

SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
SPECIAL METING
APRIL 29, 2015
MINUTES

CALL TO ORDER 9:04 a.m., Colorado River Conference Rooms, Southern Nevada Water Authority; 100 City Parkway, Seventh Floor, Las Vegas, Nevada

BOARD MEMBERS PRESENT Mary Beth Scow, Chair
Sam Bateman, Vice Chair
Susan Brager
Duncan McCoy
Steve Sisolak
Anita Wood

BOARD MEMBERS ABSENT Bob Coffin

STAFF PRESENT John Entsminger, Greg Walch, Phil Speight, Dave Johnson, Julie Wilcox

OTHERS PRESENT None

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

COMMENTS BY THE GENERAL PUBLIC

For complete comments, audio is available online at snwa.com

Kena Gloeckner, Pioche, NV, discussed SNWA's ranching operations in Dry Lake Valley, Nevada. She referred to long-standing grazing traditions and was concerned that the SNWA was breaking tradition. She asked to schedule a meeting with staff.

Kylee Gloeckner, Pioche, NV, continued the comments made by her mother, Kena, and shared her efforts raising the issue to SNWA staff. She referred to a map, attached, and discussed points of interest. Finally, she also requested to meet with the staff member in charge of SNWA's range management.

John Entsminger, General Manager, noted that SNWA staff has previously met with Mrs. Gloeckner to address her concerns.

1. For Possible Action: Approval of Agenda

FINAL ACTION: A motion was made by Director Brager to approve the agenda for this meeting. The motion was approved.

Items 2 and 3 were taken together.

2. For Possible Action: Approve and authorize the General Manager to sign a Surface Water Sublease Agreement, in substantially the same form as that attached hereto, between the Moapa Band of Paiute Indians and the Authority, and authorize the General Manager to sign all ministerial documents necessary to effectuate the transaction, for an amount not to exceed \$902,000.

3. For Possible Action: Approve and authorize the General Manager to execute an agreement, in substantially the same form as that attached hereto, between the Bureau of Reclamation and the Authority for a System Conservation Implementation Agreement, and receive funds for an amount not to exceed \$2,250,000.

Mr. Entsminger gave a presentation that outlined the terms of the agreement, which is attached to these minutes.

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

4. ***For Possible Action:*** Approve and authorize the General Manager to execute an agreement, in substantially the same form as that attached hereto, among the Upper Colorado River Commission of Nevada, the Secretary of the Interior, the Board of Water Commissioners of the City and County of Denver, the Central Arizona Water Conservation District, the Metropolitan Water District of Southern California, Denver Water, and the Authority to facilitate the System Conservation Pilot Program in the Upper Colorado River Basin, and to authorize the General Manager to execute project specific funding agreements in both the Upper and Lower Basin to effectuate pilot projects under the System Conservation Pilot Program.

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

5. ***For Possible Action:*** Approve and authorize the General Manager to execute, in substantially the same form as that attached hereto, Exhibit Q to the Forbearance Agreement among the Arizona Department of Water Resources, the Palo Verde Irrigation District, the Imperial Irrigation District, the City of Needles, the Coachella Valley Water District, the Metropolitan Water District of Southern California, the Colorado River Commission of Nevada, and the Authority for the Central Arizona Water Conservation District's Funded Water Supply from Conserved Water.

FINAL ACTION: A motion was made by Vice Chair Bateman to follow staff's recommendations. The motion was approved.

6. ***For Information Only:*** Receive an overview and discuss the Fiscal Year 2015-2016 Tentative Budget.

Chairwoman Scow recognized the Authority for its "Distinguished Budget Presentation Award," as awarded by the Government Finance Officers Association for its fiscal year 2014-2015 budget preparation.

Mr. Entsminger gave a presentation that outlined the Authority's 2015-16 Fiscal Year budget, and a copy is attached to these minutes. Dave Johnson, Deputy General Manager, outlined the Authority's existing asset management efforts and future projects.

Chairwoman Scow asked how potential increases to Colorado River Commission (CRC) salaries would impact Authority's water rates. Mr. Entsminger noted that the Authority funds the CRC's water budget and together with its purveyor members, funds approximately 75 percent of the CRC's power budget. Therefore, increases to CRC's budgets are largely funded through the Authority and is passed along to its ratepayers. Mr. Entsminger referred to potential legislation that may impact CRC's budget.

NO ACTION TAKEN.

Public Comment

Jayne Harkins, Colorado River Commission, clarified statements related to the senate bill proposing salary increases. She stated that she reviewed the agency's budget with SNWA staff last year before it was submitted to the state in August, and reaffirmed her commitment to stay within that budget for the next two years.

Adjournment

There being no further business to come before the board, the meeting adjourned at 10:00 a.m.

APPROVED:

Mary Beth Scow, Chair

John J. Entsminger, General Manager



Sheep Nov 1, 2013 - May 1, 2014

- Dec 20, 2013 - Dec 29, 2013
- Dec 30, 2013 - Jan 5, 2014
- Jan 6, 2014 - Jan 12, 2014
- Jan 13, 2014 - Jan 19, 2014
- Jan 20, 2014 - Jan 26, 2014
- Jan 27, 2014 - Feb 2, 2014
- Feb 3, 2014 - Feb 9, 2014
- Feb 10, 2014 - Feb 16, 2014
- Feb 17, 2014 - Feb 23, 2014
- Feb 24, 2014 - Mar 2, 2014
- Mar 3, 2014 - Mar 9, 2014
- Mar 10, 2014 - Mar 16, 2014
- Mar 17, 2014 - Mar 23, 2014
- Mar 24, 2014 - Mar 30, 2014
- Mar 31, 2014 - Apr 6, 2014

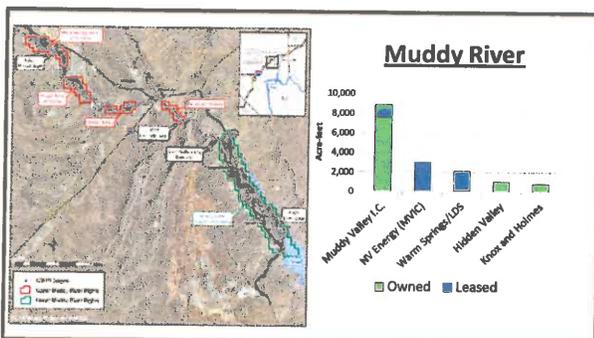
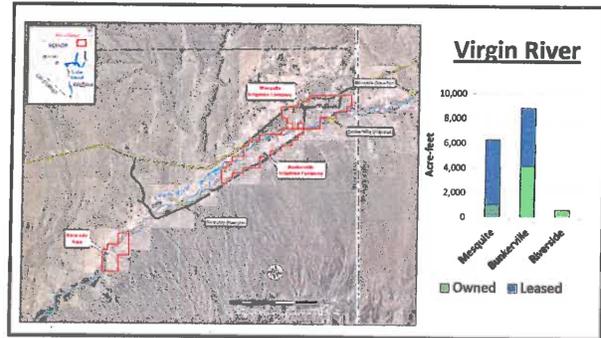
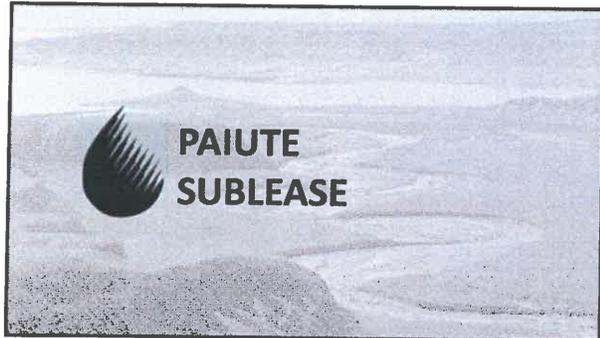
*Cows Nov 1, 2013 through May 1, 2014
No Grazing Nov 1 - May 1

Legend

- Cattle Guard
- Spring
- Tank
- Trough
- Well
- SWM Ground Photography Monitoring Locations
- Grazing Allotment Boundary
- Secondary Route
- Range Line Grazing Division
- Conul
- Fence
- Reservoir
- Canal
- Quartz
- Reservoir

WILSON CREEK - DRY LAKE VALLEY GRAZING ALLOTMENT WITH PHOTO MONITORING SITES AND WINTER 2014 SHEEP TELEMETRY



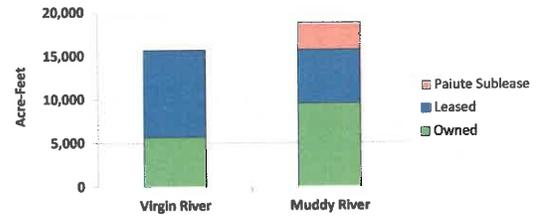


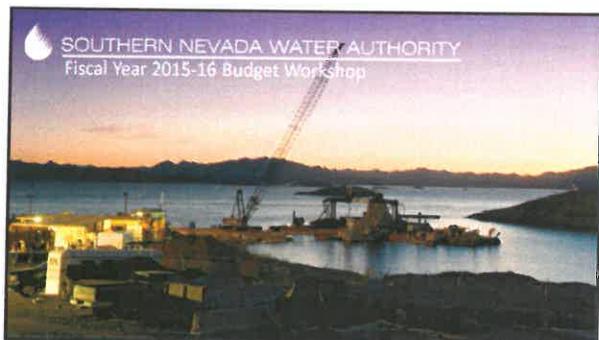
- SNWA System Conservation Proposal**
- Contribute 7,500 acre-feet per year for two-years to the System Conservation Pilot Program that would otherwise be used to create ICS
 - SNWA will receive \$150/acre-foot for a total of \$2.25 million

Proposed Paiute Sublease

- For 2015 and 2016, SNWA would sublease 3,000 acre-feet of water per year from the Tribe at a cost of \$119/acre-foot
- SNWA will pay a fee to the Muddy Valley Irrigation Company to convey the water from Wells Siding to Lake Mead (pursuant to 2008 agreement)
 - \$30.75 per acre-foot in 2015
 - \$31.67 per acre-foot in 2016

Potential 2015 Water for ICS/System Conservation





Water | Credit Rating Upgraded

On April 22, Moody's upgraded LVVWD's bond rating from Aa2 to Aa1.

- Reflects near-term completion of Intake No. 3 to increase security of region's water supply.
- Accounts for actions to reduce capital and operating expenses since economic downturn
- Recognizes management's commitment to monitor drought conditions and respond as needed to maintain reliable water supply for community

Water | Key Dates

- | | |
|-----------------|---|
| April 15 | Tentative Fiscal Year 2015-16 budget submitted to the state of Nevada |
| April 29 | SNWA Budget Workshop |
| May 21 | SNWA Public Hearing |
| June 1 | Deadline to file approved Fiscal Year 2015-16 budget with the state of Nevada |

Water | Fiscal Year 2014-15: Notable Highlights

- The Tunnel Boring Machine holed through the concrete intake riser structure.
- The Integrated Resource Planning Advisory Committee (IRPAC) issued another series of recommendations for SNWA Board consideration, which were subsequently approved.
- The organization continues to implement the new Strategic Plan.
- The SNWA and other Colorado River partners continue efforts to protect Lake Mead elevations.
- Recent improvements and organizational efficiencies have achieved greater financial stability.

 Fiscal Year 2014-15: Intake. No 3

On December 10, the tunnel boring machine (TBM) reached its destination when it holed through the concrete intake riser structure that was secured to the bottom of Lake Mead in 2012.

The intake project has a few remaining activities before it can be put into service, including sealing the connection between the intake tunnel and riser structure; disassembling and removing the TBM; and installing chemical feed lines into the tunnel.



 Notable Highlights: IRPAC

On December 10, 2014, the IRPAC presented its eight recommendations regarding resource and facility-related issues to the SNWA Board of Directors.

Key Recommendations:

- Construct a low lake level pumping station
- Partner with Colorado River stakeholders on system conservation projects to protect Lake Mead elevations
- Fund the pumping station through a fixed charge
- Phase in rate increases
- Continue to include the Groundwater Project within the SNWA's Water Resource Portfolio



 Notable Highlights: Strategic Plan Implementation



The organization continues to implement the new Strategic Plan, which includes a new vision and mission realigning the organization's focus on enhancing service levels, improving asset management, providing rate stability and streamlining the organization to meet current and future community needs.

Leadership is undergoing training and skill-development to effectively carry out the plan's goals and strategies.

 Notable Highlights: Colorado River activities



- July 2014: Colorado River Basin Study: Next Steps – approved funding and resources to establish workgroups that investigate opportunities to mitigate future supply and demand imbalances on the Colorado River.
- July 2014: Funding approved to support cloud seeding program activities in Wyoming.
- December 2014: Entered into a MOU with the Bureau of Reclamation, Lower Basin States and municipalities for Pilot Drought Response Actions to protect Lake Mead elevations

Notable Highlights: Financial Stability

The SNWA continues to engage in activities to ensure financial stability well into the future.

- Continued implementation of IRPAC recommendations
- Bond refunding activities
- Maintaining the highest quality credit rating



2015-16 Objectives

- Continue alignment with strategic plan
- Implementation of IRPAC recommendations
- Continue regional collaboration to protect and increase Colorado River resources
- Continue Minute 319 implementation with Colorado River stakeholders
- Infrastructure maintenance and repair strategies to extend facility life and prevent failures
- Continued assessment of the condition of critical assets
- Continued planning efforts for future resource development



New for Fiscal Year 2015-16

Continued implementation of IRPAC Phase I & II recommendations

Capital Improvements

- Intake No. 3 completion
- Low lake level pumping station design and construction activities

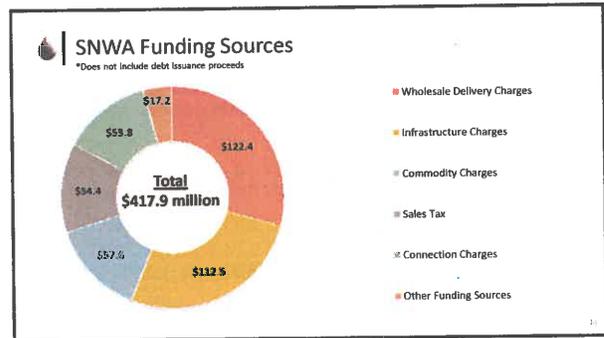
New bond issuance

Funding Sources: Overview

- The Infrastructure Charge, Commodity Charge and Reliability Charge projections reflect IRPAC-recommended rate modifications
- Connection charge revenues are increasing
- Grant proceeds reflect the winding down of Las Vegas Wash capital projects
- Other Revenues have increased due to SNPLMA funding
- Debt issuance of \$520 million
 - New money only; does not include refundings
 - No new money issuances since 2012-13

SNWA Funding Sources

Sources	Actual 2013-14	Budget 2014-15	Tentative Budget 2015-16	Budget-to- Budget Variance
Wholesale Delivery Charge	\$ 121.1	\$ 123.4	\$ 122.4	\$ (1.0)
Infrastructure Charge	80.3	87.2	112.5	25.3
Commodity Charge	43.4	49.4	57.6	8.2
Connection Charge	44.8	30.7	53.8	23.1
Reliability Surcharge	4.8	4.9	5.1	0.2
Sales Tax	52.3	53.7	54.4	0.7
Interest Income	2.3	1.5	1.3	(0.2)
Groundwater Management Fees	0.8	0.9	0.9	-
W Wash Program Fees	0.4	0.7	0.4	(0.3)
Grant Proceeds	9.7	9.5	0.6	(8.9)
Other Revenues	6.8	2.7	8.9	2.1
Subtotal	\$ 366.7	\$ 364.6	\$ 417.9	\$ 53.3
Debt Issuance Proceeds	-	-	520.4	520.4
Total Sources	\$ 366.7	\$ 364.6	\$ 938.3	\$ 573.7



Uses of Funds

Energy costs are down 18.1%
 Lower energy prices
 Lower O&M costs at Silverhawk

Payroll assumed a 3.5% increase per employee
 COLA (1.5%)
 Merit (2%)

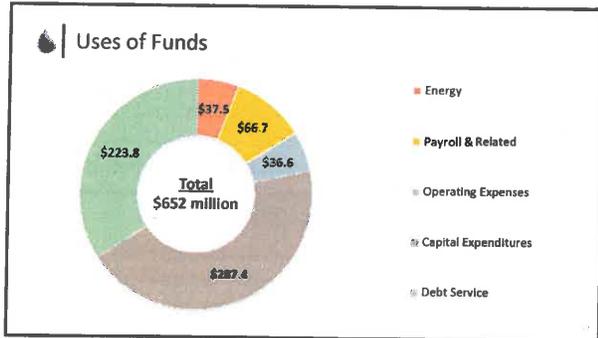
Total wages and benefits increased 1%

The number of full-time employees (430) remains the same as 2014-15 budget

Operating expenses for 2015-16 increased \$0.9 million

Uses of Funds

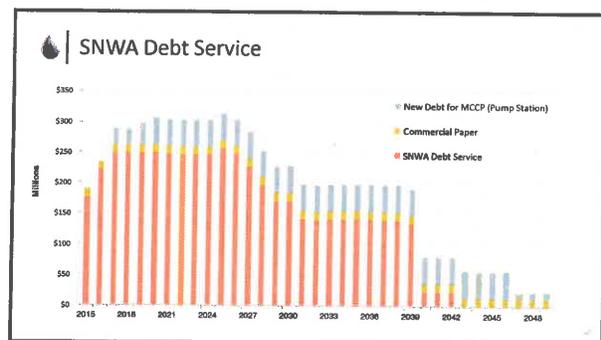
Uses	Actual 2013-14	Budget 2014-15	Tentative Budget 2015-16	Budget-to- Budget Variance
Energy	\$ 53.4	\$ 45.8	37.5	\$ (8.3)
Payroll & Related	70.0	66.0	66.7	0.7
Operating Expenses	34.5	35.7	36.6	0.9
Capital Expenditures	97.9	146.0	287.4	141.4
Debt Service	163.4	170.5	223.8	53.3
Total Uses	\$ 419.2	\$ 464.0	\$ 652.0	\$ 188.0

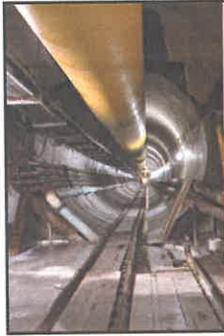


SNWA BUDGET SUMMARY

	Actuals 2013-14	Budget 2014-15	Tentative Budget 2015-16	Budget-to- Budget Variance
Sources				
Wholesale Delivery Charge	\$ 121.1	\$ 123.4	\$ 122.4	\$ (1.0)
Infrastructure Charge	80.3	87.2	122.5	25.3
Commodity Charge	43.4	49.4	57.6	8.2
Connection Charge	44.8	30.7	53.8	23.1
Reliability Surcharge	4.8	4.9	5.1	0.2
Sales Tax	53.3	53.7	54.4	0.7
Interest Income	2.3	1.5	1.3	(0.2)
Groundwater Management Fees	0.8	0.9	0.9	-
UV Wash Program Fees	0.4	0.7	0.4	(0.3)
Grant Proceeds	9.7	9.5	0.6	(8.9)
Other Revenues	6.8	7.7	8.9	6.2
Subtotal	\$ 366.7	\$ 364.6	\$ 417.9	\$ 53.3
Debt Issuance Proceeds	-	-	520.4	520.4
Total Sources	\$ 366.7	\$ 364.6	\$ 938.3	\$ 573.7
Uses				
Energy	\$ 53.4	\$ 45.8	37.5	\$ (8.3)
Payroll & Related	70.0	66.0	66.7	0.7
Operating Expenses	34.5	35.7	36.6	0.9
Capital Expenditures	97.9	146.0	287.4	141.4
Debt Service	163.4	170.5	223.8	53.3
Total Uses	\$ 419.2	\$ 464.0	\$ 652.0	\$ 188.0
Total Net Surplus/(Deficit)	\$ (52.5)	\$ (99.4)	\$ 286.3	\$ 385.7

- ### IRPAC
- The rate model used to evaluate impacts of IRPAC recommendations projected the New Expansion Debt Service Sub Fund balance to be \$350.4 million at June 30, 2016.
 - With Connection Charges expected to exceed expectations, the sub fund balance is now projected to be \$449.4 million at June 30, 2016.
 - The \$99.0 million difference will be segregated in the rate stabilization fund/reserves.





SNWA Bond Refundings

2014-15 \$332.4 million refunded for savings of \$13.1 million

Debt refinancing in May/June 2015 is expected to yield a net savings of 3% or more

2015-16 Up to an additional \$458 million is expected to be refunded for added savings

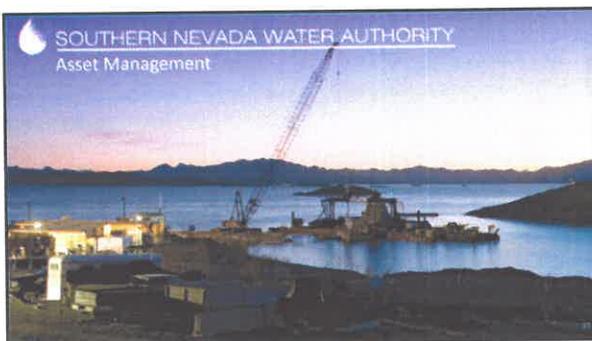


Fiscal Year 2015-16 Key Points

IRPAC recommendations and drought mitigation will be a priority throughout 2015-16.

Fiscal Year 2014-15 actuals indicate a pace to exceed budgeted revenues with lower than budgeted expenditures.

Debt service costs and debt issuance are increasing, largely to support drought protection activities.



Strategic Plan

Goal 1: Assure quality water through reliable and highly efficient systems

Strategy 1: Maintain high levels of reliability through application of a sufficiently funded asset management program

A total of \$8.3 million is budgeted for infrastructure replacement and renewal to support the Strategic Plan.

Infrastructure Renewal Projects

Pump Station and Reservoirs

\$6.2 million budgeted for pump station and reservoir infrastructure such as:

- Pumping Plant 6 forebay relining
- Lined concrete tank constructed in 1971
- Liner has failed causing it to leak
- \$700,000 budgeted in the MCCP



Infrastructure Renewal Projects

Rate of Flow Control Stations (ROFCS)

ROFCS control valves control the flow of water between SNWA and the purveyors

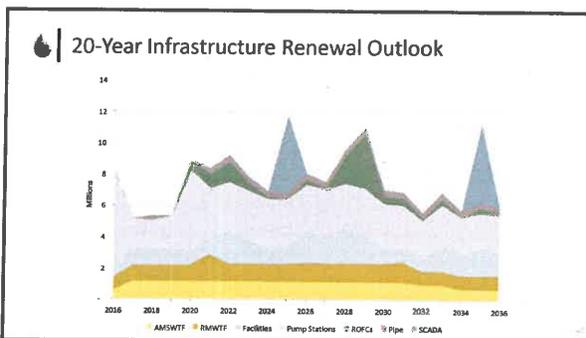
Several need to be replaced due to wear or obsolescence



Infrastructure Renewal Projects

Facilities

\$630,000 budgeted for roof replacements, HVAC upgrades and other facility-related projects

Operating Capital Project List

Infrastructure	Project	Budget (\$)
Pump Stations and Reservoirs	Specialty tools and equipment	1,029,000
	Emergency fund	600,000
	Paint Hacienda including pump trains	385,000
AMSWTF	Return Wash Water Flow reduction to meet EPA recommendations	71,000
Facilities	Rehabilitate the sewer lines in portions of AMSWTF and rework the chiller lines in the building	250,000
	Lab Coil Replacement	125,000
	Alfred Merritt Smith Aesthetic Restoration	300,000
	Miscellaneous AMSWTF Projects	100,000
	Upgrade the air-conditioning in the PLC area and pilot plant portions of the chlorine building	55,000
	Various lab equipment	750,000
	River Mountless Water Treatment Facility	Install chemical resistant liner in zero discharge pond
SCADA	Modify/repair EQ Basin Mixer Lifting Systems	36,000
	Operator Machine Interface replacement for 15 outdated units	45,000
Total Operating Capital Budget		\$3,580,000

Major Capital Construction Project List

Infrastructure	Project	Budget (\$)
Pump Stations and Reservoirs	340D - PS1C, 2C, BPS1A, BPS2, Sloan and Lamb VFD Enhancements	2,100,000
	340B - PS1A, 2A, 1B, 2B Pump Repairs and Flow Meter Installation	800,000
	341A - PPG Forebay Relining	700,000
Alfred Merritt Smith Water Treatment Facility	300H - PLC Upgrades	600,000
	300M - AMSWTF Misc Facilities	300,000
	320B - Remodel Former AMSWTF Lab Spaces	200,000
Total MCCP Budget		\$4,700,000

Infrastructure Renewal Forecast Summary

Infrastructure	5 Year Cumulative (\$)	20 Year Average Annual (\$)
AMSWTF	7,416,490	1,018,547
RMWTF	7,704,133	1,080,169
Cathodic Protection	1,095,000	302,381
Facilities	7,871,160	1,369,688
Pump Stations	28,666,311	3,067,419
ROFC	2,813,878	538,878
Pipe	1,095,000	302,381
SCADA	45,000	478,333
Total	\$51,704,973	\$8,157,795



SNWA Major Construction and Capital Plan

Proposed Amendment

MCCP Background

The MCCP was first established in 2002.

Projects and initiatives accomplished under the MCCP:

- Colorado River banking agreement with Arizona
- Brock Reservoir for additional Colorado River supply
- 30,000 AFY Muddy & Virgin River water rights
- 100,000 AFY groundwater rights
- Silverhawk Power Generator
- Water Quality Laboratory
- SNWA Downtown Offices
- Miscellaneous water system repair & maintenance projects

In 2010, the MCCP incorporated the remaining projects of the 1995 CIP, including Lake Mead Intake No. 3.

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MCCP Amendment

The last amendment made to the MCCP was in February 2011.

In December 2014, the SNWA Board approved IRPAC's recommendations, which included moving forward with construction of a low lake level pumping station.

To move forward with the new pumping station project, which replaces the deferred Intake Pumping Station No. 3 (IPS-3) project, requires amending the MCCP to more accurately represent the scope and cost of the new pumping station.

The amendment has been approved by the SNWS Workgroup and will be brought to the Board for consideration at the May meeting.

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