

Popular Annual Financial Report | 2021



TO OUR CUSTOMERS

Since TMWA was formed in 2001, our focus has always been to deliver drinking water of exceptional quality to our community. While much has changed in the past twenty years, this commitment has not waived.

Our priority is maintaining a highly efficient, dependable drinking water system that can scale with the needs of the Truckee Meadows. This requires coordinated internal planning and diligent management of our water resources, facilities, and finances, so when new challenges or opportunities emerge, TMWA can respond.

As you read on, you will learn more about TMWA's current financial position and key investments we have made and are preparing for in the coming months and years.

This report is a summary overview of the more extensive Annual Comprehensive Financial Report, which is audited and presented to TMWA's Board of Directors each fall for approval, and is then filed with the Nevada Department of Taxation. An archive of all reports, along with policy overviews, is available to the public (tmwa.com/financial-information).

We are honored to serve our customers through this community-owned water utility and appreciate your interest in TMWA's finances.

Michele Sullivan

Michele Sullivan
Chief Financial Officer
Truckee Meadows Water Authority

This Popular Annual Financial Report is based on accounting standards and audited information that is fully represented in TMWA's Annual Comprehensive Financial Report, which can be found at tmwa.com/financial-information.

*Chalk Bluff Water Treatment Plant
(Cover image: Fleish Bridge over the Truckee River)*

20 YEARS OF COMMUNITY

When Sierra Pacific Power Company announced plans to sell its water utility division, it generated attention in the marketplace and concern by residents of the Truckee Meadows. Up to that point, the power company had been the primary water provider to the region for over 70 years.

With the intent of controlling its own water resource destiny, elected leaders in Reno, Sparks, and Washoe County collaborated to establish a “joint-powers agreement”

and issued \$452 million in revenue-backed bonds to purchase the utility from Sierra Pacific in June 2001.

The initial funds not only secured the purchase of the water company and its related assets but also, and perhaps more critically, maintained local control of water resources in the Truckee Meadows.



Fleish Hydroelectric Plant flume conveyance along the Truckee River.

TRUCKEE MEADOWS WATER AUTHORITY'S MULTI-JURISDICTIONAL GOVERNING BOARD

Truckee Meadows Water Authority (TMWA) is a not-for-profit, community-owned water utility. With joint-powers authority, TMWA's Board of Directors is comprised of seven elected officials and citizen appointees from Reno, Sparks, and Washoe County. TMWA has no financial interdependence with any of its member agencies.

While representing each jurisdiction, board members collectively make policy decisions and issue directives with a regional perspective, to ensure TMWA's customers have access to sustainable, high-quality drinking water for the near term and for decades to come.



VAUGHN HARTUNG
Chairman
Washoe County
Commissioner



KRISTOPHER DAHIR
Vice Chairman
Sparks City Council Member



PAUL ANDERSON
Director
Sparks City Council Member



JENNY BREKHUS
Director
Reno City Council Member



NAOMI DUERR
Director
Reno City Council Member



NEOMA JARDON
Director
Reno City Council Member



ALEXIS HILL
Director
Washoe County Commissioner

SENIOR MANAGEMENT

MARK FOREE, PE
General Manager

JOHN ZIMMERMAN, ESQ.
Assistant General Manager

MICHELE SULLIVAN, CPA
Chief Financial Officer

SCOTT ESTES, PE
Director of Engineering

PAT NIELSON
Director of Distribution,
Maintenance, and Generation

JOHN ENLOE, PE
Director of Natural Resources
Planning, and Management

ANDY GEBHARDT
Director of Operations
and Water Quality



YOUR WATER AUTHORITY

TMWA provides drinking water to over 440,000 residents in Reno, Sparks, and Washoe County — a service area that stretches 165.9 square miles. The primary source of water is the Truckee River, which flows from Lake Tahoe and

other tributaries in the watershed upstream of the Truckee Meadows. The lowest elevation point in TMWA’s distribution infrastructure is 3,983 feet, and the highest point is 6,676 feet, which is above the elevation of Lake Tahoe.

WATER DELIVERY

4

Number of water treatment facilities

200+

Million Gallons per Day (MGD)
Maximum drinking water production capacity

100%

Safe Drinking Water Act compliance

WHO WE SERVE

131,296

Customer accounts

440,000+

Residents

165.9sq.mi.

Service area

ASSETS

\$739m

Capital asset investment since 2001

2,755

Miles of pipeline

\$1,021m

Total capital assets

FY 2021 PERFORMANCE

\$115.4m

Operating revenue

\$98.2m

Operating expenses

\$12.3m

Interest expense

FINANCIAL RATINGS

Aa2

Moody’s

AA+

S&P

AA

Fitch



The Truckee River flows through downtown Reno.

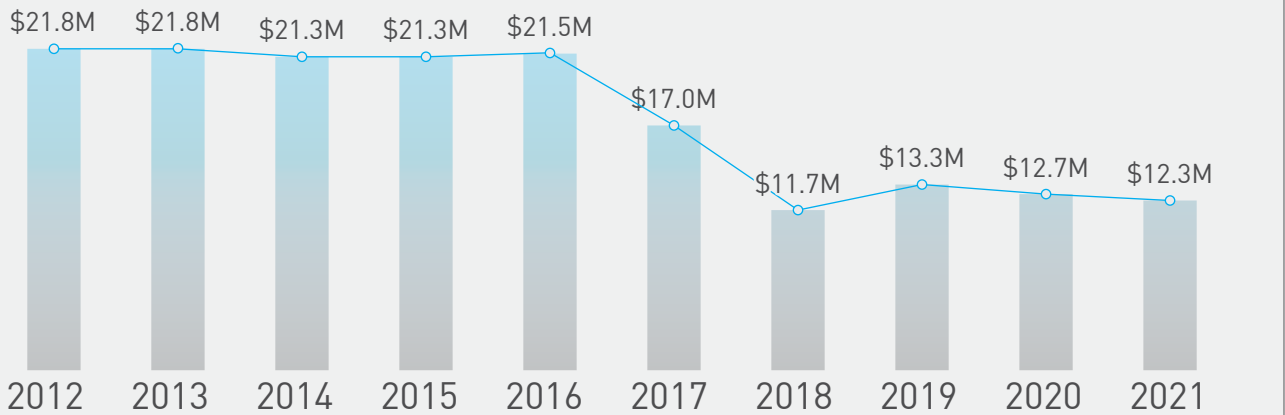
MEETING OUR OBLIGATIONS

By issuing bonds to purchase Sierra Pacific Power Company’s water business in 2001, TMWA became responsible for the debt repayment of \$452 million. TMWA’s diligent and strategic management of its financial obligations since then is part of the reason Moody’s, S&P, and Fitch have upgraded TMWA’s ratings over the years.

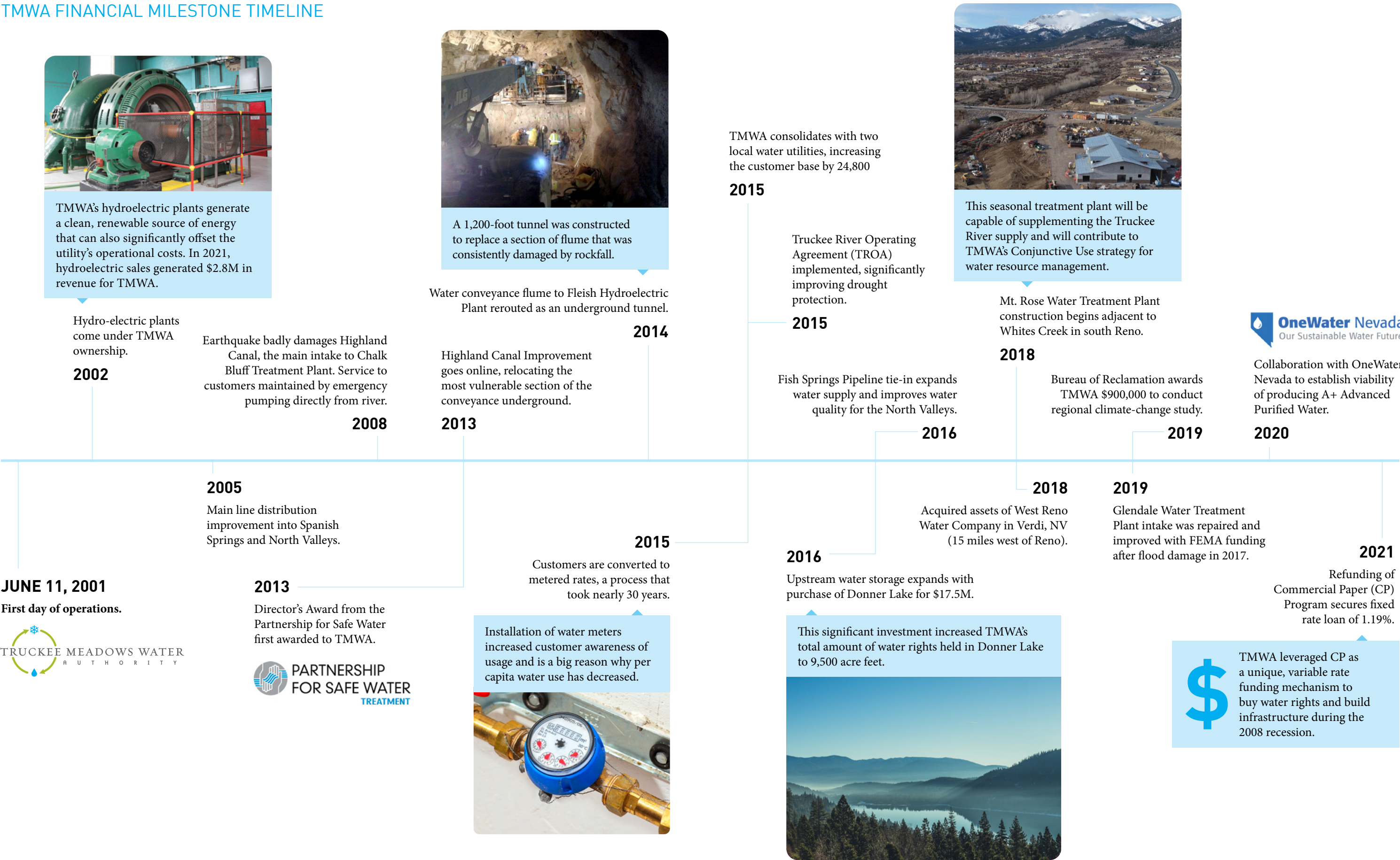
This disciplined approach has been successful. Over the past decade, TMWA has reduced interest expense by nearly 50% and has paid down its principal by \$117 million. As of June 30, 2021, TMWA’s total outstanding debt was \$392 million.

An important aspect of this pay-down strategy has been accomplished through the refunding of older bonds and issuing newer ones at a lower interest rate. Proactive approaches like this have helped strengthen TMWA’s financial ratings, while also paying off debt faster.

TMWA’S REDUCED INTEREST EXPENSE OVER THE PAST 10 YEARS



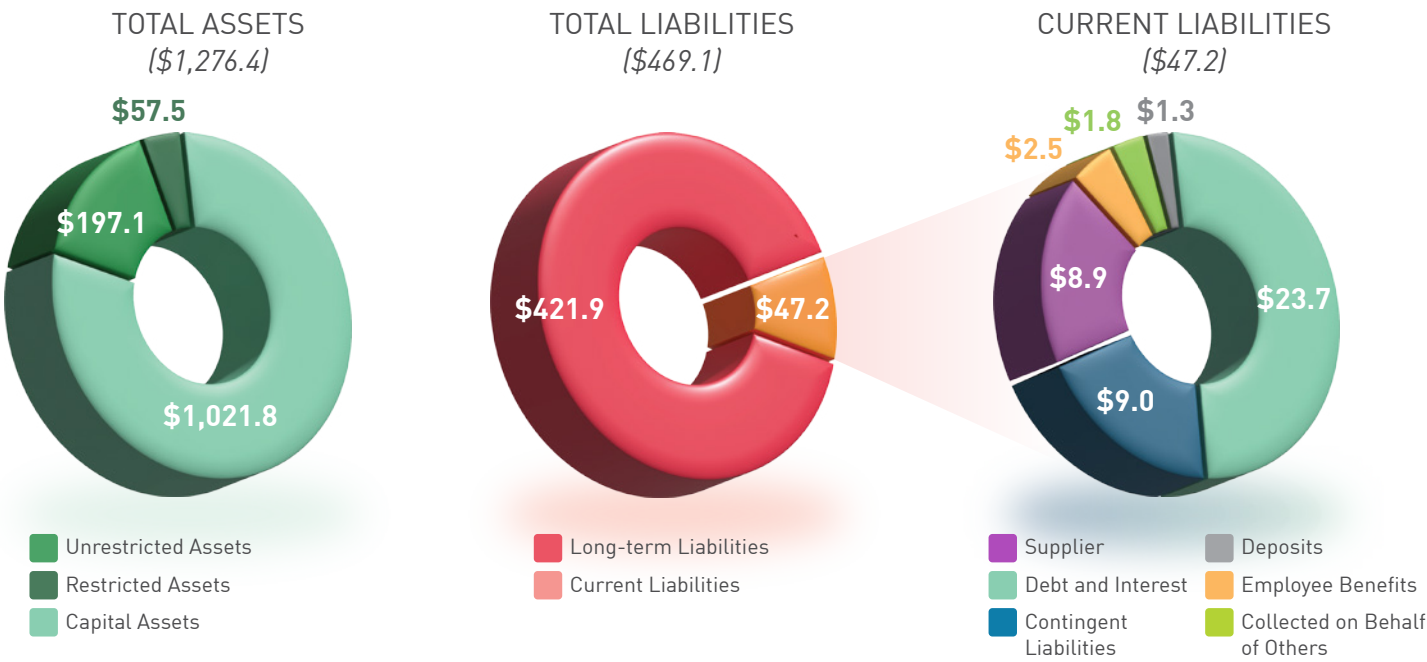
TMWA FINANCIAL MILESTONE TIMELINE



THE BIG PICTURE ON TMWA'S FINANCIAL POSITION

Net Position provides a point-in-time ‘snapshot’ of the financial status for governmental organizations. Much like a balance sheet, Net Position provides insight into what government agencies own (assets), and what they owe (liabilities) at the end of each fiscal year.

AT-A-GLANCE *(in millions)*



STATEMENT OF NET POSITION *(in millions)*

	2021	2020	2019
Unrestricted Current Assets	192.8	168.7	171.1
Restricted Current Assets	31.1	27.7	15.7
Long-Term Restricted and Other Assets	27.3	29.8	29.5
Net OPEB Asset	3.4	2.3	-
Capital Assets, net	1,021.8	1,007.7	980.7
Total Assets	1,276.4	1,236.2	1,197.0
Deferred Outflow of Resources	12.8	14.9	14.1
Total Assets and Deferred Outflow of Resources	1,289.2	1,251.1	1,211.1
Total Current Liabilities	47.2	47.9	47.1
Long Term Debt Outstanding	376.3	383.3	401.7
Net Pension and Other Current Liabilities	45.6	43.5	41.6
Total Liabilities	469.1	474.7	490.4
Deferred Inflow of Resources	6.0	6.7	2.5
Net Investment in Capital Assets	649.1	617.5	573.2
Restricted	50.7	50.0	37.6
Unrestricted	114.4	102.2	107.3
Total Net Position	814.2	769.7	718.1

CHANGES IN NET POSITION

Changes in Net Position (formally, the Statement of Revenues, Expenses and Changes in Net Position) is a financial statement that focuses on a particular time period, which for TMWA is always during its fiscal year from July 1 to June 30. Much like an income statement, it focuses on four key items—revenue, expenses, gains (through contributions), and losses.

CHANGES IN NET POSITION *(in millions)*

	2021	2020	2019
Operating Revenues	115.4	108.1	107.1
Operating Expenses	98.2	94.1	92.5
Operating Income	17.2	14.0	14.6
Nonoperating Revenues (Expenses), net	-14.1	-6.6	-6.7
Income before Capital Contributions	3.1	7.4	7.9
Capital Contributions	41.4	44.2	42.2
Change in Net Position	44.5	51.6	50.1
Net Position — Beginning of Year	769.7	718.1	668.0
Net Position — End of Year	814.2	769.7	718.1



To view TMWA's complete financial statements, visit the Annual Comprehensive Financial Report at tmwa.com/financial-information.

EXPLANATION OF TERMS *(See more formal accounting definitions in Appendix)*

UNRESTRICTED ASSETS: Assets such as cash, accounts receivable, deposits, and prepaid expenses that can be used and managed with flexibility.

RESTRICTED ASSETS: Assets that must be used for specific purposes, primarily the repayment of debt.

CAPITAL ASSETS: Fixed physical assets, such as water mains, treatment plants, pump and pressure regulating stations, water tanks, vehicles, etc.

DEFERRED FLOW OF RESOURCES: Accounting for revenue or expenses that will occur in the future.

TOTAL NET POSITION: Represents the balance of a governmental organization's assets against its liabilities.

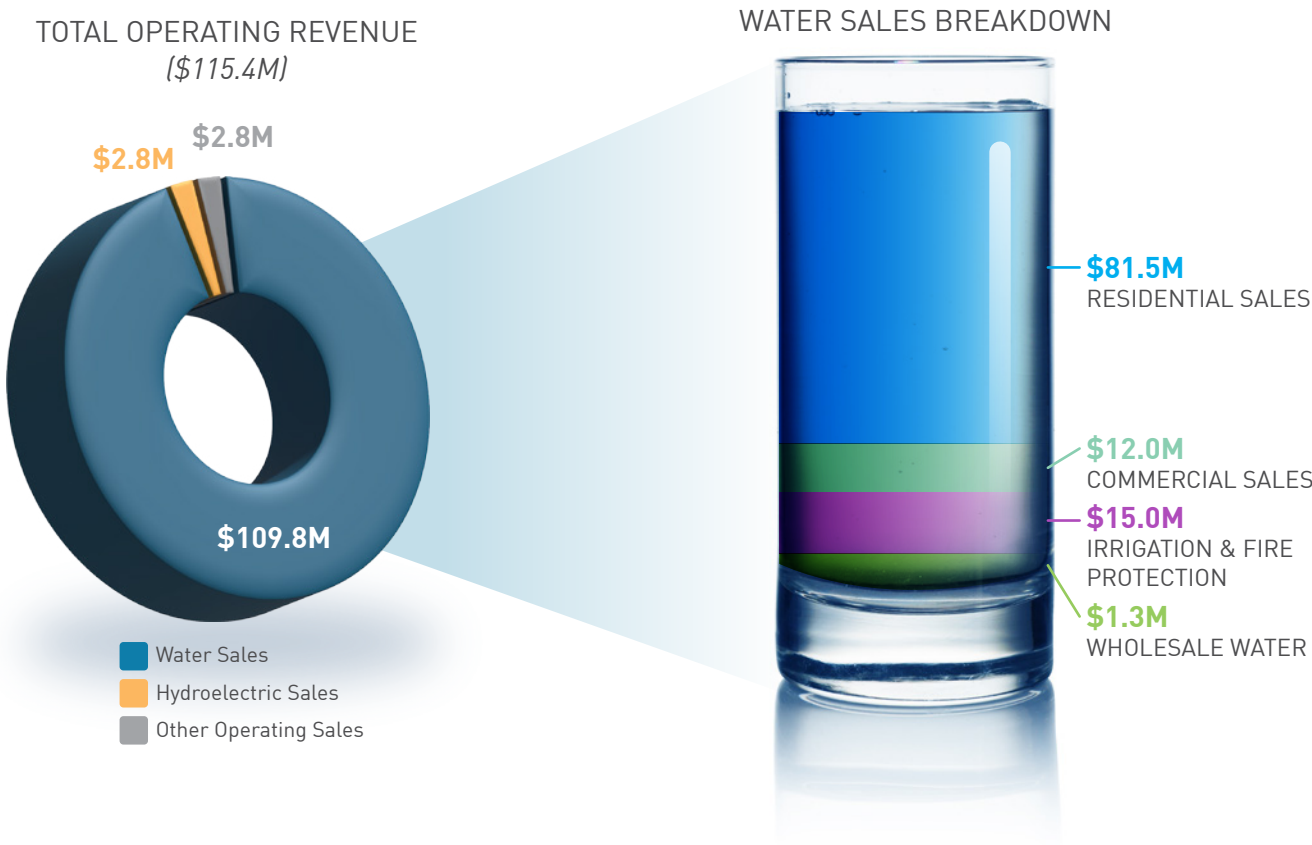
OPERATING REVENUES: Money generated from water, hydroelectric, and other operating sales. From this amount, operating expenses are subtracted to determine operating income.

OPERATING EXPENSES: Costs that are directly associated with day-to-day operation, such as wages, benefits, and supplies.

NONOPERATING REVENUE OR EXPENSES: Income or costs that are not directly attributable to core business operations (i.e., interest expense and investment income).

CAPITAL CONTRIBUTIONS: Grant proceeds or funds that are invested into TMWA's infrastructure.

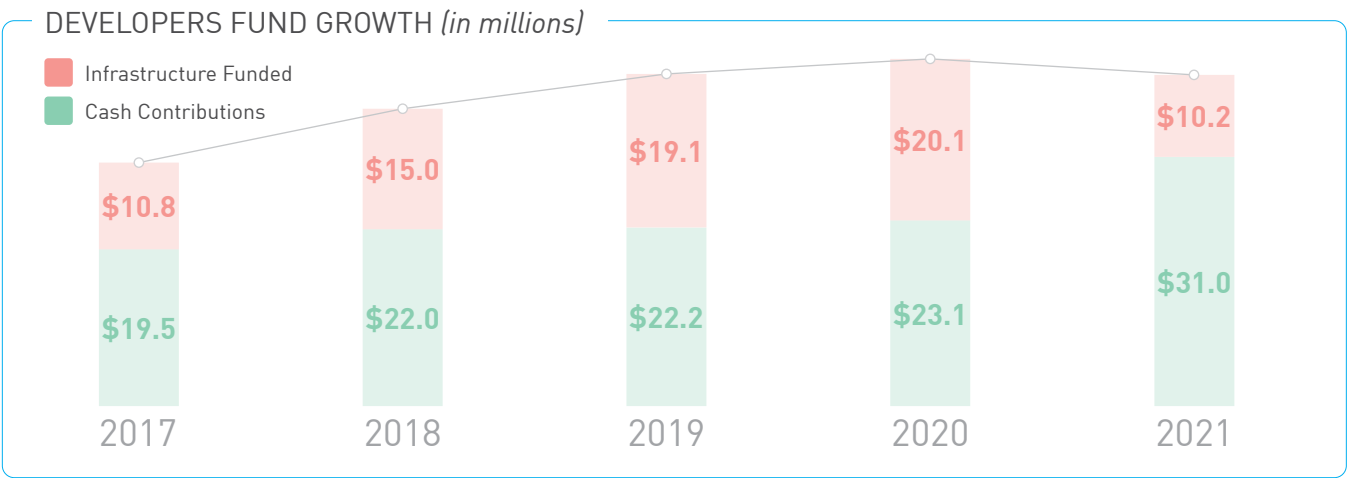
INCOMING: WATER SALES PROVIDE 95% OF TMWA'S OPERATING REVENUE



GROWTH PAYING FOR GROWTH

Neither TMWA nor its customers underwrite or pay for new infrastructure needed for residential or commercial development. To protect ratepayers from the short and long-term costs of service-area expansion, cash and infrastructure contributions from developers are required. Over the past five years, total developer contributions for new growth have exceeded \$193 million.

New development projects are approved by the county and cities. Before building can begin, water rights must be dedicated to TMWA. For each acre-foot of surface water needed to serve new development, an additional 11% of water rights is required and must be dedicated to TMWA for drought storage.



OUTGOING: HOW TMWA SPENDS BY THE DOLLAR

Spending at TMWA, which affects customer rates, is allocated among specific categories. These allocations are shown below, represented as cents on the dollar.



EXPLANATION OF EXPENSES

SALARIES, WAGES & EMPLOYEE BENEFITS

Compensation paid to our workforce in performing TMWA's day-to-day operations.

SERVICES & SUPPLIES

Non-payroll related expenses of day-to-day operations, (i.e., treatment supplies, infrastructure maintenance, distribution, customer service, etc.)

PRINCIPAL & INTEREST ON CUSTOMER RELATED DEBT

Principal and interest payments on all loans outstanding except those associated with service territory expansion.

REHABILITATIVE CAPITAL SPENDING

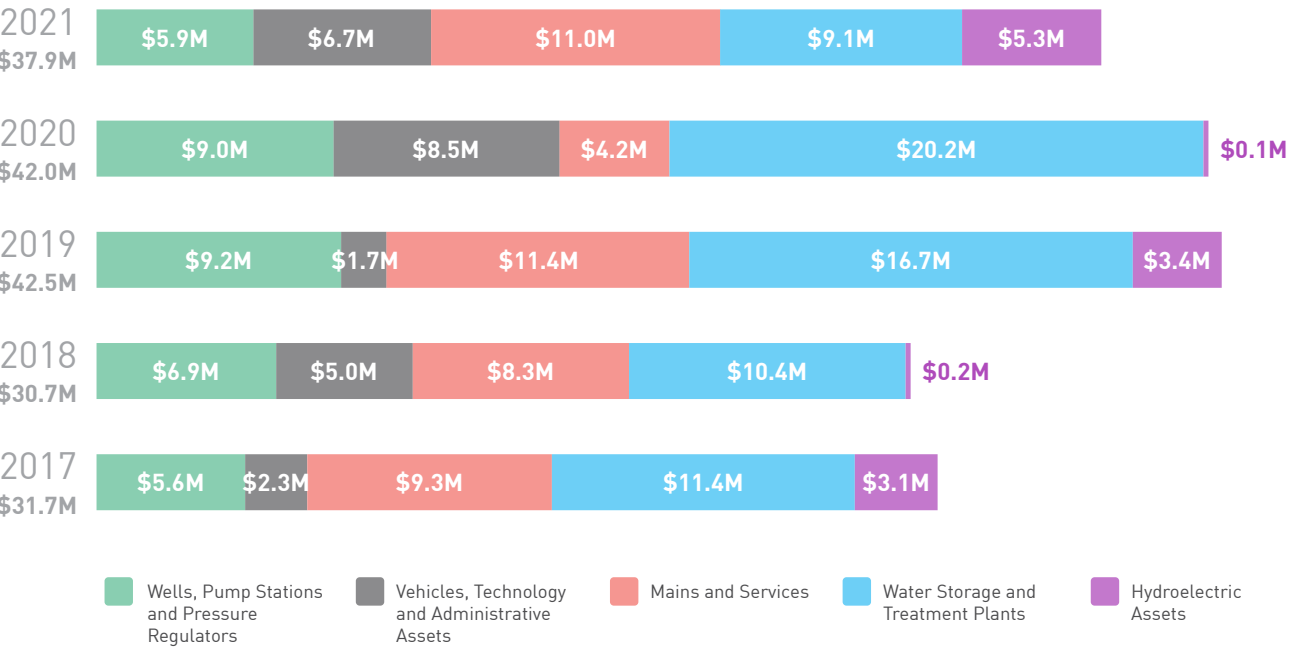
The cost of replacing and maintaining existing capital assets, (i.e., water treatment plants, infrastructure replacements, storage tanks, etc.)

KEEPING WATER FLOWING

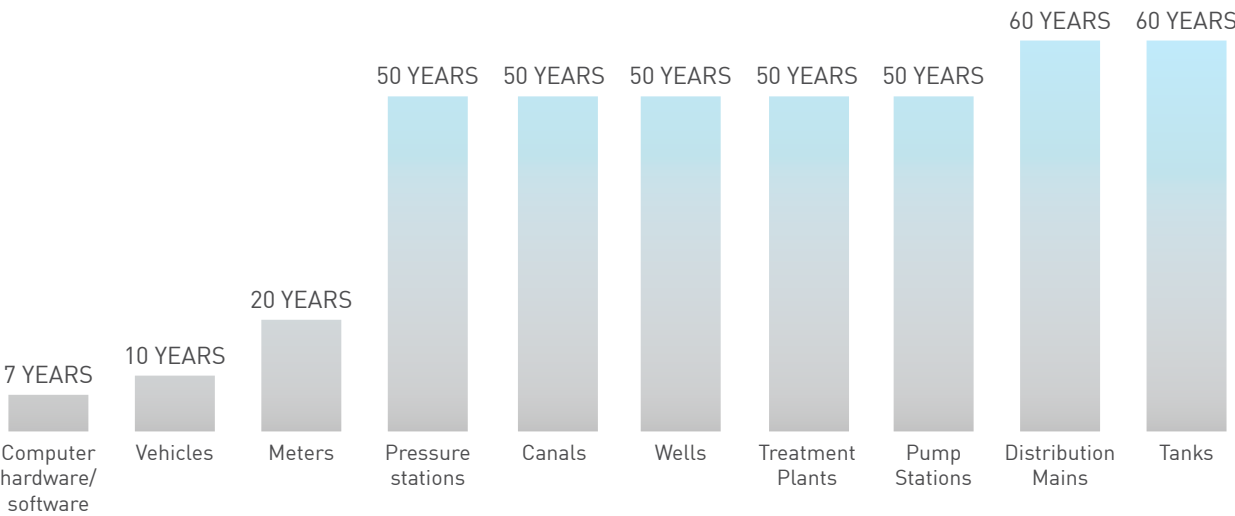
Day or night, when customers turn on their taps, they expect the water to flow. This means 24/7 operations for TMWA. With a consistently operating system, there is almost always something within our extensive infrastructure that requires maintenance, rehabilitation, or replacement.

Although maintenance needs and planned project expenses can shift each year, TMWA’s primary infrastructure investments usually go into three categories: 1) Wells, pump stations and pressure regulators; 2) Mains and services; and 3) Water storage and treatment plants.

CAPITAL SPENDING BY CATEGORY



ASSET LIFE CYCLES (Maximum estimated years)



ADVANCING OUR WATER SYSTEM & SERVICES

Mount Rose Water Treatment Plant — Online Spring 2022.

Mount Rose Water Treatment Plant is a major capital investment that bolsters TMWA’s conjunctive-use strategy, which promotes using surface water whenever possible to help optimize groundwater storage.

Before TMWA’s 2015 consolidations with Washoe County Department of Water Resources and South Truckee Meadows General Improvement District, the only source of drinking water in the Mt. Rose and Galena fan areas was groundwater, which had been in continual decline since the 1990s. Upon acquisition of these systems, TMWA quickly focused on increasing surface water distribution into the area. Through the construction of water mains and booster stations, water treated from the Truckee River now reaches the Arrowcreek, Callahan Ranch, Montreux, and Saddlehorn neighborhoods.

The location of the Mount Rose facility reduces the cost of delivering surface water to these neighborhoods as well, while further improving water resource reliability for both TMWA customers and domestic well owners. Total production from Whites Creek will vary seasonally, as permits from the Nevada State Engineer require TMWA leave enough flow in the creek to maintain wildlife and habitat needs, as well as downstream irrigation requirements. Diversions to the plant will be reduced or eliminated when creek flows are low.

With more surface water added to TMWA’s supply, it will allow more wells to rest which also helps facilitate groundwater recharge. The results have been promising, with groundwater levels in the Mt. Rose and Galena fan aquifers rising over 10-20 feet under TMWA’s conjunctive-use approach.



TMWA Drinking Water Treatment Plants – Maximum capacity levels (in millions of gallons/day)



SPRING 2021

NEW CUSTOMER INFORMATION SYSTEM LAUNCHES

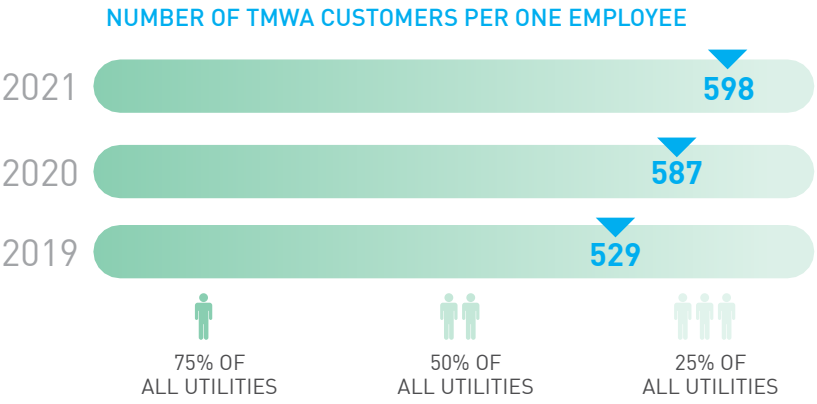
In direct response to customer feedback, TMWA modernized its Customer Information System in March. This transition was a complete transformation: It increased bill payment options, enhanced visibility into water usage and created more efficiency for TMWA’s customer service and billing operations.

OUTPERFORMING NATIONAL BENCHMARKS

Each year, TMWA reviews its operational performance against benchmarking standards defined by the American Water Works Association (AWWA), which has a membership of over 4,300 that represents 80% of the water utility companies in the US. TMWA sets its performance goal targets to meet or exceed AWWA's top quartile benchmarks.

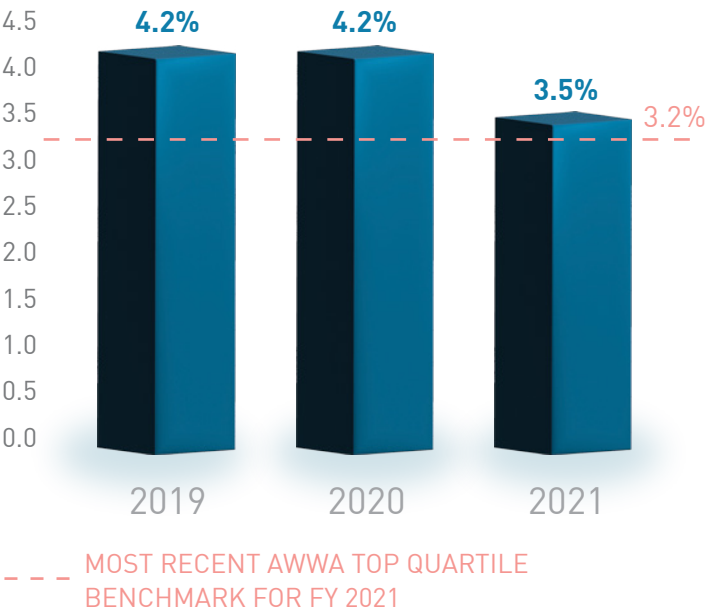
WORKFORCE EFFICIENCY

Measured by the ratio of customer accounts to employee, TMWA is consistently near or above the top quartile of utility performance nationwide.



FINANCIAL EFFECTIVENESS

Financial effectiveness is measured by the change in net position divided by total assets. This demonstrates an organization's ability to use its assets to generate income. When financial effectiveness percentages are positive, an organization is in a strong position to secure capital for major projects. TMWA frequently exceeds AWWA benchmarks for financial effectiveness as demonstrated in the chart below.



TMWA'S FY 2021 AWARDS

“Utility of the Future, Today” Award by the Water Research Foundation

TMWA is one of only 65 water utilities nationwide to be honored with the award, which highlights transformational work in community engagement, watershed stewardship, and resource management.

“Five-year Presidents Award for Water Treatment” by the Partnership for Safe Water

TMWA's Chalk Bluff Water Treatment Plant continues to be nationally recognized for its long-term commitment to optimizing operations and achieving outstanding performance.

“Hydroelectric Project of the Year” Award by American Public Works Association (Nevada Chapter)

Recognized in the category of *Historic Restoration*, this unique and challenging project included the replacement of several components of the Fleish flume, overflow and turbine-tailpiece structures.

INTEGRATING IT ALL

This report is a high-level overview of [TMWA's Annual Comprehensive Financial Report](#), which offers a detailed review of multiple financial statements, as well as the policies that guide TMWA's approach to managing funds.

This annual financial report gives insight into the fiscal health of TMWA's operations year after year. Beyond annual financial reporting, TMWA has an integrated planning approach across three areas of focus: Funding, Facilities, and Water Resources.

TMWA's Funding Plan projects into the next five years, whereas the Facility and Water Resource Plans look 20+ years into the future. Although these are three distinct planning efforts, the implementation of the plans is integrated.

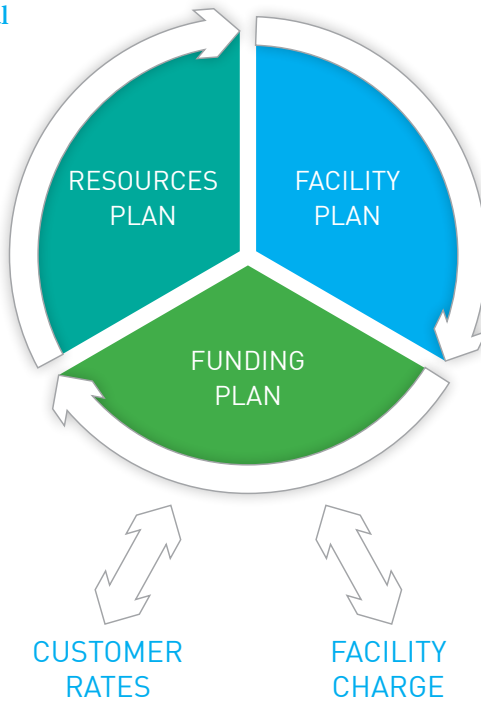
For example:

The **Water Resource Plan** estimates water supply and demand, giving insight into the facility capacity that will be needed for TMWA's future infrastructure.

The **Facility Plan** identifies the condition of TMWA's existing capital assets and project expansions needed to meet future growth, as identified in the Water Resource Plan. Facility charges are calculated based on the Facility Plan and are what builders and developers pay to connect new construction to the water system. This keeps customer rates protected from the cost of new developments, ensuring growth pays for growth.

The **Funding Plan** is a five-year operations plan that also incorporates the Five-Year Capital Improvement Plan. It is a thorough analysis of all revenues and expenses, as well as any capital improvements and infrastructure needed—with an assessment of overall spending and identification of funding options.

This integrated planning approach is how TMWA can both ensure the delivery of high-quality drinking water while keeping customer rates as low as possible for years to come. To see all of TMWA's most recent plans, go to tmwa.com/planning.



Pyramid Lake — The terminus of the Truckee River watershed.

APPENDIX

ADDITIONAL HELPFUL DEFINITIONS

CAPITAL ASSETS: Significant pieces of property with a useful life longer than one year that are not intended for sale. These are recorded as an asset on Net Position statements and expensed over time through depreciation.

UNRESTRICTED ASSETS: Cash or other valuable items that may be used by an organization for general expenses or any legitimate purpose.

RESTRICTED ASSETS: Cash or other valuable items that must be set aside for a specific purpose or to meet contractual requirements.

CAPITAL CONTRIBUTIONS: Cash or other assets provided to an organization. For TMWA, capital contributions are usually applied to infrastructure expansion or enhancement.

DEFERRED INFLOW OF RESOURCES: An acquisition of assets that is applicable to a future reporting period.

DEFERRED OUTFLOW OF RESOURCES: A consumption of assets that is applicable to a future reporting period.

INTEREST: Cost of borrowing money, expressed as a percentage, based on the principal amount of a loan or deposit.

PRINCIPAL: Outstanding balance of a loan, not including any accrued interest.

TOTAL NET POSITION: Represents the difference between 1) an entity’s assets plus deferred outflows of resources, and 2) its liabilities plus deferred inflows of resources.

FINANCIAL RATINGS DEFINED

A utility’s bond rating is a grade that indicates its creditworthiness. Private, independent rating services such as Standard & Poor’s, Moody’s, and Fitch provide evaluations of

an organization’s financial strength based on its ability to pay a bond’s principal and interest in a timely fashion.

WHERE TMWA STANDS

Bond Rating			Rating Category
MOODY’S	S&P	FITCH	
Aaa	AAA	AAA	PRIME
Aa1	✓ AA+	AA+	✓ HIGH GRADE
✓ Aa2	AA	✓ AA	
Aa3	AA-	AA-	
A1	A+	A+	UPPER MEDIUM GRADE
A2	A	A	
A3	B	A-	
Baa 1 2 3	BBB +/-	B +/-	LOWER MEDIUM GRADE

Bond ratings are expressed as letters ranging from “AAA” or “Aaa” which is the highest grade, to “D” (“junk”), which is the lowest grade. Different rating services use the same letter grades but use various combinations of uppercase and lowercase letters to differentiate themselves.



Beautiful Lake Tahoe, the source of the Truckee River.