Stonegate)	2022				
AVG =				\$1,752,644	

Wells:

<u>Project Name</u>	<u>Year</u>	<u>Hp</u>	<u>(gpm)</u>	<u>Cost</u>	<u>\$/gpm</u>	
Huffaker PI Well	2016	60	600	\$1,303,284	\$2,172	equipping only - no drilling/casing
Innovation Well	2016	100	600	\$1,941,701	\$3,236	equipping only - no drilling/casing
Double Diamond 3 Well	2016	250	1800	\$1,733,427	\$963	equipping only - no drilling/casing
Callamont North	2023		400			
AVG =				\$1,659,471		(drilling varies from \$500K-\$1M)

Storage Tanks:

<u>Project Name</u>	<u>Year</u>	<u>(MG)</u>	<u>Type</u>	<u>Cost</u>	<u>\$/gallon</u>	
Somersett #1	2005	2	PSC	\$2,499,281	\$1.25	
Pyramid	2007	4	STL	\$4,844,749	\$1.21	
Raleigh #3	2007	4	STL	\$3,722,356	\$0.93	
Hunter Creek Res	2008	4	STL	\$4,260,803	\$1.07	
Peavine	2018	2	STL	\$2,038,961	\$1.02	no excavation, minor sitework
STMGID East	2022	3.7	STL			not under construction yet
Caughlin #2	2023	1	STL			2 @ 500K gallons each
AVG =				\$1.10	per Gallon	
Ridgeview	2006	1.5	PSC	\$5,531,292	\$3.69	not included in average cost

Summary - Construction Costs:

Pipeline	\$25	/dia in-LF	(assume current spike is extreme)
BPS	\$1,940,000	ea.	(avg of Gulling & Kinglet)
Wells	\$1,750,000	ea.	(may be light?, Callamont coming)
Tanks	\$1.1	gallon	(may be light?)

2021 AREA FEES & FACILITY CHARGES w/FINANCE CHARGE

AREA FEES		6/30/2018	6/30/2021	\$\$	%
Area	Description	Existing Fee	Proposed Fee	Increase or Decrease	Increase or Decrease
1	South Virginia	\$ 1,677	\$ 3,440	\$ 1,763	105%
2	Sparks-East Reno	\$ 2,627	\$ 2,811	\$ 184	7%
2A	Sparks-East Reno - A	\$ 1,313	\$ 1,406	\$ 93	7%
3	NW Reno-Northgate	\$ 3,679	\$ 3,258	\$ (421)	-11%
4	Sparks-Spanish Springs	\$ 4,483	\$ 4,167	\$ (316)	-7%
5	Sparks-The Vistas	\$ 7,167	\$ 8,179	\$ 1,012	14%
6	Sun Valley-Sullivan	\$ 2,311	\$ 4,354	\$ 2,043	88%
7	NW Reno-Verdi	\$ 7,916	\$ 11,428	\$ 3,512	44%
8	Sierra-North Virginia	\$ 9,260	\$ 11,199	\$ 1,939	21%
9	Southwest Reno	\$ 3,290	\$ 2,878	\$ (412)	-13%
10	Stead-Silver Lk-Lemmon Vly	\$ 6,279	\$ 6,695	\$ 416	7%
11	Southeast Truckee Meadows	\$ 4,232	\$ 6,069	\$ 1,837	43%
12	Spanish Springs ⁽¹⁾	\$ 9,384	\$ 9,097	\$ (287)	-3%
13A	Heppner ⁽²⁾	\$ 2,085	\$ 2,115	\$ 30	1%
14	STMGID West/Thomas Crk	\$ 815	\$ 1,533	\$ 718	88%
15	Arrowcreek/Mt Rose	\$ 12,942	\$ 14,624	\$ 1,682	13%
TC	Truckee Canyon	\$ 8,036	\$ 7,551	\$ (485)	-6%

FACILITY CHARGES

Supply/Treatment Unit Cost	\$	6,328	\$	6,957	\$	629	10%
Storage Unit Cost	\$	1,658	\$	1,287	\$	(371)	-22%

Notes:

1. Area 12 Fee includes the Modified Area 4 Fee.
2. Area 13A also pays a \$5490 fee per lot for on-site water system facilities.

SFR EXAMPLES

Average Lot Size = 6000 SQ.FT.
 Max Day Demand = 0.5 GPM

	<u>Existing Fees</u>		<u>Proposed Fees</u>	
Area 3 Fee =	\$	3,679 per GPM	\$	3,258 per GPM
Area 4 Fee =	\$	4,483 per GPM	\$	4,167 per GPM
Area 7 Fee =	\$	7,916 per GPM	\$	11,435 per GPM
Area 10 Fee =	\$	6,279 per GPM	\$	6,695 per GPM
Area 11 Fee =	\$	4,232 per GPM	\$	6,069 per GPM
Area 12 Fee =	\$	9,384 per GPM	\$	9,097 per GPM
Area 15 Fee =	\$	12,942 per GPM	\$	14,624 per GPM
Supply-Treatment =	\$	6,328 per GPM	\$	6,957 per GPM
Storage =	\$	1,658 per GPM	\$	1,287 per GPM

Old/Existing Fees:

<u>Location</u>	<u>Area Fees</u>	<u>Storage Facility Charge</u>	<u>Supply - Treatment Charge</u>	<u>Total Facility Charges</u>
NW/Somerset - Area 3	\$ 1,840	\$ 829	\$ 3,164	\$ 5,833
Kiley Ranch - Area 4	\$ 2,242	\$ 829	\$ 3,164	\$ 6,235
Verdi - Area 7	\$ 3,958	\$ -	\$ 3,164	\$ 7,122
North Valleys - Area 10	\$ 3,140	\$ -	\$ 3,164	\$ 6,304
Double Diamond - Area 11	\$ 2,116	\$ -	\$ 3,164	\$ 5,280
Spanish Springs - Area 12	\$ 4,692	\$ -	\$ 3,164	\$ 7,856
Mt Rose - Area 15	\$ 6,471	\$ -	\$ -	\$ 6,471

New/Proposed Fees:

<u>Location</u>	<u>Area Fees</u>	<u>Storage Facility Charge</u>	<u>Supply - Treatment Charge</u>	<u>Total Facility Charges</u>
NW/Somerset - Area 3	\$ 1,629	\$ 644	\$ 3,479	\$ 5,751
Kiley Ranch - Area 4	\$ 2,084	\$ 644	\$ 3,479	\$ 6,206
Verdi - Area 7	\$ 5,718	\$ -	\$ 3,479	\$ 9,196
North Valleys - Area 10	\$ 3,348	\$ -	\$ 3,479	\$ 6,826
Double Diamond - Area 11	\$ 3,034	\$ -	\$ 3,479	\$ 6,513
Spanish Springs - Area 12	\$ 4,549	\$ -	\$ 3,479	\$ 8,027
Mt Rose - Area 15	\$ 7,312	\$ -	\$ -	\$ 7,312

Proposed Fees vs. Existing Fees

NW/Somerset - Area 3 Impact =	\$	(82)	per SFR unit decrease
Kiley Ranch - Area 4 Impact =	\$	(29)	per SFR unit decrease
No. Valleys - Area 10 Impact =	\$	523	per SFR unit increase
Dbl Diamond - Area 11 Impact =	\$	1,233	per SFR unit increase
Sp. Sprngs - Area 12 Impact =	\$	171	per SFR unit increase
Mt Rose - Area 15 Impact =	\$	841	per SFR unit increase

MFR EXAMPLES

Max Day Demand = 0.14 GPM

	<u>Existing Fees</u>		<u>Proposed Fees</u>	
Area 3 Fee =	\$	3,679 per GPM	\$	3,258 per GPM
Area 4 Fee =	\$	4,483 per GPM	\$	4,167 per GPM
Area 7 Fee =	\$	7,916 per GPM	\$	11,435 per GPM
Area 10 Fee =	\$	6,279 per GPM	\$	6,695 per GPM
Area 11 Fee =	\$	4,232 per GPM	\$	6,069 per GPM
Area 12 Fee =	\$	9,384 per GPM	\$	9,097 per GPM
Area 15 Fee =	\$	12,942 per GPM	\$	14,624 per GPM
Supply-Treatment =	\$	6,328 per GPM	\$	6,957 per GPM
Storage =	\$	1,658 per GPM	\$	1,287 per GPM

Old/Existing Fees:

<u>Location</u>	<u>Area Fees</u>	<u>Storage Facility Charge</u>	<u>Supply - Treatment Charge</u>	<u>Total Facility Charges</u>
NW/Somersett - Area 3	\$ 515	\$ 232	\$ 886	\$ 1,633
Kiley Ranch - Area 4	\$ 628	\$ 232	\$ 886	\$ 1,746
Verdi - Area 7	\$ 1,108	\$ -	\$ 886	\$ 1,994
North Valleys - Area 10	\$ 879	\$ -	\$ 886	\$ 1,765
Double Diamond - Area 11	\$ 592	\$ -	\$ 886	\$ 1,478
Spanish Springs - Area 12	\$ 1,314	\$ -	\$ 886	\$ 2,200
Mt Rose - Area 15	\$ 1,812	\$ -	\$ -	\$ 1,812

New/Proposed Fees:

<u>Location</u>	<u>Area Fees</u>	<u>Storage Facility Charge</u>	<u>Supply - Treatment Charge</u>	<u>Total Facility Charges</u>
NW/Somersett - Area 3	\$ 456	\$ 180	\$ 974	\$ 1,610
Kiley Ranch - Area 4	\$ 583	\$ 180	\$ 974	\$ 1,738
Verdi - Area 7	\$ 1,601	\$ -	\$ 974	\$ 2,575
North Valleys - Area 10	\$ 937	\$ -	\$ 974	\$ 1,911
Double Diamond - Area 11	\$ 850	\$ -	\$ 974	\$ 1,824
Spanish Springs - Area 12	\$ 1,274	\$ -	\$ 974	\$ 2,248
Mt Rose - Area 15	\$ 2,047	\$ -	\$ -	\$ 2,047

Proposed Fees vs. Existing Fees

NW/Somersett - Area 3 Impact =	\$	(23)	per MFR unit decrease
Kiley Ranch - Area 4 Impact =	\$	(8)	per MFR unit decrease
No. Valleys - Area 10 Impact =	\$	146	per MFR unit increase
Dbl Diamond - Area 11 Impact =	\$	345	per MFR unit increase
Sp. Sprngs - Area 12 Impact =	\$	48	per MFR unit increase
Mt Rose - Area 15 Impact =	\$	235	per MFR unit increase

**Truckee Meadows Water Authority
RATE SCHEDULES
BSF – NEW BUSINESS SERVICES FEES**

<u>Application Type &/Or New Business Service</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Current Fee</u>	<u>Proposed Fee</u>
	<u>Engineering Analysis/Review</u>	<u>76% Increase</u>	<u>Lands or Water Resources</u>	<u>34% Increase</u>	<u>Inspection &/or Crew</u>	<u>100% Increase</u>
A. Residential – Single Service including separation of shared service into single metered services (each additional separate service is a POI)	\$300 +\$30 per POI	\$400 +\$60 per POI	\$150	\$200	\$200 +\$50 per POI	\$350 \$90 per POI
B. Commercial Service with up to 3 service taps/service lines/meter facilities (Domestic, Fire & Irrigation) – applies to applications for Industrial, Irrigation, Construction Water	\$700 +\$30 per POI	\$1,400 +\$60 per POI	\$450	\$600	\$300 +\$150 per POI	\$550 +\$265 per POI
C. Residential – Subdivision or Multi-Family - Design Review – per final map or phase	\$2,400 +\$30 per POI	\$4,700 +\$60 per POI	\$450	\$600	\$300 +\$150 per POI	\$550 +\$265 per POI
D. Tenant Improvement with New or Deficit Demand with no new water facilities required	\$150	\$300	\$300	\$300		
E. Main Extensions – Alone or with any service	\$1,800 +\$30 per POI	\$3,500 +\$60 per POI			\$300, +\$2/LF +\$150 per POI	\$550, +\$5/LF +\$265 per POI
F. Fire Hydrant or Fire Service (alone – tapping existing main)	\$300 \$0	\$600 +\$60 per POI	\$150	\$200	\$200	\$200
G. Additional Engineering Review – per hour	\$150	\$300				
H. Retirements and Domestic Well Conversions	\$300	\$400	\$150	\$200	\$200	\$350
I. Hot taps up to 2" – by Authority - Hot taps >2" up to 12" – by Authority - Hot taps >12" – Licensed Specialty Contractor hired by Applicant					\$300 \$550 \$200	\$400 \$960 \$350
J. Pressure Regulating Stations	\$1,500	\$3,000	\$150	\$200	\$7,200	\$12,700
K. Annexation (includes Discovery) - Level 1 - Annexation (includes Discovery) - Level 2 - Discovery – Level 1 - Discovery – Level 2 - Water Service Acknowledgement Letter - Hardship Letter – Parcel <500' from water system - Hardship Letter – Parcel >500' from water system	\$2,400 \$0 \$2,400 \$3,600 \$200 \$200 \$150	\$4,500 \$7,000 \$4,500 \$7,000 \$400 \$500 \$200	\$300	\$600		
L. Property & Water Rights Research & Documents - Research/verify title of non-permitted water rights, per parcel - Research/verify title of permitted water rights, per parcel - Research and establish easements, rights-of-way or fee property dedications, per parcel - Document Preparation including Will-Serve Letter, No Water Rights Required Letter, Banking Agreements, Deeds and Water Resource Determination			\$350 \$200 \$300 \$150 per document	\$350 \$200 \$400 \$200 per document		
M. Deferred WSF Fees (subdivisions only), Setup & Documentation - Meter Set Request, per request, groups or single	\$300 \$200	\$500 \$400				
N. ILA Audit Fee, per Residential, Commercial or Main Project (applies to Items A, B, C, E and F)	\$100	\$200				

Truckee Meadows Water Authority

DEVELOPER FACILITY CHARGE & NEW BUSINESS FEES UPDATE

October 5, 2021



History of TMWA Facility Charges

TMWA Board established a policy that no customer class shall be subsidized by another class and that growth should pay for growth.

- March 2002: Feeder Main Fees implemented.
- June 2003: Supply/Treatment and Storage Facility Charges implemented
- Facility Charges were revised in March 2005, November 2006, March 2008, July 2013 and October 2019.
- For the November 2006 revisions, BANN hired consultants (engineering & accounting) to review the fee calculations and with minor corrections, approved of TMWA methodology.
- Proposed Effective Date of these revisions 1/31/22.

How Does Growth Pay for Growth at TMWA?

- Supply/Treatment Facility Charges

This charge pays for facilities such as wells, raw water supply improvements and treatment plant costs. S-T facilities and costs are included in some Area Fees at locations at the periphery of the system (Mt Rose, North Valleys).

- Storage Facility Charges

This charge pays for storage facility improvements needed to provide the emergency and operational storage requirements of growth. In many cases, new development will design, build and dedicate new storage facilities in lieu of paying Storage Facility Charges. Storage facilities and costs are included in some Area Fees at locations at the periphery of the system.

- Area Fees

Area fees pay for water main capacity and pumping systems to transmit the additional demand through the existing distribution system. Area Fees vary depending on the location of the new development – different improvements are required for different areas.

- Facility Charges and Area Fees are applied on a maximum day demand (GPM) basis.

- Facility Charges and Area Fees are not paid by existing customers and are not included in water rates.

Update Methodology

- TMWA updated its Water Facility Plan for the 2015-2035 planning period in 2018. Given latest demand projections and considering where growth will occur, staff determines if the recommended WFP improvements are still applicable and/or if new improvements are required.
- Given the latest construction bid results and considering historical costs, determine if facility cost estimates are still valid, or if modifications are appropriate.
- Update estimated costs with actual costs as necessary.
- Update the facility charges collected and GPM added/sold in each area.
- Calculate new/revised Area Fee or Facility Charge Unit Cost.

Calculation Of Developer Fees

Project Expenditures Allocated to Growth
 + Applicable Finance Charges
+ Est. Cost of Future Projects for Growth
 = Total Cost of Growth

Total Cost of Growth
- Fees Collected
 = Remaining Cost of Growth

Expected Growth, GPM
- GPM Sold
 = Remaining GPM

Remaining Cost of Growth ÷ Remaining GPM = Unit Cost \$/GPM

The Calculated Unit Costs are shown in Rate Schedule WSF

The Actual Fee \$\$ = Unit Cost \$/GPM x Max Day Demand, GPM

Proposed Revised WSF Fees

AREA FEES		6/30/2018	6/30/2021	\$\$	%
		Existing	Proposed	Increase or	Increase or
<u>Area</u>	<u>Description</u>	<u>Fee</u>	<u>Fee</u>	<u>Decrease</u>	<u>Decrease</u>
1	South Virginia	\$ 1,677	\$ 3,440	\$ 1,763	105%
2	Sparks-East Reno	\$ 2,627	\$ 2,811	\$ 184	7%
2A	Sparks-East Reno - A	\$ 1,313	\$ 1,406	\$ 93	7%
3	NW Reno-Northgate	\$ 3,679	\$ 3,258	\$ (421)	-11%
4	Sparks-Spanish Springs	\$ 4,483	\$ 4,167	\$ (316)	-7%
5	Sparks-The Vistas	\$ 7,167	\$ 8,179	\$ 1,012	14%
6	Sun Valley-Sullivan	\$ 2,311	\$ 4,354	\$ 2,043	88%
7	NW Reno-Verdi	\$ 7,916	\$ 11,435	\$ 3,519	44%
8	Sierra-North Virginia	\$ 9,260	\$ 11,199	\$ 1,939	21%
9	Southwest Reno	\$ 3,290	\$ 2,878	\$ (412)	-13%
10	Stead-Silver Lk-Lemmon Vly	\$ 6,279	\$ 6,695	\$ 416	7%
11	Southeast Truckee Meadows	\$ 4,232	\$ 6,069	\$ 1,837	43%
12	Spanish Springs ⁽¹⁾	\$ 9,384	\$ 9,097	\$ (287)	-3%
13A	Heppner ⁽²⁾	\$ 2,085	\$ 2,115	\$ 30	1%
14	STMGID West/Thomas Crk	\$ 815	\$ 1,533	\$ 718	88%
15	Arrowcreek/Mt Rose	\$ 12,942	\$ 14,624	\$ 1,682	13%
TC	Truckee Canyon	\$ 8,036	\$ 7,551	\$ (485)	-6%
FACILITY CHARGES					
	Supply/Treatment Unit Cost	\$ 6,328	\$ 6,957	\$ 629	10%
	Storage Unit Cost	\$ 1,658	\$ 1,287	\$ (371)	-22%

Impact To Single Family & Multi-family Residential Units

<u>SINGLE FAMILY UNITS</u>			<u>MULTI-FAMILY UNITS</u>		
NW/Somerset - Area 3 Impact =	\$ (82)	per SFR unit decrease	NW/Somerset - Area 3 Impact =	\$ (23)	per MFR unit decrease
Kiley Ranch - Area 4 Impact =	\$ (29)	per SFR unit decrease	Kiley Ranch - Area 4 Impact =	\$ (8)	per MFR unit decrease
No. Valleys - Area 10 Impact =	\$ 523	per SFR unit increase	No. Valleys - Area 10 Impact =	\$ 146	per MFR unit increase
Dbl Diamond - Area 11 Impact =	\$ 1,233	per SFR unit increase	Dbl Diamond - Area 11 Impact =	\$ 345	per MFR unit increase
Sp. Sprngs - Area 12 Impact =	\$ 171	per SFR unit increase	Sp. Sprngs - Area 12 Impact =	\$ 48	per MFR unit increase
Mt Rose - Area 15 Impact =	\$ 841	per SFR unit increase	Mt Rose - Area 15 Impact =	\$ 235	per MFR unit increase

Proposed New Business Fees

	Current Fee Engineering Analysis/Review	Proposed Fee 76% Increase	Current Fee Lands or Water Resources	Proposed Fee Fee 34% Increase	Current Fee Inspection &/or Crew	Proposed Fee Fee 100% Increase
Application Type &/Or New Business Service						
A. Residential – Single Service including separation of shared service into single metered services (each additional separate service is a POI)	\$300 +\$30 per POI	\$400 +\$60 per POI	\$150	\$200	\$200 +\$50 per POI	\$350 \$90 per POI
B. Commercial Service with up to 3 service taps/service lines/meter facilities (Domestic, Fire & Irrigation) – applies to applications for Industrial, Irrigation, Construction Water	\$700 +\$30 per POI	\$1,400 +\$60 per POI	\$450	\$600	\$300 +\$150 per POI	\$550 +\$265 per POI
C. Residential – Subdivision or Multi-Family - Design Review – per final map or phase	\$2,400 +\$30 per POI	\$4,700 +\$60 per POI	\$450	\$600	\$300 +\$150 per POI	\$550 +\$265 per POI
D. Tenant Improvement with New or Deficit Demand with no new water facilities required	\$150	\$300	\$300	\$300		
E. Main Extensions – Alone or with any service	\$1,800 +\$30 per POI	\$3,500 +\$60 per POI			\$300, +\$2/LF +\$150 per POI	\$550, +\$5/LF +\$265 per POI
F. Fire Hydrant or Fire Service (alone – tapping existing main)	\$300 \$0	\$600 +\$60 per POI	\$150	\$200	\$200	\$200
G. Additional Engineering Review – per hour	\$150	\$300				
H. Retirements and Domestic Well Conversions	\$300	\$400	\$150	\$200	\$200	\$350
I. Hot taps up to 2" – by Authority - Hot taps >2" up to 12" – by Authority - Hot taps >12" – Licensed Specialty Contractor hired by Applicant					\$300 \$550 \$200	\$400 \$960 \$350
J. Pressure Regulating Stations	\$1,500	\$3,000	\$150	\$200	\$7,200	\$12,700
K. Annexation (includes Discovery) - Level 1 - Annexation (includes Discovery) - Level 2 - Discovery – Level 1 - Discovery – Level 2 - Water Service Acknowledgement Letter - Hardship Letter – Parcel <500' from water system - Hardship Letter – Parcel >500' from water system	\$2,400 \$0 \$2,400 \$3,600 \$200 \$200 \$150	\$4,500 \$7,000 \$4,500 \$7,000 \$400 \$500 \$200	\$300	\$600		
L. Property & Water Rights Research & Documents - Research/verify title of non-permitted water rights, per parcel - Research/verify title of permitted water rights, per parcel - Research and establish easements, rights-of-way, per parcel - Document Preparation including Will-Serve Letter, No Water Rights Req'd Letter, Banking Agreements, Deeds, etc.			\$350 \$200 \$300 \$150 per document	\$350 \$200 \$400 \$200 per document		
M. Deferred WSF Fees (subdivisions only), Setup & Documentation - Meter Set Request, per request, groups or single	\$300 \$200	\$500 \$400				
N. ILA Audit Fee, per Residential, Commercial or Main Project (applies to Items A, B, C, E and F)	\$100	\$200				

End Of Presentation

- QUESTIONS?
- DISCUSSION?
- FOLLOW UP – CONTACT SCOTT ESTES AT 775-834-8033 OR SESTES@TMWA.COM
- NEXT STEPS:
 - First Hearing of proposed fees – TMWA Board of Directors Meeting, Wednesday, December 15, 2021, 10 a.m. at the City of Sparks Council Chambers
 - Second Hearing of proposed fees – TMWA Board of Directors Meeting, Wednesday, January 19, 2022, 10 a.m. at the City of Sparks Council Chambers
 - With Board approval, new rates and fees will go into effect on Monday, January 31, 2022.

Thank you!

TMWA SAC Meeting

Corporate Office:

1355 Capital Blvd., Reno, NV 89502
834-8080
www.tmwa.com



TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
Matt Bowman, Financial Controller
DATE: September 8, 2021
SUBJECT: **Presentation of Fiscal Year 2021 Unaudited Financial Results**

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. Note that all numbers presented in this staff report are subject to TMWA's annual financial statement audit to be completed by Eide Bailly in November 2021. Significant changes are not expected as a result of the audit.

Budget to Actual

	Actual YTD 2021	Budget YTD 2021	Variance \$	Variance %
CHANGE IN NET POSITION	\$ 44,423,024	\$ 33,041,093	\$ 11,381,931	34 %

Change in net position was \$11.4m or 34% higher than budget for fiscal year 2021. This is due primarily to higher than budgeted water sales, lower operating expenses and higher capital contributions offset by lower investment income and asset disposal costs.

Year over Year

	Actual YTD 2021	Actual YTD 2020	Variance \$	Variance %
CHANGE IN NET POSITION	\$ 44,423,024	\$ 51,555,402	\$ (7,132,378)	(14)%

Change in net position was \$7.1m or 14% lower than the prior year. Lower investment income and lower capital contributions were offset by higher water sales.

Revenue

Budget to Actual

	Actual YTD 2021	Budget YTD 2021	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	109,822,836	102,260,229	7,562,607	7 %
Hydroelectric Sales	2,768,274	3,193,880	(425,606)	(13)%
Other Operating Sales	2,803,513	2,800,120	3,393	— %
Total Operating Revenues	115,394,623	108,254,229	7,140,394	7 %

Operating revenue was \$7.1m or 7% higher than budget for fiscal year 2021 due to higher water sales offset slightly by lower hydroelectric sales. Water sales were up \$7.6m or 7% due to higher water usage in residential and irrigation categories. Active water services are in line with projections, showing about a 2% increase year over year. However, hot and dry weather during the first and fourth quarters of FY 2021 led to higher water use than average and projected.

Year over Year

	Actual YTD 2021	Actual YTD 2020	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	109,822,836	102,487,078	7,335,758	7 %
Hydroelectric Sales	2,768,274	3,298,850	(530,576)	(16)%
Other Operating Sales	2,803,513	2,286,729	516,784	23 %
Total Operating Revenues	115,394,623	108,072,657	7,321,966	7 %

Total operating revenues were \$7.3m higher than prior year due to higher water and other operating sales offset by lower hydroelectric sales. Water sales revenue was higher by \$7.3m or 7% due to more consumption and added service connections as discussed above. While the first half of FY 2021 was above average for water use, the first half of FY 2020 was below average, so change year over year was substantial, or about \$5m. Third quarter water sales was slightly lower in FY 2021 than FY 2020, however Q4 2021 was higher than the same quarter in 2020 by about \$2m or 8%.

Hydroelectric revenue was lower due to the Washoe plant being out of service for the first three quarters for the rebuilding of the damaged flume. Generation at the hydro facility resumed in Q4 2021.

Operating Expenses

Budget to Actual

	Actual YTD 2021	Budget YTD 2021	Variance \$	Variance %
OPERATING EXPENSES				
Salaries and Wages	23,101,987	24,563,727	(1,461,740)	(6)%
Employee Benefits	11,282,823	10,661,572	621,251	6 %
Services and Supplies	30,562,803	31,419,113	(856,310)	(3)%
Total Operating Expenses Before Depreciation	64,947,613	66,644,412	(1,696,799)	(3)%
Depreciation	33,286,373	33,518,852	(232,479)	(1)%
Total Operating Expenses	98,233,986	100,163,264	(1,929,278)	(2)%

Total operating expenses were \$1.9m lower (2%) than budget. Salaries and wages are lower due to position vacancies and increased labor charged to capital projects. Employee benefits were \$0.6m or 6% higher than budget due to higher PERS expense than expected, due to year-end adjustments from NVPERS actuarial report.

Services and supplies expenses are lower than budget for a number of reasons. In general, TMWA expects to be under budget each year as required under NRS 354. There are numerous expense categories that were underspent including consulting/professional services (lower by \$700k), travel/training costs (lower by \$450k) and electricity costs (lower by \$400k), among others. These decreases were offset by increased spend on water treatment chemicals (higher by \$350k), well rehab work (higher by \$500k) and other smaller increases.

Year over Year

	Actual YTD 2021	Actual YTD 2020	Variance \$	Variance %
OPERATING EXPENSES				
Salaries and Wages	23,101,987	21,455,982	1,646,005	8 %
Employee Benefits	11,282,823	11,529,749	(246,926)	(2)%
Services and Supplies	30,562,803	27,808,959	2,753,844	10 %
Total Operating Expenses Before Depreciation	64,947,613	60,794,690	4,152,923	7 %
Depreciation	33,286,373	33,327,134	(40,761)	— %
Total Operating Expenses	98,233,986	94,121,824	4,112,162	4 %

Year over year operating expenses were \$4.1m higher (4%) than the prior year. Salaries and wages and services and supplies expenses were both higher, offset by lower employee benefits expenses. Salaries and wages were higher due to headcount increases, step increases and cost of living increases effective at the beginning of the fiscal year. Additionally, due to COVID, employees did not use as much PTO/vacation as typical which resulted in an increased compensated absence liability. This increase is non-cash.

Services and supplies costs are higher than the prior year due to a number of factors. Contributing around \$1.2m were project expenses related to projects that were delayed in FY 2020. These included rehabs on seven well sites and asphalt rehabilitation at various locations. Other increases include chemical costs, insurance, meter supplies, and sponsorship costs for a total increase of approximately \$1.1m.

Non-Operating Expenses

Budget to Actual

	Actual YTD 2021	Budget YTD 2021	Variance \$	Variance %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,550,864	2,854,243	(303,379)	(11)%
Net Increase (Decrease) in FV of Investments	(2,389,723)	—	(2,389,723)	— %
Gain (Loss) on Disposal of Assets	(1,755,873)	—	(1,755,873)	— %
Amortization of Bond/note Issuance Costs	(235,494)	(87,400)	(148,094)	169 %
Interest Expense	(12,262,581)	(12,514,133)	251,552	(2)%
Other Nonoperating Revenue	—	—	—	— %
Other Nonoperating Expense	—	—	—	— %
Total Nonoperating Revenues (Expenses)	(14,092,807)	(9,747,290)	(4,345,517)	45 %

Nonoperating expenses were \$4.3m higher than budgeted. This is due to lower investment income and a net decrease in the fair value of investments due to lower interest rates on invested cash balances and losses on asset disposals of \$1.8m. Asset disposal costs generally consist of demolition costs related to major asset repairs and replacements. Note issuance costs were related to the refunding of TMWA's commercial paper in Q4 2021 (\$13m refunding). As a result of this transaction, TMWA no longer carries any variable rate debt.

Year over Year

	Actual YTD 2021	Actual YTD 2020	Variance \$	Variance %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,550,864	4,119,737	(1,568,873)	(38)%
Net Increase (Decrease) in FV of Investments	(2,389,723)	3,410,242	(5,799,965)	(170)%
Gain (Loss) on Disposal of Assets	(1,755,873)	(1,189,776)	(566,097)	48 %
Amortization of Bond/note Issuance Costs	(235,494)	(216,981)	(18,513)	9 %
Interest Expense	(12,262,581)	(12,698,972)	436,391	(3)%
Other Nonoperating Revenue	—	—	—	— %
Other Nonoperating Expense	—	—	—	— %
Total Nonoperating Revenues (Expenses)	(14,092,807)	(6,575,750)	(7,517,057)	114 %

Nonoperating expenses were higher than prior year by \$7.5m or 114%. Similar to the reasons above, this variance is primarily due to lower investment earnings and a decrease in the fair value of investments. Offsetting decrease was lower interest expense (lower rates on commercial paper during the year and continued principal payoffs).

Capital Contributions

Budget to Actual

	Actual YTD 2021	Budget YTD 2021	Variance \$	Variance %
CAPITAL CONTRIBUTIONS				
Grants	—	1,900,000	(1,900,000)	(100)%
Water Resource Sustainability Program	1,708,110	869,696	838,414	96 %
Developer Infrastructure Contributions	10,201,446	11,226,546	(1,025,100)	(9)%
Developer Will-serve Contributions (Net of Refunds)	5,632,381	4,185,412	1,446,969	35 %
Developer Capital Contributions - Other	11,461,850	10,242,156	1,219,694	12 %
Developer Facility Charges (Net of Refunds)	12,218,607	5,998,608	6,219,999	104 %
Contributions from Others	32,800	206,250	(142,200)	(52)%
Net Capital Contributions	41,355,194	34,697,418	6,657,776	19 %

Capital contributions were \$6.7m higher than budget for the fiscal year. This was mostly driven by developer facility charges. Developer facility charges include supply, treatment and storage charges. Both the volume of projects and higher dollar projects continue to come in leading to this variance. All other developer related cash contributions are up as well, reflecting continued new business volume in the area. Developer infrastructure contributions (non-cash) were lower due to timing of larger projects that are continuing to wrap up (these are not recorded until final mapping has occurred). Grant revenue is lower due to timing of receiving grant awards for two outstanding FEMA grants which are in process and expected to be received in FY 2022.

Year over Year

	Actual YTD 2021	Actual YTD 2020	Variance \$	Variance %
CAPITAL CONTRIBUTIONS				
Grants	—	232,153	(232,153)	(100)%
Water Resource Sustainability Program	1,708,110	1,484,443	223,667	15 %
Developer Infrastructure Contributions	10,201,446	20,145,641	(9,944,195)	(49)%
Developer Will-serve Contributions (Net of Refunds)	5,632,381	4,082,279	1,550,102	38 %
Developer Capital Contributions - Other	11,461,850	7,847,962	3,613,888	46 %
Developer Facility Charges (Net of Refunds)	12,218,607	9,657,274	2,561,333	27 %
Contributions from Others	132,800	386,937	(254,137)	(66)%
Net Capital Contributions	41,355,194	44,180,319	(2,825,125)	(6)%

Year over year, capital contributions are \$2.8m or 6% lower than the prior year. The main driver of this is developer infrastructure contributions which is \$9.9m lower. The volume of assets contributed decreased significantly in the 3rd and 4th quarters, however, this is expected to increase in FY 2022. Other developer contributions are all higher than the prior year due to more new business activity and larger dollar projects. The largest increases include Rule 5 area fees which increased \$2.3m, storage/supply & treatment fees increased \$2.6m and TMWA received a direct contribution for construction of a booster pump station for \$1.5m.

Capital Spending

Cash spent on capital outlays and construction projects during the year was approximately \$38.3m. Total budgeted capital spend for fiscal year 2021 was \$54.7m. Top project spend for the year was -

- | | |
|---|--------|
| • Washoe Flume Reconstruction | \$5.1m |
| • Mt. Rose Water Treatment Plant | \$4.4m |
| • Customer Information System Replacement | \$3.0m |
| • Boomtown to TMWA Connection | \$2.4m |

Cash Position

At June 30, 2021 total cash on hand was \$230.4m or \$24.6m higher than at the beginning of the fiscal year. Of the total cash on hand, \$173.6m was unrestricted to be used to meet upcoming and future operating & maintenance expenses, principal & interest payments and construction project payments. The remaining \$56.8m 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 the year ended June 30, 2021

	Actual YTD 2021	Budget YTD 2021	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 109,822,836	\$ 102,260,229	\$ 7,562,607	7 %
Hydroelectric Sales	2,768,274	3,193,880	(425,606)	(13)%
Other Operating Sales	2,803,513	2,800,120	3,393	— %
Total Operating Revenues	115,394,623	108,254,229	7,140,394	7 %
OPERATING EXPENSES				
Salaries and Wages	23,101,987	24,563,727	(1,461,740)	(6)%
Employee Benefits	11,282,823	10,661,572	621,251	6 %
Services and Supplies	30,562,803	31,419,113	(856,310)	(3)%
Total Operating Expenses Before Depreciation	64,947,613	66,644,412	(1,696,799)	(3)%
Depreciation	33,286,373	33,518,852	(232,479)	(1)%
Total Operating Expenses	98,233,986	100,163,264	(1,929,278)	(2)%
OPERATING INCOME	17,160,637	8,090,965	9,069,672	112 %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,550,864	2,854,243	(303,379)	(11)%
Net Increase (Decrease) in FV of Investments	(2,389,723)	—	(2,389,723)	— %
Gain (Loss) on Disposal of Assets	(1,755,873)	—	(1,755,873)	— %
Amortization of Bond/note Issuance Costs	(235,494)	(87,400)	(148,094)	169 %
Interest Expense	(12,262,581)	(12,514,133)	251,552	(2)%
Other Nonoperating Revenue	—	—	—	— %
Other Nonoperating Expense	—	—	—	— %
Total Nonoperating Revenues (Expenses)	(14,092,807)	(9,747,290)	(4,345,517)	45 %
Gain (Loss) Before Capital Contributions	3,067,830	(1,656,325)	4,724,155	(285)%
CAPITAL CONTRIBUTIONS				
Grants	—	1,900,000	(1,900,000)	(100)%
Water Resource Sustainability Program	1,708,110	869,696	838,414	96 %
Developer Infrastructure Contributions	10,201,446	11,226,546	(1,025,100)	(9)%
Developer Will-serve Contributions (Net of Refunds)	5,632,381	4,185,412	1,446,969	35 %
Developer Capital Contributions - Other	11,461,850	10,242,156	1,219,694	12 %
Developer Facility Charges (Net of Refunds)	12,218,607	5,998,608	6,219,999	104 %
Contributions from Others	—	—	—	— %
Net Capital Contributions	41,355,194	34,697,418	6,657,776	19 %
CHANGE IN NET POSITION	\$ 44,423,024	\$ 33,041,093	\$ 11,381,931	34 %

Truckee Meadows Water Authority

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021

	Actual YTD 2021	Actual YTD 2020	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 109,822,836	\$ 102,487,078	\$ 7,335,758	7 %
Hydroelectric Sales	2,768,274	3,298,850	(530,576)	(16)%
Other Operating Sales	2,803,513	2,286,729	516,784	23 %
Total Operating Revenues	115,394,623	108,072,657	7,321,966	7 %
OPERATING EXPENSES				
Salaries and Wages	23,101,987	21,455,982	1,646,005	8 %
Employee Benefits	11,282,823	11,529,749	(246,926)	(2)%
Services and Supplies	30,562,803	27,808,959	2,753,844	10 %
Total Operating Expenses Before Depreciation	64,947,613	60,794,690	4,152,923	7 %
Depreciation	33,286,373	33,327,134	(40,761)	— %
Total Operating Expenses	98,233,986	94,121,824	4,112,162	4 %
OPERATING INCOME	17,160,637	13,950,833	3,209,804	23 %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,550,864	4,119,737	(1,568,873)	(38)%
Net Increase (Decrease) in FV of Investments	(2,389,723)	3,410,242	(5,799,965)	(170)%
Gain (Loss) on Disposal of Assets	(1,755,873)	(1,189,776)	(566,097)	48 %
Amortization of Bond/note Issuance Costs	(235,494)	(216,981)	(18,513)	9 %
Interest Expense	(12,262,581)	(12,698,972)	436,391	(3)%
Other Nonoperating Revenue	—	—	—	— %
Other Nonoperating Expense	—	—	—	— %
Total Nonoperating Revenues (Expenses)	(14,092,807)	(6,575,750)	(7,517,057)	114 %
Gain (Loss) Before Capital Contributions	3,067,830	7,375,083	(4,307,253)	(58)%
CAPITAL CONTRIBUTIONS				
Grants	—	232,153	(232,153)	(100)%
Water Resource Sustainability Program	1,708,110	1,484,443	223,667	15 %
Developer Infrastructure Contributions	10,201,446	20,145,641	(9,944,195)	(49)%
Developer Will-serve Contributions (Net of Refunds)	5,632,381	4,082,279	1,550,102	38 %
Developer Capital Contributions - Other	11,461,850	7,847,962	3,613,888	46 %
Developer Facility Charges (Net of Refunds)	12,218,607	9,657,274	2,561,333	27 %
Contributions from Others	—	343,630	(343,630)	(100)%
Net Capital Contributions	41,355,194	44,180,319	(2,825,125)	(6)%
CHANGE IN NET POSITION	\$ 44,423,024	\$ 51,555,402	\$ (7,132,378)	(14)%



STAFF REPORT

TO: TMWA Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer/Treasurer
DATE: September 22, 2021
SUBJECT: **Presentation of preliminary funding plan for fiscal years 2022 through 2026, discussion and possible recommendation to the Board**

Recommendation

Recommendation to accept the five-year funding plan as presented. The Board of Directors approved the three remaining 2.5% increases for May, 2021, May, 2022, and May, 2023 at their April, 2020 meeting. In May, 2021 the first 2.5% rate increase was implemented. The two remaining 2.5% increases should be implemented as approved. The SAC and the Board will 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 and 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. 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 resumed 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. The three remaining approved increases were deferred until May 2021, May 2022, and May 2023 at the August, 2020 Board meeting, due to uncertainties related to the onset of the pandemic. In May, 2021 the first of three 2.5% increases was implemented.

The 2022-2026 Draft funding plan (See *Attachment A*) 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 revenues, other operating revenues, as well as investment earnings have helped to close some of the funding gap. Higher than anticipated cash balances over the past few years 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, the funding gap is projected to be \$6.3M or 4.8% in FY24, after the two remaining 2.5% rate increase are implemented. TMWA needs these increases to maintain critical financial goals which are essential to maintain adequate cash balances and investment grade credit ratings.

This high-level presentation is based upon very detailed financial projections. Assumptions used in these financial projections can be found in ***Attachment B***. The funding plan is different from the budget. When staff prepares the budget we must ensure that we have enough expenses projected to cover all reasonable scenarios. Since the funding plan is used to decide whether a rate increase is necessary, it is more conservative in projecting expenses and uses the CIP plan to predict actual spending based on prior years actual spending as a percent of CIP projections. In this report we have focused on how TMWA's original projections from 2017 compared to actual results (the last five years), and what we project in the 2022-2026 funding plan (the next five years).

Discussion

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 credit markets.

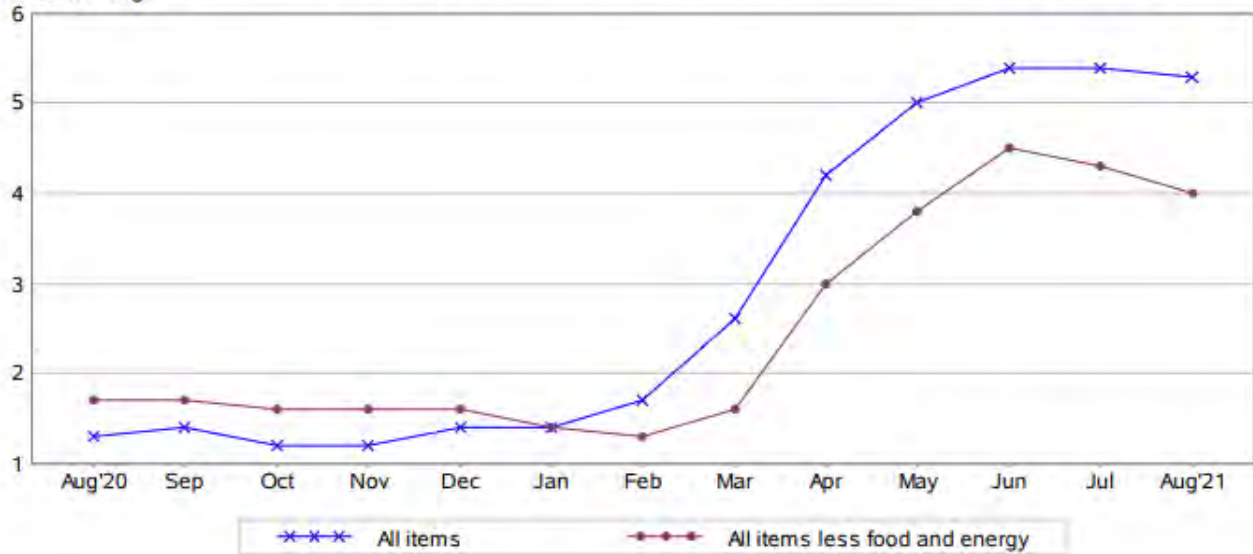
The funding plan analyzes the ability of TMWA to fund the cost to serve customers which includes operating expenses, principal and interest payments on current outstanding debt related to customers, and all capital improvements presented in the TMWA Capital Improvement Plan (CIP) that relate to maintaining 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.

Critical Risks for TMWA to consider related to this funding plan include:

- Two rate increases of 2.5% are approved by the Board before TMWA must begin the public meeting process for any future rate increases. Staying the course with the plan will result in small cost of living type increases over time, thus avoiding a large increase in the future.
- This funding plan does not predict any conservation that may occur due to possible drought conditions, and it assumes that there will be river flows to operate hydroelectric plants in 2023-2026. Drought could lower Recurring Revenues considerably or by as much as \$12M annually.

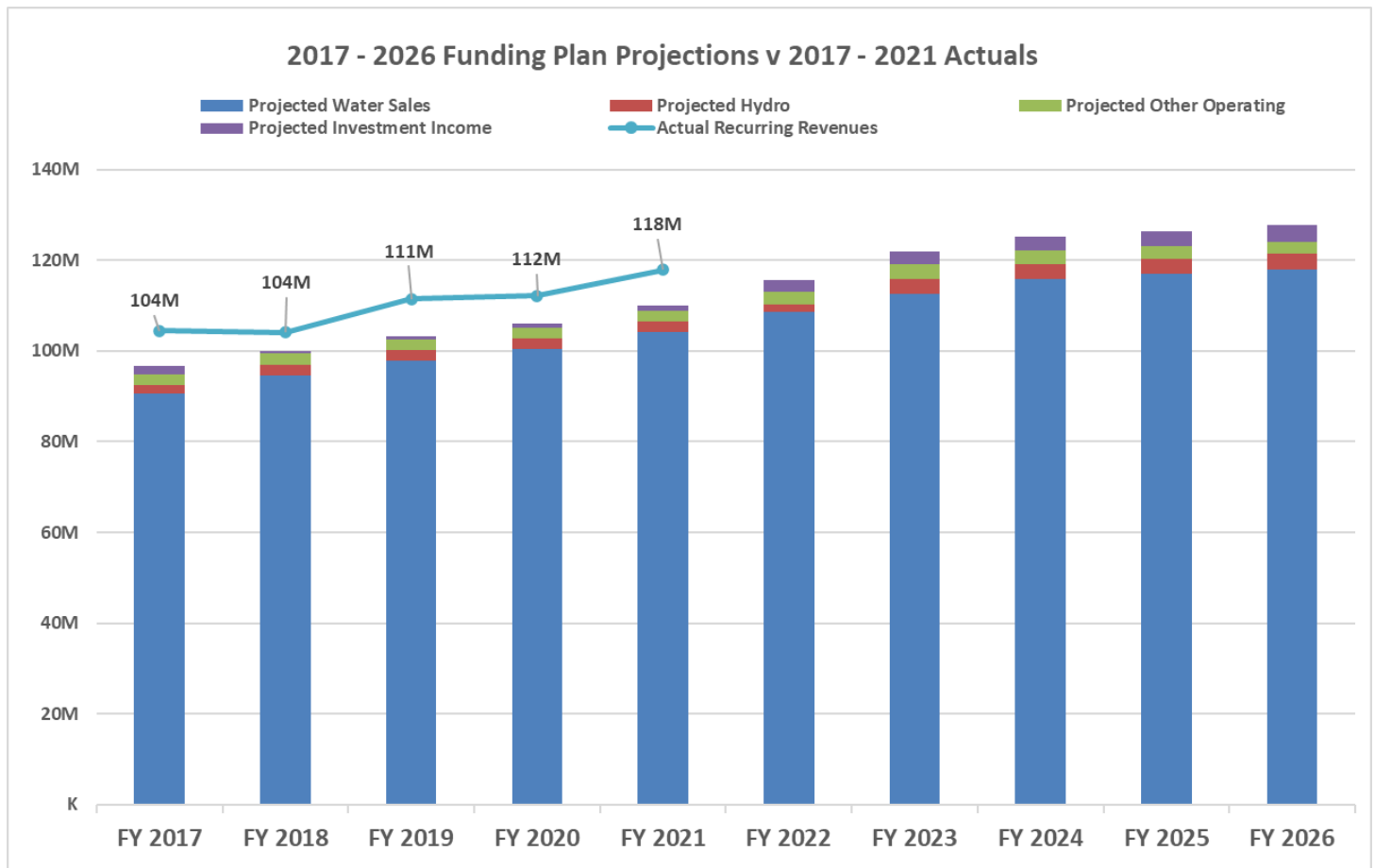
- Growth is assumed to continue tapering down from 2.22% in 2022, to 1.25% in 2026, with collections of \$73.8M in developer contributions, and \$19.4M in Will-Serve sales. While growth is not included in the calculations of the funding gap, cash balances will be affected if growth drops off.
- The 12-month CPI is currently at 5.3% for all items and 4.0% for all items less food and energy which is significantly higher than the 2.5% rate increase proposed. (Source: Bureau of Labor Statistics, US Department of Labor – see below)

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Aug. 2020 - Aug. 2021
Percent change



RECURRING REVENUES

The following graph compares the original projections for recurring revenue presented in the funding plan in fiscal year 2017 to actual results in 2017-2021, and shows projections in the funding plan for 2022-2026.



Water Sales Revenue

Over the last five years, water sales revenues have rebounded somewhat from drought levels, and TMWA has experienced growth in service connections annually. Weather in the TMWA service area has been warmer which has been a significant contributor to increased water sales revenue. The 2022-2026 funding plan is based on average usage per connection over the last 5 years. Growth in connections over the next five years uses projections from the 2020-2040 Water Resource Plan.

Hydroelectric Revenue

Hydroelectric revenues were higher than expected over the past five years due to the end of the drought which increased river flows during the period. In the 2022-2026 funding plan hydroelectric revenues are expected to be low in 2022 with repairs being performed while river flows are lower. 2023-2026 assume sufficient Truckee River flows to operate the hydro plants, with only occasional shutdowns for maintenance. This could change depending on weather patterns.

Other Operating Revenue

The largest components of other operating revenue are inspection fees, service call charges, late fees, and construction water sales. In the last five years other operating revenue was also higher than

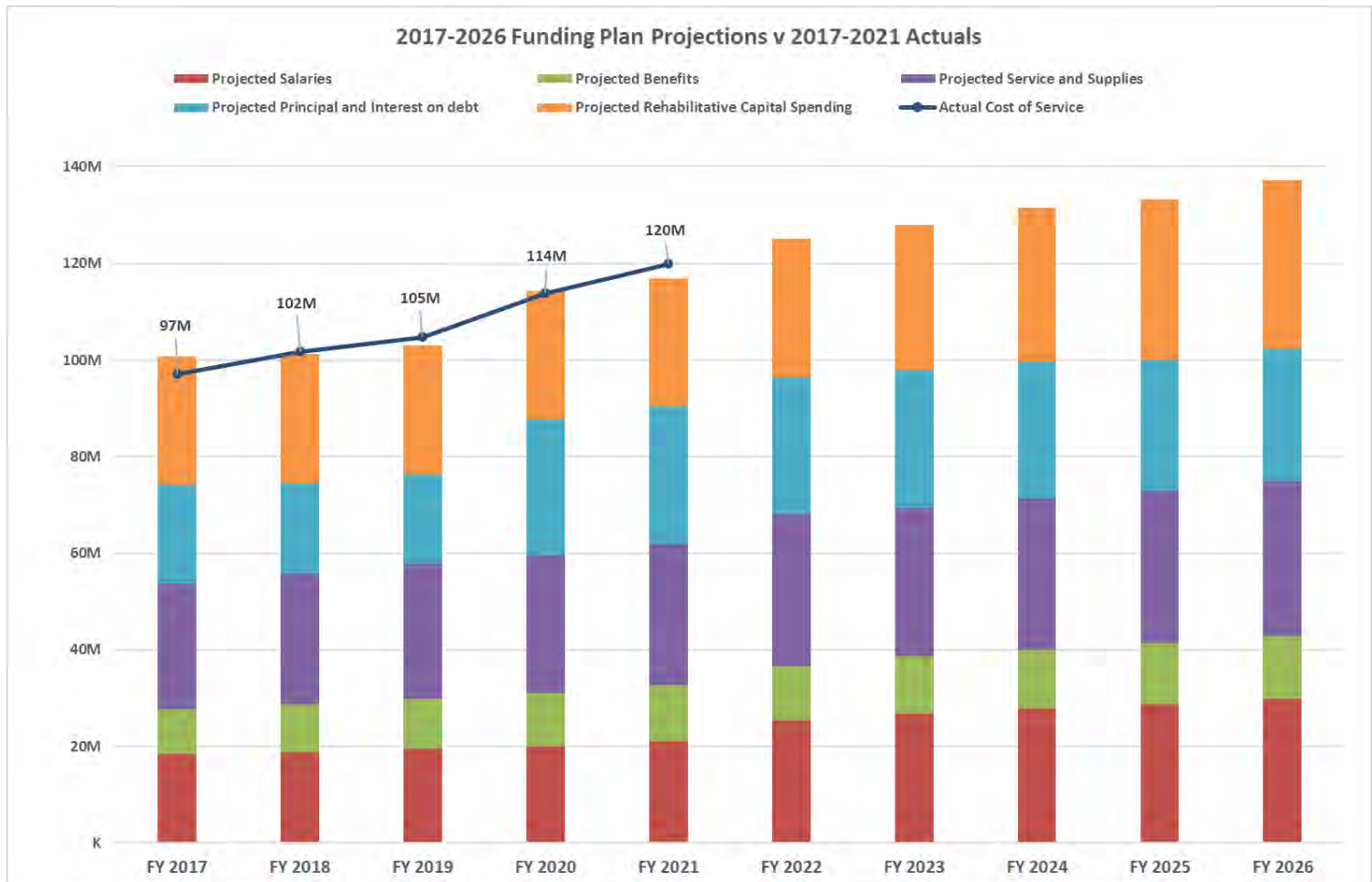
expected. This was mainly due to higher inspection fees and construction water sales due to a rebound in growth in the area. This is the only component of recurring revenue that is slightly affected by growth, as it is necessary for revenue from growth to pay for growth. All other revenue related to growth is considered non-operating. The funding plan for 2022-2026 assumes implementation of higher rates for inspections as of January, 2022 with most other charges remaining at historic levels.

Investment Income

Investment income has been significantly higher than anticipated in the original funding plan, providing an additional \$14 million dollars over the past five years. This is the greatest fluctuation in total dollars from 2017 original projections in all revenue categories. TMWA had several one-time cash infusions as mentioned earlier which totaled \$30.9 million. Higher cash balances, combined with higher interest rates over the period resulted in the significant increase in investment income. Unfortunately, in the upcoming 2022-2026 funding plan, investment income is expected to decline due to much lower interest rates.

COST OF SERVICE

The following graph compares the original projections for cost of service presented in the funding plan in fiscal year 2017 to actual results in 2017-2021 and shows projections in the funding plan for 2022-2026.



Salaries

Salaries expense was slightly higher over the last five years (less than \$1M average per year) than projected. This fluctuation is a combination of overstaffing for retirements and succession planning, hiring due to growth in the service area, and slightly higher than anticipated salary increases. Salaries in the 2022-2026 funding plan include significant turnover due to retirements, and some overstaffing for training in critical positions. There is an increase in headcount of 7.2%, or 17 over the next five years. Headcount increases include: 5 in Operations, 4 in Security, 4 in Engineering, 3 in Business Information Systems, 1 in Natural Resources. Wage increases are forecasted at 2.5% annually. The Board will be able to approve each year's annual budget to approve all actual increases in headcount and salaries.

Benefits

Benefits expense was also slightly higher over the last five years. A change in accounting principles for the Post Employment Medical plans accounts for a \$3M non-cash adjustment to increase benefits expense in fiscal year 2018. This was a noncash adjustment. Benefits are expected to increase based on increases in salaries.

Service and Supplies

This category came in slightly lower than projected by 1.5%. Staff works diligently to keep costs as low as possible. In the next five years, there are annual decreases of \$0.6 million beginning in fiscal year 2022 due to implementation of a new Customer Information System which is more economical, annual decreases in fuel costs of \$0.08 million due to the fuel station built onsite at TMWA's Capital Blvd. location, and annual decreases of \$0.2 million in power expenses when the Orr Ditch hydroelectric facility comes online in fiscal year 2023. Increases in costs include operation of the new Mt. Rose treatment plant for \$0.75 million annually beginning calendar year 2022.

Principal and Interest on Debt

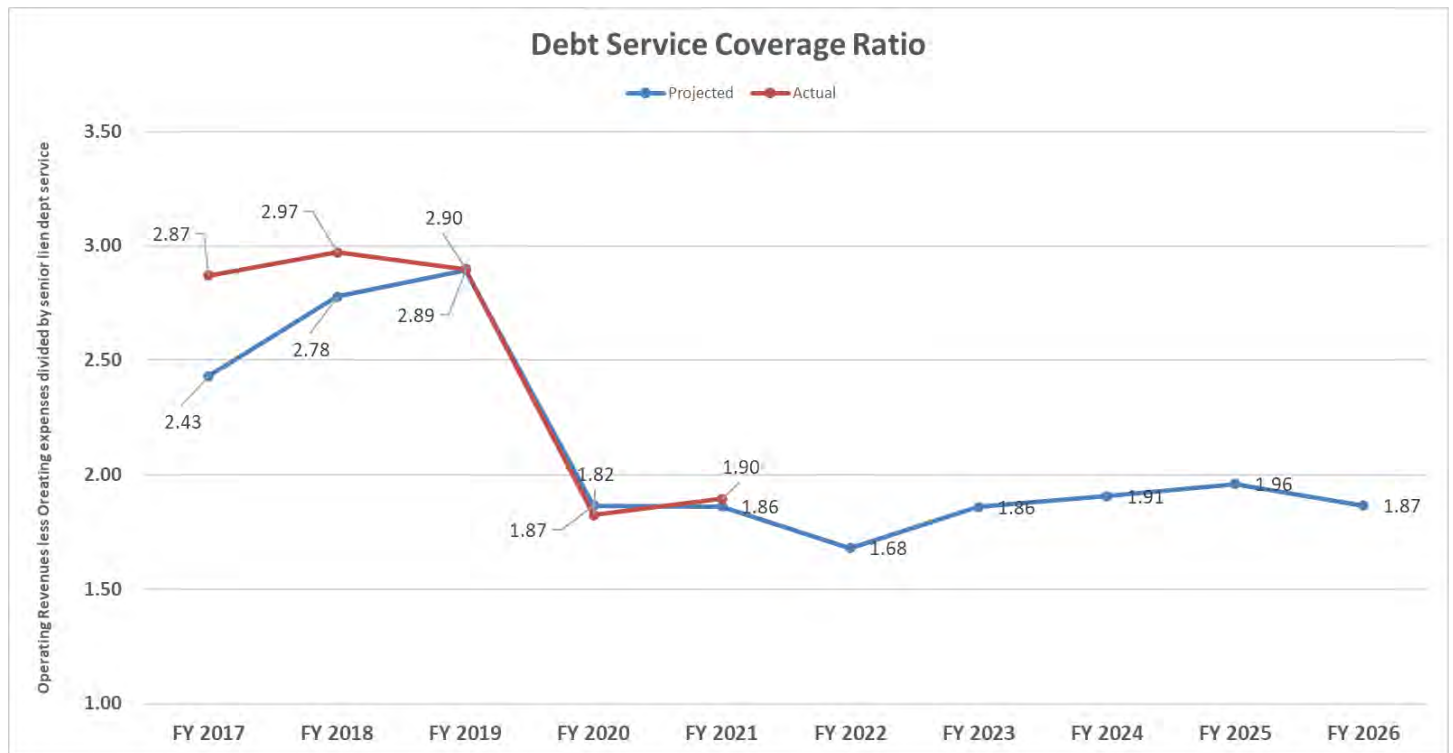
Principal and Interest payments were as expected over the last five years, with a delay of principal payments in fiscal years 2017 through 2019. Principal payments resumed in fiscal year 2020 at approximately \$11 million annually. Those debt payments will continue, barring any bond refunding, for the next 10 years and will then increase in 2032 – 2035 by another \$6 million, before they decrease.

Rehabilitative Capital Spending

Capital Spending related to maintaining the water system should be covered by customer revenue. Estimates for customer funded capital spending were approximately \$28 million a year in the 2017 funding plan. Actuals were very close in 2017 through 2019, but in fiscal year 2020, \$25 million was spent on maintaining the system, with more spending on developer funded projects. Expected spending in the next five years is \$28.6 million in 2022, increasing to \$35.0 in 2026.

DEBT SERVICE COVERAGE RATIO

The debt service coverage (DSC) ratio is an important ratio that is watched by rating agencies, banks and investors. This ratio uses the net operating income (operating revenue less operating expenses) and divides it by the senior lien debt service. TMWA's debt covenants require that we maintain a DSC ratio of 1.25x. The Board has set a goal of 1.5x. The following graph shows the projected DSC ratio from the funding plan compared to the actual DSC ratio experienced in 2017 – 2021, and what is projected 2022-2026.



The graph shows that the TMWA DSC ratio was very close to what was anticipated, and dropped dramatically when debt principal payments of \$11 million annually resumed in FY2020. In the new funding plan DSC begins at 1.68x, and stays above that in the five-year period with the implementation of the two 2.5% rate increases in 2022 and 2023.

CASH BALANCES

Maintaining sufficient cash balances is critical to maintaining the financial health of TMWA, and is a key factor in maintaining TMWA's credit ratings. TMWA's credit ratings are currently AA+, outlook stable from Standard and Poor's, Aa2, outlook stable from Moody's and AA, outlook positive from Fitch. These are very good ratings, and require careful planning to maintain. When the Board voted to increase the rate stabilization fund in September of 2018, it was part of a financial policy adopted by Resolution 266 to ensure that TMWA maintains adequate cash balances, both restricted and unrestricted. As mentioned earlier, \$30 million in unexpected cash infusions have significantly helped the strength of TMWA's cash position. Over the next five years cash is projected to decrease by \$6.6 million, with unrestricted cash increasing by \$2.2 million. The stability of the cash balances in the funding plan anticipate \$73.8M in developer contributions, and \$19.4M in Will-Serve sales over the next five years, as mentioned earlier. We are fortunate to have strong cash balances so we can weather possible drought, economic downturn and other uncertainties.

ATTACHMENT A

Truckee Meadows Water Authority
2022-2026 Funding Plan with Delayed Rate Increases

<i>TMWA's Revenue Sufficiency and Cost of Service</i>	FY 2022		FY 2023		FY 2024		FY 2025		FY 2026	
Projected Rate Increases	2.5%		2.5%		0.0%		0.0%		0.0%	
Operating Expenses	\$	68,084,455	\$	69,353,098	\$	71,236,449	\$	72,965,969	\$	74,818,061
Principal and Interest on customer related debt		28,433,304		28,431,616		28,440,408		26,974,801		27,445,707
Rehabilitative Capital Spending		28,611,000		30,200,500		31,790,000		33,379,500		34,969,000
Total Projected Cost of Service	\$	125,128,759	\$	127,985,214	\$	131,466,856	\$	133,320,270	\$	137,232,768
Recurring Revenues	\$	115,609,640	\$	121,934,278	\$	125,192,815	\$	126,304,924	\$	127,691,338
Surplus (Deficiency)	\$	(9,519,119)	\$	(6,050,937)	\$	(6,274,041)	\$	(7,015,346)	\$	(9,541,431)
Surplus (Deficiency) as a % of Cost of Service	-7.6%		-4.7%		-4.8%		-5.3%		-7.0%	
<i>Debt Service Coverage Ratios</i>	FY 2022		FY 2023		FY 2024		FY 2025		FY 2026	
Water Sales Revenues		108,518,719		112,610,866		115,953,170		117,001,166		118,062,382
Hydroelectric Sales		1,837,239		3,177,557		3,254,959		3,287,509		3,320,384
Other Operating Sales		2,669,796		3,403,236		3,073,966		2,869,700		2,674,379
Investment Income		2,583,886		2,742,619		2,910,720		3,146,549		3,634,193
Total Revenues		115,609,640		121,934,278		125,192,815		126,304,924		127,691,338
Operating Expenses		(68,084,455)		(69,353,098)		(71,236,449)		(72,965,969)		(74,818,061)
Net Revenues		47,525,185		52,581,180		53,956,367		53,338,955		52,873,277
Senior Lien Debt Service		28,275,250		28,274,500		28,287,250		27,206,250		28,349,500
Senior Lien DSC		1.68		1.86		1.91		1.96		1.87
<i>TMWA's Cash Balances</i>	FY 2022		FY 2023		FY 2024		FY 2025		FY 2026	
Restricted Cash	\$	66,647,178	\$	62,984,314	\$	62,015,616	\$	61,448,866	\$	64,192,555
Rate Stabilization Fund		10,112,483		10,366,956		10,530,502		10,623,246		10,712,609
Unrestricted Cash Required by Policy		95,469,429		95,892,310		96,520,092		97,096,600		97,713,964
Required Cash Balances		172,229,090		169,243,581		169,066,210		169,168,713		172,619,128
Total Cash Balance		222,151,355		225,457,682		225,052,436		220,834,348		215,599,841
Difference	\$	49,922,266	\$	56,214,102	\$	55,986,225	\$	51,665,635	\$	42,980,713

2022-2026 Draft Funding Plan Assumptions

Operational Assumptions

- 1) Reliance on surface water will continue 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 will be operational in fiscal year 2022 with operating costs assumed to be \$1,000 per mg with total annual production of 750mg.
- 4) Orr ditch hydro will supply power to the Chalk Bluff treatment plant beginning in fiscal year 2023.

Revenue/Capital Contribution Assumptions

- 1) The Draft Funding Plan anticipates an additional 10,032 service connections over the five-year period. Growth percentage goes from 2.22% in 2022, decreasing to 1.25% in 2026. Usage is based on patterns over the last five years.
- 2) Hydroelectric sales projections are based on sufficient river flows in 2023 through 2026. Downtime for construction and maintenance of hydro plants is considered, especially in 2022 when repairs will be made while river flows are lower.
- 3) Weighted average yield on investable cash is estimated to be 0.45% in fiscal year 2022 rising to 3.13% in fiscal year 2026.
- 4) Will-serve sales are expected to be approximately \$19.4 million over the ensuing period.
- 5) Other developer contributions are projected to be \$73.8 million over the ensuing period. This does not include any significant funding to build an advanced purified water treatment plant.

Operating Expense Assumptions

- 1) Wages and salaries increase for IBEW workers are based on the latest contract with the union or 2.5% in 2022. Thereafter, IBEW increases are budget at 2.5%. MPAT employees increase by 2.40% in 2022, and 2.5% thereafter.
- 2) Headcount was increased by eight in fiscal year 2023 and is projected to increase by three total thereafter. As retirements occur, they are offset with other hires.
- 3) Public Employee Retirement System contribution rates are assumed to remain at 29.75% through 2026.
- 4) Health care premiums and life insurance premiums are assumed to increase 2% annually, with change to employer/employee allocation of costs.
- 5) Funding for the Truckee River Fund is \$700k in 2022, and \$850k in 2023-2026.

- 6) TMWA's anticipated share of TROA administration expenses is approximately \$325k annually.
- 7) General annual inflation of 1.0% is assumed on most service and supplies.

Debt Management Assumptions

- 1) No new debt is assumed to be issued during the 2022-2026 period.
- 2) 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 2022 are \$229.6 million. Of this total \$163.0 million is unrestricted.
- 2) Restricted reserves that were transferred from the South Truckee Meadows General Improvement District (STMGID) will be depleted by the end of fiscal year 2023.
- 3) Customer funded capital spending from the five-year CIP plan is spread over the five-year period to avoid fluctuations in the funding gap. It is assumed that 85% of this spending will be completed.

TMWA

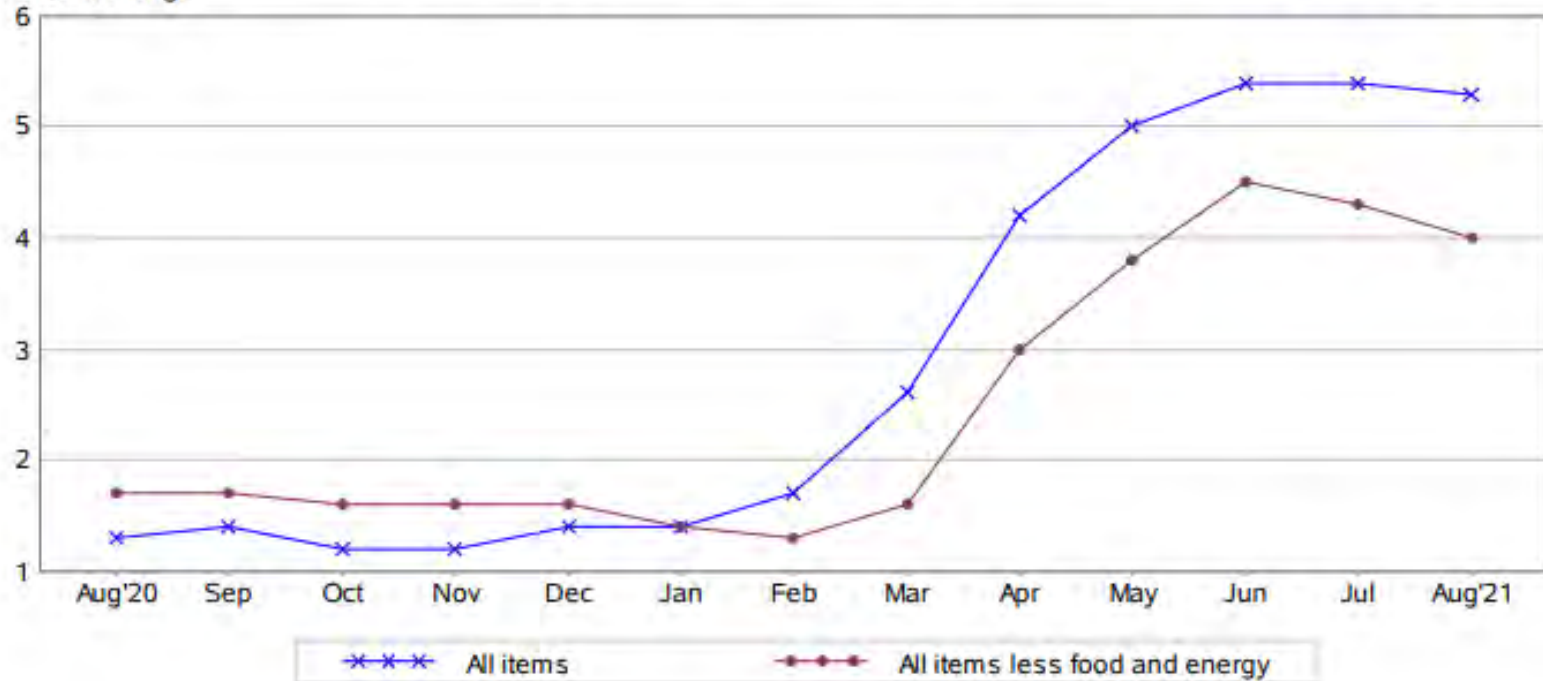
Draft Funding Plan 2022-2026



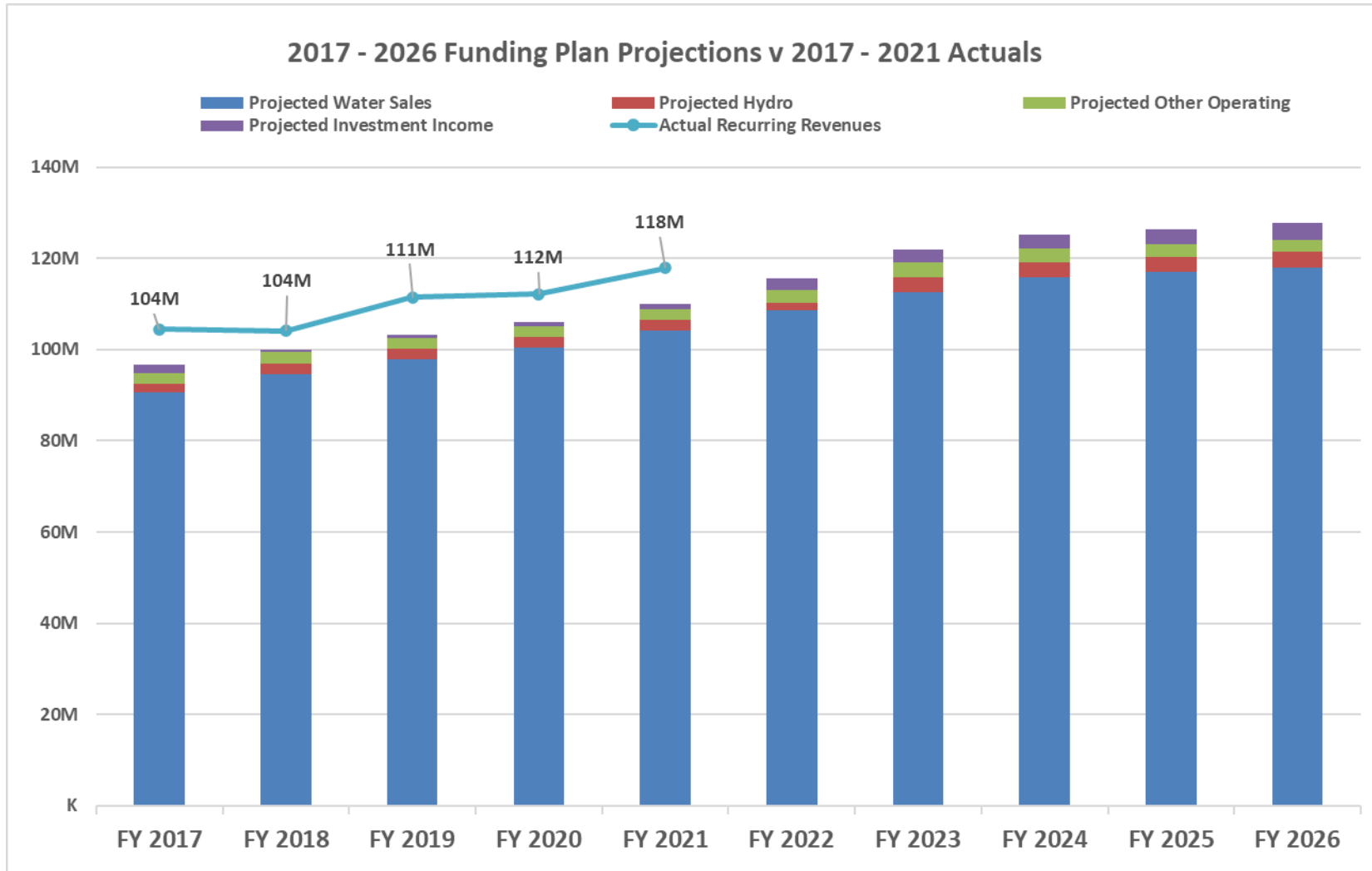
Truckee Meadows Water Authority

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Aug. 2020 - Aug. 2021

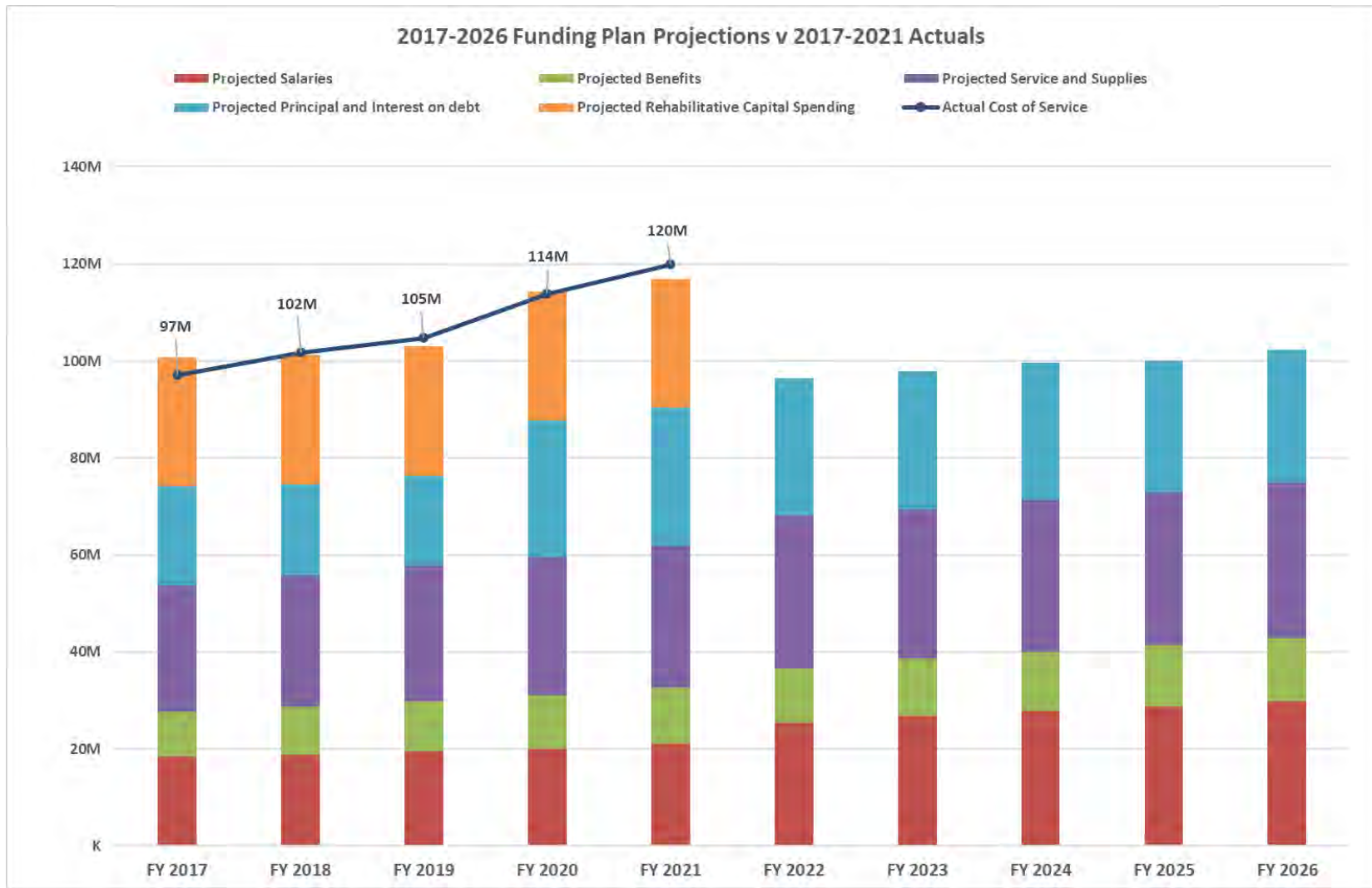
Percent change



Truckee Meadows Water Authority



Truckee Meadows Water Authority



Truckee Meadows Water Authority

Debt Service Coverage Ratio



Thank you!

Questions?

Michele Sullivan, CFO
Email: msullivan@tmwa.com



STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, SAC Liaison
DATE: September 24, 2021
SUBJECT: Update on Standing Advisory Committee Membership

Please find attached the 2022 Standing Advisory Committee (SAC) membership. Those whose term-limits expire on December 31, 2021 have been notified. The final SAC membership list will be presented to the Board for approval at the December meeting.

TMWA Standing Advisory Committee
Term Appointments
2022-23 Membership List

Customer Class	Primary Representative	Member Since	Term Ends	Alternate Representative	Member Since	Term Ends
Wholesale (Sun Valley)	Chris Melton	2020	12/31/2021	<i>Jon Combs</i>	2022	12/31/2023
Irrigation	Neil McGuire	2005	12/31/2022	Karl Katt	2013	12/31/2022
Multi-family Residential	<i>Vacant</i>			Jonnie Pullman	2012	12/31/2021
Commercial	Donald Kowitz	2017	12/31/2022	John Krmpotic	2020	12/31/2021
Senior Citizen	Robert Chambers	2005	12/31/2022	Alex Talmant	2021	12/31/2023
At-Large 1	Ken McNeil	2013	12/31/2022	Ken Becker	2017	12/31/2022
At-Large 2	Jordan Hastings	2017	12/31/2022	Susan Hoog	2019	12/31/2021
Residential:						
Representative 1	Carol Litster	2014	12/31/2022	Dale Sanderson	2017	12/31/2022
Representative 2	Harry Culbert	2006	12/31/2022	Fred Arndt	2017	12/31/2022
Representative 3	Jerry Wager	2014	12/31/2022	Kevin Ryan	2021	12/31/2023
Appointments:						
BANN	Colin Hayes	2010	12/31/2021	Jim Smith	2010	12/31/2021
Reno-Sparks Chamber	Kristine Brown	2020	12/31/2021	Ann Silver	2019	12/31/2021



STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, SAC Liaison
DATE: September 24, 2021
SUBJECT: **Presentation and possible approval of 2022 meeting schedule**

The TMWA Standing Advisory Committee meets quarterly on the first Tuesday at 3:00 p.m. The schedule of proposed meeting dates for 2022 is:

- Tuesday, February 1
- Tuesday, April 5
- Tuesday, June 7
- Tuesday, October 4

Meetings that appear on this schedule may be cancelled or changed due to lack of agenda items or other considerations. Also, a meeting may be called upon if an emergency arises.