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## Chapter 8 – Cost and Financing

### *Purpose and Scope*

This chapter presents a summary of the costs associated with recommended major facility improvement programs for water, wastewater and flood management presently being implemented within the Planning Area. Facility cost data consists of a summary of the estimated costs identified in the City of Reno (“Reno”), City of Sparks (“Sparks”), Washoe County, Sun Valley General Improvement District (“SVGID”) and Truckee Meadows Water Authority (“TMWA”) five-year Capital Improvement Plans (“5-year CIPs”). Anticipated “typical costs” per equivalent residential unit are also estimated to approximate the projected financial impact to persons within the Planning Area. The level of the analysis of alternatives for financing and funding described in Section 42.7 of the Act is extensive and much of the data required by the statute is not readily available due to the uncertain economic conditions. Such uncertainties constrain the availability of data on financing alternatives; therefore this chapter is limited to an analysis of available cost data. Capital improvement projections and cost estimates beyond five years are not readily available, since plans change as new information becomes available and new priorities are established. Furthermore, some major improvements anticipated beyond the 5-year CIP timeframes are discussed for informational purposes, but costs are not included in the financial summary.

### *Summary and Findings*

At present, the need to invest in new facilities for additional capacity to serve new development has diminished. Over the last several years, there has actually been a decrease in both water use and flows to the wastewater treatment plants. This reduction in water demand and wastewater flow has created under-utilized capacity within major facilities. This excess capacity will allow the utilities and local governments to defer major capital expenditures for new capacity. This is in sharp contrast to the projected expenditures reported in the 2009 Regional Water Plan Amendment.

The need to provide for on-going repair and replacement of existing infrastructure remains a high priority. Approximately \$1605 million per year is projected to be spent on all water-related source improvement projects over the next five years (see Table 8-6). Much of this funding is intended for implementation of the Truckee River Flood Project (“Flood Project”), and for existing facility repair and replacement programs. The timing of these improvements, both capital expenditures for existing and new, will be pursued as funding becomes available based on prioritization of need.

Based on “typical costs” for water rights, water connection fees and sewer connection fees, the estimated costs per equivalent residential unit (“ERU”) for new water and sewer service are estimated as follows:

	Developer Fees
Water Rights	\$ 4,700
Water Connection Fees	5,200
Sewer Connection Fees	5,900
Total	\$15,800

~~The need to construct new facilities over the next five years to serve new growth has diminished. However, it~~ should be noted that planned projects totaling approximately \$350

million (see detail of projects listed on page 8-89) are may be needed proposed within the 20-year planning period but that are not included in this analysis the estimated developer fee shown above. Though needed for future conditions, these facility costs were excluded due to the uncertainty of when economic conditions will require the facilities to be built. If and when these facilities are needed and, the inclusion of these costs would result in a change to may not be adequately reflected within the existing local government and utilities' connection fees and charges.

Local governments and utilities plan for the ongoing repair and replacement of the existing infrastructure, which is critical to provide essential public health and safety services, and maintain the useful life of the infrastructure assets as a whole. Roughly \$50 million per year should be reinvested to maintain the existing water and wastewater utility assets. This corresponds to the estimated annual and monthly rate amounts shown below. A significant portion of these costs are being collected in existing rates; however, the actual amounts reinvested are determined by the specific rate and fee setting practices adopted by the local governments and utilities.

	Annual per ERU	Monthly per ERU
User Rates	\$300	\$25

This level of ongoing reinvestment is necessary to maintain the integrity and reliability of the community's water and wastewater systems. This corresponds to approximately \$300 per year per ERU, or \$25 per month. A significant portion of these costs are being collected in existing rates; however, the actual amounts reinvested are determined by the specific rate and fee setting practices adopted by the local governments and utilities. Reinvestment in the system is reasonable and appropriate to keep pure drinking water flowing from the taps and to treat and dispose of the community's wastewater in an environmentally sound manner.

**Introduction**

The Amendment to the Comprehensive Regional Water Management Plan, dated January 9, 2009, included a summary of the projected water, wastewater and flood management facility costs based primarily on *the City of Reno / Washoe County Truckee Meadows Service Area ("TMSA") / Future Service Area ("FSA") Facility Plans* (ECO:LOGIC, 2007) and the *City of Sparks Conceptual Facility Master Plan* (Stantec, 2008). The total estimated cost for all facilities at that time was approximately \$3.4 billion, with \$897 million for water, \$1.4 billion for wastewater and reclaimed water, and \$1.1 billion for flood management. The water, wastewater and reclaimed water costs were based on the facilities required to serve new growth, and did not address repairs or replacements to existing facilities that would be attributable to existing customers.

The 2011 Regional Water Plan comes at a time with far different and challenging circumstances facing the Planning Area. The following summary of the current economic conditions is taken from TMWA's *2030 Water Resource Plan*.

"Prior to 2003, the number of will-serve commitments issued by TMWA for retail and wholesale water service averaged between 1,000 to 1,500 acre-feet per year; by 2004 and 2005 the number of will-serve commitments had more than doubled. The region experienced eight years worth of development in a four year period (2003-2006)

followed by a precipitous drop in development activity beginning late 2006... This 2003-2006 period of unprecedented growth exerted upward pressure on the price of housing as well as the price of water rights. The greatest increase in housing prices occurred between 2003 and 2005... Between 2000 and 2005, the median sales price of existing homes increased 103 percent, from \$155,000 to \$315,000. Some of the reasons cited for this rapid price increase in housing prices related to (a) relatively low home prices compared to California and other western markets; (b) historically low mortgage rates and access to mortgage loans in existence during that time; (c) high consumer confidence and spending at the national level; (d) a strong national economy; (e) an influx of national home builders to the region selling new homes at higher than average prices; (f) a surge in immigration and demand for new housing in the region; (g) a stable and favorable business climate compared to other regions in the west; and (h) increasing costs of raw materials for new construction brought about by high demands. At present the median price of existing single family homes is approximately \$170,000. When the economy began to falter in Nevada beginning in late 2006, development of any significance declined substantially... In addition to record unemployment, Nevada continues to rank in the top five states for the highest home foreclosure rate. According to the Nevada Department of Employment, Training and Rehabilitation in August 2009, Nevada is in the midst of the longest, deepest recession since World War II, and recent labor market trends show no sign of improvement.”

Growth in the region, and the associated revenues from developer connection charges and impact fees, has slowed dramatically from historic levels. Based on the current economic climate, the need to make substantial investments in new capacity for water and sewer facility costs is far less than just three years ago. As such, the utility and local government capital expenditure plans are directed towards existing facility repair and replacement programs.

## **8.1 Financial Summary**

Planned improvements for the water, wastewater and stormwater programs in the region are developed through the utility and local government CIP process. These improvement programs are intended to accommodate planned growth, meet existing and anticipated regulatory requirements, and provide for the on-going infrastructure repair and replacement projects to extend the useful life of existing facility assets. Although individual project implementation decisions remain at the discretion of the utilities and local governments, one priority of these entities is to strive to maximize the use of existing assets and minimize costs to keep utility rates and charges affordable.

### **8.1.1 Costs Included in the Financial Summary**

A summary of the estimated costs identified in the Reno, Sparks, Washoe County, SVGID and TMWA 5-year CIPs is presented below (see Appendix J for detailed lists). Costs that have been included in this financial summary are generally limited to those costs that will affect the rates and charges levied by the utility service providers. The level of the analysis of alternatives for financing and funding described in Section 42.7 of the Act is extensive and much of the data required by the statute is not readily available due to the uncertain economic conditions. Therefore, the Northern Nevada Water Planning Commission (“NNWPC”) has limited this analysis to a summary of available cost data and refers the reader to the CIPs and fee/rate structures of the various utilities and local governments.

Costs that are **included** in this analysis are:

### **Water Systems**

- Water production facilities (surface water treatment plants and wells)
- Major water transmission and storage facilities
- Intertie pipelines between utilities
- System reliability improvements

### **Wastewater Systems**

- Major interceptors
- Treatment plant expansions and upgrades
- Effluent reuse treatment, distribution, storage systems
- Non-structural measure costs

### **Stormwater / Flood Control Systems**

- Major interceptors
- Stormwater detention facilities
- Truckee River Flood Project

### **Typical costs excluded from the analysis are:**

- Developer contributions to the meter retrofit fund
- Costs for the purchase of water rights for new users
- Costs for local water distribution facilities
- Costs for local sanitary sewer collection facilities
- Costs for contaminated well remediation that will be paid by the remediation district
- Costs for regional and other major facilities that will be paid directly by developers benefiting from the project (exclusive of connection fee costs)

The general approach to rate setting is: (1) to recover the capital costs of system expansions from new users through connection fees and/or special assessment districts (Developer Fees) and (2) to recover the costs of system repairs, replacements, operations, and maintenance from all users through service charges (User Rates). Special assessment district levies are also utilized for the recovery of system rehabilitation, replacement and/or improvement costs if those project benefits are limited to only a portion of the service area. Tables 8-1 through 8-5 summarize the planned water, wastewater and stormwater / flood control CIP expenditures for the fiscal years 2011-2015 for the service providers indicated.

**Table 8-1 2011-2015 Projected Capital Expenditures for Washoe County**

(Million dollars)			
	User Rates <sup>1</sup>	Developer Fees	Total
Water Supply/Distribution <sup>2</sup>	\$24.2	\$37.3	\$61.5
Sanitary Sewer	20.1	17.5	37.6
STMWRF Treatment	15.7	4.8	20.5
Reclaimed Water	0.7	1.0	1.7
Storm Drainage	2.6	-	2.6
<b>Total</b>	<b>\$63.3</b>	<b>\$60.6</b>	<b>\$123.9</b>

<sup>1</sup> Includes funding from grants and loans

<sup>2</sup> Includes costs for STMGID

**Table 8-2 2011-2015 Projected Capital Expenditures for City of Reno**

(Million dollars)			
	User Rates <sup>1,2</sup>	Developer Fees	Total
Sanitary Sewer	\$75.0	\$7.5	\$82.5
TMWRF Treatment	17.7	4.0	21.7
RSWRF Treatment	2.5	-	2.5
Storm Drainage	4.1	-	4.1
<b>Total</b>	<b>\$99.3</b>	<b>\$11.5</b>	<b>\$110.8</b>

<sup>1</sup> Includes funding from grants and loans

<sup>2</sup> Projects will be pursued as funding becomes available based on prioritization of need

**Table 8-3 2011-2015 Projected Capital Expenditures for City of Sparks**  
 (Million dollars)

	User Rates <sup>1,2</sup>	Developer Fees	Total
TMWRF	\$8.1	\$1.8	\$9.9
Sanitary Sewer	10	1.5	11.5
Reclaimed Water	1.3	0.3	1.6
Storm Drainage	16.4	2.9	19.3
Riverflood	33	6	39.0
<b>Total</b>	<b>\$68.8</b>	<b>\$12.5</b>	<b>\$81.3</b>

<sup>1</sup> Includes funding from grants and loans

<sup>2</sup> Projects will be pursued as funding becomes available based on prioritization of need

**Table 8-4 2011-2015 Projected Capital Expenditures for Truckee Meadows**  
**Water Authority**  
 (Million dollars)

	User Rates <sup>1</sup>	Developer Fees	Total
Water Supply / Treatment	\$15.3	\$3.6 <sup>1</sup>	\$18.9
Distribution / Storage	34.5	3.9	38.4
Hydroelectric / Misc	14.6	3.0	17.6
<b>Total</b>	<b>\$64.4</b>	<b>\$10.5</b>	<b>\$74.9</b>

<sup>1</sup> Includes funding from grants and loans

[NL1]

**Table 8-5 2011-2015 Projected Capital Expenditures for Sun Valley GID**  
 (Million dollars)

	User Rates <sup>1, 2</sup>	Developer Fees	Total
Sanitary Sewer	\$0.7	\$1.7	\$2.4
Water Distribution	0.8	1.7	2.5
<b>Total</b>	<b>\$1.5</b>	<b>\$3.4</b>	<b>\$4.9</b>

<sup>1</sup> Projects will be pursued as funding becomes available based on prioritization of need

As described in Chapter 5, the Flood Project has three primary goals:

- 1) Reduce flood damages and deaths from a 1997-type flood (117-year event),
- 2) Restore 50 miles of the Truckee River between Reno and Pyramid Lake, and
- 3) Provide enhanced recreational opportunities and open space in the region.

The Flood Project is sponsored by a consortium of local partners, including Reno, Sparks, the Community Coalition, Washoe County, Storey County, the Reno-Tahoe Airport Authority, Pyramid Lake Paiute Tribe (“PLPT”), Reno-Sparks Indian Colony, and The Nature Conservancy. At an estimated cost of \$1.2 billion to \$1.6 billion, the Flood Project is the largest public works project ever undertaken in northern Nevada, combining ecosystem restoration, recreation and flood control together in one visionary, integrated effort. The Army Corps of Engineers (“ACOE”) is expected to contribute more than half of the project cost. The Flood Project is seeking funding in the President’s Budget to complete the General Re-evaluation Report (“GRR”) and the Environmental Impact Statement (“EIS”), and initiate design work for the project in FY 2011.

Although the Flood Project is currently funded by a 1/8 cent sales tax (“Sales Tax”), additional funds will be required to meet the local sponsor’s required funding contribution, estimated to be \$525 million. It is expected that one or more “Flood Funding Areas” will be established over time to meet the funding need. A Flood Funding Study is underway to address the need for additional revenues to meet the local sponsor’s required funding contribution. Local sponsors are also discussing which of the proposed flood project elements could be built with local funds only and what level of protection that would provide.

The Flood Project is currently in feasibility design to determine the National Economic Development (“NED”) plan, expected to be completed in December 2010. The draft EIS will be available for public review in April 2012. Authorization by Congress is anticipated in the fall of 2012 with a possible construction start by the ACOE in 2013. Up to \$200 to \$400 million may be expended within the five-year planning period, assuming the project is authorized and that a Joint Powers Authority (“JPA”) is established to collect rates.

A summary of the projected 5-year cost requirements for water, wastewater and stormwater facilities is presented in Table 8-6. Approximately \$800 million, or an average of approximately \$160 million per year, is projected to be spent on water resource improvement projects.

**Table 8-6 2011-2015 Projected Capital Expenditures for the Region**  
 (Million dollars)

	User Rates <sup>1</sup>	Developer Fees	Sales Tax	Total
Washoe County	\$63.3	\$60.6		\$123.9
City of Reno	99.3	11.5		110.8
City of Sparks	68.8	12.5		81.3
Truckee Meadows Water Authority	64.4	10.5		74.9
Sun Valley GID	1.5	3.4		4.9
Truckee River Flood Project	375		25	400
<b>Total</b>	<b>\$672.3</b>	<b>\$98.5</b>	<b>\$25</b>	<b>\$795.8</b>
<u>Divided by 5 years</u>				<u>5</u>
<u>Equals: Estimated Expenditures for Improvement Projects</u>				<u>\$160/year</u>

<sup>1</sup> Includes funding from grants and loans

In addition to these planned 5-year CIP projects, there are other proposed projects within the 20-year planning horizon that may have a financial impact on the community that are not included in this financial summary. The timing of these improvements will be pursued as funding becomes available based on prioritization of need. Some significant projects include:

- Truckee Meadows Water Reclamation Facility (“TMWRF”) rehabilitation and upgrade, including new headworks, denitrification and solids handling improvements, secondary clarifiers and total dissolved solids (“TDS”) reduction measures, \$146 million
- Reno-Stead Water Reclamation Facility (“RSWRF”) upgrades, including flow equalization, expansion to 4 MGD, \$55 million
- RSWRF effluent disposal, \$15 to \$30 million
- South Truckee Meadows Water Reclamation Facility (“STMWRF”) 6 MGD expansion with solids handling, \$44 million
- Huffaker Reservoir effluent storage expansion, \$19.5 million
- Cold Springs Water Reclamation Facility (“CSWRF”) 1.2 MGD expansion, \$8 million
- TMWA’s Sparks groundwater treatment plant, \$24 million
- Replacement of TMWA’s 24 Inch pipeline in Plumb Lane, \$11 million
- Expansion of TMWA’s Highland reservoir 5 million gallons (“MG”), \$10 million

## 8.2 Estimation of Incremental Changes to Existing User Rates and Developer Fees

Incremental developer connection fees and changes to monthly rates charged to single-family residences in the planning area cannot be calculated with precision from the information summarized for this plan. Actual rates and fees will vary by utility provider, depending on:

- Actual distribution of costs among the utilities
- Cost sharing agreements reached between the participating agencies and utilities
- Other costs that will be incurred that were excluded from this analysis
- Existing costs for debt service, operation, maintenance and replacement
- Rate and fees setting practices adopted by the utility

Review of the information presented in Tables 8-1 through 8-6 indicates a substantial decrease in the need to invest in new facilities for additional capacity for new development, and an increased need to provide for on-going repair and replacement of existing infrastructure. Over the last several years, there has actually been a decrease in water use and reduced flows to the wastewater treatment plants. This reduction in water demand and wastewater flow has created under-utilized capacity within major facilities. This excess capacity will allow the utilities and local governments to defer major capital expenditures for new capacity while continuing to collect connection fees. This is in sharp contrast to the projected development-related expenditures reported in the 2009 Regional Water Plan Amendment.

The Washoe County CIP anticipates the need for more capital expenditures to serve growth than projected in Reno, Sparks and TMWA CIPs. This is due in large part to proposed developments occurring in relatively undeveloped areas, which requires the construction of new facilities rather than utilization of existing infrastructure. An example of this is the \$15 million projected expenditure for new water transmission mains in Lemmon Valley to distribute water from the Fish Springs Water Supply Project to planned growth areas. However, if new development does not occur in this area, Washoe County will be able to defer these types of investments.

An estimate of an anticipated “typical cost” per ERU has been developed to approximate the financial impact to persons within the Planning Area. Because single-family homes are the most common type of service, and they have relatively uniform water use patterns, it makes sense to base “equivalent per unit” demands on them. Demands for other types of service, such as multifamily, industrial, and commercial connections, often vary more widely. Using data for single-family residential demand allows for a more statistically consistent approach for determining the amount of water demand and wastewater flow for a “typical” ERU.

The cost per ERU is based on an estimate of water rights costs and connection fees using the Consensus Forecast and the water demand and wastewater flow projection methodology developed in Chapter 6. This approach is appropriate for the next five years due to the need to absorb and use existing available capacity, rather than the cost of constructing new infrastructure as discussed above.

Typical costs for water and wastewater connection fees have been used to prepare this estimate. TMWA and Reno rates were utilized to prepare this estimate since the majority of

new development is expected to take place within their respective service areas. The actual cost of service may be higher or lower than this estimate, depending on the specific location of each new service connection. TMWA’s connection fees are based on the projected increase in maximum day water demand, and Reno’s connection fees are based on dwelling units and fixture units for commercial and industrial uses.

Projected increases in water demand and wastewater flow throughout the planning area have been developed through 2015, based on the Consensus Forecast population projection and the projection of water demand, peak day requirements and wastewater flow by service area methodology presented in Section 6.2. There is a projected increase of 12,765 residential units and 367 commercial services to be added throughout the Planning Area. Five ERUs per commercial/industrial connection has been used to approximate the water demand and wastewater flow for commercial services. Based on this approach, the following projected increase in water demand and wastewater flow is calculated:

- Increase in annual water use: 6,775 acre feet (“af”)
- Increase in maximum day water demand: 15.5 million gallons per day (“MGD”)
- Increase in residential sewer services: 12,765 services
- Increases in commercial/industrial sewer services: 367

A cost for water rights of \$10,000 per af results in a typical cost per ERU of approximately \$4,700. Using a maximum day peaking factor of 2.05 and a blended connection fee of \$7,025 per gallon per minute (“GPM”) of maximum day water demand, based on TMWA’s Supply/Treatment, Storage and Distribution/Feeder Main fee, results in a typical cost per ERU of \$5,200 for water service. Reno’s connection fee for sewer service is based on ERU’s; therefore, the average cost is approximately \$5,900 per ERU of sewer capacity. In summary, Table 8-7 presents the projected costs per ERU for a new water and sewer service during the 2011 to 2015 planning period:

**Table 8-7 2011-2015 Projected Costs Per ERU for a New Service**

Water Rights	\$ 4,700
Water Connection Fees	5,200
Sewer Connection Fees	5,900
<b>Total</b>	<b>\$15,800</b>

These projected costs per ERU are less than the water and sewer costs per ERU reported in the 2009 Regional Water Plan Amendment (i.e., \$10,000 for water, excluding water rights, and \$15,000 for wastewater/reclaimed water). The need to construct new facilities over the five-year time frame to serve new growth has diminished. However, planned projects totaling approximately \$350 million are proposed within the 20-year planning period that are not included in this analysis, and their costs may not be adequately reflected within the existing local government and utilities’ connection fees and charges. Subsequent updates to the *Regional Water Plan* should revisit this analysis as changes in local economic conditions and growth patterns warrant.

These costs do not include the region’s financial support of the Flood Project, pending the outcome of the ongoing Flood Funding Study that will address the need for additional revenues to meet the local sponsor’s required funding contribution.

As shown in Tables 8-1 through 8-6, much of the projected expenditures during the 2011 – 2015 planning period are intended for repair, rehabilitation and replacement (“R&R”) of existing infrastructure. The useful life of facilities that provide water, wastewater and storm water services generally ranges from 20 years for mechanical equipment, to 50 years or more for most structures and buried pipelines. Local governments and utilities plan for the ongoing repair and replacement of the existing infrastructure, which is critical to provide essential public health and safety services, and maintain the useful life of the infrastructure assets as a whole.

The magnitude of the total investment in the community’s water and wastewater infrastructure, and the necessity to fund its ongoing R&R needs is not commonly recognized. The municipal systems have been in operation for most of 100 years. They have been expanded and upgraded over the years to provide additional capacity and meet increasingly stringent regulatory requirements. In total, the asset value of the community’s investment in water and wastewater infrastructure is on the order of \$2.5 billion, as shown in Table 8-8.

**Table 8-8 Asset Value of Existing Water and Wastewater Infrastructure**

	Estimated Value	Annual R&R Funding Needs <sup>1</sup>
City of Reno	\$1 billion	\$20 million
City of Sparks <sup>2</sup>	460 million	5 - 9 million
Washoe County DWR <sup>3</sup>	437 million	9.5 million
TMWA	600 million	11 - 13 million
SVGID	45 Million	0.5 million
<b>TOTAL</b>	<b>\$2.5 billion</b>	<b>\$46 - \$52 million</b>

<sup>1</sup> Actual amounts may vary based on actual revenues and prioritization of needs

<sup>2</sup> Estimated values based on TMWRF shared capacity 31.37% and Reno’s \$1 billion asset value projection and assumed 1% to 2% R&R funding level

<sup>3</sup> Includes STMGID

As shown above, roughly \$50 million per year should be reinvested to maintain the existing water and wastewater utility assets. Based on the accepted 2010 population of 434,519 for the Consensus Forecast (minus 20,000 for Incline Village and balance of the County outside of the TMSA) and using the US Census data for average household size for Washoe County of 2.53 persons per household, the TMSA contains roughly 163,800 ERUs, excluding commercial and industrial services. An estimate of the annual expenditure for R&R needs per ERU can be approximated by dividing \$50 million by 163,800 ERUs. This corresponds to approximately \$300 per year per ERU, or \$25 per month per ERU which should be reinvested to maintain the existing utility infrastructure. The actual amounts reinvested are determined by the specific rate and fee setting practices adopted by the local governments and utilities.

### **8.3 Potential Financial Impacts on Future Plans**

#### **8.3.1 TMWA - WCDWR Consolidation Analysis**

As presented in Chapter 3, serious consideration has been given by the TMWA Board of Directors and the Washoe County Board of Commissioners (“BCC”) to the possible integration of some or all functions of TMWA and Washoe County Department of Water Resources (“WCDWR”)’s water utility. Formal direction was given to the Western Regional Water Commission (“WRWC”) to incorporate into its 2011 Regional Water Plan an “Evaluation and recommendations regarding the consolidation of public purveyors in the planning area, which

must include costs and benefits of consolidation, the feasibility of various consolidation options, analysis of water supplies, operations, facilities, human resources, assets, liabilities, bond covenants, and legal and financial impediments to consolidation and methods, if any, for addressing any such impediments.” (Western Regional Water Commission Act, Section 42[9]).

The WRWC received preliminary assessments reports (“PARs”) for System Planning and Engineering at its March 13, 2009 meeting, and Operations and Water Resources at its July 10, 2009 meeting (see Appendix F). Each of these PARs analyzed the potential opportunities for improving efficiency, customer service, and reliability, as well as reducing long term operating and/or capital costs through some form of integration of WCDWR and TMWA.

The System Planning and Engineering PAR concluded that integrated planning and operation of water system facilities could improve reliability, water quality and service levels for customers; and potentially result in decreased operating and/or capital costs as compared to stand-alone water systems, particularly in the South Truckee Meadows. The Operations PAR evaluated functions performed by each utility, and identified benefits of improved system reliability, water quality, and service levels to our customers through integration of staffs and joint operations.

In December 2009, TMWA and WCDWR staff began a due diligence process investigating WCDWR water production and distribution facilities. Draft operating plans for conjunctive use of water in the Spanish Springs area, the South Truckee Meadows, and the North Valleys had not been completed prior to completion of this Plan. These plans will provide the framework for staffing requirements, development of operating costs and ultimately provide the cornerstone for financial projections.

TMWA has also finalized its *2030 Water Resource Plan*, which is key to anchoring the nature and timing of projects for TMWA’s future capital expenditures. The next step is prioritization, confirmation of timing and risk assessment management of planned capital improvements. These findings will lead to the development and finalization of independent and combined operating plans. Then, the completion of the operating plans and finalization of capital improvement plans will be achieved.

The last major phase of the due diligence process will be the development of financial models incorporating the critical elements of the operating plans and CIPs. The financial phase will analyze the differences between TMWA and WCDWR as stand-alone entities and as combined water agencies. Based upon the results of the financial analyses, an informed decision can be made with respect to the integration/merger. Financial work may be completed in early 2011, with proposals for consideration by the TMWA Board and the BCC shortly thereafter.

### **8.3.2 STMGID Service Provider Alternatives Analysis**

The South Truckee Meadows General Improvement District (“STMGID”) has also begun the process of assessing the feasibility of its various options to replace the services currently provided by WCDWR. Since its creation by Washoe County in 1981, STMGID and WCDWR have defined their respective service territories and agreed upon terms and conditions for emergency and supply exchange interties and water wheeling by interlocal agreement. Currently, STMGID is evaluating the practical and economic feasibility of proposed options, including public meetings with STMGID customers to provide input to the process. The possible future for STMGID ranges from consolidation with TMWA to becoming a standalone water company. Opportunities to improve reliability, water quality and service levels for customers,

and potential impacts to operating and/or capital costs will be considered. Financial work may be completed in early 2011, with proposals for consideration by the STMGID Board and BCC shortly thereafter.

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