



STAFF REPORT

TO: Chairman and Board Members
FROM: Mark Foree, General Manager
Jeff Tissier, Chief Financial Officer
DATE: April 25, 2014
SUBJECT: **Request for Board Adoption of Resolution #202 — A Resolution to adopt the Final Budget for Fiscal Year 2015 and the 2015-2019-Five Year Capital Improvement Plan**

Recommendation

Staff recommends that the TMWA Board approve the revised Tentative Budget as the adopted Final Budget for the fiscal year ending June 30, 2015 and direct staff to file the adopted Final Budget and related 2015-2019 Capital Improvement Plan with the State of Nevada Department of Taxation as required by statute.

Executive Summary

TMWA has prepared the revised Tentative Budget for final consideration and approval by the TMWA Board. A Tentative Budget report was presented at the March 2015 board meeting and a comparison of the revised Tentative Budget to the original Tentative Budget is accompanying this report in *Attachments A-1 and A-2*. The changes in the revised Tentative Budget are primarily due to opportunistic upgrades to the hydroelectric facilities when river flows are not sufficient to generate power. The revised Tentative Budget incorporates a few other changes from the original Tentative Budget. The changes are as follows:

- Hydroelectric revenues are expected to be \$0.5 million higher due to river flows extending into in the July/August 2015 timeframe. The original Tentative Budget did not expect river flows that would allow for sufficient generation during this period.
- Operating expenses were increased by \$0.2 million in the services and supplies category. This increase is due to advancing a number of hydroelectric facility maintenance projects while the hydroelectric plants are out of service once river flows will not be sufficient to generate power.

- Bond and note issuance expenses are now expected to be \$0.4 million less as a result of favorable terms on TMWA's new liquidity provider, Bank of Tokyo Mitsubishi UFJ.
- Consolidation expenses are expected to increase by \$0.5 million since TMWA, Washoe County and STMGID are in the process of implementing the merger. Activities center on legal, communications, transfer of customer billing to TMWA as well as land/easement and water rights title transfer. The original Tentative Budget was compiled prior to the joint board meeting where the decision to implement consolidation of the water agencies was made.
- The capital budget was increased in fiscal year 2015 from \$20.5 million to \$26.2 million. The increase is due to modifying the schedule for the Fleish tunnel/transition structure project for \$3.5 million from fiscal year 2016 to fiscal year 2015 due to the aforementioned hydro outages. Also general rehabilitation of the hydroelectric plants will be increased by \$0.4 million to take care of items that cannot be done while hydroelectric plants are operating. TMWA will need to spend \$1.8 million to expand the warehouse and parking facilities at the corporate location before transferring equipment and employees from Washoe County.

Beginning cash is expected to be \$1.3 million higher due to less capital spending in fiscal year 2014. TMWA has provided \$0.2 million for cloud seeding efforts in fiscal year 2015 since this activity can be beneficial if drought conditions persist. Also \$0.8 million has been earmarked for the Truckee River Fund to support watershed and environmental enhancements to the Tahoe and Truckee River basins.

**Truckee Meadows Water Authority
Proposed Final Budget for Fiscal Year 2015
Statement of Revenues, Expenses and Changes in Net Position**

	Revised Tentative Budget	Original Tentative Budget	Difference
OPERATING REVENUES			
Charges for water sales	\$ 78,396,272	78,396,272	-
Hydroelectric sales	2,251,551	1,705,818	545,733
Other operating sales	2,039,000	2,039,000	-
Total Operating Revenues	<u>82,686,823</u>	<u>82,141,090</u>	<u>545,733</u>
OPERATING EXPENSES			
Salaries and wages	13,178,424	13,178,424	-
Employee benefits	6,088,260	6,088,260	-
Services and supplies	20,203,023	19,987,023	216,000
Total Operating Expenses before Depreciation	<u>39,469,707</u>	<u>39,253,707</u>	<u>216,000</u>
Depreciation	24,089,448	23,974,452	114,996
Total Operating Expenses	<u>63,559,155</u>	<u>63,228,159</u>	<u>330,996</u>
Operating Income	<u>19,127,668</u>	<u>18,912,931</u>	<u>214,737</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2,149,027	2,149,027	-
Amortization of bond/note issuance costs	(464,880)	(835,056)	370,176
Interest expense	(20,823,906)	(20,823,906)	-
Other non-operating revenue	300,000	300,000	-
Other non-operating expenses	(750,000)	(300,000)	(450,000)
Total Nonoperating Revenues (Expenses)	<u>(19,589,759)</u>	<u>(19,509,935)</u>	<u>(79,824)</u>
Income (Loss) before Capital Contributions	<u>(462,091)</u>	<u>(597,004)</u>	<u>134,913</u>
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	1,146,600	-
Net Capital Contributions	<u>3,785,664</u>	<u>3,785,664</u>	<u>-</u>
Change in Net Assets	<u>3,323,573</u>	<u>3,188,660</u>	<u>134,913</u>
NET POSITION , BEGINNING OF YEAR	<u>294,362,552</u>	<u>294,362,552</u>	<u>-</u>
NET POSITION , END OF YEAR	<u>\$ 297,686,125</u>	<u>297,551,212</u>	<u>134,913</u>

Attachment A-1

**Truckee Meadows Water Authority
Proposed Final Budget for Fiscal Year 2015
Statement of Cash Flows**

	Revised Tentative Budget	Original Tentative Budget	Difference
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 82,686,823	82,141,090	545,733
Cash paid to employees	(19,266,684)	(19,266,684)	-
Cash paid to suppliers	(20,203,023)	(19,987,023)	(216,000)
Net Cash Provided by Operating Activities	<u>43,217,116</u>	<u>42,887,383</u>	<u>329,733</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Revenues	300,000	300,000	-
Other Expenses	(750,000)	(300,000)	(450,000)
Net Cash Provided (used) by Noncapital Financing Activities	<u>(450,000)</u>	<u>-</u>	<u>(450,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(26,244,996)	(20,469,996)	(5,775,000)
Interest paid on financing	(19,491,122)	(19,491,122)	-
Principal paid on financing	(12,728,737)	(12,728,737)	-
Proceeds from capital debt issuance	-	-	-
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	1,146,600	-
Bond/Note issuance costs	(407,124)	(777,312)	370,188
Net Cash (Used) by Capital and Related Financing Activities	<u>(56,275,503)</u>	<u>(50,870,691)</u>	<u>(5,404,812)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,387,806	2,387,807	-
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(11,120,581)</u>	<u>(5,595,501)</u>	<u>(5,525,080)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	133,949,074	132,697,662	1,251,412
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 122,828,493</u>	<u>127,102,161</u>	<u>(4,273,668)</u>

Attachment A-2

**TRUCKEE MEADOWS WATER AUTHORITY
CAPITAL IMPROVEMENT PLAN
FOR FISCAL YEAR ENDING JUNE 30, 2015 THROUGH JUNE 30, 2019**
(Amounts in thousands of dollars)

Summary of Capital Expenditures by Function	Five Year					FY 2019
	Total	FY 2015	FY 2016	FY 2017	FY 2018	
Raw Water Supply Improvements	\$ 4,165	\$ 2,065	\$ 950	\$ 950	\$ 125	\$ 75
Ground Water Supply Improvements	5,250	1,000	2,000	750	750	750
Treatment Plant Improvements	9,540	2,195	1,790	1,990	2,140	1,425
Distribution System Improvements	52,550	7,825	12,950	8,475	11,950	11,350
Potable Water Storage Improvements	8,750	2,900	2,900	400	2,150	400
Hydroelectric Improvements	9,150	4,500	540	2,475	885	750
Customer Service Outlays	8,220	2,350	1,400	1,510	1,450	1,510
Administrative Outlays	7,010	2,710	1,095	1,095	1,095	1,015
Sub-Total TMWA Construction Spending & Outlays	104,635	25,545	23,625	17,645	20,545	17,275
Water Meter Retrofit/ Water Right Purchases	3,500	700	700	700	700	700
Total Projected Capital Spending	\$ 108,135	\$ 26,245	\$ 24,325	\$ 18,345	\$ 21,245	\$ 17,975

Attachment C-1

**TRUCKEE MEADOWS WATER AUTHORITY
CAPITAL IMPROVEMENT PLAN PRELIMINARY FUNDING PLAN
FOR FISCAL YEAR ENDING JUNE 30, 2015 THROUGH JUNE 30, 2019**
(Amounts in thousands of dollars)

Summary of Funding by Customer Class/Bonding	Five Year					FY 2019
	Total	FY 2015	FY 2016	FY 2017	FY 2018	
Capital Improvements Funded by Customer Rates	\$ 99,910	\$ 25,070	\$ 23,475	\$ 14,995	\$ 19,595	\$ 17,075
Capital Improvements Funded by Development	2,725	475	150	950	950	200
Sub-Total TMWA Construction Spending & Outlays	\$ 102,635	\$ 25,545	\$ 23,625	\$ 15,945	\$ 20,545	\$ 17,275
Funded from Acquisition Bond Proceeds	2,000	-	-	2,000	-	-
Water Meter Retrofit/ Water Right Purchases	3,500	700	700	700	700	700
Total Projected Capital Spending	\$ 108,135	\$ 26,245	\$ 24,325	\$ 18,345	\$ 21,245	\$ 17,975
						\$ -

Attachment C-2

**TRUCKEE MEADOWS WATER AUTHORITY
CAPITAL IMPROVEMENT PLAN SPENDING PRIORITIZATION
FOR FISCAL YEAR ENDING JUNE 30, 2015 THROUGH JUNE 30, 2019
(Amounts in thousands of dollars)**

Summary of Funding by Priority		Five Year				
	Total	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Priority 1-----Mandatory Spending, Projects in Progress, Regulatory	\$ 63,030	21,265	11,800	10,670	9,285	10,010
Priority 2-----Necessary Spending	26,980	3,560	10,855	3,630	5,540	3,395
Priority 3-----Contingency Spending	18,125	1,420	1,670	4,045	6,420	4,570
	\$ 108,135	26,245	24,325	18,345	21,245	17,975

Attachment C-3

CAPITAL IMPROVEMENT PLAN
FOR FISCAL YEAR ENDING JUNE 30, 2015 THROUGH JUNE 30, 2019
(Amounts in thousands of dollars)

SUMMARY OF PROJECTS

Page #	Priority			Five Year Total	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Raw Water Supply Improvements									
1	1	CR	Highland Canal-Upgrades-Downstream	\$ 825	\$ 225	\$ 225	\$ 225	\$ 75	\$ 75
2	1	CR	Highland Canal-Upgrades-Diversion to CB	1,090	590	225	225	50	-
3	1	CR	Donner Dam Improvements	750	750	-	-	-	-
4	1	CR	TROA Drought Storage/Implementation	1,500	500	500	500	-	-
Subtotal -Raw Water Supply				4,165	2,065	950	950	125	75
Ground Water Supply Improvements									
5	1	CR	Well Rehabilitation Improvements	5,250	1,000	2,000	750	750	750
Subtotal-Groundwater Development				5,250	1,000	2,000	750	750	750
Treatment Plant Improvements									
6	2	CR	Treatment Plants- General Fix & Finish	5,180	895	965	855	1,215	1,250
7	1	CR	SCADA Rehab/Plant Operating Software	2,360	800	825	385	175	175
8	3	CR	Glendale Clearwell #2 Install	1,500	-	-	750	750	-
9	2	CR	Orr Ditch PS Improvements	500	500	-	-	-	-
Subtotal Treatment Improvements				9,540	2,195	1,790	1,990	2,140	1,425
Distribution System Improvements									
Pressure Improvements									
10	1	CR	Pressure Regulators Rehabilitation	2,250	650	400	400	400	400
11	3	CR	Land Acquisitions	2,500	500	500	500	500	500
12	1	CR	Pump Station Rebuilds,Rehabilitations	5,000	1,000	1,000	1,000	1,000	1,000
13	3	CR	Standby Generator Replacements	1,875	150	650	275	150	650
Sub-Total Pressure Improvements				11,625	2,300	2,550	2,175	2,050	2,550
Water Mains/Service lines									
14	1	CR	Street & Highway Main Replacements	24,500	4,500	4,500	5,000	5,000	5,500
15	2	CR	Stead Main Replacement Phase II	5,500	-	5,500	-	-	-
16	3	CR	California-Marsh 24" Main Replacement	4,750	250	-	-	4,500	-
17	3	CR	Plumb Lane 24' Main Replacement	2,900	-	-	-	-	2,900
18	2	DF	Verdi 18" Main oversizing	375	375	-	-	-	-
19	2	CR	NE Sparks Feeder Main Relocation	900	-	-	900	-	-
20	2	CR	Galv/Poly Service Line Replacements	2,000	400	400	400	400	400
Subtotal Distribution Improvements				40,925	5,525	10,400	6,300	9,900	8,800
Potable Water Storage Improvements									
21	1	CR	Highland Reservoir Drain/Cover Replacement	2,500	2,500	-	-	-	-
22	2	CR	Peavine Tank Replacement	2,500	-	2,500	-	-	-
23	2	CR	Sun Valley #2 Tank Replacement	1,750	-	-	-	1,750	-
24	1	CR	Tank/Reservoir Fix & Finish	2,000	400	400	400	400	400
Subtotal Storage Improvements				8,750	2,900	2,900	400	2,150	400
Hydroelectric Improvements									
25	3	CR	Acquisition of Farad Hydro Plant	2,000	-	-	2,000	-	-
26	1	CR	Flume, Forebay, Diversion, and Canal Improvments	1,910	850	475	-	185	400
27	1	CR	Fleisch Flume Replacement/Tunnel Project	3,975	3,500	-	475	-	-
28	2	CR	Hydro Plant Equipment Replacement	1,265	150	65	-	700	350
Subtotal Hydroelectric Improvements				9,150	4,500	540	2,475	885	750
Customer Service Outlays									
29	1	CR	CIS System Upgrade/ Meter Reading Equipment	1,120	1,000	-	60	-	60
30	2	DF	New Business Meters	850	100	150	200	200	200
31	1	CR	Meter -ERT-RTR Replacements	6,250	1,250	1,250	1,250	1,250	1,250
Subtotal Customer Service				8,220	2,350	1,400	1,510	1,450	1,510
Administrative Outlays									
32	2	CR	GIS System Mapping Equipment	135	15	30	30	30	30
33	2	CR	Desktop Computer Upgrades	500	100	100	100	100	100
34	2	CR	Network Server/Storage upgrades	875	175	175	175	175	175
35	2	CR	Network Security Upgrades	750	150	150	150	150	150
36	2	CR	Computer/Network Licensing	750	150	150	150	150	150
37	3	CR	Furniture -Office Equipment	100	20	20	20	20	20
38	2	CR	Backhoe Replacements	360	-	120	120	120	-
39	2	CR	Crew Trucks / Vehicles	1,290	250	250	250	250	290
40	2	CR	Security-VA/ER Projects	500	100	100	100	100	100
41	1	CR	TMWA Warehouse Expansion	1,750	1,750	-	-	-	-
Subtotal Administrative-Outlays				7,010	2,710	1,095	1,095	1,095	1,015
Subtotal Construction Projects and Captial Outlays				104,635	25,545	23,625	17,645	20,545	17,275
Special Projects Funded by Development									
42	2	DF	Water Meter Retrofits	1,000	200	200	200	200	200
43	3	DF	Water Right Purchases	2,500	500	500	500	500	500
Sub Total Special Projects Funded by Development				3,500	700	700	700	700	700
Total Construction Expenditures and Capital Outlays				\$ 108,135	\$ 26,245	\$ 24,325	\$ 18,345	\$ 21,245	\$ 17,975

Attachment C-4