



## STAFF REPORT

**TO:** Standing Advisory Committee  
**FROM:** Jeff Tissier, Chief Financial Officer  
**DATE:** January 25, 2011  
**SUBJECT:** Presentation of the revised budget for FY2011

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### RECOMMENDATION

Staff recommends that the Standing Advisory Committee of the Truckee Meadows Water Authority provide comments to TMWA staff regarding proposed budget revisions and augmentations prior to the TMWA Board presentation.

### BACKGROUND

Budget augmentations (increases in appropriations) require Board of Directors' approval and must be recorded in the official minutes of the TMWA Board meeting. Augmentations must be adopted by resolution and information forwarded to the Nevada Department of Taxation after board approval. Since the Truckee Meadows Water Authority does not have taxing authority, separate public notice is not required. The board approved budget which was submitted to the State of Nevada in May 2010 is being adjusted for a number of other changes discussed further in this report. Please refer to **Attachment A-1 and A-2** to this report.

### EXPLANATION OF AUGMENTATIONS AND ADJUSTMENTS

#### **Statement of Revenues, Expenses, and Changes in Net Assets**

**Item A** The Final Budget for Fiscal Year 2010 presented water sales with the full benefit of the second approved 4.4% general water rate increase. This rate increase was anticipated to generate an additional \$3.0 million annually. Total water sales for fiscal year 2011 were expected to be on the order of \$75.7 million after the 4.4% rate increase. Based upon actual water sales for the first six months of fiscal year 2011 and projections to fiscal year-end, total water sales are expected to be \$73.3 million or \$2.4 million less than expected.

**Item B** TMWA is expected to have greater hydroelectric revenues for fiscal year 2011 due to better than expected river flows as a result of extended precipitation in the fourth quarter of fiscal year 2010 and very productive winter storms in December of 2010.

**Item C** This item reflects slightly reduced inspection fees for inspection of new business projects.

**Item D** The reduction in operating expenses is due to a three full time equivalent (FTE) reduction in personnel as a result of attrition. Reduction in employee benefit expenses is due to staff attrition but also a lower than expected increase in employer paid health care premiums. Reduction in service and supplies is due to a very favorable reduction in power expenses as a result of the Highland Canal improvements and stable pricing across all commodities.

**Item E** Reduced investment income is due to continued low interest rates on investments, principally in the debt service funds that pay semi-annual interest and annual principal payments.

**Item F** This item reflects the Board approved expenses related to the Voluntary Separation Program which is geared towards reducing TMWA staffing by 8% to 12% or 15 to 20 positions.

**Item G** The reduction in interest expense is a result of continued low interest rates on maturing tax-exempt commercial paper as well as less than expected letter of credit fees due to favorable renewal terms. The latest note remarketings produced continued low interest rates of .30% and 0.36%. Although investment interest rates are low this is balanced by historically low interest rates on TMWA's short term debt. These conditions are the reason for asset/liability management that minimizes the risk of changes in interest rates.

**Item H** Collection of developer fees continues to be anemic with expected collections to be less than amounts collected in fiscal year 2010.

### **Statement of Cash Flows**

**Item A** This item reflects the cash flow effects of the combination of the three changes, Item A, Item B, and Item C in the Statement of Revenues, Expenses, and Changes in Net Assets section.

**Item B** This item reflects the cash flow effects of reduced operating expenses as discussed in Item D in the Statement of Revenues, Expenses, and Changes in Net Assets.

**Item C** This item reflects the cash flow effect of reduced investment income.

**Item D** This item is an augmentation to TMWA's capital expenditures. TMWA recommends increasing capital expenditures by \$1,400,000 which reflects the carryover of the Sparks Feeder Main 4-A Project from fiscal year 2010 to fiscal year 2011.

**Item E** This reflects the cash flow reduction in interest expense as a result of much lower rates on TMWA's tax-exempt commercial paper program throughout the year. Also a correction of a minor error for principal paid for the current fiscal year is included.

**Item F** This item reflects an increase in Drinking Water State Revolving Loan Fund (DWSRF) draws. TMWA received an \$8.5 million loan authorization for the construction of the Glendale Diversion. Due to low bids on that project TMWA will divert the remaining loan authorization to complete the remaining critical improvements on the Highland Canal. The increase in fiscal year 2011 draws reflects engineering and permitting expenses for the Highland Canal project.

**Item G** Collection of developer fees continues to be anemic with expected collections to be less than amounts collected in fiscal year 2010.

**Item H** TMWA received grant funding for TROA in fiscal year 2010 with the last draw on the grant received in fiscal year 2011. This reduction reflects the failure of passage of federal legislation to provide funding support for TROA efforts for fiscal year 2011.

**TRUCKEE MEADOWS WATER AUTHORITY  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FISCAL YEAR 2011 PROPOSED AMENDED BUDGET AS COMPARED TO  
THE ADOPTED FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2011**

	ADOPTED FINAL 2010/11 BUDGET	PROPOSED AMENDED 2010/11 BUDGET	Increase (Decrease)	
<b>OPERATING REVENUES</b>				
Revenues from water sales	\$ 75,744,664	\$ 73,292,907	\$ (2,451,757)	A
Hydroelectric credits	2,011,388	2,487,495	476,107	B
Other operating revenues	<u>2,088,000</u>	<u>2,024,738</u>	<u>(63,262)</u>	C
Total Actual Operating Revenues	79,844,052	77,805,140	(2,038,912)	
<b>OPERATING EXPENSES</b>				
Salaries and wages	12,086,537	11,921,928	(164,609)	
Employee benefits	5,474,615	5,225,668	(248,947)	
Services and supplies	<u>23,425,982</u>	<u>21,401,509</u>	<u>(2,024,473)</u>	
Total Cash Operating Expenses	40,987,134	38,549,105	(2,438,029)	D
Depreciation/Amortization	<u>22,017,973</u>	<u>22,765,656</u>	<u>747,683</u>	
Total Operating Expenses	63,005,107	61,314,761	(1,690,346)	
Operating Income (Loss)	16,838,945	16,490,379	(348,566)	
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	2,935,145	2,377,606	(557,539)	E
Other non-operating expense	500,000	1,350,000	850,000	F
Bond/Note Issuance Expenses	1,043,823	938,568	(105,255)	G
Interest/bond issue expenses	<u>24,032,410</u>	<u>22,568,333</u>	<u>(1,464,077)</u>	G
Total Non-Operating Revenues (Expenses)	<u>(22,641,088)</u>	<u>(22,479,295)</u>	<u>(161,793)</u>	
Income (Loss) Before Capital Contributions	(5,802,143)	(5,988,916)	186,773	
<b>CAPITAL CONTRIBUTIONS</b>				
Water meter retrofit program	273,707	59,328	(214,379)	
Developer facility fees	464,156	162,264	(301,892)	
Developer infrastructure contributions	495,496	1,200,000	704,504	
Developer will-serve contributions	430,097	132,888	(297,209)	
Developer contributions-other	<u>259,151</u>	<u>90,600</u>	<u>(168,551)</u>	
Total Capital Contributions	1,922,607	1,645,080	(277,527)	H
Change in Net Assets	<u>\$ (3,879,536)</u>	<u>\$ (4,343,836)</u>	<u>\$ (464,300)</u>	

**ATTACHMENT A-1**

**TRUCKEE MEADOWS WATER AUTHORITY  
FISCAL YEAR 2011 AMENDED BUDGET AS COMPARED TO  
THE FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2011  
STATEMENT OF CASH FLOWS**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	ADOPTED FINAL 2010/11 BUDGET	PROPOSED AMENDED 2010/11 BUDGET	Increase (Decrease)	
<b>Cash Flows From Operations:</b>				
Cash received from customers	\$ 79,844,052	\$ 77,805,140	\$(2,038,912)	A
Cash payments for personnel costs	(17,561,152)	(17,147,596)	(413,556)	B
Cash payments for services and supplies	(23,425,984)	(21,401,509)	(2,024,475)	B
Net Cash Provided (Used) by Operations	38,856,916	39,256,035	399,119	
<b>Cash Flows From Noncapital Financing Activities:</b>				
Non-operating revenues	-	-	-	
Non-operating expenses	(500,000)	(500,000)	-	
Net Cash Provided (Used) by Noncapital Financing Activities	(500,000)	(500,000)	-	
<b>Cash Flows From Investing Activities:</b>				
Investment earnings	3,187,741	2,666,975	(520,766)	C
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(20,398,000)	(21,798,000)	1,400,000	D
Interest paid on financing	(22,806,665)	(21,342,511)	(1,464,154)	E
Principal paid on financing	(10,140,950)	(10,143,958)	3,008	E
Proceeds from capital debt issuance	4,450,000	5,000,000	550,000	F
Developer water meter retrofit program	273,707	59,328	(214,379)	G
Developer facility charges	464,156	162,264	(301,892)	G
Developer will-serve contributions	430,097	132,888	(297,209)	G
Developer contributions other	409,151	90,600	(318,551)	G
Bond and note issuance expenses	(659,459)	(647,699)	11,760	
Capital grants	500,000	271,000	(229,000)	H
Net Cash Provided (Used) by Capital and Related Financing Activities	(47,477,963)	(48,216,088)	738,125	
Net Increase (Decrease) in Cash and Cash Equivalents	(5,933,306)	(6,793,078)	616,478	
Unrestricted & Restricted Cash & Equivalents, Beginning	114,349,173	123,285,416	8,936,243	
Unrestricted & Restricted Cash & Equivalents, Ending	\$ 108,415,867	\$ 116,492,338	\$ 8,076,471	

ATTACHMENT A-2