



**Truckee Meadows  
Water Authority**

*Quality. Delivered.*

**2024**

**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](http://tmwa.com/financial-information).*



## To Our Customers

On behalf of Truckee Meadows Water Authority (TMWA), thank you for your interest in TMWA's finances. This Popular Annual Financial Report (PAFR) was created with customers in mind, to deliver our financial standing with transparency and to provide insights into our operations that we think you will find interesting and timely.

The following pages provide a highly visual financial summary of fiscal year 2024 (which ran from July 2023 – June 2024). The PAFR is based on the Annual Comprehensive Financial Report (ACFR), a robust report produced annually through an external independent audit. The ACFR includes detailed accounting, providing a much deeper look into TMWA's finances than this overview document. The technical reporting found in the ACFR can be reviewed [on TMWA's website](#).

A key action of fiscal year 2024 was the approval of a rate plan which includes rate increases for fiscal years 2024, 2025, and 2026. Rate increases at TMWA are scrutinized by not only our staff and leadership, but also by our Board of Directors, which is comprised of elected representatives from the City of Reno, City of Sparks, and Washoe County.

Unfortunately, in recent years, expenses such as electric power and water treatment chemicals have increased significantly, primarily due to inflation. Simply put, TMWA's expenses have increased at a higher rate than TMWA's revenues. The approved rate adjustments provided needed financial stability. You can read more about TMWA's rate adjustment approach and schedule on page 6.

This report also shares several ways TMWA works to increase efficiencies and reduce costs to keep rate adjustments as low as possible.

TMWA's staff is driven by a sense of service to this community, because we live here too and understand the connection water has to our quality of life. We are your locally owned water company, and we are here to answer any questions you have about what you see in this report.

Sincerely,



Matt Bowman  
Chief Financial Officer  
Truckee Meadows Water Authority

## Truckee Meadows Water Authority’s Board of Directors: Multi-Jurisdictional Governing Board

TMWA is a 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 governing municipalities.

Leadership positions for TMWA’s Board are selected each year through a Board Directors’ vote. For Fiscal Year 2025, Naomi Duerr was elected to serve as Chair with Clara Andriola chosen as Vice Chair. Both terms began on July 1, 2024.

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 to provide exceptional, high-quality drinking water to residents throughout the Truckee Meadows.



**Kristopher Dahir**  
**Chair**  
City of Sparks  
Council Member



**Naomi Duerr**  
**Vice Chair**  
City of Reno  
Council Member



**Alexis Hill**  
**Director**  
Washoe County  
Commissioner



**Clara Andriola**  
**Director**  
Washoe County  
Commissioner



**Devon Reese**  
**Director**  
City of Reno  
Council Member



**Jenny Brekhus**  
**Director**  
City of Reno  
Council Member



**Paul Anderson**  
**Director**  
City of Sparks  
Council Member

### Senior Management

**John Zimmerman**

General Manager

**Danny Rotter**

Assistant General Manager and  
Director of Engineering

**Matt Bowman**

Chief Financial Officer

**Andy Gebhardt**

Director of Distribution,  
Maintenance, and Generation

**Jessica Atkinson**

Director of Human Resources

**Nathan Allen**

Director of Natural Resources

**Sean Feeny**

Director of Technology

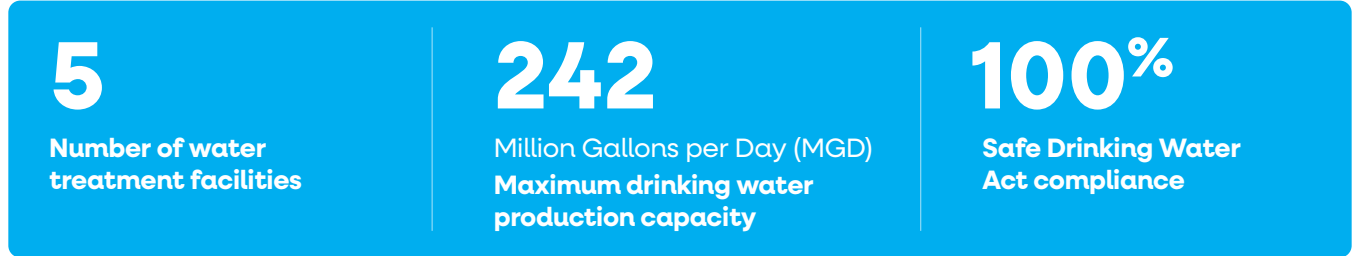
**Will Raymond**

Director of Operations  
and Water Quality

## Your Water Authority

TMWA provides drinking water to over 450,000 residents in Reno, Sparks, and Washoe County – a service area that stretches 169 square miles. The primary source of water is the Truckee River, which flows from Lake Tahoe and other tributaries upstream of the Truckee Meadows.

### Water delivery



### Who we serve



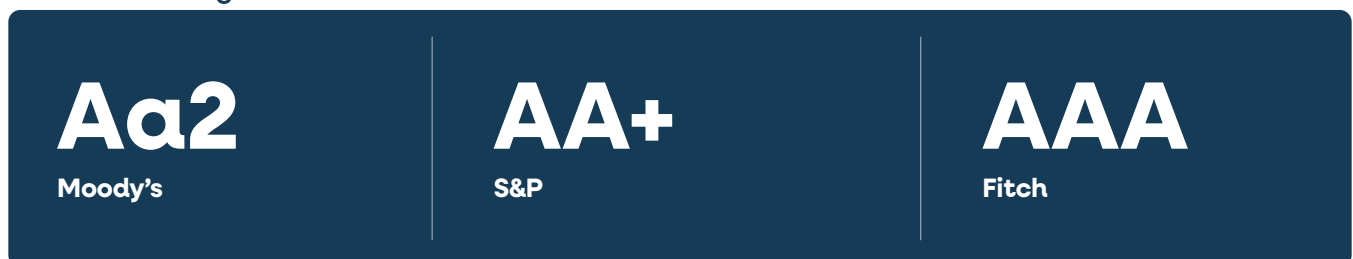
### Assets



### FY 2024 performance



### Financial ratings



## Understanding Planned Rate Increases

TMWA’s leadership and its Board of Directors are always focused on ensuring water rates stay as low as possible. This is done by optimizing operational efficiencies such as using hydroelectric power to offset energy costs, extending the useful lifecycle of assets, and diligent fiscal management.

Yet, due to rising operational costs over the past several years, TMWA’s financial approach required adjustment. To protect TMWA’s financial health, a multi-year rate adjustment proposal was evaluated in Fall 2023. After reviewing several scenarios, the least impactful increase that could meet TMWA’s financial requirements was identified.

This proposal was presented to the public through several meetings held at locations throughout the community. In January 2024, TMWA’s Board of Directors approved a rate increase schedule paired with a more predictable method for future rate adjustments.

This schedule started in June 2024 and includes rate increases annually over three years. **By the end of this three-year period in June 2026, residential bills will have increased by an average of \$3.45 per month in the winter and \$7.11 per month in the summer.**

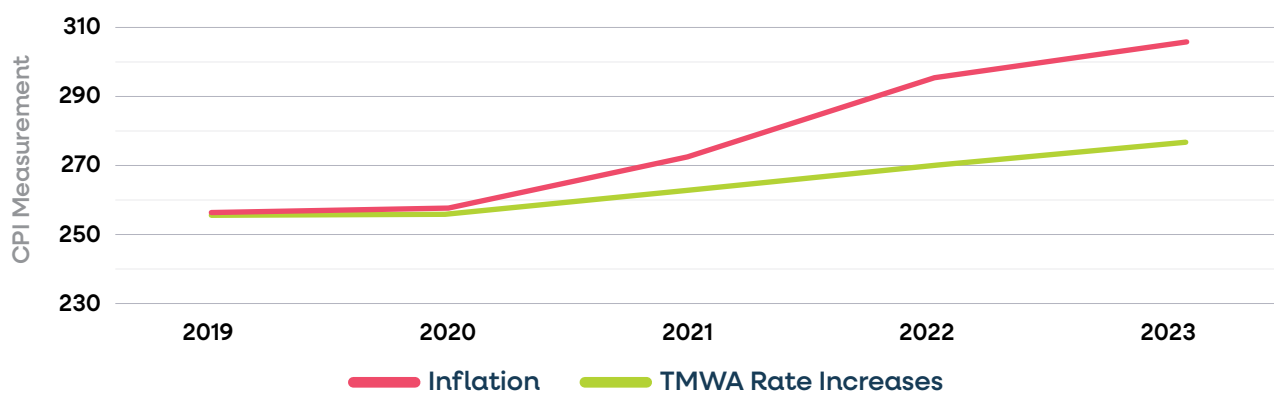
After this, proposed increases will be guided by the [Consumer Price Index for All Urban Consumers](#) (or CPI-U). This common tool for measuring inflation offers more transparency and predictability when it comes to projecting how TMWA might increase rates in the future. It will be used only as a guide for proposed future rate increases, because any rate increase will still require the Board of Directors’ approval.

2024 – 2026 Rate Increases Per Customer Bill

	FY 2024		FY 2025		FY 2026		Total	
Rate Increase	4.50%		4.00%		3.50%			
Season	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer
Residential	\$1.24	\$2.56	\$1.16	\$2.38	\$1.05	\$2.17	\$3.45	\$7.11
Multi-Family	\$2.09	\$2.80	\$1.94	\$2.60	\$1.77	\$2.36	\$5.80	\$7.76
Commercial	\$1.49	\$2.46	\$1.38	\$2.28	\$1.26	\$2.08	\$4.13	\$6.81

Graph note: The average cost of drinking water for TMWA customers is \$49.83 per month.

How Inflation Outpaced TMWA’s Water Rates from 2019 – 2023





Rosewood Nature Study Area

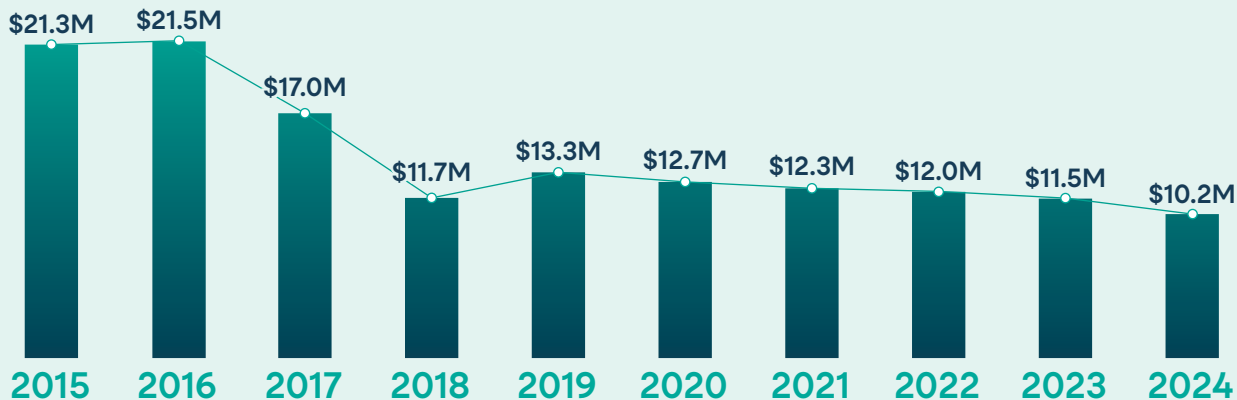
### Meeting Our Obligations

By issuing bonds to purchase Sierra Pacific Power Company’s water business in 2001, TMWA became responsible for a debt repayment of \$452 million. This important investment secured permanent local control of our water resources. TMWA’s diligent, strategic management of its financial obligations since its founding is one of the primary reasons why Moody’s, S&P, and Fitch assign high ratings to TMWA.

This disciplined approach has been successful. As of June 30, 2024, TMWA’s total outstanding debt was \$328 million. Over the past decade, TMWA has reduced interest expense by 53% and has reduced outstanding principal on its debt by \$179 million.

An important aspect of this pay-down strategy has been accomplished through the refunding of older bonds and issuance of new bonds at lower interest rates, when favorable market conditions exist. 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



## Cash Optimization Strategy Reduces TMWA’s Long-Term Debt; Saving \$12.1 Million

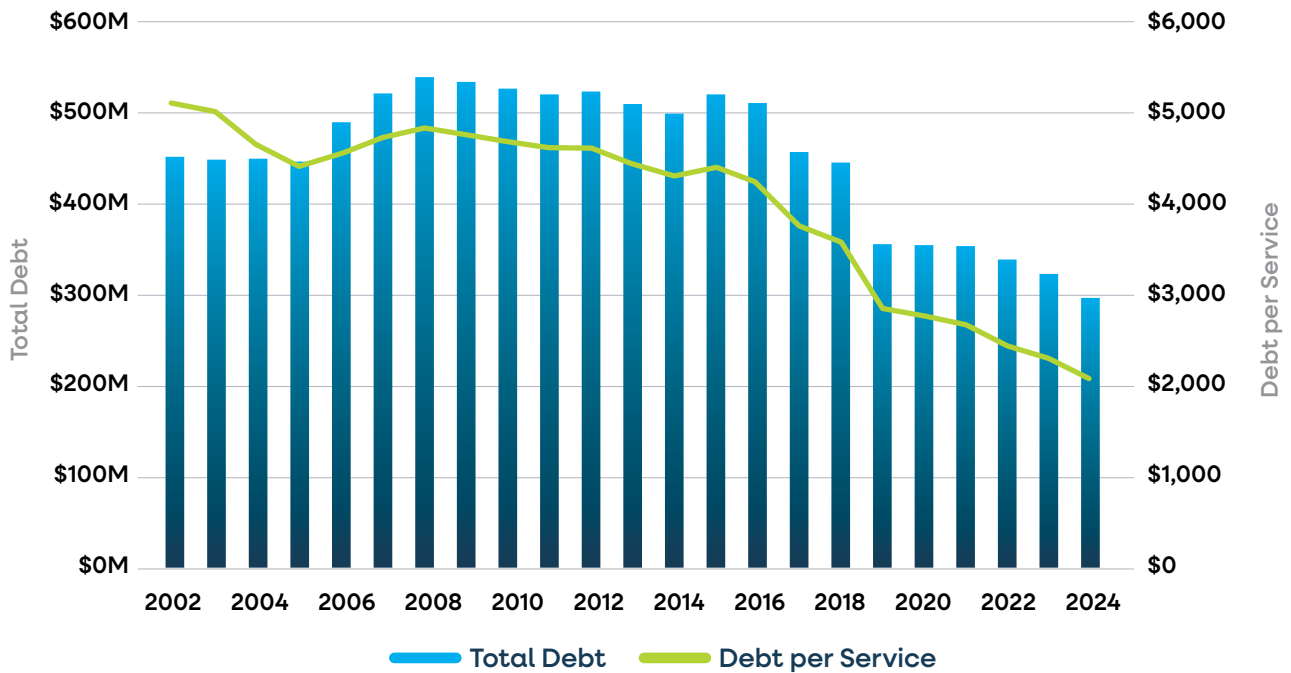
In Fall 2023, TMWA’s financial team identified up to \$75M of existing debt at interest rates that could be reduced as a part of TMWA’s ongoing debt management strategy. Unlike a refunding of bonds, which occurs instantaneously, this strategy required TMWA to pay off the existing debt by issuing new debt at a lower interest rate through two separate transactions.

This unconventional strategy was required because the existing bonds had not reached their repayment date and were not yet callable. Accordingly, the issuance of new debt was carefully timed and executed. On December 20, 2023, TMWA successfully repaid \$69.8M in outstanding debt using existing cash reserves. Then on January 4, 2024, TMWA purchased bonds with underwriters Wells Fargo and Loop Capital at a principal amount of \$61.5M. Both the timing and pricing were extremely favorable for TMWA, resulting in a \$12.1M reduction of its debt-interest burden.

This cash optimization strategy was thoroughly analyzed by TMWA’s external financial advisor (PFM) and TMWA’s bond council (Sherman & Howard). Details regarding the transaction were initially reviewed by TMWA’s Board of Directors on August 16, 2023, and then approved on September 20, 2023.

An overview of the financial analysis for this transaction can be found by accessing the [TMWA Board of Directors agenda packet](#) for January 18, 2024.

Total Debt and Debt per Service Connection



From a TMWA customer perspective, the debt per service connection has decreased 58.4% since the utility was formed in 2001. The debt per service connection in 2002 was \$5,009; in 2024 it was \$2,084



## Where TMWA Stands

TMWA stands tall within 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.

## Factors That Led to TMWA's AAA Bond Designation From Fitch Ratings Include:

### Very Low Operating Cost Burden and Manageable Capital Needs



TMWA has a ‘very low and quite stable’<sup>1</sup> operational cost burden. Projected infrastructure investments are expected to outpace the depreciation of existing assets, ensuring the necessary improvements are planned to appropriately maintain TMWA's water system infrastructure.

### Affordable Rates and Strong Local Economy



TMWA has the ability to determine rates and makes them affordable. Further, the economy of TMWA's service territory is stable, as evidenced by steady growth, diversification, and low unemployment in the Truckee Meadows over the last decade.

### Financial Performance with Reductions in Debt



TMWA's financial profile is considered ‘exceptionally strong’<sup>1</sup> with performance that has historically exceeded market expectation. TMWA's debt reductions have ensured financial flexibility and strong liquidity.

<sup>1</sup>Source: [Fitch Upgrades Truckee Meadows Water Authority to 'AAA'](#)

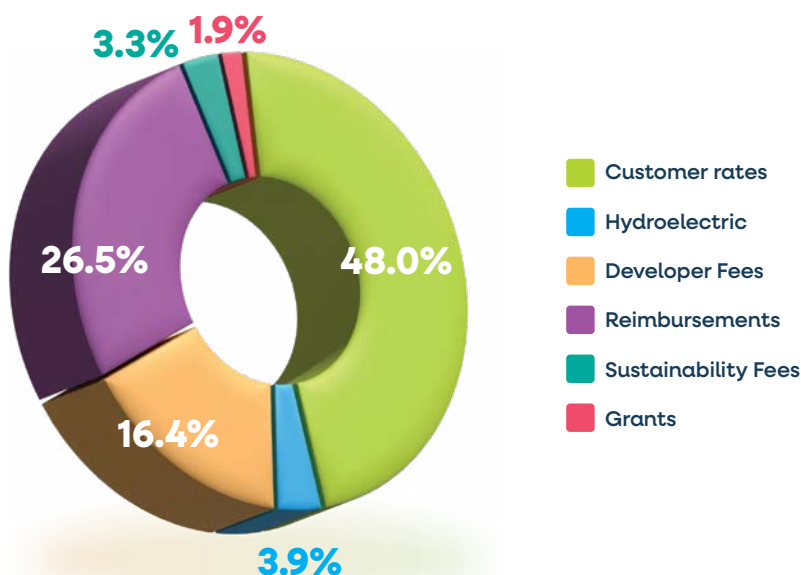
## TMWA’s Capital Improvements: Planning that Leverages Many Sources and Addresses Many Needs

TMWA funds its Capital Improvement Plan (CIP) through a diverse mix of sources. While maintenance, repairs, and upgrades are primarily based on water sales revenue, capital infrastructure is supported by multiple sources.

For capital infrastructure related to new growth, costs are 100% funded by the developer—i.e. growth pays for growth. Existing customers do not fund new growth of TMWA’s water system. TMWA also has a developer-paid Resource Sustainability Fund dedicated to projects that enhance drought resiliency.

Other forms of funding for TMWA’s infrastructure are the Nevada Drinking Water State Revolving Fund, federal grants, and capital contributions or reimbursements from local governments.

Funding Sources for TMWA’s Projected Capital Projects



## Lifecycle Management: Extending Asset Values While Reducing Costs

TMWA’s capital plan projections are derived from projects within [TMWA’s Water System Facility Plan](#). TMWA’s most recent plan covers 20 years of projected needs and includes asset management for the first time. Asset management is the process of managing the lifecycle of TMWA’s infrastructure to ensure the value of TMWA’s assets is maximized while minimizing costs.

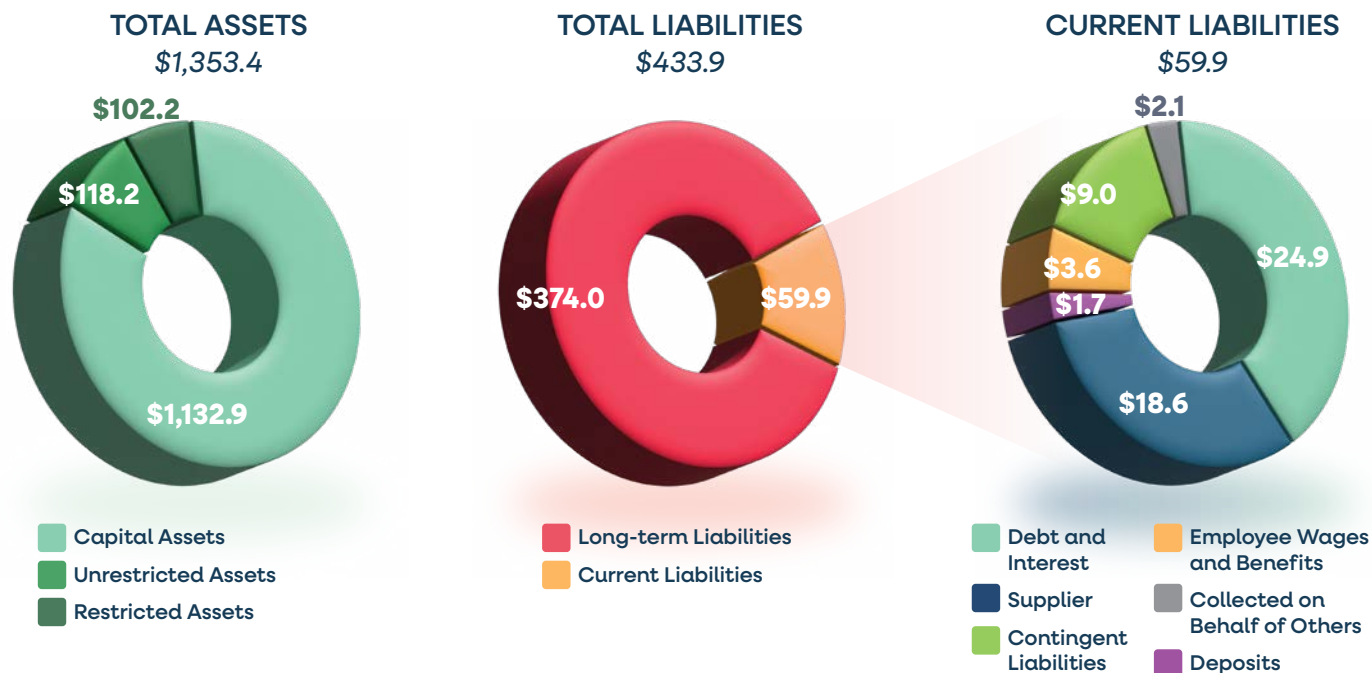
For example, one aspect of TMWA’s Tank Maintenance and Rehabilitation Program is recoating the interior lining of water tanks every 20 years. Not only does a well-maintained coating help protect water quality, but this type of maintenance can also significantly extend the life of a water tank, delaying the need for costly repairs or replacement. Another example is replacement of main lines at the end of their lifecycle with larger volume mains to address any pressure or fire flow requirements in support of public safety emergencies.

Overall, TMWA’s approach to managing its assets prolongs the utility of these investments for customers, reducing the likelihood that unexpected expenses will occur. Insight into TMWA’s planned projects can be found in [TMWA’s 2025-2029 CIP](#), which is updated every five years.

## The Big Picture on TMWA’s Financial Position

**Net Position** (formally, the Statement of 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. The charts below show TMWA’s assets and liabilities as of June 30, 2024.

### At-A-Glance (in millions)



### Statement of Net Position (in millions)

	2024	2023	2022	2021
Unrestricted Current Assets	\$117.3	\$170.1	\$189.4	\$192.8
Restricted Current Assets	69.6	28.7	33.3	31.1
Long-Term Restricted and Other Assets	28.9	27.5	26.1	27.3
Net Other Post Employment Benefits Asset	4.7	3.1	6.0	3.4
Capital Assets, Net	1,132.9	1,083.9	1,052.0	1,027.0
<b>Total Assets</b>	<b>1,353.4</b>	<b>1,313.3</b>	<b>1,300.8</b>	<b>1,276.9</b>
Deferred Outflow of Resources	23.1	25.5	22.4	12.8
<b>Total Assets and Deferred Outflow of Resources</b>	<b>1,376.5</b>	<b>1,338.8</b>	<b>1,323.3</b>	<b>1,289.2</b>
Total Current Liabilities	59.9	50.6	46.8	47.2
Long Term Debt Outstanding	309.9	333.9	355.4	376.3
Net Pension and Other Noncurrent Liabilities	64.1	61.2	28.6	42.2
<b>Total Liabilities</b>	<b>433.9</b>	<b>445.7</b>	<b>433.9</b>	<b>469.2</b>
Deferred Inflow of Resources	5.9	2.6	29.1	6.4
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>439.8</b>	<b>448.3</b>	<b>463.0</b>	<b>475.6</b>
Net Investment in Capital Assets	853.1	749.2	693.0	649.1
Restricted	45.6	43.7	50.7	46.0
Unrestricted	37.9	97.6	116.6	119.1
<b>Total Net Position</b>	<b>\$936.6</b>	<b>\$890.5</b>	<b>\$860.3</b>	<b>\$814.2</b>

## Change in Net Position

**Change 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, nonoperating items, and contributions.

### Change in Net Position (in millions)

	2024	2023	2022	2021
Operating Revenues	\$122.4	\$113.1	\$114.6	\$115.4
Operating Expenses	121.0	114.4	98.6	98.2
<b>Operating Income (Loss)</b>	<b>1.4</b>	<b>(1.3)</b>	<b>16.0</b>	<b>17.2</b>
Nonoperating Revenues (Expenses), Net	(5.3)	(10.8)	(21.5)	(14.1)
<b>Income (Loss) before Capital Contributions</b>	<b>(3.9)</b>	<b>(12.1)</b>	<b>(5.5)</b>	<b>3.1</b>
Capital Contributions, Net	50.0	42.3	51.6	41.4
<b>Change in Net Position</b>	<b>46.1</b>	<b>30.2</b>	<b>46.1</b>	<b>44.4</b>
Net Position — Beginning of Year	890.5	860.3	814.2	769.7
<b>Net Position — End of Year</b>	<b>\$936.6</b>	<b>\$890.5</b>	<b>\$860.3</b>	<b>\$814.2</b>

See full financial statements in TMWA's Annual Comprehensive Financial Report at [tmwa.com/financial-information](https://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.

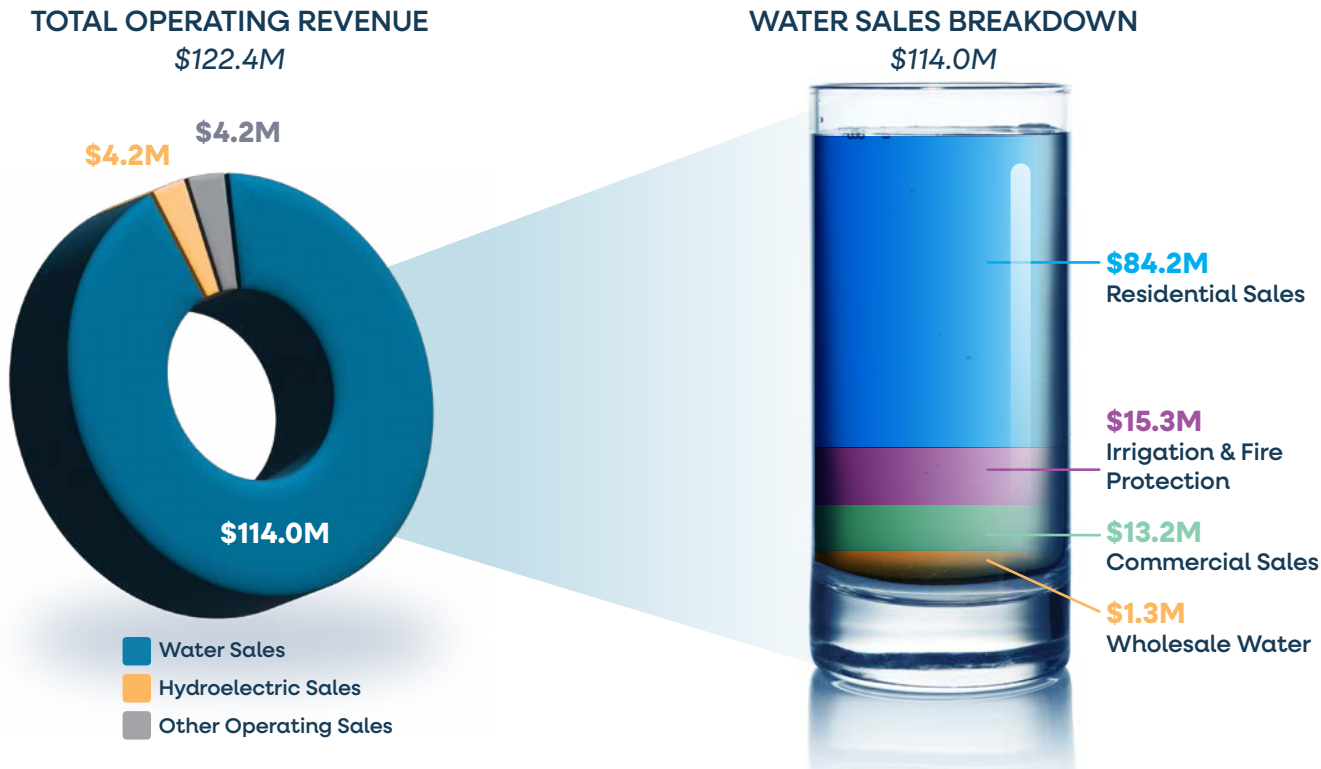
**OPERATING REVENUES:** Money generated from water, hydroelectric, and other operating sales. From this amount, operating expenses are subtracted to determine operating income or loss.

**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.

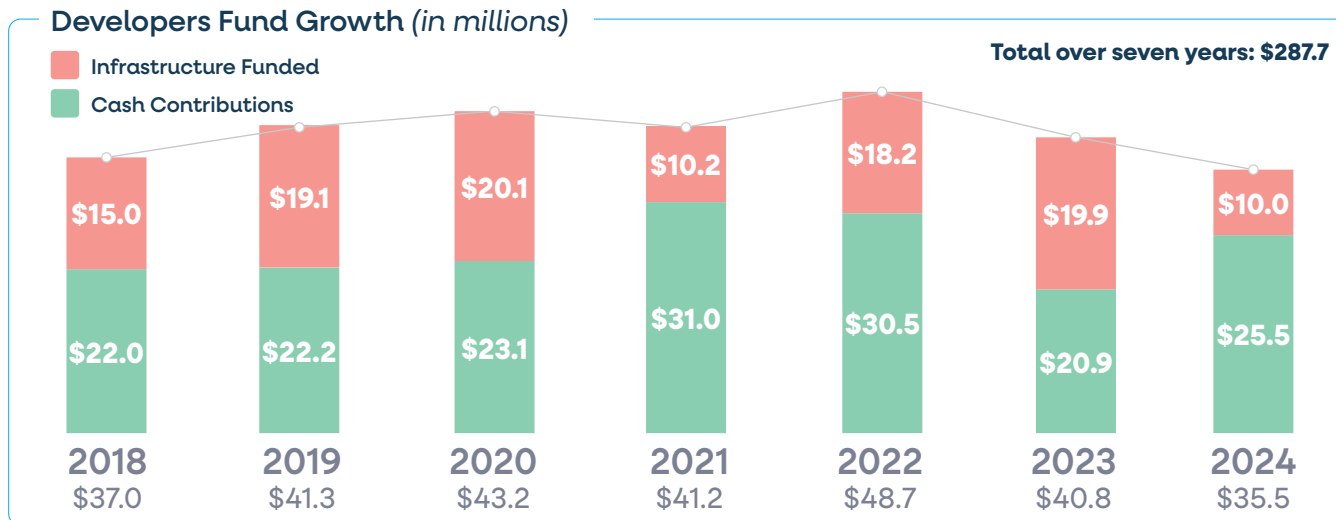
## Incoming: Water Sales Provide 95% of TMWA’s Operating Revenue



## 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, fees and infrastructure contributions from developers are required. Over the past seven years, total developer contributions for new growth have exceeded \$287 million.

New development projects are approved by the county and cities. Water rights must be dedicated to TMWA before building can begin for any new project. For every gallon 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

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

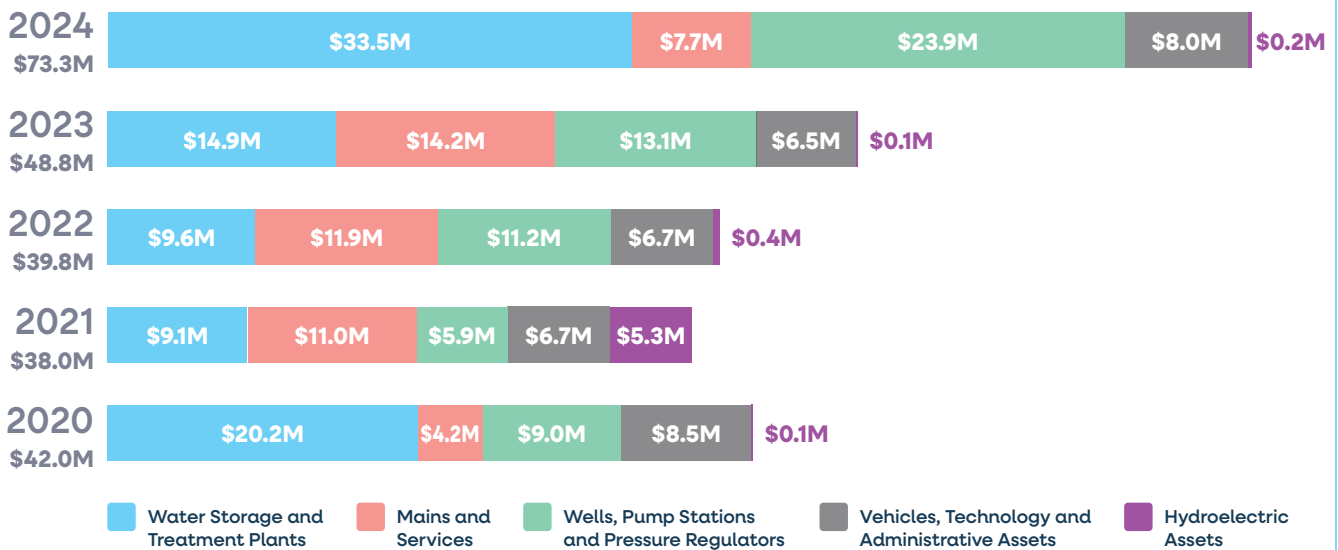
Day or night, when customers turn on their taps, they expect the water to flow. This means 24/7 operations for TMWA.

With a system that operates constantly, there is almost always something within our extensive infrastructure that requires maintenance, rehabilitation, or replacement.

As demonstrated below, maintenance needs and planned project expenses can shift each year. For example in 2024, the Orr Ditch pump station and hydroelectric project represents an \$18.6 million investment that will provide a back-up water supply and clean energy solution for Chalk Bluff Water Treatment Plant, the region’s primary producer of drinking water.

An overview of projected capital expenditures for the next five years can be found in TMWA’s [Water System Facility Plan](#), which was updated in 2024.

### Capital Spending by Category



Truckee River in downtown Reno

## Advanced Metering Infrastructure (AMI) Receives \$9.5 Million Grant

The leadership at TMWA is excited to announce that over the past year, we have made substantial progress on the installation of advanced metering infrastructure, otherwise known as smart water meters. A majority of our customers now have smart meters installed throughout our service area.

Equally exciting is the \$9.5M awarded to TMWA to help fund the installation of approximately 110,000 smart meters across the region. Although final costs will be determined once all meters are installed next summer, the grant is expected to cover about 52% of the total project cost.

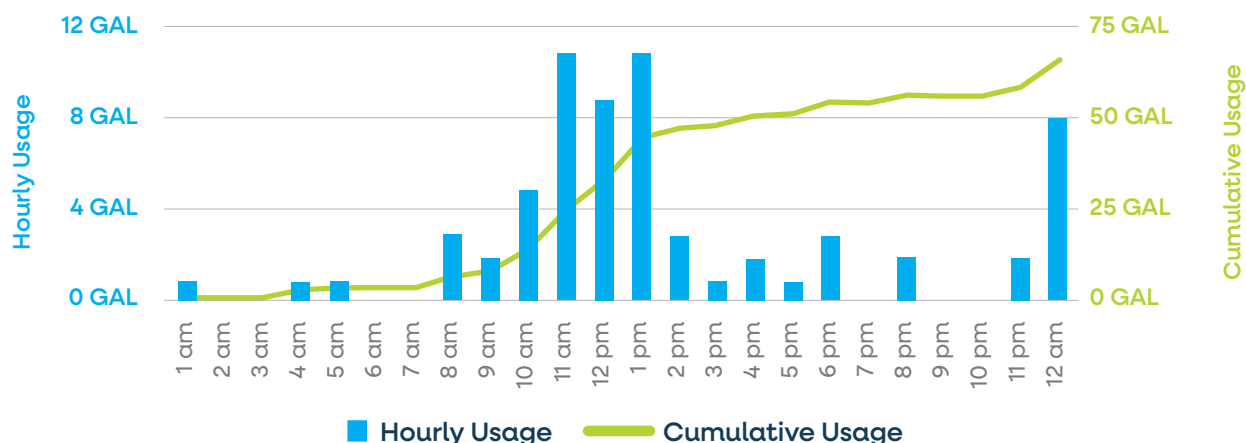
Smart meters improve our customers' ability to manage water use, save money, and quickly mitigate the damage undetected water leaks can cause. Below is an overview of benefits:

- **Real-Time Data and Rapid Leak Detection.** Customers can manage usage and identify spikes in use that may be caused by undetected leaks. This information is accessible through [TMWA's Online Customer Portal](#).
- **Accurate and Reliable Water Usage Tracking.** Unlike older meters, smart meters don't rely on mechanical parts, which can wear down over time. This reduces maintenance needed and results in longer lifecycles than older meters.
- **Improved Water Conservation.** With accurate, real-time data, it's easy to track water consumption, enabling adoption of water-saving habits. This is especially beneficial for businesses managing large-scale operations.
- **Long-Term Durability and Efficiency.** Smart meters are designed to last 20 years or more. Running with minimal energy use, advanced meters also reduce operational costs which helps keep water rates as low as possible.
- **Preventing System Losses.** This system-wide improvement provides an overview of real-time water use, helping TMWA respond more quickly to system issues, saving water and reducing troubleshooting when a problem is suspected.

Overall, AMI is a valuable tool that enables TMWA to efficiently and proactively manage our water infrastructure. It better meets customer needs while strengthening TMWA's ability to manage water resources sustainably.

### Example: Smart Meter Hourly Water Usage Data

Available to customers at [tmwa.com/online](http://tmwa.com/online)





## 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.

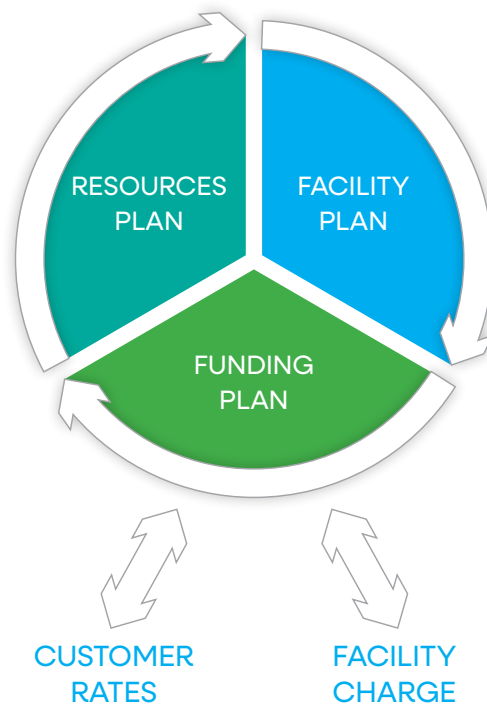
For example:

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. To see all of TMWA's most recent plans, go to [tmwa.com/planning](https://tmwa.com/planning).



*Transportation corridor carved by the Truckee River as it flows towards Nevada*