

**INTEGRATED RESOURCE PLANNING ADVISORY COMMITTEE'S
TECHNICAL REVIEW COMMITTEE**

MEETING SUMMARY

July 31, 2013, 1:00 p.m.

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

Technical Review Committee Members Present: Mike Alastuey, Marcus Conklin, Paula Eylar-Lauzon, John Restrepo

Technical Review Committee Members Absent: Bob Kasner

Staff Present: John Entsminger, Randall Buie, Katie Horn

Others Present: Guy Hobbs, Thomas Toepfer, Brian Thomas

PUBLIC COMMENT

Ed Uehling, Las Vegas, Nevada, discussed an information request, operating expenses, and ranch operating expenses and revenues.

SUMMARY OF ACTIVITIES

The Southern Nevada Water Authority's (SNWA) Integrated Resource Planning Advisory Committee's (IRPAC) Technical Review Committee met Wednesday, July 31, 2013. The meeting began at 1:06 p.m.

Review purpose and scope of Technical Review Committee. John Entsminger, SNWA Senior Deputy General Manager, stated that the Technical Review Committee was established by the SNWA Board of Directors to review the rate model assumptions used by IRPAC and asked if the committee had any questions. There were none.

Review and make recommendations on the model assumptions used by the Integrated Resource Planning Advisory Committee.

Mr. Entsminger noted some of the evolving conditions related to Colorado River hydrology, and how they may affect future operating and capital expenses. To demonstrate how future capital expenses are often unanticipated and in response to changing conditions, he updated the committee on current hydrologic conditions on the Colorado River. A copy of his update is attached to the meeting summary.

Guy Hobbs, Hobbs, Ong and Associates, reviewed what the committee accomplished at its previous meeting held July 29, 2013, which included validating some of the rate model's assumptions and recommending revised projections for Sales Tax and Interest earnings.

Paula Eylar-Lauzon asked who will update IRPAC with this committee's activities. She stated that she preferred that Bob Kasner would update the group, since he is a member of IRPAC and attending the next IRPAC meeting. She also noted that she thought she would receive the information she requested at the July 29, 2013 meeting prior to today and is uncomfortable validating the information. She said she was uncomfortable with the timeframe set forth for the TRC to accomplish its directives.

Mr. Entsminger reiterated the factors driving the timeline, noting IRPAC's recommendation to implement rates beginning in 2014, which requires significant outreach and public meeting requirements before implementation.

Ms. Eylar-Lauzon stated that she wanted to see the final rate model prior to finalizing any recommendations. Marcus Conklin confirmed that IRPAC does not require TRC to make any decisions to move forward with recommendations.

Ms. Eylar-Lauzon noted that most governments plan five-year budgets, and that TRC is being asked to review assumptions that affect projections through 2021, which is beyond the typical five-year projections. She asked why the committee would validate numbers beyond the typical five-year projections.

Mr. Conklin stated that he doesn't look at the committee's charge to be validating the numbers, but instead the assumptions used to derive the numbers. He recognized that projections will never be fully accurate, but is comfortable with validating the assumptions. Mr. Restrepo agreed with Mr. Conklin's statement, and asked Mr. Hobbs to remind the committee how models are updated in the future.

Mr. Hobbs noted that the budget process is annual and projections are revisited each year. Major decisions are often supported by a public participation process, such as IRPAC. He went on to review the information that was requested at the July 29, 2013 meeting including Connection Charge revenue, SNWA operating costs and SNWA's debt restructuring schedule.

The committee discussed the Connection Charge information that was provided to them. Committee members recognized the revenue source's volatility and noted that it should be addressed in SNWA budget efforts. Mr. Entsminger gave a brief history on the charge, including its implementation and purpose. Mr. Conklin asked if it was standard practice among water utilities to fund capital with a connection charge. Mr. Entsminger stated that it was and that most areas call them TAC fees.

Brian Thomas, PFM, discussed other materials provided to the committee, and discussed how SNWA funds capitalized labor. Mr. Thomas noted that some capitalized labor is paid through the Bond fund, and some is paid through the New Expansion Debt Service fund. Mr. Entsminger explained that the determination comes from the department, and is project-based. Ms. Eylar-Lauzon asked questions about how capitalized labor is funded and budgeted, and noted much of the capitalized labor is attributed to future projects that require ongoing work. Ms. Eylar-Lauzon noted that she did not understand why SNWA's capitalized labor did not fluctuate and felt that it should experience declines as projects are completed. Mr. Thomas noted that the rate model assumes a three percent increase. He also reminded the committee that they are to determine if the 3-percent assumption is reasonable.

Mr. Entsminger then walked the committee through a project list and explained how capitalized labor is charged within those projects. Ms. Eylar-Lauzon requested more information that demonstrated the long-term projections of the capitalized labor.

Mr. Conklin suggested revising the assumption from a straight estimate, but instead one that is reflective of the current capitalized labor charges associated with the related projects from present day through 2020.

Mr. Entsminger recessed the meeting for a short break. After the recess, the committee resumed discussing capitalized labor costs. Mr. Thomas restated Mr. Conklin's suggestion to move away from a straight escalator and instead tie the capitalized labor to the five-year capital budget.

Mr. Entsminger asked the committee to review the assumptions they have considered to date in order to put together an update for the upcoming IRPAC meeting. Ms. Eylar-Lauzon recommended that the TRC validate assumptions within the 2013-2018 time frame. Committee members did not voice any opposition. Mr. Hobbs

noted that he recognized the committee’s decision to only validate the assumptions through 2018; however, the model would still run through 2021.

Ms. Eylar-Lauzon noted that she did not think the committee had reached an agreement regarding the operating expenses estimates. She requested to see the backup for the capitalized labor and the reason for the increase in budgeted operating expenses outside of recharge in 2013/2014. She requested the information provided via email.

Mr. Entsminger asked how the committee would like to proceed. Ms. Eylar-Lauzon was uncomfortable making any recommendations on operating expenses before seeing the requested information. Mr. Conklin noted his suggestion made earlier and stated that he thinks a 3 percent increase is reasonable for government.

Mr. Entsminger reiterated the timeline that the SNWA is adhering to in order to implement the funding recommendations that IRPAC will provide to the SNWA Board of Directors. He recognized that the committee was not comfortable with verifying the assumptions used for operating expenses and stated he would schedule an additional meeting to allow time for review of additional information. He asked the committee to provide a placeholder assumption for operating expenses to provide an updated model for IRPAC. The committee agreed to a three percent placeholder.

The committee went through the validated assumptions made to date:

- Validate assumptions for the period 2014-2018
- Sales Tax: Instead of projecting a four percent increase for 2014-2021; taper the sales tax projections as shown below:

2014	2015	2016	2017	2018	2019	2020	2021
5%	5%	4.5%	4%	3.5%	3%	2.5%	2%

- Connection Charge Projections: No changes to rate model assumptions
- Water Use Projections: No changes to rate model assumptions
- Price Elasticity: No changes to rate model assumptions
- Operating Charges: The TRC has requested additional time to validate the operating expenses and capitalized labor.
- Interest Earnings Projections: Instead of projecting an annual one-percent increase, modify the interest earnings projections, as shown below:

2014	2015	2016	2017	2018	2019	2020	2021
1%	2%	3%	3%	3%	3%	3%	3%

- Operating Expenses and Capitalized Labor assumptions remain outstanding and will be discussed at a future meeting.

The committee went through the remainder of the information provided, but had no additional questions. Ms. Eylar-Lauzon requested an updated Exhibit E with 2012 actuals and updated footnotes, provided via email.

There being no other related business, Mr. Entsminger opened the meeting for public comment. There were no persons wishing to be heard, and Mr. Entsminger closed the meeting at 3:45 p.m.