SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
REGULAR MEETING
MAY 15, 2014
MINUTES

CALL TO ORDER	9:05 a.m., SNWA Board Chambers, Southern Nevada Water Authority 100 City Parkway, Seventh Floor, Las Vegas, Nevada
BOARD MEMBERS PRESENT	Mary Beth Scow, Chair (Via phone for item no. 6) Sam Bateman, Vice Chair (Acting chair) Susan Brager (via phone for item no. 9) Bob Coffin Duncan McCoy Steve Sisolak Anita Wood
BOARD MEMBERS ABSENT	None
STAFF PRESENT	John Entsminger, Greg Walch, David Wright, Dave Johnson, Julie Wilcox, Marc Jensen
OTHERS PRESENT	None

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

Agenda Item No. 6 was taken out of order.

COMMENTS BY THE GENERAL PUBLIC
For complete comments, audio is available online at snwa.com

There were no persons wishing to speak.

1. *For Possible Action:* Approval of Agenda & Minutes

FINAL ACTION: A motion was made by Director Sisolak to approve the agenda for this meeting, and the meeting minutes of March 20, 2014, and the special meeting of April 17, 2014. The motion was approved.

6. *For Possible Action:* Authorize the General Manager to extend existing leases for a period of two years on shares in the Muddy Valley Irrigation Company, the Bunkerville Irrigation Company, and the Mesquite Irrigation Company, execute ministerial documents to effectuate the transactions, and pay the associated administrative costs of the irrigation companies for an amount not to exceed $3,000,000.

John Entsminger, SNWA General Manager, provided a brief overview of the item, noting that leased and purchased water rights on the Muddy and Virgin rivers allow the SNWA to protect Lake Mead elevations when demand does not require their use. Additionally, these water rights can be utilized to meet demands during declared shortages on the Colorado River.

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

2. *For Possible Action:* Conduct a Public Hearing on the Tentative Budget for the Authority and subsequently adopt a Final Budget for fiscal year 2014/2015.

Mr. Entsminger and David Wright, SNWA Chief Financial Officer, gave a presentation on the tentative budget for the Authority. Dave Johnson, SNWA Deputy General Manager – Engineering and Operations, provided an update on SNWA's asset management program. A copy of their presentation is attached to these minutes.

Director Wood asked about the impacts experienced by rate payers since implementation of the recent rate increase. Mr. Entsminger responded that response to the rate increase has been minimal, but noted that it was implemented in winter, when water consumption is typically low among water users.

Director McCoy thanked staff for a clear and easy-to-understand presentation of the budget.

In response to an inquiry from Director Coffin, Mr. Entsminger outlined the activities underway to assist outplaced employees, and indicated that staff will research possible additional actions.

Following no additional comments or questions from the Board, Vice Chair Bateman opened the Public Hearing.

Ed Uehling, Las Vegas, discussed the SNWA's recent rate increases and employee wages.

With no additional people wishing to speak, Vice Chair Bateman closed the public hearing.

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

CONSENT AGENDA Items 3 - 4 are routine and can be taken in one motion unless a Director requests that an item be taken separately.

3. ***For Possible Action:* Approve an interlocal agreement between the Clark County Water Reclamation District and the Authority for Las Vegas Valley shallow groundwater quality data gathering, storage, and gap analysis, and accept funds in the amount of $200,000 for the Authority's participation costs.**

4. **For Possible Action: Approve an interlocal agreement among the City of Henderson, the City of Las Vegas, the City of North Las Vegas, Clark County, the Clark County Regional Flood Control District, the Clark County Water Reclamation District, and the Authority to establish funding allocations and the budget for Las Vegas Wash activities in fiscal year 2014/2015.**

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

BUSINESS AGENDA

5. ***For Possible Action:* Approve an agreement between Carollo Engineers, Inc., and the Authority for participation in a Texas Water Development Board study, "Testing Water Quality in a Municipal Wastewater Effluent Treated to Drinking Water Standards," and accept funds in the amount of $33,000 for the Authority's participation costs.**

Director Sisolak asked for clarification of Carollo Engineers' disclosure statement, specifically the statement that the firm was unaware of any conflicts of interest between the firm and the SNWA, but some might exist. Greg Walch, General Counsel, confirmed that the disclosure statement was fair.

Director Coffin asked about the SNWA's level of awareness of pharmaceuticals and other characteristics that are not regulated by state and federal drinking water standards within the community's water supply. Mr. Johnson reported that the SNWA conducts extensive research on the topic and is often sought out as an industry expert from other utility agencies. He went onto discuss the SNWA's monitoring program for the community's raw and treated water, and how Lake Mead Intake No. 3 will access better quality water in Lake Mead.

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

7. ***For Possible Action:* Authorize the Authority's intervention in Nevada Power Company's General Rate Case.**

Mr. Walch noted that while he does not anticipate that NV Energy's rate case will impact the SNWA, the SNWA needs the ability to intervene in the event the organization needs to file testimony.

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

8. *For Possible Action:* Adopt the Authority's Water Conservation Plan.

Mr. Entsminger noted that state of Nevada requires water utilities to maintain a five-year water conservation plan and that the SNWA's existing plan requires an update in 2014. He went on to add that the SNWA's Integrated Resource Planning Advisory Committee will be evaluating the SNWA's conservation program and making recommendations for the Board's consideration early next year. Should any approved recommendations impact the existing conservation plan, the SNWA will update the plan.

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

9. *For Information Only:* Receive an update from staff on water resources including, but not limited to, drought conditions in the Colorado River Basin, the results of the implementation of the Authority's Water Resource and Conservation Plans, activities on the Colorado River, the development of in-state water resources, and the status of the third intake project.

Mr. Walch gave a presentation on drought conditions, which is attached to these minutes. Director Sisolak noted a California desalination plant coming online and asked for the SNWA's opinion on desalination as a long-term solution. Mr. Entsminger noted that desalination remains a long-term component of the SNWA's water resource portfolio, but significant challenges remain for Southern Nevada including water production and price per acre-foot. Mr. Entsminger noted a more feasible option, including an exchange of Colorado River water for desalinated water in Mexico, as part of Minute 319. Director Sisolak requested an annual update on desalination activities in California and Mexico. Director Coffin agreed with Director Sisolak, reiterating the importance of understanding desalination and integrating the resource when it's appropriate for Southern Nevada.

Marc Jensen, SNWA Engineering Director, provided a brief update on Lake Mead Intake No. 3.

NO ACTION NECESSARY.

Public Comment

Ed Uehling, Las Vegas, discussed issues related to water quality including the Las Vegas Wash discharge into Lake Mead, the cost of financing the SNWA's Groundwater Development Project, desalinated resources and using water rates to promote water conservation.

Adjournment

There being no further business to come before the board, the meeting adjourned at 10:06 a.m.

APPROVED:

Mary Beth Scow, Chair

John J. Entsminger, 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.

SOUTHERN NEVADA WATER AUTHORITY®

2014/15 Fiscal Year
Budget Public Hearing
May 15, 2014

1

Fiscal Year 2014-15 Budget

- Recession Impacts
- Response to Economic Conditions
- Current Environment
- Strategic Plan Development

2

Strategic Plan - Goals

- **Assure quality water through reliable and highly efficient systems**
- **Deliver an outstanding customer service experience**
- **Anticipate and adapt to changing climatic conditions while demonstrating stewardship of our environment**
- **Develop innovative and sustainable solutions through research and technology**
- **Ensure organizational efficiency and manage financial resources to provide maximum customer value**
- **Strengthen and uphold a culture of service, excellence and accountability**

3

Organizational Direction

- **The SNWA Board of Directors has provided direction:**
  - Streamline the organization to address current and future community needs
  - Make operational efficiency and service to purveyors and customers ultimately the hallmarks of the realigned organization
  - Begin to focus on long-term asset management
  - Provide rate stability

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SOUTHERN NEVADA WATER AUTHORITY

ASSET MANAGEMENT

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Asset Management: Existing Infrastructure

- **Gross book value of all SNWA water facilities: $3 billion**
  - Subject to depreciation
  - Current replacement value is much higher
- **Includes facilities constructed by the Colorado River Commission (CRC) and Bureau of Reclamation (BOR)**
  - Construction beginning in 1968
  - Intake No. 1 construction completed in 1971
  - SNWA construction beginning in 1995
- **CRC and BOR facilities transferred to SNWA in 1996**

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Asset Management: Major Components

- **Water Treatment Facilities**
  - Alfred Merritt Smith
  - River Mountains
- **Lake Mead Intake 1 and 2 (#3 under construction)**
- **Water Quality Laboratory**
- **28 Pumping Stations**
- **38 Reservoirs**
- **Approximately 163 miles of lateral**

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Asset Management Goals

- **Reduce life-cycle costs while meeting water quality standards and reliability goals by:**
  - Developing maintenance and repair strategies that extend infrastructure life and prevent failures
  - Assessing condition of critical assets to prioritize short-term renewal requirements
  - Planning for long-term expenditures required to maintain high quality service levels
  - Keeping costs to a minimum over the long run by maximizing asset life

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Asset Management: Renewal Needs

- **Major infrastructure cost projections include:**
  - AMSWTF and RMWTF - $2M per year
  - SCADA upgrades - $5M every 10 years starting in 2024
  - Rate-of-Flow Control Stations - $4M 2026-2028
  - Electrical Transmission Infrastructure – $1.6M per year
  - Pumping Station Infrastructure-$3M per year

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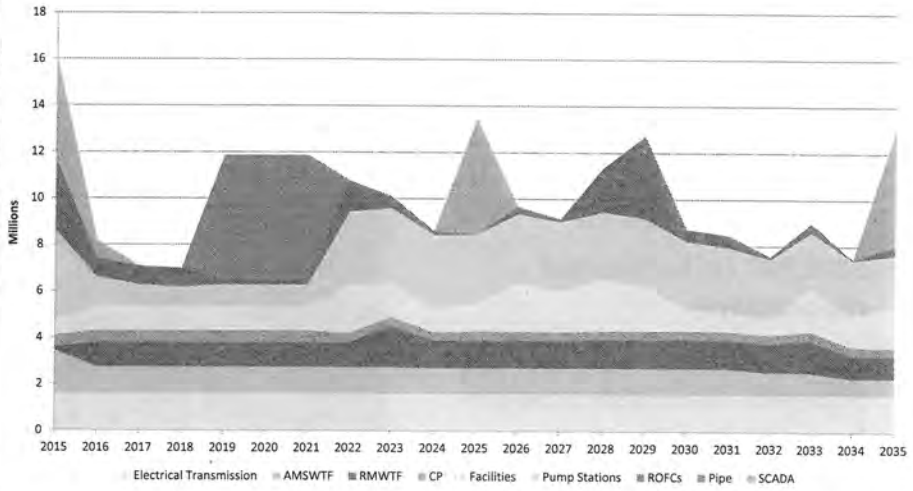
Asset Management: 20 Year Forecast

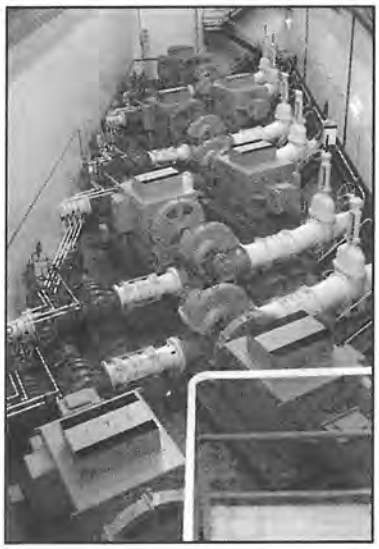


Asset Management

Infrastructure	Short Term (2015 to 2021)	Long Term (Avg Annual Cost)	Every 10 Years	Every 20 to 30 Years	More Than 30 Years Out
Electrical Transmission System		$ 1,600,000			
AMSWTF	$ 8,708,815	$ 1,125,863			
RMWTF	$6,494,000	$ 1,129,192			
Cathodic Protection	$3,500,000	$ 381,167			
Facilities	$6,813,392	$1,230,189			
Pump Stations	$9,795,980	$3,067,419			
Rate of Flow Control Stations	$6,084,402	$454,472			
Pipe	$16,136,863	$0	$0	$0	$2,500,000
SCADA	$5,150,000		$5,000,000	$40,000,000	
TOTAL	$62,683,452	$8,988,301	$5,000,000	$ 40,000,000	$2,500,000

Asset Management: Short-Term Needs

- **$600,000 - Ozone generator rehabilitation**
- **$400,000 - Rebuild 2 treatment tanks at AMSWTF**
- **$300,000 - Hitachi motor replacements**
- **$150,000 - Refurbish 2 sodium hypochlorite generators**



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Asset Management: Short-Term Needs

- $3.05 Million - Replace Stage II Valves and Venturi Meters
- $700,000 - Pumping station 1B and 2B isolation valves
- $500,000 - Cathodic protection upgrades
- $300,000 - Pumping station roof repairs

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BUDGET

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FY 2013-14 vs. 2014-15 Budget Highlights

- **Sources of Funds to increase by $36 million**
  - $20 million from IRPAC recommended rate adjustments
  - $18 million from Connection Charges due to growth
  - Sales tax revenues steadily improving
- **Uses of Funds to increase by $10 million**
  - Debt Service to increase $20 million as "debt spike" begins
  - Payroll to decrease by $2.6 million, but $6 million lower than originally projected in tentative budget
  - Asset management to increase by $6 million for multi-year deferrals
  - Construction expenditures decreased by $17 million
- **IRPAC**
  - On track to meet IRPAC recommended New Expansion Debt Service fund balance target of $280 million plus adequate funding to pay debt service through 2021

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Sources of Funds

FY 2013-14 Budget vs. FY 2014-15 Budget

	Budget 2013-14	Budget 2014-15	Difference $	Difference %
Wholesale Delivery Charge	$ 122.0	$ 123.4	$ 1.4	1.1%
Infrastructure Charge	77.4	87.2	9.8	12.7%
Connection Charges	13.1	30.7	17.6	134.4%
Regional Water Rates	44.0	54.3	10.3	23.4%
Sales Tax	51.3	53.7	2.4	4.7%
All Other	20.6	15.5	(5.1)	-25.0%
TOTAL SOURCES	$ 328.4	$ 364.8	$ 36.4	11.1%

millions

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Uses of Funds

FY 2013-14 Budget vs. FY 2014-15 Budget

	Budget 2013-14	Budget 2014-15	Difference $	Difference %
Power	$ 44.3	$ 45.8	$ 1.5	3.4%
Construction Expenditures	127.7	110.5	(17.2)	-13.5%
Payroll	68.6	66.0	(2.6)	-3.8%
Operating Expenses	27.9	30.2	2.3	8.2%
Capital Expenses	34.9	40.6	5.7	16.3%
Debt Service	150.7	170.5	19.8	13.1%
TOTAL USES	$ 454.1	$ 463.6	$ 9.5	2.1%
NET ACTIVITY	$ (125.7)	$ (98.8)	$ 26.9	-21.4%

millions

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IRPAC Recommendation No. 6

- **IRPAC modeled that $20.9 million would be collected from phased-in rates during FY 2013-14 and FY 2014-15. Those funds being set aside in fund balance to pay future debt service.**
- **Budget forecasts currently show revenues are on target with IRPAC phased-in rate projections.**

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IRPAC Recommendations No. 7 and No. 8

- **No. 7 – Connection Charges over 2014 base year of $16.1 million; and**
- **No. 8 – Fund balance above $280 million (not including funds identified to pay debt service) only used to:**
  - Redeem outstanding bonds, thereby reducing outstanding debt and future debt service requirements
  - Acquire capital assets that would otherwise need to be funded with borrowed money, thus avoiding additional debt and debt service
  - Moderate further the impact of future rate increases
  - Reduce water rates

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IRPAC Recommendations No. 7 and No. 8

- **FY 2014-15 Budget Projections:**

	Proposed June 30, 2015
Excess Connection Charges (#7)	$ 19.1
Funds in Excess of Target Balance (#8)	3.1
	$ 22.2
	(millions)

- **At June 30, 2015, Fund Balance in excess of IRPAC projection of appx. $22 Million will be available for the options recommended by IRPAC**
- **Staff recommends reviewing the IRPAC recommendation reserve levels twice a year:**
  - When the budget is considered each spring
  - When the audit is considered in the fall

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Budget Summary

	Wholesale Delivery Operations	New Expansion Debt Service	MCCP Construction	Groundwater Program	Las Vegas Wash	Total
Beginning Balance (July 1, 2014)	$ 28.7	$ 340.7	$ 156.2	$ 1.7	$ –	$ 527.3
Sources of Funds						
Wholesale Delivery Charge	123.4	–	–	–	–	123.4
Other Revenues	1.3	1.4	0.1	–	–	2.8
Regional Connection Charge	–	30.7	–	–	–	30.7
Regional Infrastructure Charge	–	67.2	–	–	–	67.2
Regional Commodity Charge	–	49.4	–	–	–	49.4
Reliability Surcharge	–	4.9	–	–	–	4.9
Sales Tax	–	50.2	–	–	3.5	53.7
Groundwater Program Fees	–	–	–	0.8	–	0.8
LV Wash Program Fees	(1.2)	–	–	–	2.0	0.7
Intra Fund Loan		(6.6)			6.6	
Debt Issuance Proceeds	–	–		–	–	–
Grant Proceeds	0.2	0.7	–	–	8.7	9.5
Interest Income	0.1	1.1	0.3	0.0	–	1.5
Total Sources of Funds	123.6	218.1	0.4	0.8	20.7	364.6
Uses of Funds						
Energy	44.4		1.4		–	45.8
Payroll	37.0	20.4	6.6	0.5	1.5	66.0
Operating Expenses	28.7	–	–	0.7	0.8	30.2
Capitalized Expenses	–	9.5	31.1	–	–	40.6
Cap/Const Expenditures		–	92.2	–	18.3	110.5
Debt Service	13.0	157.6			–	170.6
Total Uses of Funds	123.0	187.4	131.4	1.2	20.5	463.6
Fiscal Year Net Change	0.6	31.7	(131.0)	(0.3)	0.1	(98.9)
Ending Balance (June 30, 2015)	$ 29.3	$ 372.4	$ 25.2	$ 1.4	$ 0.1	$ 428.4

Amounts may be slightly off due to rounding

millions

Fiscal Year 2014-15 Budget

- Is responsible to customers and operations
- Enhances SNWA's implementation of the new Strategic Plan
- Continues to provide high level service to purveyors and customers
- Maintains payroll costs at sustainable levels which are below 2009-10 expenses
- Increases funding of asset management efforts
- Tracks IRPAC recommended balance levels

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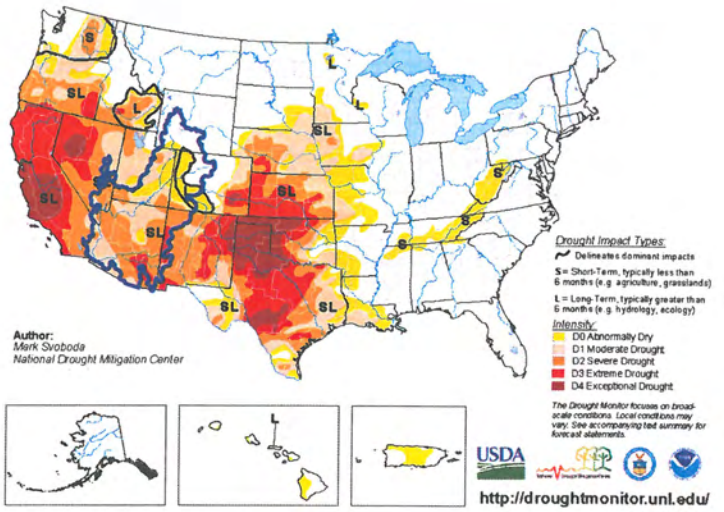
Update on Drought Conditions and Water Use

May 15, 2014

Drought Monitor

(May 6, 2014)



http://droughtmonitor.unl.edu/

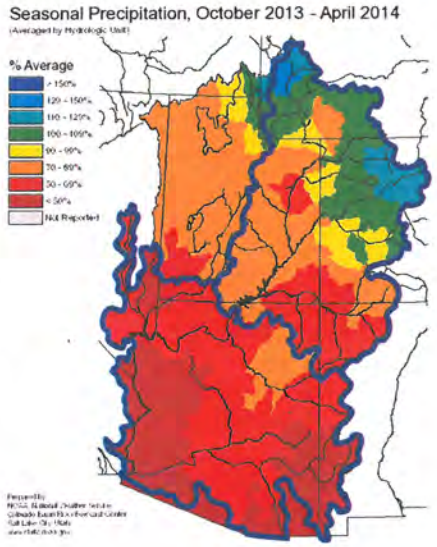
Colorado River Basin Conditions

April Inflow to Lake Powell: 91% of average

Snow Pack: 119% of average

Water Year 2014 Precipitation: 101% of average

Forecasted Water Year 2014 Inflow to Lake Powell: 100% of average

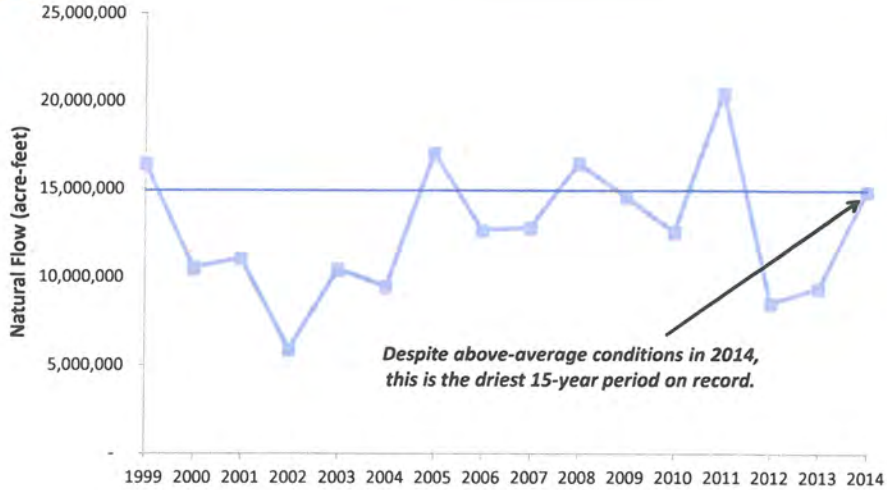


Precipitation and Inflow Forecast – Lake Powell

	2013 Water Year		2014 Water Year	
Month	Actual Precipitation	Inflows Forecast	Actual Precipitation	Inflows Forecast
Jan	72%	61%	96%	93%
Feb	78%	54%	102%	96%
Mar	76%	49%	103%	105%
Apr	78%	42%	103%	103%
May	80%	45%	101%	100%
Jun	77%	44%		
Jul	80%	41%		
Aug	81%	40%		
Sept	90%	46%		
Actual	91%	47%		

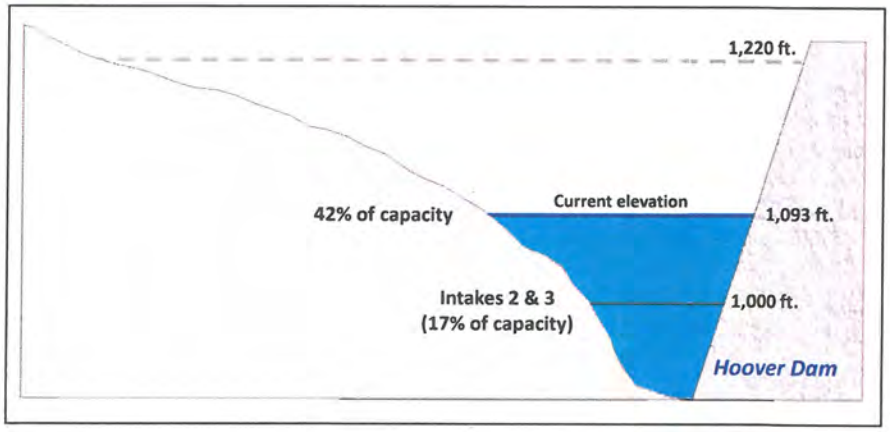
Source: Bureau of Reclamation, Lower Colorado Water Supply Reports

Natural Flow at Lee Ferry

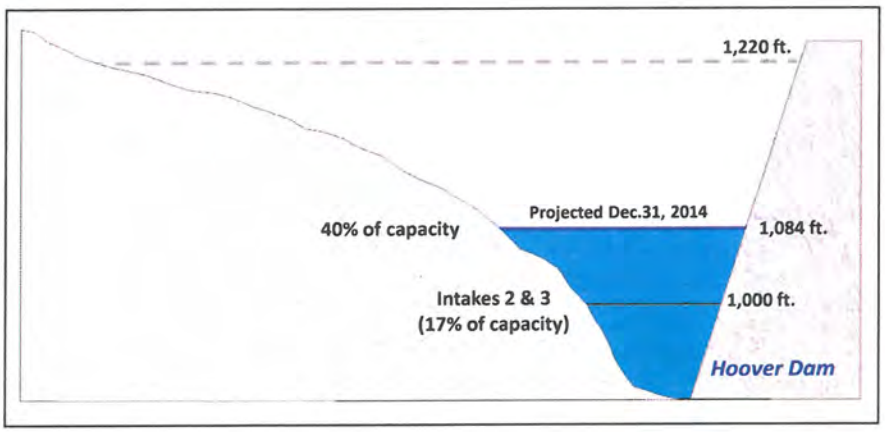


Cumulatively, the runoff during this period is more than 20.5 million acre-feet less than average (6.7 trillion gallons) .

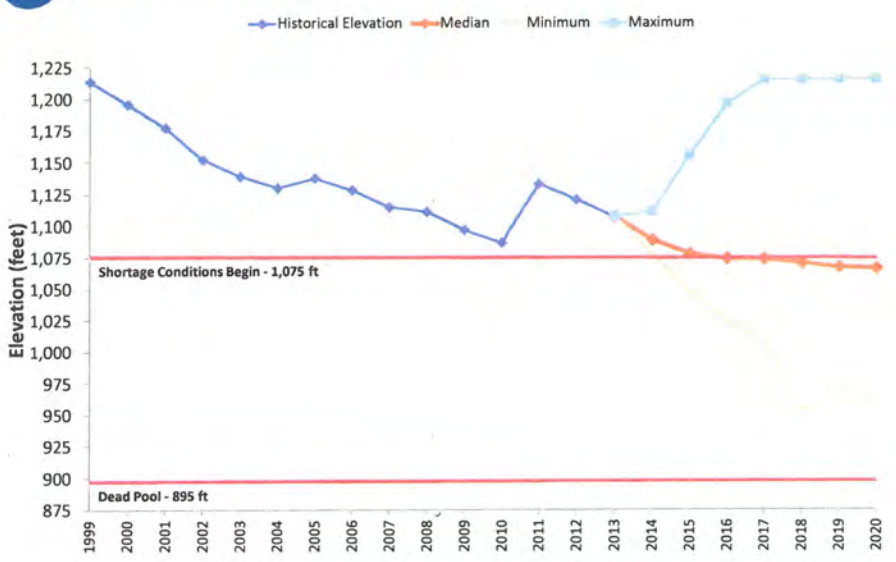
Current Lake Mead Elevation



Projected Lake Mead Elevation

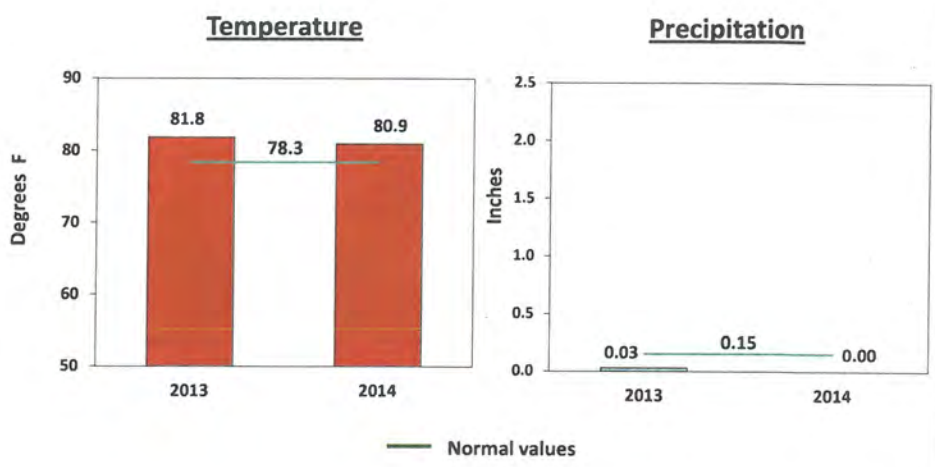


Lake Mead Elevation Projections

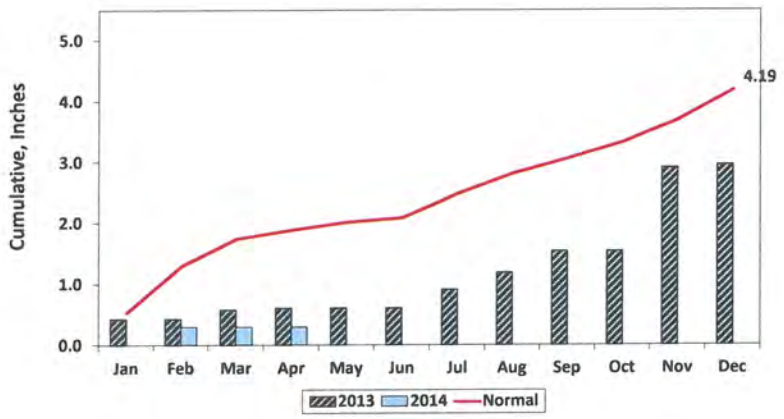
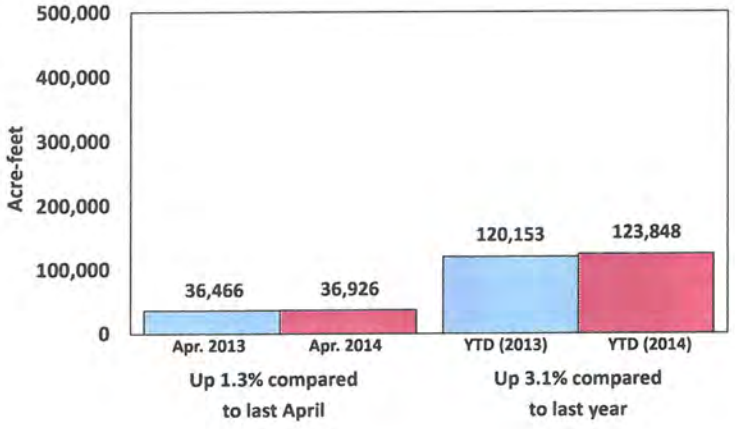
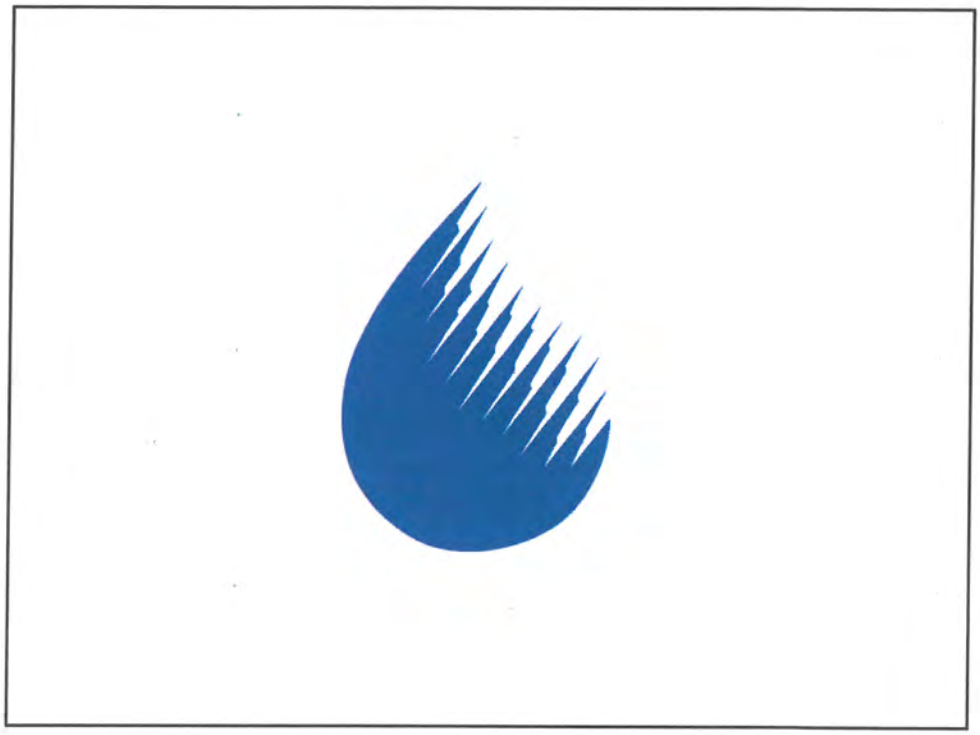


SNWA Water Use

Weather Comparison (April 2014)



Annual Precipitation



SNWA Total Water Use