

**JOINT MEETING OF THE
INTEGRATED RESOURCE PLANNING ADVISORY COMMITTEE
AND FINANCIAL SUBCOMMITTEE
MEETING SUMMARY**

November 14, 2012, 4:00 p.m.

Colorado River Conference Rooms, Southern Nevada Water Authority
100 City Parkway, Seventh Floor, Las Vegas, Nevada

IRPAC Members Present	Kirk Clausen Thalia Dondero Bob Ferraro Mike Forman Garry Goett Joyce Haldeman Warren Hardy Katherine Jacobi Carol Jefferies Bob Kasner	Jennifer Lewis Otto Merida Bobbi Miracle Phil Ralston John Restrepo Scot Rutledge David Scherer Danny Thompson Virginia Valentine
IRPAC Members Absent	Tom Burns	D. Taylor
Financial Subcommittee Present	Jay King Brian McAnallen Jarmilla McMillan-Arnold Terry Murphy	Launce Rake Gay Shoaff Joe Woody
Staff Present:	John Entsminger Phil Speight Kevin Fisher Bill Fox	Julie Wilcox Andy Belanger Katie Horn
Others Present	Dennis Porter, City of Henderson Reed Scheppmann, City of North Las Vegas	

PUBLIC COMMENT

There was no public comment.

SUMMARY OF ACTIVITIES

The Southern Nevada Water Authority's (SNWA's) Integrated Resource Planning Advisory Committee (IRPAC) and member agency financial subcommittee (Financial Subcommittee) met on Wednesday, November 14, 2012. The meeting began at approximately 4:08 p.m.

Approve the October 24, 2012 meeting summary: There being no comments or questions, the meeting summary was approved by the committee.

Receive and discuss a presentation on the systems and rate structures of the local purveyor members of the Southern Nevada Water Authority. Facilitator, Dave Ebersold, introduced John Entsminger, SNWA Senior Deputy General Manager; Bill Fox, Las Vegas Valley Water District (LVVWD) Director of Finance; Kevin Fisher, LVVWD Director of Operations; Dennis Porter, City of Henderson, Director of Utility Services; and Reed Scheppmann, City of North Las Vegas, Director of Utilities.

Mr. Entsminger reminded the committee that the October 24 presentation focused on SNWA facilities and rate structure, and noted today's presentation would focus on the facilities and rate structures of the SNWA's three largest purveyor member agencies: LVVWD, City of Henderson (Henderson), and City of North Las Vegas (NLV).

Mr. Porter began by explaining that Henderson's Department of Utility Services is a not-for-profit municipal utility, which provides water and wastewater services. It has its own water treatment plant that provides approximately 13 percent of the community's drinking water: the SNWA provides the remaining 87 percent.

Henderson maintains and operates \$1.5 billion in assets, which include:

- 15 million gallons per day (MGD) water treatment plant
- 1,175 miles of water lines
- 45 reservoirs, 32 pump stations, 11,200 fire hydrants
- 32 MGD Kurt R. Segler Water Reclamation Facility
- 8 MGD Southwest Water Reclamation Facility
- 935 miles of wastewater collection lines
- 16 lift stations, 22,700 manholes
- 43 miles of reclaimed water lines
- 9 reservoirs, 5 pump stations

From a municipal water industry perspective, Henderson, NLV, and the LVVWD are defined as large utilities. In terms of population, Henderson, NLV and Las Vegas are in the top 100 populations in the country. Throughout the 1990s, pipeline installation and reservoir capacity increased to accommodate growth.

Henderson's Utility Services maintains Water and Sewer Enterprise Funds, which are separate from the City's General Fund. These funds are financed and operated in a manner similar to private business enterprise. All costs (operational and capital) are funded by user charges, system development charges (connection fees) and a portion of the water and wastewater 1/4-cent sales tax. Operational costs are financed primarily through user charges. System development charges historically fund new infrastructure. User charges are collected via monthly bills and system development charges are collected as part of the new development process.

The City of Henderson's Charter (Chapter 266, Article II, Sections 2.270 and 2.280) allows the City to collect revenues that provide for operations of the water and sewer utilities. Before raising rates,

Henderson prepares a water and wastewater financial analysis, which Dennis noted is an extensive and exhaustive process that evaluates existing and future fiduciary needs and current revenue sources. All rate increases are approved by Henderson’s City Council usually over a two-meeting, 30-day process. As a public agency, Henderson is required by law to inform the public of any changes to rates. Henderson is required to notify the public through business/trade association notifications and maintain conformance to Nevada’s Open Meeting Law with all public meetings. When required to do so, the city also prepares Business Impact Statements. Public input is welcomed throughout the rate process, and Henderson often utilizes citizen committees for feedback.

Henderson has approximately 85,000 customer accounts. Mr. Porter then showed a graphic depicting an average Henderson single-family residential bill (based on 14,000 gallons per month, 3/4-inch meter size).

Metered water charges	\$24.44
Monthly water service charge	\$11.70
SNWA regional charges	<u>\$ 9.30</u>
Total water-related charges	\$45.44
Average sewer charge	<u>\$21.65</u>
TOTAL UTILITY BILL	\$67.09

Residential customers are charged for water usage via a four-tiered inclining block rate structure. As the usage increases, the rate increases.

<u>RATE TIER</u>	<u>PER 1,000 GALLONS</u>
First Tier (up to 6,000 gallons)	\$1.46
Second Tier (6,001 - 16,000)	\$1.96
Third Tier (16,001 - 30,000)	\$2.57
Fourth Tier (over 30,000)	\$3.63

Monthly water service charges assist in paying fixed expenses associated with operating and maintaining the system. The monthly water service charge for a 3/4-inch or less single family residential account is \$11.70 per month, and increases based on meter size.

Basic sewer service charges assist in paying fixed expenses associated with operating and maintaining the municipal sewer system. The sewer usage charge is based on water consumption. Single-family residential accounts are charged a flat monthly rate of \$21.65, which includes the base service charge and usage charge.

Henderson bills also include the SNWA regional charges (the SNWA commodity charge, reliability surcharge and infrastructure surcharge). These charges are collected by Henderson, but passed through to the SNWA.

SNWA Regional Commodity Charge - Calculated at \$0.30 per 1,000 gallons of water consumed. The funds collected are used to improve water quality and enhance the reliability of the system. This charge became effective on November 5, 1996.

SNWA Reliability Surcharge - Calculated as a percentage of the total monthly water service charge, volume charge and regional commodity charge. The current percentage rate is 0.25 percent for residential customers and 2.5 percent for all others. This charge became effective on March 1, 1998.

SNWA Infrastructure Surcharge - Calculated based on the size of a customer's water meter. For a typical single family residence, this equates to approximately \$5 per month. It is used to fund improvements to water treatment and transmission infrastructure, including Lake Mead Intake No. 3. This charge became effective May 1, 2012.

Brian McAnallen asked if the committee could be provided similar commercial bills from Henderson, NLV and LVVWD. Mr. Porter responded yes.

Gay Shoaf asked for each municipality's number of non-residential accounts. Mr. Porter indicated that that information would be provided.

Mr. Porter explained that up to 1992, Henderson had a flat rate. A second tier was implemented in 1994. The third tier was added in 2000, a fourth tier was added in 2005.

David Scherer asked how Henderson arrived at the amounts for each tier. Mr. Porter explained that Henderson typically hires a financial consultant to go through a rigorous process of evaluating historical data by consumption, class and revenues, and make a final determination of rate tiers and rates. Mr. Porter noted that it is desirable to keep the first tier at a manageable level for those customers who just use water that is necessary to meet basic demands (drinking, cooking, cleaning). By the third and fourth tiers, the rate is driven by conservation to reduce non-essential uses. Henderson receives the majority of its revenue from the first two tiers. Residential customers comprise approximately 80 percent of Henderson's revenues.

Mr. Scherer then asked how the rates get approved once they are determined. Mr. Porter explained there is a briefing process. If a citizens committee is involved in the process, the citizens committee vets the rate options before the options are presented to Henderson's City Council for final approval. Mr. Scherer asked if the SNWA approves the rates. Mr. Porter responded no—Henderson's City Council approves them. He further explained that the City Council is provided several rate scenarios to review and comment on. Taking those comments into consideration, a final rate is brought back to the City Council for approval.

Next, Mr. Porter explained that Henderson receives its funds from water sales, SNWA collections, connection fees and interest. In FY 2012/2013, total collections were \$75.6 million.

- Water sales - \$62.7 million
- SNWA collections - \$10.2 million*
- Connection fees - \$900,000
- Interest - \$1.8 million

*SNWA collections are a pass-through cost and are not projected as revenue.

Expenditures for FY 2012/2012 were \$82.7 million:

- Capital Improvement Plan - \$9.4 million
- SNWA collections - \$10.2 million
- Payroll - \$15.2 million
- Water costs - \$24 million
- Electricity - \$1.9 million
- Other operating \$14.6 million
- Bond payments -\$7.4 million

Ms. Shoaff asked how many people are employed by Henderson’s Department of Utility Services. Mr. Porter stated the utility employs approximately 250 full-time employees.

Comparing uses of funds between FY 2007/2008 and FY 2012/2013, Mr. Porter showed a graphic depicting the following information.

	2007/2008	2012/2013
Capital Improvement Plan	\$11 million	\$9.4 million
SNWA Collections	\$12.8 million	\$10.2 million
Payroll	\$15.5 million	\$15.2 million
Water Costs	\$22.2 million	\$24.0 million
Electricity	\$2.5 million	\$1.9 million
Other Operating	\$20.1 million	\$14.6 million
Bond Payments	\$7.8 million	\$7.4 million
TOTAL	\$91.9 million	\$82.7 million

Mr. Porter stated that economic conditions led to a decline in system development charge revenues, which were relied upon to pay for debt and capital. Henderson’s system development charge revenues averaged approximately \$8 million annually from 2000 to 2006. In 2007, these revenues started to drop off, and then steadily declined between 2008 and 2011. This year, Henderson has seen a slight increase in development charge revenues. System development charge revenues (connection fees) were sufficient in the early 2000s to pay for debt. When that revenue stream declined, Henderson had to go back to the users to make up the difference.

Scot Rutledge asked if the capacity of the current system is sufficient to add new customers without incurring additional infrastructure costs. Mr. Porter explained that more debt was incurred on the sewer side as a result of building and expanding wastewater treatment facilities. As a result, the wastewater system is capable of accommodating new users. On the water side, Henderson deferred a lot of capital projects to manage Henderson's financial issues.

Mr. Porter continued his presentation and described average single-family residential water use. Through 2006, Henderson customers consumed more water than customers use today—approximately 195,000 gallons per account annually. After implementing the SNWA's Conservation Plan, Henderson saw single-family residential use decline to approximately 168,000 gallons per account annually. Despite the addition of new accounts over the past decade, water use in Henderson has remained essentially flat.

Bob Ferraro asked why Henderson saw a spike in water use in 2008. Mr. Porter explained that it was due to a very hot summer.

Mr. Porter then explained that the Henderson City Council recently approved a package of four consecutive annual water and wastewater revenue increases (effective January 2012 through January 2015). These increases will result in approximately an additional \$3.2 million dollars per year of revenue for the utility (or 4 percent of total revenues). The increases were necessitated by the diminished system development charge revenues, and are aimed to address utility reserves and debt ratio issues with revenue enhancements, increase consumption fees for all higher use water customers and increase service charges for all customers. The rate increase will help to ensure working capital remains above minimum reserve levels and the debt service coverage ratio will return to acceptable levels.

Mike Forman asked if the information provided on water sales revenue was based on actuals or if it takes into account customers who do not pay their bills. Mr. Porter explained that the Henderson does account for bad debt, but added that historically, Henderson does not experience a significant amount of bad debt. Mr. Porter indicated that bad debt has recently increased as a result of foreclosures and the economic downturn, but Henderson manages it by putting a lien on the property.

Thalia Dondero asked if Henderson has done any growth-related projections. Mr. Porter responded that Henderson has a lot of land for sale and would welcome new residents and businesses. From a financial planning perspective, Henderson took a conservative approach and projected minimal growth. Ms. Dondero then stated that growth would also depend upon availability of supply. Mr. Porter agreed and stated that, thanks to conservation strategies, the issue of supply is not an immediate concern. In fact, Henderson has experienced other challenges as a result of the economic downturn; infrastructure was built that is now being minimally used, which has resulted in water quality challenges.

Mr. Porter noted that, with or without a rate increase, Henderson is obligated to pay operating and maintenance costs and still have enough revenue left to pay debt. If Henderson did not raise rates, it would have been unable to maintain the minimal debt service coverage, which is a bond requirement. Henderson was able to refinance \$75 million in sewer bonds at about 3.2 percent, which resulted in an overall savings of approximately \$4 million over the life of the financing.

John Restrepo asked if there is a cap on the debt coverage ratio. Mr. Porter responded no, but noted that ideally, Henderson would like to be at 1.25. Mr. Restrepo then asked if historically Henderson's debt coverage ratio was high. Mr. Porter responded yes.

Bob Kasner asked if the debt service coverage ratio is for one year. Mr. Porter responded that the bond agencies review the ratio on an annual basis.

Kirk Clausen asked if Henderson's debt service coverage ratio affects Henderson's overall bond rating or liquidity in the market. Mr. Porter explained that over the last 18 months, Henderson went from a AA+ rating to AA rating, which is still good in the market.

Mr. Kasner asked if all of Henderson's debt is double-barrel or if any debt is just utility-revenue based. Mr. Porter answered that in the bond documents, the debt is primarily revenue-based with the additional security of the property tax base.

Mr. Clausen asked if the county or state could take any reserve funds. Mr. Porter noted that the 2010 special session of the Nevada Legislature passed a law to require the Clean Water Coalition to turn over \$62 million to the state in order to fill Nevada's budget gaps. However, the law was overturned in 2011 by the Nevada Supreme Court.

Mr. Clausen asked if such money sweeps have happened in other communities or to the SNWA. Mr. Porter projected that as a result of the Clean Water Coalition/M Resort litigation, the State would not likely try to seize revenues again. Mr. Entsminger agreed with Mr. Porter's analysis. Mr. Clausen asked if it has happened in the past. Mr. Entsminger replied that it has, but never to the SNWA. Warren Hardy added that, although he was not in the 2010 special session, legislatures in the prior session reviewed an exhaustive list of local government funds and swept all of the State accounts available. The Nevada Legislature believed they had legal access to the Clean Water Coalition's funds. However, now that the Supreme Court has ruled on the issue, it is not likely that the Legislature will seize other non-State entity funds.

Mr. Clausen asked if funds generated by the SNWA could be diverted somewhere else. Mr. Entsminger responded that the SNWA is governed by the Cooperative Agreement among the seven entities that formed the SNWA. There is no one single entity that has the authority to supersede or veto the provisions of that Cooperative Agreement.

Mr. Kasner stated that Clark County and the State of Nevada have been battling over money that the State took from the Clark County School District's Debt Service Fund. When the Clean Water Coalition ruling came down, the State backed off and now negotiations are underway to return the funds. In answer to Mr. Clausen's question as to whether the State can go after any funds it sees, Mr. Kasner responded that the State has. Mr. Hardy added that it is true, but the Legislature must universally apply any diversions of local funds from all similarly-situated political subdivisions of the State.

Next, Kevin Fisher began an overview of the LVVWD's system. The LVVWD provides drinking water to customers in Las Vegas and unincorporated, urban Clark County. It has 356,000 accounts in the Las Vegas Valley and serves the outlying areas of Kyle Canyon, Blue Diamond, Searchlight, Big Bend,

Jean, and Coyote Springs. These small systems maintain their own rate structure, facilities and operating budgets.

The LVVWD delivers more than 103 billion gallons of drinking water to Las Vegas' residents and businesses each year. More than 1.4 billion gallons of reclaimed water are delivered to golf courses and large turf areas annually. The LVVWD maintains more than 40,000 acre-feet of local groundwater rights.

LVVWD system assets include:

- 4,500 miles of potable water pipeline
- 68 reservoirs, 58 pump stations (potable water)
- 30 miles of reclaimed water pipeline
- 2 water reservoirs, 5 pump stations (reclaimed water)
- 76 groundwater production wells
- 27 artificial recharge wells

The LVVWD's capacity for storing treated water is 916 million gallons. Twenty percent of the LVVWD's infrastructure is above-ground production infrastructure valued at approximately \$1.3 billion. Below ground distribution infrastructure comprises about 80 percent of the LVVWD's system assets and is valued at approximately \$4.9 billion.

Demand in the late 1990s and early 2000s required the construction of new pump stations (58 as of 2012). Demand also dictated the need for additional capacity in the LVVWD reservoirs (916 million gallons as of 2010). Pipeline construction peaked in 2006 and began declining in the years following.

Additionally, the LVVWD operates and maintains large solar energy projects (3 megawatts of power), performs water treatment and testing, and enforces water waste codes.

Scot Rutledge asked, on average, how many water waste calls the LVVWD receives in one week. Julie Wilcox responded that the number varies, but estimated that the LVVWD receives between 50 and 100 calls per week during summer months.

Mr. Scherer asked if there is an ability to measure leakage from the cement reservoirs. Mr. Fisher responded that the LVVWD performs a leak test on every reservoir when it is built. The leak test includes utilizing a measured pan of water that matches the atmospheric environment. Staff analyzes how far the water in the pan drops compared to the level of the reservoir. Additionally, around the outside of the reservoirs is a drain system. Staff inspects those often to determine if there is leakage. Although the LVVWD has a few reservoirs that experience a slight amount of flow, typically the LVVWD reservoirs are well built and have very little leakage.

Ms. Dondero asked what involvement the LVVWD has with people who own private wells. Mr. Fisher explained that the LVVWD, in conjunction with the SNWA, operates a groundwater monitoring program and rotates groundwater pumping in a way to avoid impacts to local groundwater users.

Jay King asked if the LVVWD ventured into solar power as a political or economic decision. Mr. Fisher explained that it was an economic decision. The LVVWD took advantage of NV Energy's "green credit" program. The solar projects have a 20-year payback, and work well with the LVVWD's energy portfolio. Mr. King asked if maintenance costs on the solar panels are reasonable. Mr. Fisher responded that yes—the panels came with a 20-year warranty and are maintained by the vendor.

Joe Woody asked how much water the system loses to evaporation. Mr. Fisher explained that the LVVWD has historically calculated an unaccountable water supply of five percent. However, a newer guideline (Leak Index) takes into account meter inaccuracies, fire department loads, water lost due to main breaks, etc. As a result, the LVVWD is able to track more accurately how much water is received from the SNWA and how much is delivered to LVVWD customers. The Leak Index scale ranges from 1 to 10, and the LVVWD rates in the 1 to 1.5 range.

There being no further questions on LVVWD infrastructure, Mr. Fox began discussing the LVVWD's rate structure.

The LVVWD was enacted by the Nevada State Legislature as a not-for-profit water utility. It began operations on July 1, 1954, and revenue is generated from four sources:

- Water Revenue
- Connection Fees
- Application/Inspection Fees
- Interest and Other Income

LVVWD water bills also include SNWA fees (infrastructure surcharge, commodity charge and reliability charge), which are collected by LVVWD and passed-through to the SNWA).

Mr. Fox explained that the rate setting process is similar to Henderson's process in that the LVVWD enlists the guidance of consultants who specialize in water rate studies. These consultants assist the LVVWD in designing a rate system that provides fair rates for all customer classes. Additionally, the LVVWD works very closely with citizen committees to determine the best mix of rate setting options before making a rate increase recommendation to the LVVWD Board of Directors. After this process, the LVVWD fulfills the requirements for public notification of rate increases:

- Business/trade association notifications
- Business Impact Statements
- Nevada's Open Meeting Law
- Public rate hearings

Mr. Fox then showed a graphic depicting an average LVVWD single-family residential bill (based on 12,000 gallons per month, 3/4-inch meter size). He noted that the three major components of an LVVWD bill include:

Service Charge	\$11.59	Fixed rate based on number of days per month
LVVWD Water Charge	\$19.44	Based on four-tiered system
SNWA Fees	<u>\$8.69</u>	Pass-through charges
	\$39.72	

Mr. Fox explained that the service charge covers costs related to automatic meter readers (AMR) maintenance, regular meter reading and billing. He then explained that the LVVWD uses an inverted block rate structure for rates. Using a 5/8” meter as a reference, Mr. Fox described the tier system as follows:

Tier 1 (up to 5,000 gallons)	\$1.16	Essential rate (drinking, bathing, cooking)
Tier 2 (up to 10,000 gallons)	\$2.08	Signals conservation
Tier 3 (up to 20,000 gallons)	\$3.09	Higher-priced tiers target outdoor water use
Tier 4 (over 20,001 gallons)	\$4.58	Consistent rate structure for customer communication

He mentioned that the LVVWD’s landscape rebate program has helped promote conservation. Since 2002, the LVVWD’s actual water sales have flattened even though the agency has increased customer accounts. The amount of consumption per household also has decreased.

Mr. Fox stated that in 1990, the LVVWD had a two-tier structure wherein the second tier was reached at 30,000 gallons. The four-tier system evolved in 1996. The first tier (essential uses) has been consistently kept at a very low rate over time.

Mr. Scherer asked why Henderson’s first tier is at \$1.46 and the LVVWD’s first tier is \$1.16. Mr. Fox explained that each local jurisdiction sets its own rates. Mr. Scherer asked why the rates differ if the two entities go through a similar rate-setting process. Mr. Porter explained that the agencies have slightly different demographics in regard to usage patterns and type of uses. He described Henderson as more of a “bedroom community” with more residential use versus commercial.

Mr. McAnallen asked to receive the LVVWD’s number of accounts per meter size for residential, commercial and fire lines. Mr. Fox agreed to provide that information on behalf of the LVVWD.

Mr. Scherer questioned whether local officials compare the agencies’ rates before approving rate increases. Mr. Porter responded that, in general, the local officials want to minimize the impact on the first two tiers as much as possible. He stated that Henderson’s City Council compares average single-family residential bills to LVVWD and NLV to ensure that their rates are competitive. Mr. Fox concurred stating that the LVVWD compares itself to the other agencies, as well.

Mr. Forman noted that based on the information provided, Henderson and the LVVWD’s bills are very similar: \$45.44 (Henderson) and \$39.72 (LVVWD). He stated that taking the demographic differences into account, there is not a huge difference.

Next, Mr. Fox discussed the LVVWD’s sources of funds (based on the LVVWD’s 2012/2013 budget of \$436.7 million):

- Water sales (\$326 million)
- SNWA Collections (\$105 million)
- Interest and Other Income (\$3.25 million)
- Connection Fees (\$1.3 million)
- Application and Inspection Fees (\$1.2 million)

Again using the LVVWD’s 2012/2013 budget, Mr. Fox described the LVVWD’s expenditures, which total \$436.5 million.

- SNWA Collections (\$105 million)
- Capital (\$12.9 million)
- Bond Payment Charges (\$62.8 million)
- Other Operating Expenses (\$50.1 million)
- Payroll (\$112 million)
- Water Costs (\$80.3 million)
- Energy (\$12.4 million)

Comparing uses of funds between FY 2008/2009 and FY 2012/2013, Mr. Fox showed a graphic depicting the following information.

	2007/2008	2012/2013
Capital Improvement Plan	\$29.4 million	\$12.9 million
SNWA Collections	\$88.3 million	\$105 million
Payroll	\$112.8 million	\$112 million
Water Costs	\$86 million	\$80.3 million
Energy	\$17.4 million	\$12.4 million
Other Operating	\$61.5 million	\$50.1 million
Bond Payments	\$61.1 million	\$62.8 million
TOTAL	\$456.5 million	\$436.7 million

He noted that even though the LVVWD’s overall budget has been reduced by \$20 million, the amount the LVVWD pays to the SNWA has increased. He also explained that the LVVWD decreased its operating costs by \$11.4 million since FY 2008/2009 in response to economic conditions. In addition, energy costs have decreased by \$5 million as a result of more efficient power management practices.

Jay King asked about the LVVWD’s interest rate on its bonds. Mr. Fox explained that the LVVWD’s average blended rate is approximately 4.7 percent. Working closely with its investment advisor firm, investment bankers, and its internal budget group, the LVVWD assesses bond issues and refinances when opportunities above three percent arise.

Mr. Woody asked if the LVVWD has budgeted \$62.8 million in bond payments and if that is closer to 6.5 percent on the bond rate. Mr. Fox explained that it depends upon the rate schedule: the LVVWD has different debts and some that are front-end loadable. The LVVWD pays more principal now, which decreases as you go further down.

Continuing, Mr. Fox explained that the LVVWD's new connections remain low compared to previous years. In 2005, the LVVWD had more than 24,000 connections. In 2011, the LVVWD had 1,328 connections, which represents a 94.5 percent decrease. The LVVWD is seeing a slight increase in new connections. Active accounts have remained relatively flat since 2009. Since 2000, active accounts have increased by 55 percent, while water use has remained essentially flat.

Mr. Kasner noted that Henderson receives 87 percent of its water from the SNWA. He asked what that number is for the LVVWD and NLV. Mr. Fox replied 90 percent for LVVWD and Mr. Scheppmann responded that North Las Vegas ranges between 90 to 97 percent.

Mr. Ferraro asked for conservation projections over the next five years. Mr. Entsminger explained that in the intermediate term, the LVVWD is attempting to disaggregate and track conservation and the economic downturn. In the long term, the SNWA Board of Directors set a conservation goal of 199 gallons per capita per day (GPCD) by 2035. Today, Southern Nevada has reached approximately 223 GPCD. The goal over the next 20 years is a decrease of another 24 GPCD, but the Las Vegas Valley has achieved its prior goals quickly, and assuming that continued level of achievement, the Board of Directors will probably revisit its goal.

Mr. Scheppmann then provided an overview of NLV's water and sewer facilities and rate structure. The NLV's Utilities Department is a not-for-profit utility. More than 90 percent of NLV's water supply comes from the SNWA. NLV's reclamation facilities treat 6.2 billion gallons annually and will provide Nellis Air Force Base with reclaimed water in the near future (between .5 mgd to 2.2 mgd).

NLV maintains and operates:

- 1,117 miles of water lines
- 19 reservoirs (90 MG)
- 10 pumping stations
- 10,000 fire hydrants
- 30,243 valves
- 25 MGD water reclamation facility
- 659 miles of wastewater collection lines
- 15,437 manholes

Mr. Scheppmann noted that NLV serves approximately 60,000 accounts in the City of North Las Vegas and approximately 20,000 customer accounts in unincorporated Clark County.

Scot Rutledge asked if the Reid Gardner Power Plant is in NLV's service area. Mr. Scheppmann responded no. Mr. Entsminger added that NLV's service territory extends to Apex, which is Garnett Valley, but the Reid Gardner Facility is on the other side of the hydrographic basin boundary. Reid Gardner gets its cooling water from alluvial wells and surface waters of the Muddy River.

Mr. Scheppmann continued by explaining that NLV’s wastewater collection system differs from its water service area in that only a few customers are outside of the City’s limits.

Next, Mr. Scheppmann explained that NLV, like other utilities in Southern Nevada, required additional infrastructure to meet demands during recent periods of growth. Likewise, reservoir capacity increased over the years. The current cumulative storage capacity is 87.71 million gallons.

NLV’s Utility Enterprise Fund is separate from the City’s general fund. It generates its revenues from user fees and connections charges, which are collected monthly via customer bills. NLV has 82,037 customer accounts. Mr. Scheppmann then showed a graphic depicting the components of an average NLV single family residential bill (based on 8,000 gallons per month, 3/4-inch meter size).

NLV Water Charge	\$23.80
SNWA Regional Charges	<u>\$7.47</u>
	\$31.27
Sanitary Sewer Charge	<u>\$40.21</u>
TOTAL UTILITY BILL	\$71.48

Mr. Clausen asked if 8,000 gallons is the average for NLV. Mr. Scheppmann responded yes. Mr. Clausen stated that he was having a difficult time understanding the average single-family residential use of 8,000 gallons in NLV, 12,000 gallons for District customers and 14,000 gallons in Henderson. Mr. Scheppmann reiterated that the difference may result from demographics of the users and systems.

Mr. Scheppmann stated that revenue from connection charges is used to supplement revenue from rates to meet debt service requirements. NLV’s target is to maintain three months (90 days) operating reserve. Water rates consist of a daily service charge billed monthly, that varies by class and meter size, and a four-block increasing volume charge whose thresholds vary by meter size. Wastewater rates consist of a monthly service charge and a per 1,000 gallons of water usage charge.

NLV’s rate setting process is very similar to that of Henderson and the LVVWD. NLV maintains an active Utility Advisory Board, which meets to review proposed water and wastewater rate increases and provide recommendations to the North Las Vegas City Council. Like the other purveyors, NLV is required to provide public notice of rate increases above three percent:

- Business/trade association notifications
- Business Impact Statements
- Nevada’s Open Meeting Law
- 30-day notice of public rate hearings

Scot Rutledge noted that NLV’s presentation did not include a service charge on its bill, like Henderson and the LVVWD. Mr. Scheppmann acknowledged the slide’s discrepancy, and advised that NLV’s monthly water service charge for a single family account (3/4-inch meter or less) is \$.31 per number of

days between meter reads and increases based on meter size. On the slide, this charge is incorporated in the overall CNLV water charges.

Mr. Restrepo asked what Business Impact Statements require, and if they are standard forms. Mr. Porter stated that Henderson can provide a sample of a previous one. He does not believe the form is clearly defined by the Legislature. Mr. Restrepo asked each entity to provide a sample of their Business Impact Statements so the committee can see the level of detail and form of each.

Mr. Scheppmann advised that in 2010, in conjunction with a bond issuance, the North Las Vegas City Council adopted an annual rate increase of three percent. Rate increases above three percent require additional action by the City Council. The rate increase ensures that working capital remains above the minimum reserve levels of \$20 million and ensures debt service coverage will be maintained at acceptable levels.

Residential customers are charged for water usage via a four-block increasing volume charge. This four-tier structure was adopted in the early 1990s.

<u>RATE TIER</u>	<u>PER 1,000 GALLONS</u>
First Tier (up to 6,000 gallons)	\$1.69
Second Tier (6,001 - 15,000)	\$2.18
Third Tier (15,001 - 24,999)	\$2.84
Fourth Tier (over 25,000)	\$3.86

Mr. Scheppmann noted that the SNWA Regional Charges are comprised of the SNWA commodity charge, reliability surcharge and infrastructure surcharge.

Next, Mr. Scheppmann discussed NLV's sources of funds (based on NLV's 2012/2013 budget):

- Water sales (\$45.9 million)
- SNWA Collections (\$17.3 million)
- Other Fees (\$1.5 million)
- Late Fees (\$1 million)
- Miscellaneous (\$.6 million)

Mr. Rutledge asked Henderson and the LVVWD how much they generate in late fees. Mr. Porter and Mr. Fox stated they will provide that information.

Using NLV's 2012/2013 budget, Mr. Scheppmann discussed NLV's expenditures.

- SNWA Collections (\$17.3 million)
- Payroll (\$9.6 million)
- Water Costs (\$17.2 million)
- Other Operating Expenses (\$24.8 million)
- Debt Service (\$4.6 million)
- Capital Outlay (\$2.4 million)

Comparing uses of funds between FY 2008/2009 and FY 2012/2013, Mr. Scheppmann showed a graphic depicting the following information.

	2008/2009	2012/2013
Other Operating Expenses	\$33.9 million	\$24.8 million
SNWA Collections	\$6.9 million	\$17.3 million
Payroll	\$10 million	\$9.6 million
Water Costs	\$15.4 million	\$17.2 million
Debt Service	\$4.5 million	\$4.6 million
Capital Outlay	\$6.3 million	\$2.4 million
TOTAL	\$76.9 million	\$75.9 million

Mr. Scheppmann noted that the various components have remained consistent or decreased with the exception of the SNWA collections.

Mr. Scheppmann then discussed how NLV’s active accounts have remained flat since 2008. As a result, NLV experienced a significant decline in System Development Charge revenues. These charges spiked in 2005 (more than \$20 million) and then dropped drastically between 2006 and 2012.

Mr. Kasner noted that in the northeastern part of the United States, there are publicly-traded water companies, and asked if this was common in the West. Mr. Fisher said that American Water and Golden State Water Company are privatized companies operating in California. He noted that typically companies like these like to focus on smaller systems/small communities. They are typically not in charge of the water supply—they turn on pumps, turn off pumps and fix leaks.

Mr. Entsminger concluded the presentation with a system summary and compared the local system to the regional system of the SNWA. The local systems have a combined total of 542,000 active customers; the SNWA has five. The local systems have more than 6,800 miles of pipeline; the SNWA has 163 miles. The local systems have 107 pumping stations; the SNWA has 28. The local systems have 122 reservoirs; the SNWA has 38. The local systems have a storage capacity of 1,118 million gallons; the SNWA has a storage capacity of 240 million gallons.

Mr. Entsminger then presented a chart depicting residential rates in Western cities. Highlighted on this chart were the rates for the LVVWD (\$41.56), Henderson (\$40.70) and NLV (\$39.40). He noted that the rates for these three agencies are within \$2.00 of each other. He also noted that these agencies compare favorably with major municipalities in the western United States. Mr. McAnallen asked if these rates included the recent infrastructure surcharge, and Mr. Entsminger responded yes. David Scherer asked why Reno is significantly higher. The committee also noted that Reno appears on the chart twice, once as a metered rate and once as an unmetered rate. Mr. Porter explained that historically the water system in Reno was run by Sierra Pacific, until the Truckee Meadows Water Authority was created. There is still a portion of that community that is unmetered and pays a flat charge.

Next, Mr. Entsminger discussed a comparison of commercial rates (3/4-inch meters, not including charges for fire-line connections). In comparing two-inch commercial rates (not including fire-line connections), Las Vegas is among the lowest of utilities in the West.

Mr. Restrepo asked for clarification as to the percentage of commercial customers who do not have stand-alone fire line meters. Mr. Entsminger explained that there are slightly more than 55,000 commercial customers in the LVVWD service area. Approximately 85 percent of those commercial customers do not have a stand-alone fire meters or combination meters. The charts he presented are representative of the 85 percent of commercial customers without fire line meters. Mr. Restrepo asked for the distribution of meter sizes based on the 85 percent of commercial customers without fire line meters. Mr. Fox advised that the LVVWD did not break down their analysis by meter size. Mr. Entsminger indicated that the LVVWD would provide that information.

Mr. Kasner asked if the information is similar in Henderson. Mr. Porter advised that Henderson's residential/commercial mix is different, but indicated that Henderson would provide that information, as well.

Scot Rutledge asked for a chart comparing single-family rates to per capita water use. Mr. Entsminger explained that it is difficult to do GPCD comparisons city-by-city without a number of caveats; for example, measuring consumptive use instead of diversion amounts and rainfall jurisdiction-by-jurisdiction. Many jurisdictions, such as Phoenix, are not an all-in number because many of their golf courses pull directly off the Central Arizona Canal Project and the use is not accounted within the community's GPCD. He stated that the committee will have a discussion on conservation and can discuss it then. Mr. Ebersold again cautioned that reporting of GPCD can vary greatly from entity to entity. Mr. Forman added that another complication is defining density of residents (apartment buildings, condos, estates, single-family homes). He noted that all will be vastly different and without breaking it down to that level, you get no information at all. Mr. Rutledge stated that as a representative of the conservation community, this request for GPCD data comes up a lot. He noted that the information would be helpful in defending Southern Nevada's water use. Mr. Forman stated that as a representative of HOAs, he questions how you count common areas as part of residential usage. He suggested the committee will need to have this conversation in much more detail than a chart. Mr. Rutledge agreed.

There were no further questions or comments from the committee relative to the presentation.

Review rate attributes. Mr. Ebersold explained that he took the list of rate structure attributes derived at the October 24 meeting and compiled them into a table and defined each attribute based on what he heard the committee say. He hoped the committee would go through the table and make sure the definitions were satisfactory and that no other attributes needed to be included. Mr. Ebersold stated that he anticipated beginning a weighting process at the December 5 meeting. This process would take each attribute and assign a level of importance to it.

Due to the late hour, Mr. Ebersold asked the committee if they wanted to spend 30 minutes reviewing the table or if they would prefer to do it on their own time before the next meeting. He suggested the committee could email changes/mark-ups to Katie Horn for inclusion at the next meeting. The committee agreed to do it at the next meeting.

PUBLIC COMMENT

Ed Uehling asserted that after the last rate increase rates for some classes increased three percent while others increased 200 percent. He suggested that the LVVWD did not work closely with a citizens group when it decided the last rate increase. Additionally, Mr. Uehling stated that the LVVWD did not provide a Business Impact Statement, but then he stated the LVVWD provided one to the Chamber of Commerce, which he believed was totally useless. Mr. Uehling took issue with the LVVWD's comparison of the cities—stating that it is unfair to compare cities which transport water long distances to those that draw water from a nearby river.

ADJOURNMENT

The meeting was adjourned at 6:15 p.m.