



TAHOE CITY PUBLIC UTILITY DISTRICT

MEMORANDUM

TO:	Board of Directors	DATE:	August 11, 2021
FROM:	Sean Barclay General Manager	SUBJ:	Long-Term Financial Planning – Tahoe Cedars & Madden Creek Water Infrastructure Funding Discussion

RECOMMENDATION:

No recommendation – for information and discussion.

BACKGROUND:

Over the past several months, staff have presented information regarding long-term financial planning considerations for the complete replacement of the Tahoe Cedars Water System (TCWS) and Madden Creek Water System (MCWS) as called for in the adopted Master Plans (Plans).

At the May 21, 2021 Board of Directors meeting, staff provided high-level financial forecast information for an assumed 30-year borrowing period, including potential water system infrastructure costs, water system revenues, and property tax revenues. The presentation also covered important District policy considerations, including property owner financial responsibility for system infrastructure replacement. The Board asked staff to undertake further research on mechanisms for property owner financial participation and directed staff to develop a plan for public engagement to determine the willingness of TCWS and MCWS property owners to pay for infrastructure replacement.

Following the May Board meeting, staff engaged Rauch Communications Consultants, Inc., and began developing a public engagement strategy. During planning meetings, it became clear that any funding decisions for the TCWS and MCWS reconstruction will significantly impact our entire constituent base for years to come. As a result, staff is proposing to take a step back and undertake a broader policy review for the following reasons:


- Staff is confident that the impacted communities will want to pay as little as possible towards infrastructure replacement and that directing resources towards this type of outreach is not productive.
- Whatever division of costs occurs for these projects will set a precedent for future potential acquisitions, with a potential estimated acquisition and infrastructure improvement costs that could approach \$50 million.
- The magnitude of the financial demands on the entirety of the District, both for water infrastructure and for parks and recreation facility improvements, will require careful planning and prioritization.

In short, we are recommending developing a vision for the District's overall priorities to determine what the District can afford to pursue over the short-term and long-term and who pays what share of those priorities.

PLANNED POLICY REVIEW AND UPDATE PROCESS

Staff is developing a process to help the Board and the public understand the infrastructure needs and priorities across the District and will present a series of long-term financial planning agenda items at regularly scheduled Board Meetings over the next 6 to 8 months. This process aims to ensure that the Board has an opportunity to review and discuss the needs and priorities of all operating departments; the

REVIEW TRACKING:

Submitted By: 
Sean Barclay, General Manager

associated costs, benefits, and impacts, and policies and precedents before selecting a preferred approach. Staff will also develop a public outreach campaign to encourage public participation in this series of meetings to educate and gain feedback on the priorities of our constituents. This process will generally involve:

- Examining alternative project approaches for the reconstruction of the TCWS and MCWS
- Examining, in further detail, cost estimates for currently identified 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

Staff will identify and contract with consultants with expertise in areas necessary for the development of a prioritization and financing approach, specifically, a utility rate consultant (HDR), an engineering consultant specializing in special assessments, and a municipal financial advisor.

CHANGE IN RECONSTRUCTION APPROACH FOR TCWS AND MCWS.

In recognition of the magnitude of the estimated costs of full reconstruction of both water systems, staff is developing a methodology for determining a priority-based project approach for both the TCWS and MCWS. Once this methodology has been outlined, a prioritized project plan will be developed and presented to the Board for consideration and feedback. As part of this process, staff will analyze current planned improvements in both systems and make recommendations on how to proceed with planning and design for 2022, considering that future policy decisions are still to be determined.

STRATEGIC FOCUS AREA:

- Safe and Sustainable Water and Sewer Services
- Infrastructure and Property – Protection & Improvement
- Long-Term Financial Sustainability

FINANCIAL IMPACTS:

No financial impacts.

ATTACHMENTS:

- None