

**SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
REGULAR MEETING
APRIL 18, 2013
MINUTES**

CALL TO ORDER 9:01 a.m., Colorado River Conference Rooms, Southern Nevada Water Authority
100 City Parkway, Seventh Floor, Las Vegas, Nevada

BOARD MEMBERS PRESENT Shari Buck, Chair
Mary Beth Scow, Vice Chair
Sam Bateman
Susan Brager
Bob Coffin
Duncan McCoy
Steve Sisolak

BOARD MEMBERS ABSENT None

STAFF PRESENT Pat Mulroy, Greg Walch, John Entsminger, Ron Zegers, Phil Speight, Zane Marshall

OTHERS PRESENT Guy Hobbs

Unless otherwise indicated, all members present voted in the affirmative.

COMMENTS BY THE GENERAL PUBLIC

Ed Uehling, Las Vegas, expressed concerns regarding agenda item number three and advised the Board to not approve an increase to the Wholesale Delivery Charge.

Brian McAnallen, Las Vegas Metro Chamber of Commerce, addressed agenda item number three and noted his concerns that the agenda item and backup information did not include more detailed information. He was also concerned that it was not posted as a public hearing. Mr. McAnallen also addressed item number five, noting it was a step in the right direction, but he would like to expand the committee to five members and add structure to the process.

1. Approval of Agenda & Minutes

FINAL ACTION: A motion was made by Vice Chair Scow to approve the agenda for this meeting and the minutes of the regular meeting of March 21, 2013. The motion was approved.

Agenda item number 2 was moved to the end of the agenda.

3. Approve an increase in the Wholesale Delivery Charge, effective July 1, 2013.

Ms. Mulroy explained the process undertaken to determine the need for an increase to the Wholesale Delivery Charge. Finance staff members from the SNWA's purveyor members review the operating costs of the Southern Nevada Water System and project those costs five years into the future. The SNWA's member agencies are aware that an increase to the Wholesale Delivery Charge of \$10 is necessary to cover increased power costs, and have already absorbed this increase into their upcoming budgets. The increase will not require any of the purveyor members to increase water rates this year.

Chairwoman Buck reiterated that the finance officers of the SNWA's purveyor member agencies have been involved throughout this process, and keep their respective staff and elected officials aware of budget impacts.

Director Sisolak noted that the item was not posted as a public hearing, but would like to open it up for public comment. He recognized the Integrated Resource Planning Advisory Committee (IRPAC), and their efforts to analyze the SNWA's existing rate structure and make recommendations. He also noted concerns about a financial workgroup comprised of member agency finance staff, IRPAC and future rate advisory committees working on similar issues.

Director Sisolak asked who represented the Big Bend Water District within the SNWA's financial workgroup. Ms. Mulroy explained that Big Bend is not affected by the SNWA's Wholesale Delivery Charge because they do not receive their water from the Southern Nevada Water System, and therefore, do not require a representative. Director Sisolak asked who represented the Las Vegas Valley Water District, and Ms. Mulroy responded the finance director for the Las Vegas Valley Water District.

Ms. Mulroy went on to explain that the Wholesale Delivery Charge is only one component that is considered when the SNWA's member agencies analyze the need for a rate increase.

Director Brager requested a report that summarizes the discussions and outcomes of the SNWA's financial workgroup meetings. She also noted her intentions to make the most educated decisions possible – a decision that could have been informed by such report. Ms. Mulroy noted that the Board could make the decision to hold the item until its May meeting.

Ms. Mulroy went on to inform the Board that staff anticipates treatment and pumping costs to increase due to lowering lake levels. She noted the possibility of only a 7.4 million acre-feet release to Lake Mead, which could cause lake levels to drop more than eight feet. Director Brager suggested informing the public about this type of information so future rate increases come without surprise.

Director Coffin asked that the City of Las Vegas be invited to participate in the SNWA financial workgroup meetings.

Director McCoy noted that Boulder City has planned for these rate increases within their upcoming budgets. He also noted that discussions regarding the cost of water from the public don't typically take place at SNWA meetings, but at the meetings of purveyor members.

Vice Chair Scow noted that she was not opposed to waiting until May to vote on the item, which would allow members of the public to participate in the SNWA's Budget Workshop and gather more information.

Director Bateman asked Ms. Mulroy to clarify a mention of an earlier discussion regarding a \$30 increase to the Wholesale Delivery Charge. Ms. Mulroy explained that the SNWA and its member agencies have known that additional increases to the Wholesale Delivery Charge were required due to debt restructuring activities in 2008/2009 and anticipated power increases. As a result, the member agencies decided to take the increase with incremental increases of \$10 rather than a large single increase.

Chairman Buck then opened the item for public comment.

Ed Uehling, Las Vegas, was not satisfied with staff's explanation for the increase to the Wholesale Delivery Charge. He recommended that Colorado River users curtail their use by 25 percent to protect Lake Mead's water elevations.

Brian McAnallen, Las Vegas Metro Chamber of Commerce, wanted to see the information provided by staff included in the agenda item when it was posted as a means to provide more information to the public. He noted that he understood the need for the increase, but would like to see more transparency within the posted documents.

FINAL ACTION: A motion was made by Director Brager to table the item until the May 16, 2013, SNWA Board of Directors meeting. The motion was approved.

4. Approve the Third Amended and Restated Agreement for Interstate Water Banking among the Arizona Water Banking Authority, the Colorado River Commission of Nevada, and the Authority for the storage and recovery of Colorado River water in Arizona.

John Entsminger provided the Board with a brief history of water banking efforts in Arizona, specifically noting an agreement executed in 2005 with the Arizona Water Banking Authority guaranteeing storage of 1.25 million acre-feet of Colorado River water for consumptive use. Since that time, the SNWA has also pursued other temporary resources including the Brock Reservoir and a separate water banking arrangement with California. Mr. Entsminger outlined the terms of the third amendment to the Arizona water banking agreement, which will relieve the SNWA of the remaining payment obligation, but retains the SNWA's ability to bank water with Arizona in the future.

Chairwoman Buck asked Ms. Mulroy to confirm that the SNWA has approximately 1.2 million acre-feet stored between the Arizona Water Bank and other temporary supplies. Ms. Mulroy said yes, and reminded the Board that banking water was done for two reasons: reliability during times of high growth and drought protection. Unlike other bridge supplies, the Arizona Water Bank is available during drought.

Director Sisolak asked Ms. Mulroy to discuss the reasons why banking in California is free, unlike banking in Arizona. Ms. Mulroy explained that the California water bank is virtual; California uses Nevada's unused apportionment while they are developing more permanent supplies. When Nevada needs the water, California will curtail use to allow Nevada to draw its banked supply. Director Sisolak asked what would happen if Arizona refused Nevada to make a withdrawal. Ms. Mulroy stated the federal government cosigned the banking agreements and would not permit Arizona to obstruct Nevada's access to the resource.

FINAL ACTION: A motion was made by Director Brager to follow staff's recommendation. The motion was approved.

5. **Appoint a Technical Review Committee to review any data being utilized by the Integrated Resource Planning Advisory Committee for the purposes of : verifying the reasonableness and adequacy of assumptions used to drive the water rate model, including assumptions regarding rates of growth for population, sales tax revenue, connection charge revenue, general inflation related to operating expenditures, and water consumption; and verifying the impact analysis on various user groups to assure the impacts being reviewed by the Integrated Resource Planning Advisory Committee adequately reflect the spectrum of impacts.**

Ms. Mulroy explained this item is a result from meetings with the Las Vegas Metro Chamber of Commerce over concerns about the rate model assumptions being used by the Integrated Resource Planning Advisory Committee (IRPAC) to analyze the range of modeled impacts to ratepayers and form recommendations to the Board.

Director Sisolak suggested increasing the committee to five. He also asked if this committee would serve future committees similar to the existing IRPAC. Ms. Mulroy noted that the technical review committee's intention is to support only this IRPAC process; future rate increases may necessitate a separate stakeholder committee. At that time, it would be the Board's discretion to establish stakeholder advisory committees and create technical review committees to support those future processes.

Guy Hobbs discussed the challenges of finding three economists who have rate making experience to serve pro-bono on the committee.

Director McCoy noted the Board's effort to appoint individuals that represented a broad cross section of community members to IRPAC. He punctuated the challenges of finding qualified individuals with technical backgrounds to serve voluntarily and also warned that a review made by a technical group may muddy the recommendations of the IRPAC. He recognized that the Board will be responsible for the final decision and appreciates additional review of committee information.

Director Scow agreed with the suggestion to open the committee to five individuals, and was comfortable with an additional review committee that is tied to IRPAC.

FINAL ACTION: A motion was made by Director Sisolak to establish a technical review committee consisting of a minimum of three to a maximum of five individuals. The motion was approved.

The meeting recessed at 10:08 a.m. and was reconvened at 10:08 a.m. to hold the Budget Workshop.

2. *For Possible Action:* Receive an overview and discuss the Fiscal Year 2013/2014 Tentative Budget.

Pat Mulroy reviewed the 2013/2014 tentative budget with the Board. A copy of the presentation she gave is attached to these minutes. She noted that many of the issues within the presentation are currently being discussed by IRPAC, specifically the 2016 debt spike. Ms. Mulroy also gave a brief update on the SNWA's landholdings in eastern Nevada.

Director Coffin asked if the SNWA could provide more detail about the ranch income and expenses. Ms. Mulroy noted that she could provide that information. He asked if there are any additional properties for sale in eastern Nevada that could yield lucrative earnings from ranching operations. Ms. Mulroy noted that the SNWA purchases ranch properties specifically for the water rights. Director Coffin asked if there were other properties that offered substantial water rights available for sale. Ms. Mulroy replied that the SNWA has been approached with offers, however, they have been at a significant cost.

Director Sisolak asked why the SNWA maintains only a few goats, in comparison to other livestock on the ranches. Zane Marshall, director of Water and Environmental Resources, explained that the goats act as surrogate mothers for orphaned lambs and also provide weed control on the ranches.

Chairwoman Buck asked if Ms. Mulroy could make a comment about the decision made by Utah's governor to not sign the Utah-Nevada agreement. Ms. Mulroy explained that she could not discuss the item because it was not on the agenda and noted that if discussed, it would need to be in closed session.

NO ACTION NECESSARY.

Public Comment

There were no persons wishing to speak.

Adjournment

There being no further business to come before the board, the meeting adjourned at 10:23 a.m.

APPROVED:

Shari Buck, Chair

Patricia Mulroy, General Manager

Copies of all original agenda items and minutes, including all attachments, are on file in the General Manager's office at the Las Vegas Valley Water District, 1001 South Valley View Boulevard, Las Vegas, Nevada.

**Third Amended Agreement for
Interstate Water Banking**

April 18, 2013

Background

Demonstration Project (1993)
50,000 acre-feet (AF) of Colorado River water stored by the Central Arizona Water Conservation District for the SNWA.

Agreement for Interstate Water Banking among Arizona Water Banking Authority, Colorado River Commission and SNWA (2001)

- The AWBA agreed to use best efforts to bank 1.2 million acre-feet (MAF) and recover water at the SNWA's request at cost.
- The SNWA to pay storage and recovery costs annually.

Background, con't.

2005 Amended Agreement for Interstate Banking

- The Arizona Water Banking Authority (AWBA) guaranteed storage of 1.25 MAF of Colorado River water for consumptive use (2.125 MAF diversion), including previously-stored water.
- Established the SNWA's payment schedule for storage:
 - \$100 million following execution of agreement
 - \$230 million paid in annual payments of \$23 million from 2009 – 2018

2009 Second Amended Agreement for Interstate Banking
Allowed the AWBA and SNWA to defer annual payments for six years (annual payments would resume in 2015).

To date, the SNWA has banked 600,651 acre-feet (1,021,107 acre-feet diversion).

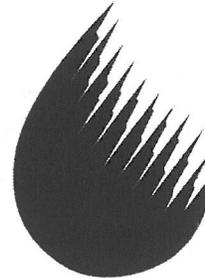
Additional Interim-Stored Resources

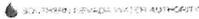
Resource	Current Storage (AF)
Brock Reservoir	400,000
California Interstate Bank	111,000
Extraordinary Conservation (ICS) (stored in Lake Mead)	108,000
Yuma Desalting Plant Pilot	3,050
Bi-national Conservation	23,750
Total	645,800 acre-feet



2013 Third Amended Agreement for Interstate Banking Highlights

- To date, the SNWA has paid \$122,738,945 (including \$10 million in payments under the 2001 Agreement) to AWBA for interstate banking.
- In 2015, the SNWA is relieved of the remaining \$217.3 million obligation, previously scheduled to resume with annual payments to AWBA.
- The SNWA retains the ability to bank water with AWBA in the future.
- Additional storage will be determined on an annual basis, and future storage payments will be presented for SNWA Board consideration.
- The SNWA to pay the AWBA an annual administrative cost of \$20,000 for maintenance of storage credits.





Southern Nevada Water Authority

**2013/2014 Fiscal Year
Budget Workshop**

 April 18, 2013



Fiscal Year 2013/2014 Budget Process

Key Dates

- April 15 – Tentative Fiscal Year 2013/2014 budget submitted to State
- April 18 – Budget Workshop
- May 16 – Public Hearing
- June 1 – Deadline to file approved Fiscal Year 2013/2014 budget with State



Fiscal Year 2013/2014 Budget Highlights

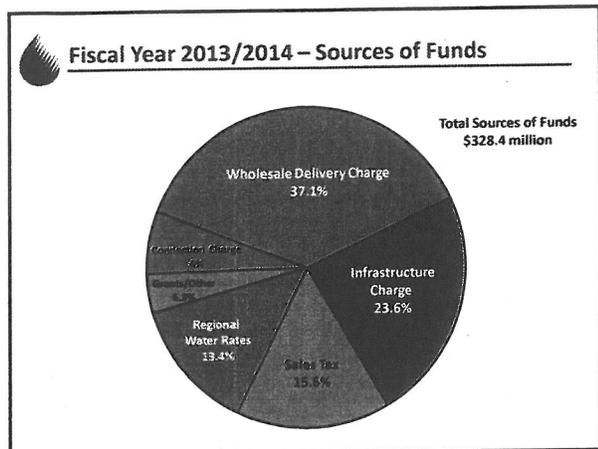
- Uses of funds are projected to decline \$45.1 million (9%)
- Sources of funds are projected to increase \$4.2 million (1.3%)
- Wholesale Delivery Charge is budgeted to increase \$10 per acre-foot (\$293 to \$303)
- Last year's budget did not include the fireline credit



Fiscal Year 2013/2014 – Sources of Funds

	Budget		Difference
	2012-2013	2013-2014	\$
Wholesale Delivery Charge	\$ 117.5	\$ 122.0	\$ 4.5
Regional Infrastructure Charge	92.9	77.4	(15.5)
Sales Tax	47.5	51.3	3.8
Regional Water Rates	45.5	44.0	(1.5)
Regional Connection Charge	12.0	13.1	1.1
Grants and All Other Sources	8.8	20.6	11.8
TOTAL SOURCES	\$324.2	\$328.4	\$4.2

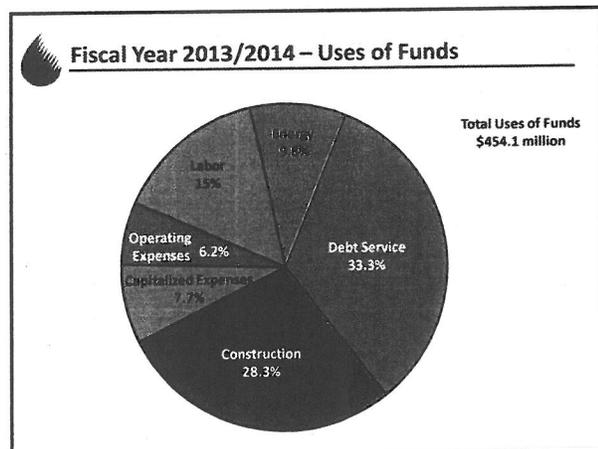
*Amounts in million dollars



Fiscal Year 2013/2014 – Uses of Funds

	Budget		Difference
	2012-2013	2013-2014	\$
Debt Service Payments	\$ 149.3	\$ 150.7	\$ 1.4
Construction Expenditures	176.5	127.7	(48.8)
Labor	68.6	68.6	(0.0)
Energy	42.5	44.3	1.8
Capitalized Expenses	35.3	34.9	(0.4)
Operating Expenses	27.0	27.9	0.9
TOTAL USES	\$499.2	\$454.1	(\$45.1)
Beginning Fund Balance		530.3	
Ending Fund Balance		\$404.6	

*Amounts in million dollars



- ### Wholesale Delivery Charge
- In May 2011, the SNWA Board approved a Wholesale Delivery Charge increase of \$10 per acre-foot (\$283 to \$293).
 - The factors driving a three-year increase of \$10 per year have changed:
 - Lower than expected debt costs for the Silverhawk Generating Station.
 - Refunding of SNWS debt softened the spike in FY 2012/2013.
 - Member agency staff recommended foregoing a FY 2012/2013 increase (the rate remained at \$293 per acre-foot).
 - In 2013, the charge is budgeted to increase \$10 per acre-foot (\$293 to \$303).

Wholesale Delivery Charge

	2012/2013 Budget	2013/2014 Budget	Difference \$
SOURCES OF FUNDS			
Wholesale Delivery Charge	\$ 117,498,863	\$ 121,958,169	\$ 4,459,306
Interest Income	63,664	48,480	(15,204)
Other Revenues	(29,588)	582,817	612,405
TOTAL SOURCES OF FUNDS	\$ 117,532,959	\$ 122,589,466	\$ 5,056,507
USES OF FUNDS			
Energy	\$ 39,311,358	\$ 41,484,548	\$ 2,173,190
Labor	35,630,802	36,487,968	857,166
Operating Expenses	24,744,329	25,744,060	999,731
Debt Service Payments	13,494,249	13,711,411	217,162
TOTAL USES OF FUNDS	\$ 113,180,738	\$ 117,427,987	\$ 4,247,249
TOTAL SOURCES IN EXCESS (LESS THAN) TOTAL USES	\$ 4,352,221	\$ 5,161,479	\$ 809,258
Beginning Fund Balance		19,500,000	
Ending Fund Balance		\$ 24,661,479	

New Expansion Debt Service

	2012/2013 Budget	2013/2014 Budget	Difference \$
SOURCES OF FUNDS			
Regional Connection Charge	\$ 12,033,087	\$ 13,142,254	\$ 1,109,167
Regional Infrastructure Charge	92,932,293	77,399,956	(15,532,337)
Regional Commodity Charge	40,797,784	39,257,838	(1,539,946)
Regional Reliability Surcharge	4,695,142	4,783,017	87,875
Interfund Loan	34,493,515	(3,468,216)	(37,961,731)
Sales Tax	44,449,482	47,953,191	3,503,709
Other Revenues	4,268,327	1,102,305	(3,166,022)
Grant Proceeds	-	504,500	504,500
Interest Income	791,588	660,455	(131,133)
TOTAL SOURCES OF FUNDS	\$ 234,461,218	\$ 181,335,300	\$ (53,125,918)
USES OF FUNDS			
Labor	\$ 21,269,923	\$ 22,445,831	\$ 1,175,908
Capitalized Expenses	7,579,920	10,307,762	2,727,842
Debt Service Payments	135,799,991	137,002,809	1,202,818
TOTAL USES OF FUNDS	\$ 164,649,834	\$ 169,756,402	\$ 5,106,568
TOTAL SOURCES IN EXCESS (LESS THAN) TOTAL USES	\$ 69,811,384	\$ 11,578,898	\$ (58,232,486)

New Expansion Debt Service

	2012/2013 Budget	2013/2014 Budget
TOTAL SOURCES OF FUNDS	\$ 234,461,218	\$ 181,335,300
TOTAL USES OF FUNDS	164,649,834	169,756,402
TOTAL SOURCES IN EXCESS (LESS THAN) TOTAL USES	\$ 69,811,384	\$ 11,578,898
Beginning Fund Balance		295,000,000
Ending Fund Balance		\$ 306,578,898

Major Construction and Capital Plan

	2012/2013 Budget	2013/2014 Budget	Difference \$
SOURCES OF FUNDS			
Debt Issuance Proceeds	\$ 360,000,000	\$ -	\$ (360,000,000)
Interest Income	899,536	327,901	(571,635)
Interfund Loan	(39,600,000)	-	39,600,000
Grant Proceeds	-	60,000	60,000
TOTAL SOURCES OF FUNDS	\$ 321,299,536	\$ 387,901	\$ (320,911,635)
USES OF FUNDS			
Labor	\$ 9,750,194	\$ 7,906,713	\$ (1,843,481)
Capitalized Expenses	27,834,826	24,620,909	(3,213,917)
Energy	3,156,536	2,833,787	(322,749)
Construction Expenditures	168,706,854	107,177,187	(61,529,667)
TOTAL USES OF FUNDS	\$ 209,448,410	\$ 142,538,596	\$ (66,909,814)
TOTAL SOURCES IN EXCESS (LESS THAN) TOTAL USES	\$ 111,851,126	\$ (142,150,695)	\$ (254,001,821)
Beginning Fund Balance		214,200,000	
Ending Fund Balance		\$ 72,049,305	

Groundwater Management Program

	2012/2013 Budget	2013/2014 Budget	Difference \$
SOURCES OF FUNDS			
Groundwater Management Fees	\$ 913,359	\$ 913,345	\$ (14)
Interest Income	6,306	5,285	(1,021)
TOTAL SOURCES OF FUNDS	\$ 919,665	\$ 918,630	\$ (1,035)
USES OF FUNDS			
Labor	\$ 380,825	\$ 465,562	\$ 84,737
Operating Expenses	784,150	793,658	9,508
TOTAL USES OF FUNDS	\$ 1,164,975	\$ 1,259,220	\$ 94,245
TOTAL SOURCES IN EXCESS (LESS THAN) TOTAL USES	\$ (245,310)	\$ (340,590)	\$ (95,280)
Beginning Fund Balance		1,400,000	
Ending Fund Balance		\$ 1,059,410	

Las Vegas Wash

	2012/2013 Budget	2013/2014 Budget	Difference \$
SOURCES OF FUNDS			
LV Wash Program Fees	\$ 827,931	\$ 1,175,803	\$ 347,872
Sales Tax	3,090,490	3,344,599	254,109
Interfund Loan	5,106,485	3,468,216	(1,638,269)
Interest Earnings	1,809	762	(1,047)
Grant Proceeds	1,099,750	15,206,600	14,106,850
TOTAL SOURCES OF FUNDS	\$ 10,126,465	\$ 23,195,980	\$ 13,069,515
USES OF FUNDS			
Labor	\$ 1,606,545	\$ 1,301,635	\$ (304,910)
Operating Expenses	1,463,354	1,329,202	(134,152)
Construction Expenditures	7,745,015	20,500,000	12,754,985
TOTAL USES OF FUNDS	\$ 10,814,914	\$ 23,130,837	\$ 12,315,923
TOTAL SOURCES IN EXCESS (LESS THAN) TOTAL USES	\$ (688,449)	\$ 65,143	\$ 753,592
Beginning Fund Balance		200,000	
Ending Fund Balance		\$ 265,143	

Fiscal Year 2013/2014 Summary

	Budget		Difference \$
	2012-2013	2013-2014	
SOURCES OF FUNDS			
Wholesale Delivery Charge	\$ 117.5	\$ 122.0	\$ 4.5
Regional Infrastructure Charge	92.9	77.4	(15.5)
Sales Tax	47.5	51.3	3.8
Regional Water Rates	45.5	44.0	(1.5)
Regional Connection Charge	12.0	13.1	1.1
Grants/Other Sources	8.8	20.6	11.8
Total Sources of Funds	\$ 324.2	\$ 328.4	\$ 4.2
USES OF FUNDS			
Debt Service Payments	\$ 149.3	\$ 150.7	\$ 1.4
Construction Expenditures	176.5	127.7	(48.8)
Labor	68.6	68.6	(0.0)
Energy	42.5	44.3	1.8
Capitalized Expenses	35.3	34.9	(0.4)
Operating Expenses	27.0	27.9	0.9
Total Uses of Funds	\$ 499.2	\$ 454.1	\$ (45.1)

*Amounts in million dollars

Fiscal Year 2013/2014 Summary

	Budget		Difference \$
	2012-2013	2013-2014	
Total Sources of Funds	\$ 324.2	\$ 328.4	\$ 4.2
Total Uses of Funds	499.2	454.1	(45.1)
Total Sources in Excess of (Less Than) Total Uses	\$ (175.0)	\$ (125.7)	\$ 49.3
Beginning Fund Balance		530.3	
Ending Fund Balance		\$404.6	

*Amounts in million dollars

Ranches

Overview

In 2006 and 2007, the SNWA purchased seven properties in Spring Valley to support in-state groundwater development activities.

- The properties provide valuable water rights as a tool for environmental resource management activities.
- The properties were acquired in support of the proposed Clark, Lincoln and White Pine Counties Groundwater Development Project.
- The land, water, infrastructure and livestock assets associated with the properties will be used to avoid, minimize and mitigate potential impacts from groundwater development.
- The Huntsman property is the only property paid for with bond proceeds (\$8 million).

Ranch Assets

Water Rights: ~65,700 AFY
 7,200 AFY groundwater
 23,800 AFY supplemental groundwater
 34,700 AFY surface water

Land: ~956,500 acres
 23,500 acres deeded property
 933,000 acres grazing permits

Livestock: 6,248 head*
 1,342 Cattle
 4,844 Sheep
 34 Goats
 28 Horses

Agriculture: ~6,100 acres
 2,100 acres Alfalfa/Hay Production
 4,000+ acres Sub-irrigated Meadows and Wetlands

*As of 3/1/13



Ranch Financial Summary

	2013 <u>Budget</u>	2013 <u>Projected</u>
Revenue	2,188,290	2,345,971
Expenses	1,553,177	1,553,177
Cost of Goods Sold	500,000	513,726
Net Income	<u>135,113</u>	<u>279,068</u>
Huntsman Debt Service		(190,400)

