

2022

Popular Annual Financial Report





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.

TO OUR CUSTOMERS

TMWA exists to meet the drinking water needs of our community. Created in 2001 through a joint-powers agreement between Reno, Sparks and Washoe County, we are governed by a Board of Directors that has representatives from each entity.

As a community-owned, non-profit utility, we focus on maintaining high levels of efficiency. We strive to keep operating costs low and our production capabilities robust—while keeping the delivery of exceptional water our highest priority.

By reading this report, customers will understand how TMWA accomplishes the goals above from a financial perspective. When economic conditions become challenging, as proven in 2008 and again this year, TMWA's financial approach gets tested.

Currently in the face of inflation and interest rate increases, TMWA remains in a solid financial position. Key shifts were made in recent years to hold only fixed-rate bonds. Additionally, as inflation drove up energy costs (TMWA's largest operating expense), our hydroelectric power generation income buffered the impact. Our customers have helped, too. When costs for paper billing and postage doubled last year, our call for paperless billing resulted in approximately \$183,000 per year saved in postage alone!

In 2022 TMWA's diligent approach to financial management was formally recognized, with the utility earning top-line investment ratings as a AAA agency. More about this significant achievement can be found on page 7, and other national level recognitions TMWA has received can be found on page 8.

This is a summary of a more extensive Annual Comprehensive Financial Report (ACFR), which is externally audited. The ACFR must be approved by the Board of Directors and filed with the Nevada Department of Taxation each year. Access to TMWA's current financial reports can be found at tmwa.com/financial-information.

It's our honor to serve our community with transparency and integrity, and we appreciate your interest in TMWA's finances.



Matt Bowman
Chief Financial Officer
Truckee Meadows Water Authority

TRUCKEE MEADOWS WATER AUTHORITY'S MULTI-JURISDICTIONAL GOVERNING BOARD

Truckee Meadows Water Authority (TMWA) is a not-for-profit, community-owned water utility. Its 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. This leadership body oversees TMWA's ongoing mission fulfillment to provide exceptional, high-quality drinking water to residents throughout the Truckee Meadows.



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



DEVON REESE
Director

Reno City Council Member



ALEXIS HILL
Director

Washoe County Commissioner

SENIOR MANAGEMENT

JOHN ZIMMERMAN
General Manager

MATT BOWMAN, CPA
Chief Financial Officer

ANDY GEBHARDT
Director of Distribution,
Maintenance, and Generation

DANNY ROTTER, PE
Director of Engineering

JESSICA ATKINSON
Director of Human Resources

STEFANIE MORRIS, ESQ.
Director of Legal
and Regulatory Affairs

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

WILL RAYMOND
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 170.9 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. Delivering water across this topographic area includes maintaining nearly 280 pressure zones.

WATER DELIVERY

4

**Number of water
treatment facilities**

187+

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

100%

**Safe Drinking Water
Act compliance**

WHO WE SERVE

131,632

Customer accounts

440,000+

Residents

170.9sq.mi.

Service area

ASSETS

\$780m

**Capital asset investment
since 2001**

2,802

**Miles of pressurized
mainline**

\$1,045m

Total capital assets

FY 2022 PERFORMANCE

\$114.6m

Operating revenue

\$98.6m

Operating expenses

\$12.0m

Interest expense

FINANCIAL RATINGS

Aa2

Moody's

AA+

S&P

AAA

Fitch



The Highland Canal

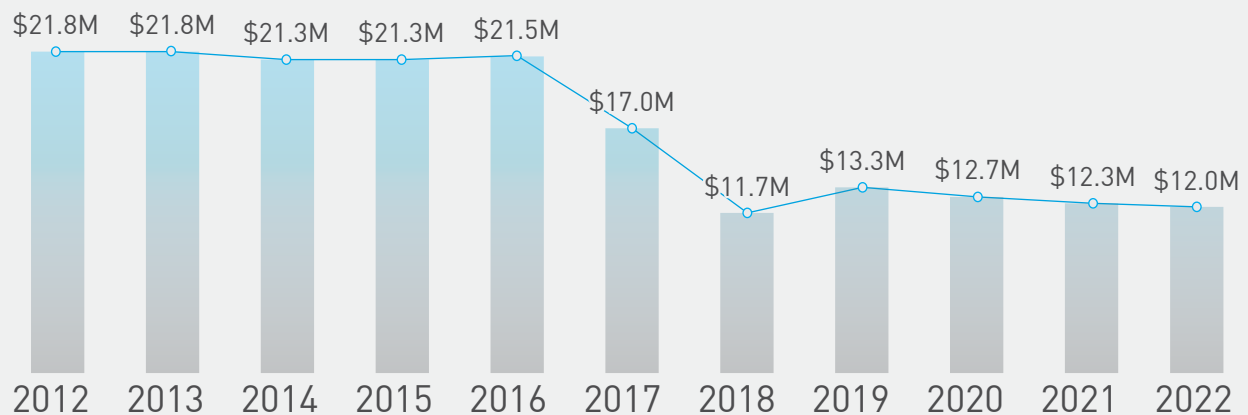
MEETING OUR OBLIGATIONS

By issuing bonds to purchase Sierra Pacific Power Company's water business in 2001, TMWA became responsible for the debt repayment of \$452 million. This important investment secured local control of our water resources. 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 \$137 million. As of June 30, 2022, TMWA's total outstanding debt was \$372 million.

An important aspect of this pay-down strategy has been accomplished through the refunding of older bonds and issuing newer ones with 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 RECEIVES AAA RATING FROM FITCH

Much like a personal credit score, ratings are used to help validate the financial standing and creditworthiness of institutions across the country—including TMWA. These ratings are provided by agencies that are nationally recognized by the US Securities and Exchange Commission. The top three rating agencies in the United States are Moody's Investors Service, Standard and Poors Global Ratings (S&P) and Fitch Ratings.

While TMWA has enjoyed “high grade” ratings consistently for years, in the last fiscal year the utility was upgraded to the top-tier “AAA” rating from Fitch. According to Fitch's March 2022 assessment report, “**The upgrade is further supported by the resilience of the service area during the recent economic contraction, which demonstrated an increasingly diversified and much-improved service territory as compared to a decade ago.**”

“Having a AAA bond rating helps TMWA secure lower interest rates, essentially making cash more available and affordable. This helps us fund big projects when needed. It also allows us to have a very proactive approach in doing what's needed to fund and maintain the infrastructure that serves our community.”

- Matt Bowman, Chief Financial Officer
Truckee Meadows Water Authority

THE 'AAA' CHECKLIST

With high grade credit ratings, TMWA's ability to issue ‘investment-grade’ bonds to fund its capital projects is enhanced. At this level investors can look at TMWA with a high level of confidence that they will get their investment back.

The key drivers and profile considerations that were cited when TMWA received its AAA rating from Fitch include:



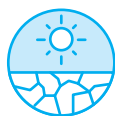
Very low operating
cost burden



Moderate
investment needs



Water system
treatment capacity



Drought resiliency by combined
surface and groundwater supplies



Water rates are kept affordable
for the vast majority of customer
(based on local income levels)



Practice of a ‘growth pays
for growth’ policy

WHERE TMWA STANDS

TMWA stands tall on the hierarchy of credit ratings categories. The table below demonstrates TMWA's financial position, according to the top three rating agencies in the United States.

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

OTHER NOTABLE AREAS OF TMWA RECOGNITION

WaterReuse Association – President's Award

Joint Recognition with OneWater Nevada, Community Water Champion

Partnership for Safe Water – President's Award

Water Treatment System, Chalk Bluff Water Treatment Plant

American Public Works Association, Nevada Chapter – Project of the Year

Historic Restoration / Preservation, Fleish Hydroelectric Power Plant Flume

American Water Works Association – Exemplary Source Water Protection

Regional Collaboration, Truckee River Watershed

Truckee Meadows American Society of Civil Engineers – Project of the Year

Joint Recognition with OneWater Nevada, Advanced Purified Water Demonstration Project



ADVANCING TMWA'S CLIMATE RESILIENCY

Researching Groundwater Capacity at American Flat

Managing groundwater in tandem with surface water has been a key component of TMWA's drought resiliency approach. In fact, through its Aquifer Storage and Recovery program, TMWA adds potable water from the Truckee River and Whites Creek into aquifers at numerous well sites throughout the region.

Since 2017, in collaboration with the City of Reno, Washoe County and the University of Nevada, TMWA has been using A+ Advanced Purified Water to test groundwater storage capabilities at the American Flat aquifer. The "American Flat Injection and Feasibility Study," completed last spring, determined that up to two million gallons of water per day could be recharged into the aquifer. To further this project, TMWA and City of Reno have entered into an Interlocal Agreement to share in the cost of construction, which is expected to happen over the next several years at a cost of approximately \$120m.

Upon development, water storage at American Flat could offer the region an expanded local, reliable, drought-proof source of water. To learn more about American Flat and advanced water purification technologies that could optimize the use of water in our region, go to onewaternevada.com.

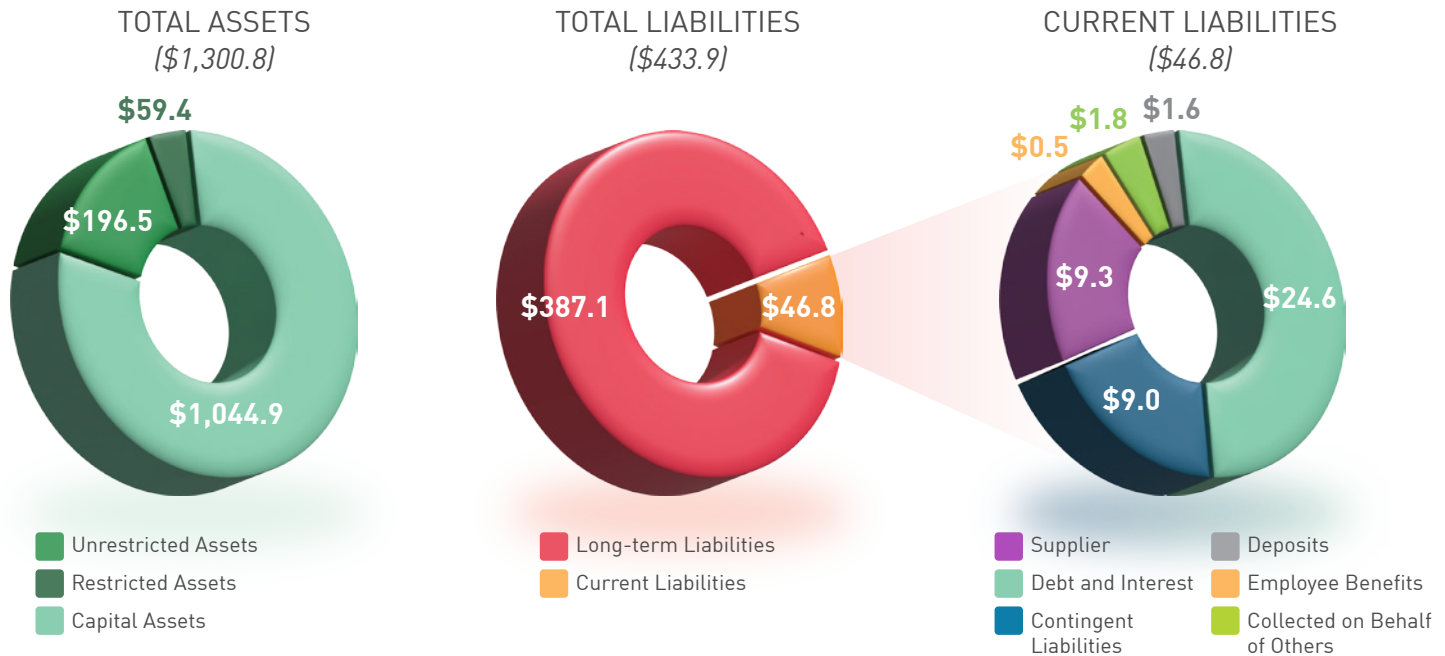


Drilling at American Flat

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)

	2022	2021	2020	2019
Unrestricted Current Assets	189.4	192.8	168.7	171.1
Restricted Current Assets	33.3	31.1	27.7	15.7
Long-Term Restricted and Other Assets	26.1	27.3	29.8	29.5
Net OPEB Asset	6.0	3.4	2.3	-
Capital Assets, net	1,052.0	1,027.0	1,007.7	980.7
Total Assets	1,300.8	1,276.9	1,236.2	1,197.0
Deferred Outflow of Resources	22.4	12.8	14.9	14.1
Total Assets and Deferred Outflow of Resources	1,323.3	1,289.2	1,251.1	1,211.1
Total Current Liabilities	46.8	47.2	47.9	47.1
Long Term Debt Outstanding	355.4	376.3	383.3	401.7
Net Pension and Other Current Liabilities	28.6	42.2	43.5	41.6
Total Liabilities	433.9	469.2	474.7	490.4
Deferred Inflow of Resources	29.1	6.4	6.7	2.5
Total Liabilities and Deferred Inflow of Natural Resources	463.0	475.6	481.4	492.9
Net Investment in Capital Assets	693.0	649.1	617.5	573.2
Restricted	52.4	50.7	50.0	37.6
Unrestricted	114.8	114.4	102.2	107.3
Total Net Position	860.3	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 focusing on a particular time period. This statement below covers TMWA's fiscal year from July 1 to June 30. Much like an income statement, it describes four key items—revenue, expenses, gains (through contributions), and losses.

CHANGES IN NET POSITION *(in millions)*

	2022	2021	2020	2019
Operating Revenues	114.6	115.4	108.1	107.1
Operating Expenses	98.6	98.2	94.1	92.5
Operating Income	16.0	17.2	14.0	14.6
Nonoperating Revenues (Expenses), net	(21.5)	(14.1)	(6.6)	(6.7)
Income before Capital Contributions	(5.5)	3.1	7.4	7.9
Capital Contributions	51.6	41.4	44.2	42.2
Change in Net Position	46.1	44.4	51.6	50.1
Net Position — Beginning of Year	814.2	769.7	718.1	668.0
Net Position — End of Year	860.3	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

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: 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 services/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 94% OF TMWA'S OPERATING REVENUE

TOTAL OPERATING REVENUE
(\$114.6M)



WATER SALES BREAKDOWN

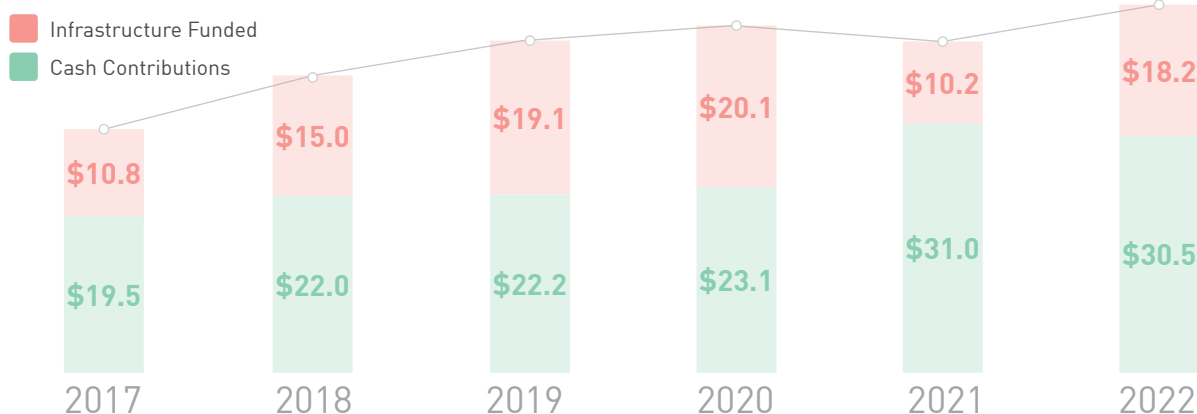


GROWTH PAYING FOR GROWTH

Neither TMWA nor its customers underwrite or pay for new infrastructure 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 six years, total developer contributions for new growth have exceeded \$240 million.

New development projects are approved by the county and cities. Water rights must be dedicated to TMWA before building can begin. 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.

DEVELOPERS FUND GROWTH (in millions)



OUTGOING: HOW TMWA SPENDS BY THE DOLLAR

TMWA'S SPENDING ALLOCATIONS, 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

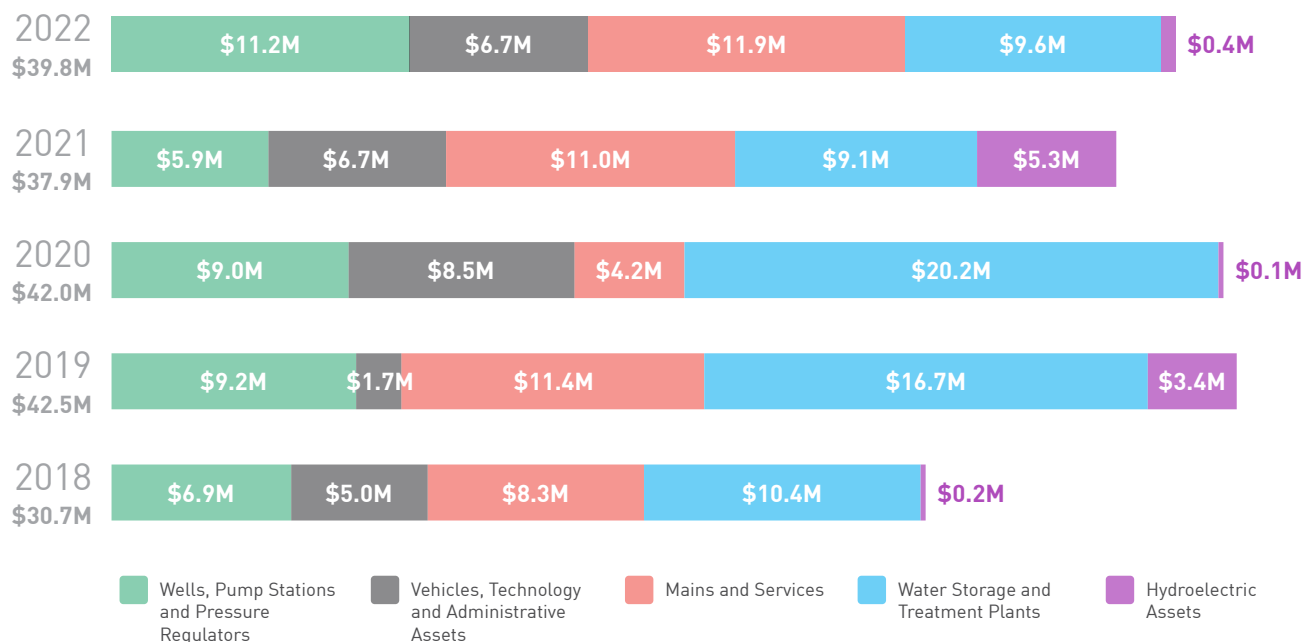
The cost of replacing and maintaining existing capital assets, (i.e., water treatment plants, infrastructure replacements, storage tanks, etc.).

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 system that operates constantly, 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 are typically captured in three categories: 1) Wells, pump stations and pressure regulators; 2) mains and services; and 3) water storage and treatment plants.

CAPITAL SPENDING BY CATEGORY



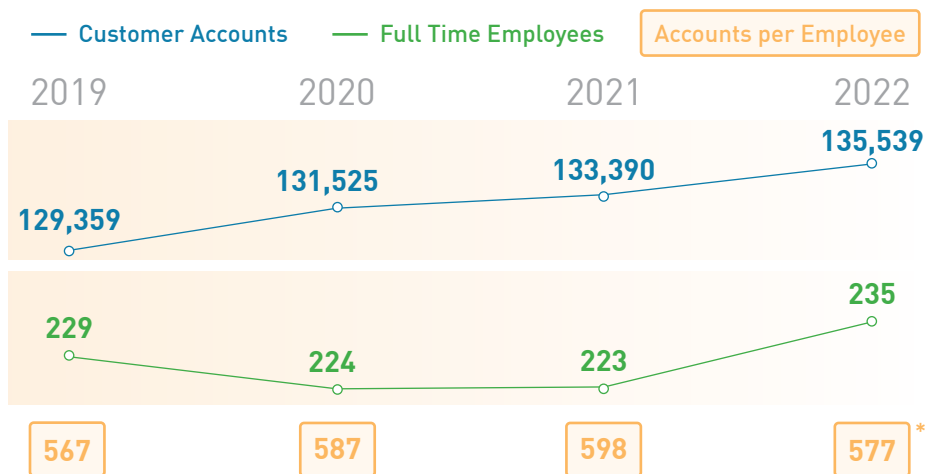
Chalk Bluff Water Treatment Plant

MEETING 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

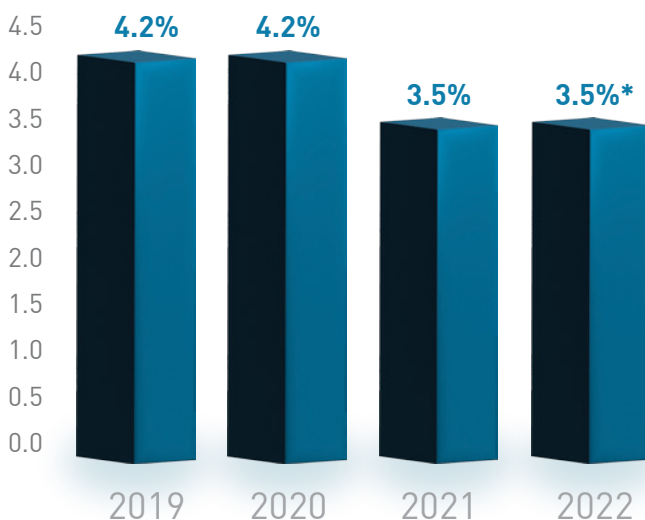
Workforce efficiency is measured by the ratio of customer accounts to employee. Workforce challenges associated with the COVID-19 pandemic can be seen in the reduction of TMWA's workforce in 2020 and 2021 due to retirements and delays in hiring; 2022 represents the correction.



*2022 AWWA top quartile benchmark is 581

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.



*2022 AWWA top quartile benchmark is 3.5%



INTEGRATING IT ALL

This document 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.

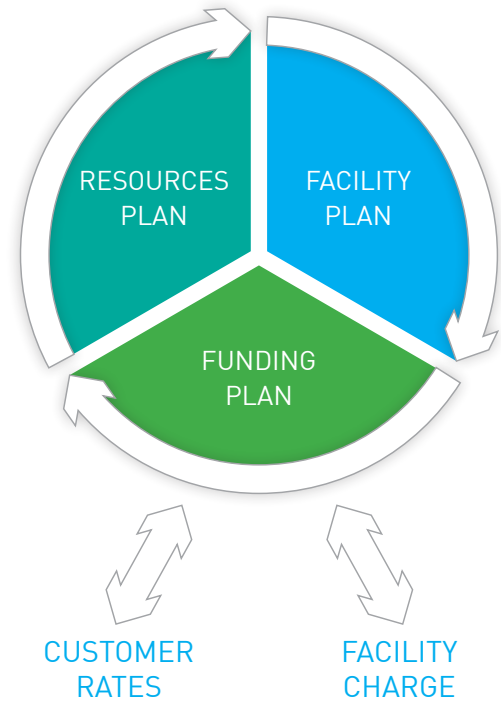
For example:

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.



Winter in the Lake Tahoe Basin



*Hydroelectric flume along
the Truckee River*