

TAHOE CITY PUBLIC UTILITY DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** February 10, 2022

FROM: Charley Miller **SUBJ:** Long Term Financial Planning -

Engineering Manager District Priority Projects Update

RECOMMENDATION:

No recommendation – for information and discussion. Staff will provide a presentation to the Board on the current District priority projects in the Water Fund and General Fund.

BACKGROUND:

At the August 2021 meeting of the Board of Directors, staff presented an outline for a long-term financial planning process to develop a clear vision for the District's overall priorities and to determine what the District can afford to pursue over the short-term and long-term and who pays for what share of those priorities. The outline proposed a series of long-term financial planning agenda items that would be brought to the Board over the next 6 to 8 months. The process was designed to ensure that the Board has an opportunity to review in detail, discuss and provide feedback on the following important topics:

- Examining alternative project approaches for the reconstruction of the TCWS and MCWS
- Examining, in further detail, cost estimates for currently identified water infrastructure and parks/recreation facility improvement projects
- Evaluating debt financing options
- Evaluating overall District borrowing capacity for both water and parks/recreation facility projects
- Evaluating mechanisms and amounts for current property owner financial participation and for owners of potential future acquisitions.
- Evaluating policy considerations

At the February 18, 2022, Board meeting, staff will provide a presentation on the currently identified priority water infrastructure and parks/recreation facility projects that the Board might consider for debt financing. The presentation will include project information, updated cost estimates and discuss the methodology and assumptions used in the identification and ranking of these District priority projects. The goal of the presentation is to gain feedback from the Board and develop a common understanding of the District's priority projects and the total estimated amount of debt financing that may be needed to implement these projects.

Staff are simultaneously working with our consultant team and the Long-Term Financial Plan Ad-Hoc Committee to evaluate overall District borrowing capacity for both water and general fund projects. Once the list of priority projects is established by the Board, they will be incorporated in the funding strategies analysis for further evaluation by the Board.

STRATEGIC FOCUS AREA:

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

REVIEW TRACKING:

Submitted By:

Charley Miller Engineering Manager Approved By:

Sean Barclay General Manager

LTFP - District Priority Projects Update 10-Feb-22

Page 2 of 2

No financial impact.

ATTACHMENTS:

None.

Long-Term Financial Planning

District Priority Projects Update



Tahoe City Public Utility District

Today's Goals

- ➤ Continue Long-Term Financial Planning (LTFP) Board discussions
- ➤ Review and discuss an updated list of District Priority Projects narrowed down to a 10-year horizon (from 30-year presented earlier)
 - > Any missing / any that should be removed?
- Identify Priority Projects that may meet the Board's philosophy for potential debt financing
- Review and discuss need to further prioritize project list and to further account for project delivery capacity
- Discuss next steps in LTFP process
- > Receive feedback



In the past year, there have been three Board LTFP discussions related to today's subject matter:

- ➤ April 16, 2021 <u>Tahoe Cedars & Madden Creek Water Infrastructure</u> <u>Funding Discussion</u>
- ➤ May 21, 2021 <u>Tahoe Cedars & Madden Creek Water Infrastructure</u> <u>Funding Discussion – Part 2</u>
- ➤ August 20, 2021 <u>Long Term Financial Planning Tahoe Cedars & Madden Creek Water Infrastructure Funding Discussion</u>



<u>April 16, 2021 - Board Meeting – "Tahoe Cedars & Madden Creek Water Infrastructure Funding Discussion"</u>

Discussed:

- > Tahoe Cedars/Madden Creek Master Plan Summary
- Infrastructure funding options (cash/debt)
- Potential debt service payment (full project cost scenario)
- > Future policy considerations
- Public outreach considerations

Board Feedback:

- Public engagement is important District must define goals first
- Interest in pursuing some level of financing to take advantage of historically low cost of borrowing*



<u>May 21, 2021 - Board Meeting – "Tahoe Cedars & Madden Creek Water Infrastructure Funding Discussion"</u>

Discussed:

- > 30 Year Planning Horizon
 - Existing Water System Infrastructure Liabilities & Revenue Projections
 - Future Water System Acquisitions
 - Property Tax Revenue Projections
 - Future Large General Fund Projects
- Water System Policy Considerations
- Public Outreach Considerations

Board Feedback:

- Interest in evaluating customer willingness towards contributing financially to speed up the pace of system reconstruction
- Hire Communications consultant and develop communications strategy bring back to Board for review



<u>August 20, 2021 - Board Meeting – "Long Term Financial Planning - Tahoe Cedars & Madden Creek Water Infrastructure Funding Discussion"</u>

Discussed:

- Introduced Martin Rauch of Rauch Communications, retained to develop a public engagement strategy
- Staff recommendation to take a step back due to magnitude of the financial demands on the entirety of the District – proceed deliberately
- Impact that financial decisions for Tahoe Cedars/Madden Creek play for future potential water system acquisitions
- > Development of a LTFP Team consisting of staff and municipal financial advisor, water rate, and special assessment consultants
- Development of methodology for a more limited/prioritized approach for Tahoe Cedars water system replacement
- Delay Tahoe Cedars/Madden Creek project execution until the LTFP and community participation is more developed.



<u>August 20, 2021 - Board Meeting – "Long Term Financial Planning - Tahoe Cedars & Madden Creek Water Infrastructure Funding Discussion" (Cont.)</u>

Staff presented a plan for a series of LTFP presentations for the Board to:

- > Examine alternative project approaches for the reconstruction of the TCWS and MCWS
- > Examine, in further detail, cost estimates for currently identified water infrastructure and parks/recreation facility improvement projects
- > Evaluate debt financing options
- Evaluate overall District borrowing capacity for both water and parks/recreation facility projects
- > Evaluate mechanisms and amounts for current property owner financial participation and for owners of potential future acquisitions.
- Evaluate policy considerations



Priority Projects – Assumptions

- > 10-year planning horizon advance the discussion/planning process
 - > Ability to plan more accurately than 30-year period
 - Acceptable time-period for spending "borrowed" money
 - > 10-Year period to begin when we expect to draw on loan/bond (A few years)
- > Attempted to account for workload and staffing project delivery capacity
- > Identified projects that Board might consider for debt financing
 - > Large, one-time costs
 - > Benefit multiple customers
 - ➤ Not routine rehab/replacement projects
 - ➤ Low grant funding eligibility*

Notes:

No "new" projects – focused on fulfilling commitments already made All of these could be offset with Grant Funding – to the degree available



10-Year Water Capital Projects – For Consideration of Debt Financing

>	Tahoe Cedars System Reconstruction	\$ 43.0M
>	Madden Creek System Reconstruction	\$ 8.0M
>	West Shore Storage & Transmission Augmentation - (Storage Only)	\$ 10.5M
>	Administrative Facility Improvements – Water Fund Share	\$ 5.0M
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West Lake Tahoe Regional Water Treatment Plant (to be included in Financial Model) - \$20M

Total Water Infrastructure Projects to consider for Debt Financing



\$ 66.5M

10-Year Water Capital Projects – Pay/Go Financing

- Recommend \$1.5M/year (Min.) towards these projects total of \$15M (Min.) over 10 year
 - > \$2.5M/Year for Water Capital from Water Rates (current rate study)
 - \$600K/Year committed to WLTRWTP Financing (from water rates)
- Regular end-of-life, replacement, rehabilitation, and upgrade water capital projects:
 - Localized water line replacement projects
 - System hydraulic improvement projects
 - Smart meters / battery replacements
 - Tahoe City Main Emergency Water Supply
 - Rubicon Water System Transmission Improvements



Longer Term Planning Horizon Water Capital Projects

Future Water Projects/Acquisitions:

- WSSA Transmission Improvements \$9M
- Tahoe City Main Source Augmentation Projects Scope and \$\$ TBD
- Potential Water System Acquisitions & Related Infrastructure Improvements \$45M
 - Tahoe Pines/Tahoe Swiss Village
 - Glenridge
 - > Skyland-Nielsen
 - ➤ Tahoe Park (plus Washoe Heights)
 - Ward Well
 - Lakeview (Real Estate Row)



10-Year Sewer Capital Projects – Pay/Go Financing

- > \$1.5M/year* towards these projects total of \$15M over 10 years (plus \$6.5M reserve amount)
 - Dollar Edgewater SLR
 - Regular/Ongoing Sewer Line Replacements
 - SPS Storage Improvements
 - Sewer Pump Station Rehabilitations
 - > Future Sewer System Master Plan Projects
 - Admin Facility Improvements Sewer Fund Share \$5M

*Per 2019 Rate Study Impacts workload and staffing capacity

No debt financing recommended currently



10-Year General Fund (Parks and Rec) Projects for Consideration of Debt Financing

>	Multi-Use Trail System Rehabilitation - West and North Shore	\$ 4.2M
>	Tahoe City Community Center Building (Occupancy Only)	\$ 3.1M
>	Tahoe City Golf Course Clubhouse Improvements (District Share)	\$ 2.5M
>	Administrative Facility Improvements (Gen Fund Share)	\$ 5.0M

Total General Fund Capital Projects to consider for Debt Financing - \$14.8M



10 Year General Fund (Parks/Rec) Projects – Pay/Go Financing

- Recommend \$500k/year total of \$5M over 10 years, for upgrades and end-of-life rehabilitation of existing District-Owned Facilities
 - TCGC/WSP Property
 - Lake Forest Boat Ramp
 - Lake Forest Campground
 - Bells Landing
 - Kilner Park
 - > Tahoe City Community Center
 - Fairway Community Center
 - Highlands Community Center
 - > Tahoe XC Property
 - Tahoe City Sidewalks



Longer-Term Planning Horizon General Fund Capital Projects

Future General Fund Opportunities/Projects:

- Joint-Active Recreation Assessment Projects
- Tahoe City Community Center Projects
- Recreation Center/Swimming Pool
- Other Future Opportunities



Projects to consider for Debt Financing

Priority Projects

<u>Water</u>

Tahoe Cedars Water System Reconstruction	\$ 43,000,000		
Madden Creek Water System Reconstruction	\$ 8,031,000		
 West Shore Storage Augmentation (Storage Only) 	\$ 10,486,000		
 Admin Facility Master Plan Projects (Water Fund) 	\$ 5,000,000		
Water Fund Subtotal	\$ 66,517,000		
General Fund			
 Multi-Use Trail System Rehabilitation (West/North Shore) 	\$ 4,200,000		
 Tahoe City Community Center (Occupancy Only) 	\$ 3,132,000		
 TCGC/WSP Clubhouse (District Share) 	\$ 2,500,000		
 Admin Facility Master Plan Projects (General Fund) 	\$ 5,000,000		
General Fund Subtotal	<u>\$ 14,832,000</u>		
Total	\$ 81,349,000		

Next Steps

Staff to continue developing future presentations for the Board to:

- > Evaluate mechanisms and amounts for current property owner financial participation and for property owners of potential future water system acquisitions
- > Examine alternative project approaches for the reconstruction of the TCWS and MCWS
- Evaluate overall District borrowing capacity for both water and parks/recreation facility projects
- > Evaluate debt financing options
- > Further refine the presented 10-year capital program to account for above evaluations
- > Evaluate policy considerations



Questions, Comments, Feedback?

