



Truckee Meadows Water Authority

Quality. Delivered.

**Debt Management Policy
In Accordance With NRS 350.013**

June 30, 2024

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TRUCKEE MEADOWS WATER AUTHORITY
DEBT MANAGEMENT POLICY
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DEBT SUMMARY

NRS 350.013 (1) (c)

Listed below are excerpts from Nevada Law which requires local governments to submit a debt management policy:

350.013 Municipalities to submit annually statement of current and contemplated general obligation debt and special elective taxes, statement of debt management policy, plan for capital improvement or alternate statement and certain information regarding chief financial officer; update of information; exceptions.

1. Except as otherwise provided in this section, on or before August 1 of each year, the governing body of a municipality which proposes to issue or has outstanding any general obligation debt, other general obligations or special obligations, or which levies or proposes to levy any special elective tax, shall submit to the department of taxation and the commission:

(c) A written statement of the debt management policy of the municipality; which must include, without limitation:

- 1) A discussion of its ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt;*
- 2) A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit;*
- 3) A discussion of its general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in this State;*
- 4) A discussion of its general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality;*
- 5) Policy regarding the manner in which the municipality expects to sell its debt;*
- 6) A discussion of its sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; and*
- 7) A discussion of its operational costs and revenue sources, for the ensuing 5 fiscal years associated with each project included in its plan for capital improvement submitted pursuant to paragraph (d), if those costs and revenues are expected to affect the property tax rate.*

This document is intended to meet the requirements of NRS 350.013 subsection 1 (c), it is not a review of the Truckee Meadows Water Authority's ("TMWA" or "Authority") total financial position.

General Policy Statement

The purpose of the Truckee Meadows Water Authority's Debt Management Policy is to manage the issuance of TMWA's debt obligations and maintain the ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities, and equipment that are beneficial to the residents of TMWA's service territory.

Ability to Afford Existing, Future and Proposed Special Obligation Debt

Response to NRS 350.013 (1) (c)

- (1) A discussion of its ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt; and*
- (6) A discussion of its sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt.*

TMWA has authority pursuant to a cooperative agreement entered into pursuant to Nevada state statutes to issue special obligation bonds. TMWA does not have the authority to issue general obligation bonds.

Security

The Bonds are secured by certain pledged revenue derived by the Authority's gross revenues remaining after the deduction of operation and maintenance expenses ("Net Revenues"). The principal of and interest on the Bonds is payable solely from and secured by an irrevocable pledge of the Net Revenues derived by TMWA from the operation of the Water System, together with certain interest income and other amounts as provided in the Bond Resolution. The Bonds constitute an irrevocable pledge of the Net Revenues and the Bond Fund and the Reserve Account established by the Bond Resolution. The Bonds do not constitute a general obligation of TMWA. Owners of the Bonds may not look to any funds or accounts of TMWA other than those specifically pledged to the payment of the Bonds. The Bonds do not constitute a debt of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada. TMWA has no taxing power. Payment of the Bonds is dependent upon the generation of sufficient Net Revenues of the Water System.

Outstanding Debt

The following table includes the outstanding bond issues (the “Bonds”) currently being supported by operational revenues at June 30, 2024.

OUTSTANDING OBLIGATIONS			
Supported by Net Revenues			
Truckee Meadows Water Authority			
June 30, 2024			
	Issuance Date	Original Amount	Amount Outstanding
<u>Priority Bonds</u>			
TMWA Water Revenue Refunding Bonds, Series 2015A	05/14/2015	\$28,750,000	\$9,645,000
TMWA Water Revenue Refunding Bonds, Series 2016	04/12/2016	124,790,000	66,445,000
TMWA Water Revenue Refunding Bonds, Series 2017	04/11/2017	147,415,000	102,590,000
TMWA Water Revenue Refunding Bonds, Series 2018	05/15/2018	38,835,000	38,835,000
TMWA Water Revenue Bonds, Series 2024	01/18/2024	61,350,000	61,530,000
	Subtotal		<u>\$279,045,000</u>
<u>Subordinate Obligations</u>			
Drinking Water SRF Loan, Series 2005	06/09/2005	\$4,669,565	\$328,757
DWSRF American Recovery and Reinvestment Act Loan, Series 2009A	08/14/2009	2,401,120	680,177
Drinking Water SRF Loan, Series 2010A	02/11/2010	4,381,614	1,826,407
Drinking Water SRF Loan, Series 2014	12/31/2014	9,109,437	987,025
Drinking Water SRF Loan, Series 2015B	07/30/2015	8,971,562	6,072,253
TMWA Subordinate Water Revenue Refunding Bonds, Series 2021	06/03/2021	13,000,000	7,565,000
	Subtotal		<u>\$17,459,619</u>
	Total		<u>\$296,504,619</u>

Totals may not add due to rounding.

SOURCE: TMWA

Additional Bonds

TMWA reserves the privilege of issuing special obligation bonds at any time legal requirements are satisfied. TMWA also reserves the ability to issue special obligation bonds for refunding purposes at any time.

TMWA intends to issue up to \$55 million dollars in long-term debt during FY 2024-2025 to fund the facility at American Flat. The terms of the loan are not yet known as of the date of preparation of this document.

Debt Service Requirements

The following table includes the debt service to maturity on TMWA’s currently outstanding special obligation bonds, the Drinking Water State Revolving Fund (the “DWSRF”) loans, the TMWA Water Revenue and the Drinking Water American Recovery and Reinvestment Act loan. These bonds and loans are supported by Net Pledged Revenues.

NET REVENUE SUPPORTED DEBT
Currently Outstanding and Proposed Bonds
Truckee Meadows Water Authority, Nevada
June 30, 2024

Fiscal Year Ending June 30,	Currently Outstanding		Total
	Principal	Interest	
2025	\$17,958,730	\$13,785,452	\$31,744,182
2026	16,299,237	13,172,088	29,471,326
2027	18,161,146	12,405,498	30,566,644
2028	18,988,693	11,573,032	30,561,725
2029	17,881,897	10,706,007	28,587,904
2030	18,698,944	9,814,251	28,513,195
2031	19,111,442	8,883,416	27,994,857
2032	24,520,588	7,805,644	32,326,232
2033	25,745,108	6,562,374	32,307,482
2034	27,015,011	5,257,096	32,272,107
2035	28,350,307	3,887,050	32,237,357
2036	12,978,515	2,860,601	15,839,116
2037	13,305,000	2,207,125	15,512,125
2038	15,490,000	1,487,250	16,977,250
2039	10,750,000	831,250	11,581,250
2040	11,250,000	281,250	11,531,250
Total	\$296,504,619	\$111,519,384	\$408,024,002

Totals may not add due to rounding.

Operation Costs and Revenue Sources in Capital Improvement Plan

Response to NRS 350.013 1 (c)

(7) A discussion of its operational costs and revenue sources for the ensuing 5 fiscal years, associated with each project included in its plan for capital improvement submitted pursuant to paragraph (d), if those costs and revenues are expected to affect the property tax rate.

TMWA's Capital Improvements Program (the "CIP") is a five-year plan for maintaining existing infrastructure and building new facilities to meet demands from growth. It is used to link TMWA's physical development planning with fiscal planning.

TMWA's CIP includes major projects requiring the expenditure of public funds, over and above annual operating expenses, for the purchase, construction, or replacement of the physical assets of TMWA. Major capital projects are normally non-recurring (e.g., new buildings, investment in new technology, etc.).

The CIP program identifies project costs associated with the planning/design/engineering, land acquisition, and construction of new facilities and/or major remodels and maintenance projects. The CIP project submittal process also requests and evaluates information relating to any ongoing operation/maintenance costs associated with projects. (These expenses are not included in the total project cost.).

Some CIP projects reduce operations and maintenance costs. Many infrastructure maintenance projects will reduce long-term operations and maintenance costs through preventative measures that extend the useful life of TMWA's infrastructure. Certain projects in the technology/equipment categories may also reduce operating and maintenance costs by automating functions or by reducing energy costs and maintenance contracts on obsolete equipment.

Project evaluation by TMWA Staff includes consideration of the operations and maintenance impacts of the project. Priority is awarded to projects that reduce operating impacts on TMWA's operating budget.

New facilities can have a direct and long-lasting impact on TMWA's operating budget. New facilities call for additional operating and maintenance costs including, but not limited to, staff, computers and other equipment, utilities, and other maintenance costs. Increased expenditures must be anticipated for not only the direct costs associated with the new facility, but for any additional indirect costs that will be incurred, including administrative support, carrier services, etc. TMWA does not levy a property tax rate, operations costs associated with any project in the CIP will be supported within existing revenue resources.

The TMWA revenues and expenses are accounted for in an Enterprise Fund. TMWA has no General Fund or any other Governmental Fund. It is anticipated that the operational costs associated with TMWA's capital improvement program will be paid from the Enterprise Fund for the next five years and beyond. The revenues that support TMWA's Enterprise Fund that are currently in place are expected to continue. It is the policy of TMWA to review water service rates and facility charges annually.

Debt Capacity

Response to NRS 350.013 (1) (c):

(2) A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit.

TMWA does not have the statutory authority to issue general obligations, and, therefore, does not have a statutory debt limit. However, the proposed long-term financings are linked with the economic, demographic and financial resources expected to be available to pay for that debt. TMWA strives to ensure that, as it issues further debt, its credit quality and market access will not be impaired.

Debt Comparison

Response to NRS 350.013 (1) (c):

- (3) A discussion of its general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in this State;*
- (4) A discussion of its general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality.*

TMWA does not have the authority to issue general obligations and does not have the authority to levy property taxes.

DEBT ISSUANCE POLICY

Response to NRS 350.013 (1) (c):

(5) Policy regarding the manner in which the municipality expects to sell its debt.

Administration of Policy

The General Manager is the Truckee Meadows Water Authority's (the "Authority's") chief executive officer and serves at the pleasure of the Board of Directors (the "Board"). The General Manager is ultimately responsible for administration of Authority financial policies. The Board is responsible for the approval of any form of Authority borrowing and the details associated therewith. Unless otherwise designated, the Chief Financial Officer coordinates the administration and issuance of debt.

The Chief Financial Officer is also responsible for the attestation of disclosure and other bond related documents. References to "General Manager or his designee" in the document are hereinafter assumed to be assigned to the Chief Financial Officer for administration of the policy.

Initial Review and Communication of Intent

All capital funding requests are communicated to the General Manager or his designee during the annual budget process. Requests for projects, which may require a new bond issue, must be identified as a part of the Capital Improvements Program (the "CIP") request. Project justification and costs must be presented as well as the proposed timing of the project(s).

The Authority's Executive Management Team will evaluate each proposal comparing it with other competing interests or needs with the Authority. All requests will be considered in accordance with the Authority's overall adopted priorities. If it is determined that proposals are an Authority-wide priority, and require funding, the Chief Financial Officer will coordinate the issuance of debt including size of issuance, debt structuring, repayment sources and determination of mix (e.g., debt financing versus pay-as-you-go) and method of sale. Additionally, opportunities for refunding shall originate with, or be communicated to, the General Manager or his designee.

Types of Debt

Revenue Bonds – Under NRS 350.582, the Authority may issue as special obligations any of the following types of revenue securities:

1. Notes
2. Interim debentures
3. Bonds
4. Commercial Paper
5. Variable Rate Demand Obligations

Debt will be used to finance or refinance only those capital improvements and long-term assets, or other costs directly associated with financing a project, which have been determined to be

beneficial to a significant proportion of the citizens in the service territory and for which repayment sources have been identified. In addition, opportunities for refunding shall originate with, or be communicated to, the General Manager or his designee.

Certificates of Participation/Other Leases - Certificates of participation are essentially leases that are sold to the public. The lease payments are subject to annual appropriation. Investors purchase certificates representing their participation in the lease. Often, the equipment or facility being acquired serves as collateral. These securities are most useful when other means to finance are not available under State law.

Refunding – A refunding of outstanding bonds generally involves issuing a new bond issue whose proceeds are used to redeem an outstanding issue. Key definitions follow:

1. Current Refunding – The refunding bonds are issued within 90 days of the initial call date of the outstanding bonds to be refunded.
2. Advance Refunding – The refunding bonds are issued more than 90 days before the initial call date of the outstanding bonds to be refunded. An advance refunding is accomplished by issuing a new bond, and/or using available funds, to invest in an escrow account composed of a portfolio of U.S. government securities that are structured to provide enough cash flow to pay debt service on the refunded bonds. The escrow legally defeases the outstanding bonds. Under the December 31, 2017 Tax Cuts and Jobs Act, interest on advanced refunding's is now taxable, while interest on current refunding's remain tax-exempt.
3. Gross Savings - Difference between the debt service on refunding bonds and refunded bonds less any contribution from other available funds, including a reserve or debt service fund.
4. Present Value Savings - Present value of gross savings discounted at the refunding bond arbitrage yield to the closing date, plus accrued interest less any contribution from available funds, including a reserve or debt service fund.

Prior to beginning a refunding bond issue, TMWA will review an estimate of the savings achievable from the refunding. TMWA may also review a pro forma schedule to estimate the savings assuming that the refunding is done at various points in the future.

TMWA will generally consider refunding outstanding bonds if one or more of the following conditions exist:

1. Present value savings are at least three percent of the par amount of the refunding bonds.
2. The bonds to be refunded have restrictive or outdated covenants.
3. Restructuring the debt is deemed to be desirable.

TMWA may pursue a refunding that does not meet the above criteria if:

1. Present value savings exceed the costs of issuing the bonds.

2. Current savings are acceptable when compared to savings that could be achieved by waiting for more favorable interest rates and/or call premiums.
3. Present value savings exceed the costs of issuing the bonds and the date of maturity of the bonds is less than 3 years from the call date, and the bonds can be currently refunded.

Debt Structuring

Maturity Structures - The term of TMWA debt issues should not extend beyond the useful life of the project or equipment financed. The repayment of principal on special obligation bonds should generally not extend beyond 30 years unless there are compelling factors which make it desirable to extend the term beyond 30 years, such as asset life, market efficiencies, cash flow considerations, etc. Special obligations must mature within 50 years.

Debt issued by TMWA should be structured to provide for either level principal or level debt service. Deferring the repayment of principal (e.g., interest only structures) should be avoided except in select instances where it will take a period of time before project revenues are sufficient to pay debt service or if such a structure will help levelize all-in debt service. Ascending debt service should generally be avoided.

Bond Insurance – Bond insurance is an insurance policy purchased by an issuer or an underwriter for either an entire issue or specific maturities, which guarantees the payment of principal and interest.

Bond insurance can be purchased directly by TMWA prior to the bond sale (direct purchase) or at the underwriter's option and expense (bidder's option).

The decision to purchase insurance directly versus at the bidder's option is based, among other things, on:

- volatile markets,
- current investor demand for insured bonds of different maturities,
- level of insurance premiums,
- ability of TMWA to purchase bond insurance from bond proceeds, and
- security and covenant terms required by the insurer.

When insurance is purchased directly by TMWA, the present value of the estimated debt service savings from insurance should be greater than the insurance premium. The insurer will usually be chosen based on an estimate of the greatest net present value insurance benefit (present value of debt service savings less insurance premium).

Reserve fund and coverage policy - A debt service reserve fund is created from the proceeds of a bond issue and/or other available funds to provide a ready reserve to meet debt service payments should moneys not be available from current revenues.

Debt Service Coverage - The ratio of pledged revenues (typically net revenues after payment of operating and maintenance expenses) to related debt service for a given year. For each bond issue the Chief Financial Officer shall determine the appropriate reserve fund and coverage

requirements, in accordance with TMWA's reserve policy. The Chief Financial Officer has determined that it is fiscally prudent for the Authority to maintain a reserve of approximately one year's principal and interest for its special obligations.

Method of Sale

Bonds may be sold on a competitive or negotiated basis. Both methods allow for one or more series of bonds to be sold, depending on market conditions and TMWA's need for funds. Either method can provide for changing issue size, maturity amounts, term bond features, etc. The timing of competitive and negotiated sales is generally related to the requirements of the Nevada Open Meeting Law.

Competitive Sale - With a competitive sale, any interested underwriter is invited to submit a proposal to purchase an issue of bonds. The bonds are awarded to the underwriter(s) presenting the best bid according to stipulated criteria set forth in the notice of sale (typically, the bid with the lowest True Interest Cost). Competitive bids are preferred unless market or other circumstances lead TMWA to conduct a negotiated sale.

Negotiated Sale - A negotiated sale is an exclusive arrangement between the issuer and an underwriter or underwriting syndicate. The underwriter and underwriting syndicate will market the bonds for sale to investors as well as underwrite bonds that have not been sold on a given day or day. TMWA and the underwriters will agree on the appropriate coupons, interest rates and price for the bonds to be sold.

Negotiated underwriting may be considered upon recommendation of the Chief Financial Officer based on one or more of the criteria set forth in NRS 350.155 (2) and one or more of the following criteria:

- a. Large issue size;
- b. Complex financing structure (i.e., variable rate financings, derivatives and certain revenue issues, etc.) which provides a desirable benefit to TMWA;
- c. Volatile capital markets;
- d. Comparatively lesser credit rating or lack of bids; and
- e. Other factors that lead the Chief Financial Officer to conclude that a competitive sale would not be effective including market conditions.

Secondary Market Disclosure

In November 1994, the Securities and Exchange Commission (SEC) amended Rule 15c2-12 (the "Rule") to prohibit any broker, dealer, or municipal securities dealer from acting as an underwriter in a primary offering of municipal securities unless the issuer promises in writing to provide certain ongoing information (unless the offering satisfies certain exemptions).

Pursuant to the SEC's Municipal Advisor Rule, it is TMWA's policy to retain and rely on the advice of an Independent Registered Municipal Advisor.

TMWA will comply with the Rule by providing the secondary market disclosure required in any case in which the Rule applies to TMWA as an obligated person as defined in the Rule.

Underwriter Selection for Negotiated Sale

Procedure for the Request for Proposal for Underwriting Services – If a negotiated sale is deemed appropriate and permitted pursuant to State statute, TMWA will follow the procedures in NRS 350.175, and as set forth below.

1. Underwriter selection for bonds issued pursuant to NRS 271 (Local Improvements), which are not secured by a pledge of the taxing power and general fund of TMWA, may be approved via TMWA's guidelines for such bonds.
2. The Chief Financial Officer, either directly or through its Municipal Advisors, will solicit proposals from underwriters to establish a pool or list of underwriting firms for negotiated sales. The Chief Financial Officer, or the TMWA's Municipal Advisors on behalf of the TMWA, will distribute a Request for Proposals (RFP) to underwriting firms. The RFP will include, at a minimum, information regarding the firm's qualifications, staffing and personnel assigned to TMWA, fees (including takedown and management fee-if any), debt structuring, marketing, expected yield, and credit strategies. Before selecting a firm or firms, the Chief Financial Officer may, but is not required, conduct interviews of firms who submit responses to the RFP. (NRS 350.175 requires that if the bond issue is not described in the request for proposals or the sale occurs more than 6 years after the selection of the underwriter or pool, TMWA shall submit a request for proposals from underwriters before an underwriter is selected for the negotiated sale.)
3. The selection of underwriter(s) will be based on the overall quality of the response, qualifications of the firm, demonstrated success in pricing bonds, understanding of TMWA's objectives, qualifications of the banking and underwriting team to be assigned to TMWA, fees, applicability of the marketing and credit strategy, and relevance and quality of structuring proposals. The selection of underwriter(s) shall include, but is not limited to, the requirements of NRS 350.185.
4. The pool or list will be based, in part, on the firms who have submitted bids, in their own name or as part of a syndicate, for TMWA's competitive issues over the prior five years. In addition, the pool or list may contain firms that have participated in other financings in Nevada (in competitive bids or negotiated sales), demonstrated ability and interest in TMWA Financings, or have submitted financing ideas and concepts for the TMWA's consideration over the past five years.
5. The Chief Financial Officer will recommend a pool of underwriter(s) to the Board for ratification.
6. The Chief Financial Officer will designate the senior manager(s) and book running senior manager if there are co-senior managers, as well as the co-managers from the firms in the pool or list. The Chief Financial Officer will determine the length of time that the selected firms will serve as the syndicate for the TMWA. Such a selection can be for a single transaction or multiple transactions, but the syndicate will be reviewed at intervals not greater than every five years.

7. It is TMWA's intent, once a team is established, to provide equal opportunity for the position of bookrunning senior manager.
8. The underwriting team should be balanced with firms having institutional, retail and regional sales strengths. Qualified minority and/or woman-owned firms will be included in the underwriting pool and given an equal opportunity to be senior manager.

Syndicate Policies

1. Chief Financial Officer will establish designations and liabilities. At a minimum, in a syndicate with three or more firms serving as co-managers, the designation rules will include a minimum of three firms to be designated, with a minimum of 5% to any firm. The Chief Financial Officer will also determine the maximum amount to be designated to a single firm (typically 60%, but this can be higher or lower, depending upon the size of the syndicate and the par amount of the transaction.) In addition, the Chief Financial Officer will determine the appropriate allocation of liabilities and equivalent share of compensation for group net orders.
2. Prior to the sale of bonds, the senior book running manager will submit a Syndicate Policy Memo to the Chief Financial Officer for approval. At a minimum, the Syndicate Policy Memo will include:
 - Average takedown and takedown by maturity
 - Details of Underwriter expenses, including the cost of Underwriter's Counsel
 - Designation rules and compensation split among the underwriting team in the case of group net sale
 - Liabilities
 - Order priority (unless otherwise agreed by the Chief Financial Officer, the order priority will be Nevada Retail, National Retail, Group Net or Net Designated, Member)
 - Definition of a retail order (unless otherwise determined by the Chief Financial Officer, the definition of a retail order will include orders placed by individuals, bank trust department, municipal advisors and money managers acting on behalf of individuals with a maximum of \$1 million per account.)
 - Assignment of SDC Credit
3. The Syndicate Policy Memo may include other relevant information (e.g., management fee or other fees, description of the sale timeline, etc.)

Underwriting Spread

Before work commences on a bond issue to be sold through a negotiated sale, the underwriter shall provide the Chief Financial Officer with a detailed estimate of all components of his/her compensation. Such estimates should be contained in the Request for Proposals, or provided immediately after an underwriter is designated.

The book-running senior manager must provide an updated estimate of the expense component of gross spread to the Department of Finance no later than one week prior to the day of pricing.

Selling Group

The Chief Financial Officer may establish a selling group to assist in the marketing of the bonds as warranted (based on market conditions and size of the transaction.)

Priority of Orders

The priority of orders to be established for negotiated sales follows:

1. Nevada Investors
2. Group Orders
3. Designated Orders
4. Member Orders

For underwriting syndicates with three or more underwriters, a three-firm rule for net designated orders will be established as follows:

1. The designation of takedown on net designated orders is to benefit at least three firms of the underwriting team.
2. No more than 50 percent of the takedown may be designated to any one firm. No less than 10 percent of the takedown will be designated to any one firm.

Retentions

If the use of retentions is desirable, the Chief Financial Officer will approve the percentage (up to 30 percent) of term bonds to be set aside. The amount of total retention will be allocated to members of the underwriting team in accordance with their respective underwriting liability.

Interest Rate Limitation

Under NRS 350.2011, the maximum rate of interest for special obligations must not exceed:

1. the Index of Revenue Bonds (which was most recently published before the bids are received or a negotiated offer is accepted) plus 3%.

Allocation of Bonds

The book-running Senior Manager is responsible for allotment of bonds at the end of the order period. The Chief Financial Officer and TMWA's Municipal Advisors will review allotments to ensure the senior manager distributes bonds in a balanced and rational manner.

Miscellaneous

MBE/WBE Statement – It is a continuing goal of TMWA to actively pursue minority-owned business enterprises (MBE) and women-owned business enterprises (WBE) to take part in TMWAS’s procurement and contracting activity. MBE and WBE enterprises will be solicited in the same manner as non-minority firms. TMWA encourages participation by minority and women-owned business enterprises, and will afford full opportunity for bid submission. MBE and WBE will not be discriminated against on the grounds of race, color, creed, sex, or national origin in consideration for an award.

Bond Closings - All bond closings shall be held in Washoe County unless circumstances dictate otherwise.

Gift Policy – Employees will not directly or indirectly solicit, accept, or receive any gift whether in the form of money, services, loan, travel, entertainment, hospitality, promise, or any other form. Unsolicited gifts must be returned, shared with other employees, or given to charity. Gifts, which may influence a reasonable employee inn the performance of his/her duties, will be refused.

An unsolicited payment of meals with a value less than \$50 may be accepted provided the acceptance of the meal is not intended to influence the employee’s performance, to reward official action, or create a potential for perception of impropriety. Employees must disclose this information to the General Manager or his designee.

Tickets provided to employees for events that may provide an opportunity to build relationships within the community must be disclosed to the General Manager or his designee. Tickets that have the potential to influence a reasonable employee in the performance of his/her duties, or appear to be intended as a reward for any official action on the employee’s part, or create a potential for a perception of impropriety as determined by the General Manager or his designee, will be refused.

CHIEF FINANCIAL OFFICER INFORMATION

NRS 350.013 1 Subsection (1) (c)

A statement containing the name, title, mailing address and telephone number of the chief financial officer of the municipality.

The TMWA financial reporting responsibilities are performed by the Chief Financial Officer.

Name: Matt Bowman, CPA
Title: Chief Financial Officer / Treasurer

Address: Truckee Meadows Water Authority
P.O. Box 30013
Reno, NV 89520-3013

Telephone: (775) 834-8076

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APPENDIX A

Truckee Meadows Water Authority, Nevada INTEREST RATE SWAP POLICY June 30, 2024

1. Introduction

The purpose of this Interest Rate Swap Policy (the “Policy”) is to establish guidelines for the execution and management of the Truckee Meadows Water Authority’s (“TMWA” or the “Authority”) use of interest rate swaps or similar products (“Swap Products”) and related transactions to meet the financial and management objectives as outlined herein.

This policy confirms the commitment of Authority management to adhere to sound financial and risk management practices.

2. Scope

The Authority recognizes that Swap Products can be appropriate financial management tools to achieve the Authority’s financial and management objectives. This Policy sets forth the manner in which the Authority shall enter into transactions involving Swap Products. The Authority shall integrate Swap Products into its overall debt and investment management programs in a prudent manner in accordance with the parameters set forth in this Policy.

This Policy applies to any interest rate swap; swap option or related transaction that the Authority may undertake.

3. Authorizations and Approvals; Compliance with Bond Documents and Covenants

The Authority shall obtain the approval of the Truckee Meadows Water Authority Board of Directors (the “Directors”) prior to entering into any interest rate swap, swap option or related transaction. The Authority, in consultation with its Bond Counsel, and financial advisors will determine whether a proposed swap agreement complies with State law and any other applicable law and any other applicable provisions of the Authority’s bond resolutions and agreements with respect to its outstanding debt.

4. General Objectives

The Authority may execute an interest rate swap, swap option or related transaction to the extent the transaction can be reasonably expected to achieve one or more of the following objectives:

- Result in a lower net cost of borrowing with respect to the Authority’s debt, or achieve a higher net rate of return on the investment of Authority moneys.
- Reduce exposure to changes in interest rates either in connection with a particular debt financing or investment transaction or in the management of

interest rate risk with respect to the Authority's overall debt and investment portfolios.

- Enhance financing flexibility for future capital projects.

5. Prohibited Uses of Interest Rate Swaps and Related Instruments

The Authority shall not execute interest rate swaps agreements or related instruments under the following circumstances:

- When a swap or other financial instrument is used for speculative purposes, such as potential trading gains, rather than for managing and controlling interest rate risk in connection with Authority debt or investments;
- When a swap or other financial instrument creates extraordinary leverage or financial risk;
- When the Authority lacks sufficient liquidity to terminate the swap at current market rates; or
- When there is insufficient price "transparency" to permit the Authority and its financial advisors to reasonably value the instrument, as a result, for example, of the use of unusual structures or terms.

6. Permitted Financial Instruments

The Authority may utilize the following financial products, if then permitted by law, on either a current or forward basis, after identifying the objective(s) to be realized and assessing the attendant risks:

- Interest rate swaps, including fixed, floating and/or basis swaps.
- Interest rate caps, floors and collars.
- Options, including on swaps, caps, floors and/or collars and/or cancellation or index-based features.

7. Identification and Evaluation of Financial and Other Risks

Prior to execution of an interest rate swap, swap option or related transaction, the Authority and its financial advisors shall identify and evaluate the financial risks involved in the transaction, and summarize them, along with any measures that will be taken to mitigate those risks. The types of questions that should be evaluated in connection with the identification and evaluation of financial risks shall include:

- Market or Interest Rate Risk: Does the proposed transaction hedge or create exposure to fluctuations in interest rates?

- **Tax Law Risk:** Is the proposed transaction subject to rate adjustments, extraordinary payments, termination or other adverse consequences in the event of a future change in Federal income tax policy?
- **Termination Risk:** Under what circumstances might the proposed transaction be terminated (other than at the option of the Authority)? At what cost? Does the Authority have sufficient liquidity to cover this exposure?
- **Risk of Uncommitted Funding (“Put” risk):** Does the transaction require or anticipate a future financing(s) that is dependent upon third party participation? What commitments can be or have been secured for such participation?
- **Legal Authority:** Is there any uncertainty regarding the legal authority of any party to participate in the transaction?
- **Counterparty Credit Risk:** What is the credit-worthiness of the counterparty? What provisions have been made to mitigate exposure to adverse changes in the counterparty credit standing?
- **Ratings Risk:** Is the proposed transaction consistent with the Authority’s current credit ratings or its desired future ratings and with related rating agency policies?
- **Basis Risk:** Do the anticipated payments that the Authority would make or receive match the payments that it seeks to hedge?
- **Tax Exemption on Authority Debt:** Does the transaction comply with all Federal tax law requirements with respect to the Authority’s outstanding tax-exempt bonds?
- **Accounting Risk:** Does the proposed transaction create any accounting issues that could have a material detrimental effect on the Authority’s financial statements? Would the proposed transaction have any material effect on the Authority’s rate covenant calculation or compliance? How are any such effects addressed?
- **Administrative Risk:** Can the proposed transaction be readily administered and monitored by the Authority’s finance team consistent with the policies outlined in the Authority’s Interest Rate Swap Policy?
- **Subsequent Business Conditions:** Does the proposed transaction or its benefits depend upon the continuation or realization of specific industry or business conditions?

8. Risk Limitations

The total notional amount and term of all Swap Transactions executed by the Authority shall not exceed the notional amount and term specified from time to time by the Authority's Chief Financial Officer (the "CFO"). It is expected that the Authority's total variable rate exposure, net of Swap Transactions which have the economic effect of reducing variable rate exposure, will be established from time to time based upon an evaluation of all relevant factors, including investment allocations, risk tolerance, credit strength, and market conditions.

9. Form of Swap Agreements

Each interest rate swap executed by the Authority shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, including the Schedule to the Master Agreement and a Credit Support Annex, as supplemented and amended in accordance with the recommendations of the Authority's finance team. The swap agreements between the Authority and each qualified swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Authority, in consultation with its financial advisors and Bond Counsel deems necessary or desirable.

10. Qualified Swap Counterparties

The Authority shall be authorized to enter into interest rate swap transactions only with qualified swap counterparties. At least one of the ratings of the Authority's counterparties (or their guarantors) must be in the "AA" category or at least Aa3/Aa- and no lower than A2 or A. In addition, each counterparty must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market. Each counterparty (or guarantor) shall have a minimum capitalization of at least \$250 million.

In order to diversify the Authority's counterparty credit risk, and to limit the Authority's credit exposure to any one counterparty, limits will be established for each counterparty based upon both the credit rating of the counterparty as well as the relative level of risk associated with each existing and proposed swap transaction. The guidelines below provide general termination exposure guidelines with respect to whether the Authority should enter into an additional transaction with an existing counterparty. The Authority may make exceptions to the guidelines at any time to the extent that the execution of a swap achieves one or more of the goals outlined in these guidelines or provides other benefits to the Authority. In general, the maximum Net Termination Exposure to any single Counterparty should be set so that it does not exceed a prudent level as measured against the gross revenues, available assets or other financial resources of the Authority.

Such guidelines will also not mandate or otherwise force automatic termination by the Authority or the counterparty. Maximum Net Termination Exposure is not intended to impose retroactively any terms and conditions on existing transactions. Such provisions will only act as guidelines in making a determination as to whether or not a proposed transaction should be executed given certain levels of existing and projected net termination exposure to a specific counterparty. Additionally, the guidelines below are not intended to require retroactively additional collateral posting for existing transactions. Collateral posting guidelines are described in the "Collateral

Requirements” section below. The calculation of net termination exposure per counterparty will take into consideration multiple transactions, some of which may offset the overall exposure to the Authority.

Under this approach, the Authority will set limits on individual counterparty exposure based on existing as well as new or proposed transactions. The sum of the **current market value** and the **projected exposure** shall constitute the Maximum Net Termination Exposure. For outstanding transactions, current exposure will be based on the market value as of the last quarterly swap valuation report provided by the Financial Advisor. Projected exposure shall be calculated based on the swap’s potential termination value taking into account possible adverse changes in interest rates as implied by historical or projected measures of potential rate changes applied over the remaining term of the swap.

For purposes of this calculation, the Authority shall include all existing and projected transactions of an individual counterparty and all transactions will be analyzed in aggregate such that the maximum exposure will be additive.

The exposure thresholds, which will be reviewed periodically by the Authority to ensure that they remain appropriate, will also be tied to credit ratings of the counterparties and whether or not collateral has been posted as shown in the table below. If a counterparty has more than one rating, the lowest rating will govern for purposes of the calculating the level of exposure. A summary table is provided below.

Counterparty Credit Exposure Recommended Limits			
Credit Ratings	Maximum Collateralized Exposure	Maximum Uncollateralized Exposure	Maximum Net Termination Exposure
Aaa/AAA	NA	\$100.0 million	\$100.0 million
Aa/AA Category	\$70.0 million	\$30.0 million	\$100.0 million
A/A Category	\$50.0 million	\$20.0 million	\$70.0 million
Below A3/A-	\$50.0 million	None	\$50.0 million

If the exposure limit is exceeded by counterparty, the Authority shall conduct a review of the exposure limit per counterparty. The Authority, in consultation with its Swap Counsel and Financial Advisor, shall explore remedial strategies to mitigate this exposure.

The Authority’s swap exposure to any single counterparty will be limited to 25% of the counterparty’s capitalization.

11. Procurement Process

The Authority may either negotiate or competitively bid interest rate swap transactions with qualified swap providers. The qualified swap providers will be selected by the Chief Financial Officer of the Authority and General Manager.

12. Termination Provisions and Authority Liquidity

Optional Termination: All interest rate swap transactions shall contain provisions granting the Authority the right to optionally terminate a swap agreement at any time over the term of the agreement. In general, exercising the right to optionally terminate an agreement produces a benefit to the Authority, either through receipt of a payment from a termination, or if a termination payment is made by the Authority, in connection with a corresponding benefit from a change in the related Authority debt or investment, as determined by the Authority. The CFO, as appropriate, in consultation with the Authority's finance team, shall determine if it is financially advantageous for the Authority to terminate a swap agreement.

Termination Events: A termination payment to or from the Authority may be required in the event of termination of a swap agreement due to a default by or a decrease in the credit rating of either the Authority or the counterparty. Prior to entering into the swap agreement or making any such termination payment, as appropriate, the CFO shall evaluate whether it would be financially advantageous for the Authority to enter into a replacement swap as a means of offsetting any such termination payment.

Any swap termination payment due from the Authority shall be made from available Authority monies. The CFO shall report any such termination payments to the Authority's Board of Directors.

Available Liquidity: The Authority shall consider the extent of its exposure to termination payment liability in connection with each swap transaction, and the availability of sufficient liquidity to make any such payments that may become due.

13. Term and Notional Amount of Swap Agreement

The Authority shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. The slope of the interest rate swap curve, the marginal change in swap rates from year to year along the swap curve, and the impact that the term of the swap has on the overall exposure of the Authority shall be considered in determining the appropriate term of any swap agreement. For any swap agreement entered into in connection with the issuance or carrying of bonds, the term of such swap agreement shall not extend beyond the final maturity date of such bonds.

14. Collateral Requirements

As part of any swap agreement, the Authority may require collateralization or other credit enhancement to secure any or all swap payment obligations of the counterparty. As appropriate, the Authority may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

- Each counterparty shall be required to post collateral, in accordance with its (or its guarantor's) credit rating, equal to the positive net termination value of the swap agreement
- Collateral shall consist of cash, U.S. Treasury securities and U.S. Agency securities.
- Collateral shall be deposited with a custodian, acting as agent for the Authority, or as mutually agreed upon between the Authority and each counterparty.
- The market value of the collateral shall be determined on at least a monthly basis.
- The Authority will determine reasonable threshold limits for the initial deposit and for increments of collateral posted thereafter.
- The CFO shall determine on a case-by-case basis whether other forms of credit enhancement are more beneficial to the Authority.

In connection with any collateralization requirements that may be imposed upon the Authority in connection with a swap agreement, the Authority may post collateral or it may seek to obtain swap insurance in lieu of posting collateral. The CFO shall recommend a preferred approach to the Authority on a case-by-case basis.

15. Reporting Requirements

The Authority's financial advisors will monitor any interest rate swaps that the Authority enters into on at least a monthly basis. The Authority's CFO will provide a written report to the TMWA Board regarding the status of all interest rate swap agreements on at least an annual basis and shall include the following information:

- Highlights of all material changes to swap agreements or new swap agreements entered into by the Authority since the last report.
- Market value of each of the Authority's interest rate swap agreements.
- For each counterparty, the Authority shall provide the total notional amount position, the average life of each swap agreement, the available capacity to enter into a swap transaction, and the remaining term of each swap agreement.
- The credit rating of each swap counterparty and credit enhancer insuring swap payments, if any.
- Actual collateral posting by each swap counterparty, if any, under each swap agreement and in total by that swap counterparty.

- A summary of each swap agreement, including but not limited to the type of swap, the rates and dollar amounts paid by the Authority and received by the Authority, and other terms.
- Information concerning any default by a swap counterparty under a swap agreement with the Authority, and the results of the default, including but not limited to the financial impact to the Authority, if any.
- A summary of any planned swap transactions and the projected impact of such swap transactions on the Authority.
- A summary of any swap agreements that were terminated.

16. Swaps Accounting Treatment

The Authority shall comply with any applicable accounting standards for the treatment of swaps and related financial instruments. The Authority and the Authority's external auditors shall implement the appropriate accounting standards.

17. Periodic Review of Interest Rate Swap Policy

The CFO and the Authority's financial advisors shall review its swap policy on a periodic basis and recommend appropriate changes to the General Manager and TMWA Board.

APPENDIX B**Procedures for Debt Issuance/Timetables**

**Revenue Bonds
Sample Schedule**

Number of Weeks	
From Start	Event
0	Board adopts Sale Resolution
3	Due Diligence Meeting
5	Board adopts Bond Resolution
10	Bond Sale
13	Bond Closing