



STAFF REPORT

TO: Board of Directors
FROM: Jeff Tissier, Chief Financial Officer
DATE: May 8, 2008
SUBJECT: **RESOLUTION FOR SECOND BUDGET AUGMENTATION AND APPROVAL OF BUDGET REVISION JULY 1, 2007 THROUGH JUNE 30, 2008**

RECOMMENDATION

Staff recommends that the Board of Directors of the Truckee Meadows Water Authority approve the resolution adopting the proposed budget augmentation, 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 (increases in appropriations) require Board of Directors' approval and must be recorded in the official minutes of the 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 that was submitted to the State of Nevada in May, 2007 is being adjusted for other changes. The proposed augmentations (**Item A**) and adjustments (remaining items) are listed below and are referenced on **Attachment A**.

EXPLANATION OF AUGMENTATIONS AND ADJUSTMENTS

TMWA has incurred significant damage to the Highland canal/flume structures that provides raw water to the Chalk Bluff Water Treatment Plant. Approximately 200 feet of flume structure was destroyed by rock fall and subsidence cracks have been identified along the canal embankments and canal lining around the Mogul area. Currently TMWA can pump, from the Orr Ditch Pump Station on the Truckee River, approximately 65 million of gallons per day (MGD) which is about 20 MGD less than plant capacity. This situation significantly impairs TMWA ability to meet peak day demands during the summer.

TMWA is planning to provide additional raw water capacity by installing temporary diesel driven pumps on the Orr Ditch near the Truckee River and installing temporary piping up

through the Chalk Bluff Canyon to the Chalk Bluff Treatment Plant. This should make up the shortfall in the aforementioned capacity deficiency. This does leave TMWA heavily power dependent for moving raw water. The monthly cost of power for running the Orr Ditch Pump Station and the diesel fuel to move raw water to the plant is estimated at \$390,000 per month. This vulnerability points TMWA at rehabilitating, as much as possible, the gravity flow through the Highland Canal/Flume structure via piping if feasible.

Item A This item is an augmentation to TMWA's operating expenses. The additional \$2,277,125 in operating expenses is due to expected increase in operating expenses related to the emergency. Power expense is expected to increase by \$210,000 for fiscal year 2008 from \$6.5 million to \$6.7 million which is due to early start up of the Orr Ditch Pump Station. In addition, TMWA anticipates a total of \$1,282,125 in mobilization and construction of temporary raw water feed to the Chalk Bluff Treatment Plant via the Chalk Bluff Canyon. TMWA also expects to spend up to \$785,000 to begin to re-establish some level of gravity raw water flow through the Highland Canal/Flume structures if feasible as a way to reduce power costs and to ensure as much as that raw water capacity is as reliable as possible during peak summer demands. TMWA will use existing cash reserves to fund these projects.

**TRUCKEE MEADOWS WATER AUTHORITY
BUDGET AUGMENTATIONS & ADJUSTMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDING JUNE 30, 2008**

PROPRIETARY FUND	Fiscal Year 2008 FIRST REVISED BUDGET	Mar 1,2008 through May 31,2008 Changes	Note	Fiscal Year 2008 SECOND REVISED BUDGET	Reference
Operating Revenue					
Public Works					
Charges for services	73,080,454	-		73,080,454	
Hydroelectric revenue	2,579,280	-		2,579,280	
Miscellaneous	2,230,860	-		2,230,860	
Total Operating Revenue	77,890,594	-		77,890,594	
Operating Expense					
UTILITY ENTERPRISE					
Salaries and Wages	11,749,878	-		11,749,878	
Employee Benefits	5,134,503	-		5,134,503	
Services and Supplies	22,793,555	2,277,125		25,070,680	
Function Subtotal	39,677,936	2,277,125		41,955,061	
Depreciation/amortization	19,610,736	-		19,610,736	
Total Operating Expense	59,288,672	2,277,125		61,565,797	
Operating Income (Loss)	18,601,922	(2,277,125)		16,324,797	
Non-operating Revenues					
Grant Revenues	-	-		-	
Investment Earnings	6,016,451	-		6,016,451	
Gain(loss) on asset disposal	-	-		-	
Total Non-operating Revenue	6,016,451	-		6,016,451	
Non-operating Expenses					
Grant Revenue	-	-		-	
Interest expense	25,863,766	-		25,863,766	
Bond/Note Issuance Cost Amortization	-	-		-	
Total Non-operating Expenses	25,863,766	-		25,863,766	
Income (Loss) Before Capital Contributions	(1,245,393)	(2,277,125)		(3,522,518)	
CAPITAL CONTRIBUTIONS					
Developer contributions facility charges	4,476,660	-		4,476,660	
Developer contributions water meter fund	2,335,632	-		2,335,632	
Developer contributions infrastructure	8,460,000	-		8,460,000	
Developer contributionn water rights	5,743,080	-		5,743,080	
Developr contributions other	1,455,000	-		1,455,000	
Contributions from Other Governments	7,615,020	-		7,615,020	
Total Capital Contributions	30,085,392	-		30,085,392	
NET INCOME (LOSS)	28,839,999	(2,277,125)		26,562,874	

**TRUCKEE MEADOWS WATER AUTHORITY
BUDGET AUGMENTATIONS & ADJUSTMENTS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDING JUNE 30, 2008**

PROPRIETARY FUND	Fiscal Year 2008 FIRST REVISED BUDGET	Mar 1,2008 through May 31,2008 Changes	Ref	Fiscal Year 2008 SECOND REVISED BUDGET	Reference
CASH FLOW FROM OPERATING ACTIVITIES:					
CASH INFLOWS:					
Cash received from customers	77,890,594	-		77,890,594	
CASH OUTFLOWS:					
Cash paid for employee wages & benefits	(16,884,381)	-		(16,884,381)	
Cash paid for services and supplies	(22,793,555)	(2,277,125)		(25,070,680)	A
Cash provided by operating activities	38,212,658	(2,277,125)		35,935,533	
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:					
CASH INFLOWS:					
Grants	-	-		-	
Operating transfers in	-	-		-	
CASH OUTFLOWS:					
Grants	-	-		-	
Operating transfers out	-	-		-	
Net Cash provided by non-capital financing activities:	-	-		-	
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
CASH OUTFLOWS:					
Acquisition and construction of fixed capital assets	(80,188,000)	-		(80,188,000)	
Proceeds from bond/Note sales	25,000,000	-		25,000,000	
Principal Payments on Debt	(9,286,321)	-		(9,286,321)	
Interest Payments on debt	(23,934,605)	-		(23,934,605)	
Contributions from water meter retrofit fund	2,335,632	-		2,335,632	
Contributions from developers-water rights	5,743,080	-		5,743,080	
Contributions from developers-facility charges	4,476,660	-		4,476,660	
Contributions from developers-other	1,455,000	-		1,455,000	
Contributions from other governments	7,615,020	-		7,615,020	
Net cash used in capital and related financing activities:	(66,783,534)	-		(66,783,534)	
CASH INFLOWS:					
Investment Earnings	6,016,451	-		6,016,451	
CASH OUTFLOWS:					
	-	-		-	
Net Cash used in Investing activities:	6,016,451	-		6,016,451	
Net INCREASE (DECREASE) in cash and cash equivalents	(22,554,425)	(2,277,125)		(24,831,550)	
Cash and Cash Equivalents at July 1,2007	176,149,459			176,149,459	
Cash and Cash Equivalents at June 30,2008	153,595,034			151,317,909	

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 125

A RESOLUTION APPROVING SECOND AUGMENTATION AND REVISION TO THE FINAL BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2008.

WHEREAS, the TMWA Board has previously adopted the final budget at a public hearing for the fiscal year ending June 30, 2008;

WHEREAS, TMWA had augmented and revised the final budget in February 2008;

WHEREAS, TMWA has incurred significant damage to raw water delivery capacity to the Chalk bluff Treatment Plant resulting from a series of earthquakes;

WHEREAS, TMWA will incur significant additional operating expenses to make up for the lost raw water capacity to the Chalk Bluff Treatment Plant, as defined in Exhibit 1;

WHEREAS, these expenditures are necessary to provide adequate water treatment capacity to meet summer water demands;

WHEREAS, the TMWA Board has convened an emergency meeting to consider this matter and has determined that the augmentation and revisions described in the staff report attached hereto as Exhibit 1 and incorporated herein by reference are appropriate and justified;

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 7th day of May, 2008, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Approved this 7th day of May, 2008

Mike Carrigan, Chairman

