



TAHOE CITY PUBLIC UTILITY DISTRICT

MEMORANDUM

TO:	Board of Directors	DATE:	July 7, 2022
FROM:	Sean Barclay General Manager	SUBJ:	Long-Term Financial Planning - Authorization of a Tahoe Cedars & Madden Creek Water System Reconstruction Strategy

RECOMMENDATION:

The Board of Directors authorizes a Tahoe Cedars and Madden Creek Water System Reconstruction Strategy by taking the following actions:

1. Authorize staff to proceed with the design, permitting and development of project implementation plans for the full reconstruction projects for both Tahoe Cedars and Madden Creek assuming debt financing of the full project costs currently estimated at \$44M in total
2. Authorize staff to prepare project budgets and financial plans and bring back to Board for review/approval
3. Authorize staff to begin a rate study/cost-of-service analysis (to set rates for 2025-2029) with the understanding that:
 - a. District property tax revenue may be used to fund up to 33% of the new water capital infrastructure debt for the Tahoe Cedars and Madden Creek projects
 - b. The cost-of-service analysis will determine what infrastructure costs are unique to the Tahoe Cedars and Madden Creek projects, and therefore, should be paid for by those customers
4. Authorize staff to begin development of a public outreach program

BACKGROUND:

In April 2018, the District formally began a Long-Term Financial Planning (LTFP) process designed to ensure the District could achieve its Mission and accomplish its Strategic Priorities while maintaining financial sustainability over the long-term. The most critical and challenging of the Strategic Priorities and a catalyst for the LTFP process was the District's acquisition of two formerly private water systems acquired in January of 2018. In February 2021, the Board of Directors adopted the Tahoe Cedars and Madden Creek Water Systems Master Plans, which called for the full reconstruction of both systems and estimated the costs of this reconstruction at \$44 million.

Since April 2018, the Board of Directors and the Ad-Hoc LTFP Committee (Directors Pang and Wilkens) have dedicated a significant amount of time to conducting the LTFP process. The process has resulted in the adoption of numerous new and updated financial policies, development of 10-year Capital Improvement Plans for the Water and Parks Departments, and development and implementation of a comprehensive 10-year financial forecasting model.

At the June 2022 Board meeting, staff presented a financial scenario that included a blend of debt financing and pay-as-you go funding that could be used to fund the entire 10-year Water and Parks Capital Improvement Plans. To achieve the revenues necessary to fund the entire list of projects identified in the Capital Improvement Plans under this scenario and maintain long-term fiscal stability, the District will need to raise water rate revenue and commit future property tax revenue towards new water capital debt.

This 10-year financial forecasting effort marked the culmination of the analysis phase of the LTFP process and based on feedback from the Board, the LTFP team (including District staff and LTFP consultants) and Ad-

REVIEW TRACKING:

Submitted By: Sean Barclay
Sean Barclay
General Manager

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Hoc Committee feel confident that the Board can now act on implementing a strategy for the reconstruction of the Tahoe Cedars and Madden Creek water systems.

The LTFP team and the Ad-Hoc Committee have prepared the set of recommendations listed above, which together provide strategic direction to staff on beginning the next phase of work on the following four major components:

- Project Implementation Plan Development
- Project Funding Plan Development
- Cost of Service Analysis/Rate Study (Project-Specific & District-Wide)
- Project Public Outreach Plan Development

Staff will deliver a presentation at the July Board meeting that will provide further information on these major components.

STRATEGIC FOCUS AREA:

- Long-Term Financial Sustainability
- Infrastructure & Property – Protection and Improvement

FINANCIAL IMPACTS:

No financial impact at this time.

ATTACHMENTS:

- None