



TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Jeff Tissier, Chief Financial Officer
DATE: March 8, 2015
SUBJECT: Budget Presentation of Second Augmented and Amended Budget for Fiscal Year 2015 and Request for Adoption of Resolution No. 222: A Resolution for the Second Amendment/Augmentation to the Final Budget for Fiscal Year 2015

RECOMMENDATION

Staff recommends that the Board of Directors of the Truckee Meadows Water Authority approve the resolution adopting the proposed second budget augmentation/revisions, and direct staff to forward the approved resolution and attachment to the Department of Taxation for the State of Nevada pursuant to NRS 354.615; and, record these changes in the minutes of the board meeting.

BACKGROUND

Budget augmentations/revisions must be adopted by resolution and information forwarded to the *Nevada Department of Taxation* after board approval. Since Truckee Meadows Water Authority does not have taxing authority, separate public notice is not required. The Board approved final budget was submitted to the State of Nevada in June 2014 and is being adjusted for changes as discussed further in this report. This second augmentation supplements a previous augmentation approved at the December 2014 TMWA Board meeting to provide additional expenditure authority for water utility operations and capital spending as a result of the water utility consolidation. At that meeting the TMWA Board was informed that additional augmentations were forthcoming because of the water utility consolidation and potentially other activities.

EXPLANATION OF THE AUGMENTATION

The second augmentation is also a result of the water utility consolidation and for future proposed debt issuance by TMWA and for the receipt of insurance proceeds paid to NV Energy and transferred to TMWA in regards to the Farad diversion litigation.

TMWA staff previously presented to the TMWA Board a budget augmentation to provide for additional expenditure authority for operations and capital spending as well as amend operating revenue projections as a result of the merger. This augmentation covers spending requirements and additional operating revenue for the period January 1, 2015 through June 30, 2015. Pursuant to authoritative accounting rules TMWA has to include the first six months of fiscal year 2015 operating activities of the South Truckee Meadows General Improvement District (STMGID). These account balances are now firm and are presented in the *Attachment A-1* with the cash flow effects of the second proposed augmentation/adjustments presented in *Attachment A-2*.

In addition to including STMGID operating activities for the first half of fiscal year 2015 TMWA has adjusted operating revenue for the reduction in wholesale water sales to Washoe County under two former wholesale water contracts now that the Washoe County water utility operations are consolidated into TMWA. Also at the time of the approval of the final budget TMWA staff estimated that the consolidation effort would cost approximately \$750,000 but there was significant uncertainty in the amount of staff time that would be dedicated to consolidation work. Now that consolidation is complete the amount of internal labor and benefits charged to this effort was approximately \$385,000. TMWA staff proposes transferring \$150,000 in labor and benefits from operating expenses to non-operating expenses to cover this additional non-operational spending.

In Fiscal year 2015 TMWA will experience significant debt management activities that were not measureable at the time of the final budget presentation in May 2014. After board approval to move forward with defeasing and transferring Washoe County water obligations, TMWA incurred approximately \$70,000 in bond counsel and financial advisory expenses in relation to the issuance of tax-exempt commercial paper to defease Washoe County publically issued water obligations, which produced significant immediate savings, and also for the transfer of a \$9.1 million Drinking Water State Revolving Loan to TMWA. TMWA anticipates incurring an additional \$385,000 in bond issuance expenses for the defeasance of TMWA's 2005 Revenue Bonds and for obtaining a 2015 Drinking Water State Revolving Loan to fund the North Valleys Integration Project.

Finally TMWA received approximately \$9.6 million in insurance proceeds that was paid to NV Energy and transferred to TMWA in relation to the Farad diversion litigation between NV Energy and its insurers Hartford Steam Boiler and Zurich. Litigation is still ensuing and additional proceeds may be forthcoming.

TMWA Consolidated Financial Projection for Fiscal Year 2015

	Original Adopted TMWA Final Budget Fiscal Year 2015	First' Augmented/ Adjusted Budget for Consolidation January -June 2015	Elements of Second Augmentation ²		TMWA Consolidated Augmented /Adjusted Budget for Fiscal Year 2015
			STMGID Revenues/Expenses July -December 2014	Additional Augmentations/ Adjustments	
OPERATING REVENUES					
Charges for water sales	\$ 78,396,272	\$ 6,679,710	\$ 1,436,120	\$ (816,679)	\$ 85,695,423 A
Hydroelectric sales	2,251,551	-	-	-	2,251,551
Other operating sales	2,039,000	166,000	45,675	-	2,250,675
Total Operating Revenues	82,686,823	6,845,710	1,481,795	(816,679)	90,197,649
OPERATING EXPENSES					
Salaries and wages	13,178,424	1,604,538	-	(100,000)	14,682,962 B
Employee benefits	6,088,260	725,913	-	(50,000)	6,764,173 B
Services and supplies	20,203,023	2,974,414	757,690	-	23,935,127
Total Operating Expenses before Depreciation	39,469,707	5,304,865	757,690	(150,000)	45,382,262
Depreciation	24,089,448	6,166,314	419,726	-	30,675,488
Total Operating Expenses	63,559,155	11,471,179	1,177,416	(150,000)	76,057,750
Operating Income	19,127,668	(4,625,469)	304,379	(666,679)	14,139,899
NONOPERATING REVENUES (EXPENSES)					
Grants	-	-	-	-	-
Investment earnings	2,149,264	203,391	121,432	-	2,474,087
Unrealized gain on investments	-	-	-	-	-
Gain (Loss) on disposal of assets	-	-	-	-	-
Amortization of bond/note issuance costs	(464,880)	(2,616)	-	(453,218)	(920,714) C
Interest expense	(20,823,906)	(749,916)	-	-	(21,573,822)
Other non-operating revenue	300,000	-	-	-	300,000
Other non-operating expenses	(750,000)	-	-	(150,000)	(900,000) B
Total Nonoperating Revenues (Expenses)	(19,589,522)	(549,141)	121,432	(603,218)	(20,620,449)
Income (Loss) before Capital Contributions	(461,854)	(5,174,610)	425,811	(1,269,897)	(6,480,550)
CAPITAL CONTRIBUTIONS					
Water meter retrofit program	656,892	-	-	-	656,892
Developer infrastructure contributions	1,189,188	-	-	-	1,189,188
Developer will-serve contributions (net of refunds)	272,004	-	-	-	272,004
Developer capital contributions-other	520,980	-	-	-	520,980
Developer facility charges (net of refunds)	1,146,600	315,000	71,365	-	1,532,965
Contributions from others	-	-	-	9,605,400	9,605,400 D
Contributions from other governments	-	-	-	-	-
Net Capital Contributions	3,785,664	315,000	71,365	9,605,400	13,777,429
Change in Net Position	3,323,810	(4,859,610)	497,176	8,335,503	7,296,879
NET POSITION , BEGINNING OF YEAR	294,362,552	229,898,573	30,131,482	-	554,392,607
NET POSITION , END OF YEAR	\$ 297,686,362	\$ 225,038,963	\$ 30,628,658	\$ 8,335,503	\$ 561,689,486

1) Approved at the December TMWA Board meeting

2) Augmentations/Adjustments are additional changes to be approved by the TMWA Board and are as follows:

- A \$ (816,679) Elimination of wholesale water charges to Washoe County from January 1 through June 30, 2015 now that the water systems are consolidated
- B \$ (150,000) Additional merger related expenses centered insignificant staff time dedicated to this effort that was challenging to budget which includes associated benefits
- C \$ (453,218) Additional bond issuance expenses for transfer/defeasance of Washoe County water obligations and bond/loan issuance expenses for a TMWA 2015 DWSRF loan and 2015 Refunding of 2005 TMWA Senior Lien Bonds
- D \$ 9,605,400 Transfer of money in accordance with the board approved Settlement Agreement between Sierra Pacific Power and TMWA, relating to the Farad Dam

TMWA Consolidated Financial Projection for Fiscal Year 2015

	Original Adopted TMWA Final Budget Fiscal Year 2015	Augmented/ Adjusted Budget for Consolidation January -June 2015	Elements of Second Augmentation ²		TMWA Consolidated Augmented /Adjusted Budget for Fiscal Year 2015
			STMGID	Additional	
			Revenues/Expenses July -December 2014	Augmentations/ Adjustments	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 82,686,823	\$ 6,845,710	\$ 1,481,795	\$ (816,679)	\$ 90,197,649
Cash paid to employees	(19,266,684)	(2,330,451)	-	150,000	(21,447,135)
Cash paid to suppliers	(20,203,023)	(2,974,414)	(757,690)	-	(23,935,127)
Net Cash Provided by Operating Activities	43,217,116	1,540,845	724,105	(666,679)	44,815,387
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grants	-	-	-	-	300,000
Other Revenues	300,000	-	-	-	(900,000)
Other Expenses	(750,000)	-	-	(150,000)	(900,000)
Net Cash Provided (used) by Noncapital Financing Activities	(450,000)	-	-	(150,000)	(600,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(26,244,996)	(4,074,000)	-	-	(30,318,996)
Interest paid on financing	(19,491,122)	(127,988)	-	-	(19,619,110)
Principal paid on financing	(12,728,737)	(375,950)	-	-	(13,104,687)
Proceeds from capital debt issuance	-	-	-	-	-
Proceeds from commercial paper note issuances	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-
Proceeds transferred to refunding/redemption escrow	-	-	-	-	-
Proceeds (spending) from (on) capital asset disposal	-	-	-	-	-
Contributions for water meter retrofit program	656,892	-	-	-	656,892
Contributions from developers-will-serve letters	272,004	-	-	-	272,004
Contributions from developers-other	520,980	-	-	-	520,980
Contributions from developers-facility charges	1,146,600	315,000	71,365	-	1,532,965
Contributions from (to) other governments	-	-	-	-	-
Contributions from (to) other	-	-	-	9,605,400	9,605,400
Grants	-	-	-	-	-
Bond/Note issuance costs	(407,124)	(2,616)	-	(453,218)	(862,958)
Net Cash (Used) by Capital and Related Financing Activities	(56,275,503)	(4,265,554)	71,365	9,152,182	(51,317,510)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	2,388,073	203,391	121,432	-	
Net Increase (Decrease) in Cash and Cash Equivalents	(11,120,314)	(2,521,318)	916,902	8,335,503	(7,102,123)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	133,949,074	32,794,353	16,540,777	-	166,743,427
CASH AND CASH EQUIVALENTS, END OF YEAR	122,828,760	30,273,035	17,457,679	-	153,101,795

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 222

A RESOLUTION FOR THE SECOND AMENDMENT/AUGMENTATION TO THE FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2015.

WHEREAS, TMWA prepared and presented the final Budget for Fiscal year 2015 at a public hearing in May 2014;

WHEREAS, TMWA had approved the first budget augmentation at its December board meeting to provide for additional expenditure authority for operations and capital spending as a result of the water utility consolidation;

WHEREAS, TMWA needs to make further adjustments and augmentations to its budget to include operating activities of the South Truckee Meadows General Improvement District (STMGID) for the first half of fiscal year 2015;

WHEREAS, TMWA will also need to provide for the additional bond issuance expenses incurred for the defeasance and transfer of Washoe County water obligations as approved by the TMWA Board;

WHEREAS, TMWA will also need to provide for additional bond issuance expenses for the defeasance of TMWA's 2005 publically issued bonds and issuance of debt to fund the North Valleys Integration Project;

WHEREAS, TMWA will also need to transfer expenditure authority from its operations budget to the consolidation efforts reflected in non-operating expenses;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority: that the augmentations and revisions to the annual budget described in the Staff Report attached as Exhibit 1 are hereby approved and staff is directed to submit such information as necessary and appropriate in connection with the augmentations and revisions to the Nevada Department of Taxation

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted this 18th day of March, 2015, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Truckee Meadows Water Authority
Resolution 222 (continued)

Approved this ____ day of _____, 2015

Geno Martini, Chairman

STATE OF NEVADA,)
 : ss.
COUNTY OF WASHOE.)

On this 18^h day of March, 2015, Geno Martini, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.

Notary Public