

INTRODUCTION

The Truckee Meadows Water Authority's (TMWA's) Capital Improvement Program describes all the construction and major maintenance of TMWA facilities and infrastructure. This plan is the second Capital Improvement Plan of TMWA. TMWA was formed as a legal entity established pursuant to the provisions of Chapter 277 of the Nevada Revised Statutes. TMWA is a political subdivision of the State of Nevada and is separate from its Members, pursuant to NRS 277.074 and 277.120. A managing board comprised of seven members, three from the City of Reno, two from the city of Sparks, one from the County of Washoe and one at large governs TMWA through a cooperative agreement.

The Construction Improvement Program constitutes an essential component in the TMWA's system of planning, monitoring and managing the activities of purveying water and generation of hydroelectric power. This introduction will outline the projects proposed for fiscal year 2003-2004, the explanation of the prioritization of the projects/capital outlays, and financing of projects/capital outlays.

Overall direction is established by the TMWA's 20 Year Facility Plan. The actual implementation of the TMWA's Capital Improvement Plan is accomplished through the budget process. The plan envisions \$163,001,900 in spending on new capacity and replacement of infrastructure over the next five years. For fiscal year 2003-2004 TMWA expects to spend \$44.7 million on nine broad categories of improvements and spending outlays. These nine categories are, Supply Improvements-Dams-Flumes-Ditches, Supply Improvements-Well Development, Treatment Improvements, Distribution Improvements, Storage Improvements, Hydroelectric Improvements, Water Resources and Planning, Customer Service, and General Administrative Improvements.

For the comparable period the level of capital spending increased \$12.9 million from \$31.8 million in prior 2003-2007 Capital Improvement Plan to \$44.7 million in the current plan. The reason for the increase was the carryover of projects in fiscal year 2002-2003 to fiscal year 2003-2004. Also new projects of \$5.0 million arose namely major rehabilitation efforts with the Hunter Creek Reservoir cover and liner for \$2.0 million, Zolezzi Tank roof replacement \$0.5 million, Park Street main replacement \$0.5 million, and a provision for a new operations facility for TMWA of \$2.0 million. TMWA has also increased meter replacements spending of \$1.0 million to protect revenue resources.

A number of projects, approximately \$6.5 million, were carried over from the prior fiscal. These projects were the Huffaker 24" main for \$1.0 million, the Vaughn Mill Tank Replacement for \$1.5 million, the new Ridgeview tank \$1.8 million, the two Mae Anne Pump Station Rebuilds for \$.07 million, Sommersett offsite mains for \$0.7 million, US 40 Pump Station Rebuilds \$0.5million Vista Pump Station relocation for \$0.5 million and the Pyramid Pump Station Upgrades \$0.8 million.

DESCRIPTION OF PROJECTS

The Truckee Meadows Water Authority has established the following projects for funding for fiscal year 2002-2003:

Category 1 Supply Improvements-Dams-Flumes-Ditches:

- Highland Ditch Improvements – \$1,100,000
- Donner/Independence Lakes Improvements – \$25,000
- Donner Dam Upgrade – \$200,000
- Highland Flume Reconstruction – \$100,000
- Ditch Watershed Monitoring Improvement – \$50,000
- Hunter Creek Reservoir Improvements – \$2,000,000
- Washoe County School District non-potable – \$150,000
- Highland Reservoir Improvements – \$50,000

Category 2 Supply Improvements-Well-Development:

- Well Development Program – \$2,000,000
- Well Rehabilitation & Improvements – \$250,000
- Construction Well Sites & Pumps – \$150,000

Category 3 Treatment-Improvements:

- Chalk Bluff General Improvements – \$200,000
- Glendale Plant General Improvements – \$125,000
- Chalk Bluff Phase III Expansion – \$7,600,000
- Glendale High Lift – \$100,000
- Glendale Diversion Improvements – \$300,000
- Arsenic Abatement – \$500,000
- Lab Equipment – \$25,000
- Contingency – \$250,000

Category 4 Distribution-Improvements:

- Pressure Improvements/Conversions – \$150,000
- Pump Station Rebuilds-General – \$500,000
- Standby Generator/System Interties – \$175,000
- White Sands PS – \$25,000
- US 40 PS Rebuilds – \$400,000
- S Hills Pump Rebuild – \$30,000
- Mae Anne PS #1 Rebuilds – \$400,000
- Mae Anne PS #2 Rebuilds – \$400,000
- Stead Pump Station Rebuild – \$100,000

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- Vista Pump Station #1 Relocation – \$500,000
- Pyramid Pump Station – \$50,000
- Disc Dr. Pump Station Land – \$75,000
- Huffaker 24" Pipeline – \$960,000
- Sommersett Offsite Mains – \$ 700,000
- Wedekind Whitfield to Exit 14. – \$50,000
- Park St. Main Replacement – \$500,000
- Mayberry to US 40 Oversizing – \$75,000
- General Line Oversizing – \$75,000
- RETRAC Distribution Alignments – \$1,000,000
- General Main Replacements – \$2,500,000
- Galvanized Service Replacements – \$ 500,000
- Polybutylene Service Replacements – \$ 500,000
- SCADA Upgrades and Improvements – \$40,000

Category Storage - Improvements:

- Vaughn Mill Tank Replacement – \$1,500,000
- Ridgeview Concrete Tank – \$2,750,000
- Pyramid Concrete Tank – \$100,000
- Sommersett Concrete Tank – \$2,375,000
- Beaumont Concrete Tank – \$1,000,000
- D'Andrea Tank – East Sparks – \$50,000
- Zolezzi Tank Roof Replacement – \$500,000
- Tank Recoating – \$350,000

Category Hydroelectric Plant & Flume – Improvements:

- Flume Repair & Reconstruction – \$ 250,000
- Verdi Penstock Repair – \$100,000
- Contingency – Plant & Turbines – \$100,000

Category Water Resources & Planning:

- Rule 17 Water Rights Purchase – \$ 3,000,000
- Water Meter Retrofits – \$2,000,000

Category TMWA's – Customer Service:

- Billing System Modifications – \$275,000
- Field Crew GIS Access Computers – \$21,000
- Meter Reading Equipment – \$25,000

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- Leasehold Improvements – \$25,000
- New Business Meters – \$500,000
- Small Meter Replacements less than 3” – \$1,000,000
- Large Meter Replacements greater than 3” – \$300,000

Category TMWA – Transportation-IT-General:

- GIS System Mapping Project – \$ 200,000
- Admin PC's New & Refresh – \$85,000
- Engineering Computers & Software – \$ 103,000
- Water Resources Computer Software – \$74,400
- New Phone System – \$ 135,000
- Furniture – \$ 35,000
- Light Crew Trucks Cab & Chassis – \$ 125,000
- Light Crew Truck Improvements – \$ 100,000
- TMWA Website Development– \$ 50,000
- Security-Vulnerability Assessment Project – \$672,500
- New TMWA Facility – \$2,000,000

Capital Improvement Program Definitions

The Capital Improvement Program (CIP) is a planning and budgeting tool, which provides information about TMWA's infrastructure needs for a five-year time frame. Each year, the list of projects is reviewed for need, cost and priority. New projects may be added and other projects deleted.

Generally, capital improvements/outlays are defined as physical assets, constructed or purchased, that have a useful life of one year or longer and a cost of \$5,000 or more.

In addition TMWA includes the Capital Maintenance needs in the CIP plan, Capital Maintenance projects are required rehabilitative maintenance projects on TMWA facilities to keep such facilities in sound operating condition and extend the life of the facilities.

Definition of Capital Outlays

"Capital Outlays" which are budgeted within TMWA's capital budget, include such things as furniture, computer equipment and software, vehicles, and leasehold improvements needed to support TMWA's operations. These items are found in the General Administrative category of projects.

PRIORITIZATION OF PROJECTS/OUTLAYS

TMWA may not have sufficient funding to meet all of its capital needs each year or may divert funding to meet unexpected capital improvements. If such conditions arise projects

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are prioritized based on the effect each project has on TMWA's ability to meet new demand and maintain the water system.

The priority categories represent a relative degree of need for any particular project and are described below.

- * **ESSENTIAL:** A project that is needed in order to meet water demand from new development or essential for the maintenance of the water system. These projects are generally found in the first fiscal year of the plan. Water demands or infrastructure conditions are such that if the project is not completed TMWA runs the risk of being unable to provide water to its new and existing customers.
- * **REQUIRED:** A project that is important for providing water service to customers yet timing of construction or spending outlay is not as critical as an essential project. Required projects are generally found in the last four years of the plan. External factors such as the pace of new development or the condition of existing infrastructure may delay or accelerate the timing of project construction.
- * **DEFERRABLE:** These projects or capital outlays are not immediately critical to the operation of the water system. Expenditures in this category generally require a business case study or specific criteria to be met before spending can occur. If such criteria are not met then spending cannot be justified. Also some projects are deferrable if spending is required in an area of higher priority. Contingent spending is deferrable and covers unscheduled or emergency replacements.

FINANCING OF CAPITAL SPENDING

Revenue Sources

The Capital Improvement Plan will rely on a variety of funding to pay for capital projects/capital outlays. TMWA relies heavily on revenues generated from water sales to fund many projects directly and also indirectly through debt service payments.

At the time of the acquisition of the water assets of Sierra Pacific Resources, TMWA established a \$40,059,561 capital improvement project fund resulting from the issuance of Series A 2000 acquisition bond issue. Since inception, TMWA has primarily relied upon operating cash flow, capital reserves and developer contributions to fund capital projects.

TMWA looks to the development community for developer contributions in the form of system development charges to fund pump station expansions and feeder main extension projects. The projects that use water revenues as a funding mechanism are described as customer rate revenues/capital reserve fund. Rule 9 and Rule 17 proceeds are used to support new capacity construction and water service respectively. However, because of the timing of certain capital projects, additional financial resources may be called upon

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such as the issuance of bonds. It is expected that in the last three years of the Capital Plan TMWA will have to rely on the additional bond issuances to fund capital spending.

Bonds

There are several projects included in the FY 2004-2008 Capital Improvement Plan, which could be funded with bond proceeds. As a governmental agency, TMWA may issue tax-exempt bonds to finance capital construction. TMWA must rely on revenues from customers and developers to repay bonds. TMWA does not have any taxing authority. Listed below is the primary source of capital, which consists of Revenue Bonds. Revenue Bonds are financed through the pledging of specific revenue streams such as water revenues, system development charges, and investment income. It appears that TMWA has sufficient capital reserves and operating cash flow to meet construction /capital outlay spending for the next one and one half years without issuing additional debt.

Rule 9 and Rule 17 Fees

These fees are derived from the development community. Rule 9 fees are fees paid by developers to TMWA for the construction of new feeder water mains and for new or rebuilt pump stations to meet demand resulting from new development. Rule 17 Fees are fees that are derived from the sale of water will serve letter. TMWA actively purchases water rights on the open market and reserves these rights for will serve letters for new development. TMWA also recovers certain administrative costs with the sale of each will serve. The title to water rights are retained by and dedicated to TMWA for the perpetual service of customers.

Water Meter Retrofit Fees

TMWA has been retrofitting flat rate customer services with setters and meters. The intent is to meter the entire water system in the near future. To accomplish this task TMWA collects \$1,830 for each acre-foot of demand when water rights are dedicated for new or expanded service. Proceeds from the \$1,830 per acre-foot fee finances the water meter retrofit fund.

Capital Contributions from Other Governments

TMWA is a water wholesaler to other governmental entities namely Washoe County Department of Water Resources, Sun Valley General Improvement District and the Panther Valley General Improvement District. From time to time-new infrastructure needs to be constructed to service these retail water service providers. TMWA requires reimbursement from other governmental water service providers for additional water capacity.

Other Resources

One method of generating additional funds for capital improvements is to increase existing fees/charges or to add new fees/charges. The Truckee Meadows Water Authority has honored the promise to the citizens of the Truckee Meadows that water rates would not be increased or adjusted for the first two years after the acquisition of the water division of Sierra Pacific Power Company. Upon the completion of this period TMWA will assess the current fee structure and determine if the structure is adequate to provide sufficient cash flows to meet operating expenses, capital expenses and debt service.

Financing Summary

Refer to the financing section that summarizes the level of capital spending for each of the five years of the capital plan and sources of funding to support the level of capital spending each year.