SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
REGULAR MEETING
MAY 21, 2015
MINUTES

CALL TO ORDER	9:03 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 (Left the meeting at item no. 13) Susan Brager Bob Coffin Duncan McCoy Steve Sisolak Anita Wood
BOARD MEMBERS ABSENT	None
STAFF PRESENT	John Entsminger, Greg Walch, Julie Wilcox, Dave Johnson, Marc Jensen, Scott Krantz
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

Lee Garland, HD Supply Waterworks, spoke about item no. 8. He disputed the claims made by staff regarding proper document submittal and requested that item no. 8 be removed from the consent agenda and be considered separately.

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

FINAL ACTION: A motion was made by Director Brager to approve the meeting's agenda and the meeting minutes of January 15, 2015, and the special meeting from April 29, 2015. 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 2015/2016.

John Entsminger, General Manager, gave a presentation on the Authority's Tentative Budget for fiscal year 2015/2016. A copy of his presentation is included with the minutes.

Director Wood asked if the excess funds earned from underestimated connection charge fees would be utilized to stabilize the water rates. Mr. Entsminger recommended not utilizing these funds immediately, but instead segregating the funds into the Authority's Rate Stabilization Fund and at a later time determining how the fund should be directed.

Director Brager noted the market's volatility and emphasized that Connection Fee surpluses are not consistent.

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

CONSENT AGENDA **Items 3 - 8 are routine and can be taken in one motion unless a Director requests that an item be taken separately.**

3. ***For Possible Action:*** **Approve and authorize the General Manager to enter into an assistance agreement between the Bureau of Reclamation and the Authority to accept a grant for an amount not to exceed $107,224 for cultural research and mitigation activities along the Las Vegas Wash, and authorize the General Manager to approve future modifications only if the future modifications do not fiscally impact the Authority.**

4. ***For Possible Action:*** **Approve and authorize the General Manager to enter into an assistance agreement between the Bureau of Reclamation and the Authority to accept a grant for an amount not to exceed $60,044, for water quality monitoring in the Las Vegas Wash, and authorize the General Manager to approve future modifications only if the future modifications do not fiscally impact the Authority.**

5. ***For Possible Action:*** **Approve and authorize the General Manager to enter into an assistance agreement between the Bureau of Reclamation and the Authority for an amount not to exceed $174,554 to accept a grant for revegetation activities in the Las Vegas Wash, and authorize the General Manager to approve future modifications only if the future modifications do not fiscally impact the Authority.**

6. ***For Possible Action:*** **Approve and authorize the General Manager to enter into an assistance agreement between the Bureau of Reclamation and the Authority to accept a grant for an amount not to exceed $101,324 for Las Vegas Wash Coordination Committee program management, and authorize the General Manager to approve future modifications only if the future modifications do not fiscally impact the Authority.**

7. ***For Possible Action:*** **Approve and authorize the Chair to sign 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 2015/2016.**

FINAL ACTION: A motion was made by Director Sisolak to remove item no. 8 from the Consent Agenda and to follow staff's recommendations. The motion was approved.

8. ***For Possible Action:*** **Reject the bid of Houston Valve Sales and approve the award of Bid No. 2285-15, API 600 Wedge Gate Isolation Valves, to Ferguson Enterprises, Inc., in an amount not to exceed $834,491, or take other action as appropriate.**

Dave Johnson, Deputy General Manager, noted that the Authority could not locate Houston Valve Sales (HVS) as part of its internal process to evaluate bids. During the process, HVS met with staff twice to discuss their bid submittal. During the review, the Authority determined that Ferguson Enterprises Company, who had completed the formal submittal by the deadline of April 15th, was the lowest and most responsive bidder.

Director Sisolak asked how a company could put in a bid and the Authority was not able to find said company. Mr. Johnson noted that anyone can submit on an advertised bid, and the Authority then evaluates those that are responsive and have met the established deadlines. Mr. Johnson also noted that HVS did not submit a protest over the documentation.

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

BUSINESS AGENDA

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 construction activities near Lake Mead.**

Mr. Entsminger gave an update on Colorado River drought conditions and the current construction projects. He stated that Colorado River System has experienced some recent inflow volatility; and therefore, it is difficult to predict next year's release from Lake Powell. Mr. Entsminger also noted that construction continues on the third intake project, which includes laying chemical feed lines and other associated projects and that work is beginning on the Low Lake Level Pumping Station.

NO ACTION TAKEN.

10. ***For Possible Action:*** **Approve the amended Major Construction and Capital Plan dated May 2015.**

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

11. ***For Possible Action:*** **Award Contract No. 070F 07 C1, Owner-CMAR Pre-Construction Services Agreement for the Lake Mead Intake No. 3 Low Lake Level Pumping Station to Barnard of Nevada, Inc. in an amount not to exceed $5,800,000, or take other action as appropriate.**

Mr. Entsminger noted the rationale behind selecting a Construction Manager At-Risk (CMAR) to design and construct the Low Lake Level Pumping Station, considering its scale and complexity. It provides for a collaborative construction process, and noted previous working relationships with Barnard.

Director Sisolak asked if a local workforce would be utilized, and questioned if the company is authorized to work in Clark County. Mr. Entsminger confirmed that the contractor, Barnard, is authorized to work in Clark County, and that the workforce will be local because it is covered by the Authority's Project Labor Agreement. Marc Jensen, Engineering Director, reported that the company has all of the qualifications that a local provider does, and will operate a local office when working here.

Director Brager noted that achieving housing for the duration necessary will be a lengthy. She asked if the company will be held to normal travel policies or a special one for this contractor. Mr. Entsminger affirmed that the contractor will be utilizing a standard travel policy, and that contractors of this duration will establish a local office while construction activities are ongoing.

Director Coffin stated that none of this process is necessary if the Authority simply selects a local company. He asked what gave Barnard the edge over other bidders, and whether they will be supervising in Las Vegas or out of state. Mr. Entsminger assured that the company will have supervisors located in Las Vegas while the project is active to manage the staff and project effectively.

Mr. Jensen noted that the Authority has completed three projects with this company in the past, and the company itself has extensive experience in similar projects.

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

12. ***For Possible Action:*** **Award Contract No. 070F 07 C2, Low Lake Level Pumping Station – Surface Mass Excavation to Las Vegas Paving Corporation for the amount of $3,143,875, authorize a change order contingency amount not to exceed $300,000, and authorize the execution of the contract agreement.**

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

13. ***For Possible Action:*** **Approve and authorize the General Manager to sign an agreement, in substantially the same form, between Black & Veatch Corporation and the Authority for professional engineering services for Project No. 320O, AMSWTF Filter Improvements Demonstration, for an amount not to exceed $636,038.**

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

14. ***For Possible Action:*** **Approve and authorize the General Manager to sign an agreement between Argus Engineering, Inc., and the Authority for professional engineering services to support and maintain the control systems operated by the Authority, in an annual amount not to exceed $130,000, with an option to renew for four additional one-year periods.**

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

15. ***For Possible Action*: Approve and authorize the General Manager to sign an agreement between Carollo Engineers, Inc., and the Authority for professional services to conduct a Sodium Hypochlorite Generation System Evaluation Study for an amount not to exceed $185,000.**

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

16. ***For Possible Action:* Approve and authorize the General Manager or his designee to execute an asset purchase and sale agreement, in substantial conformance with the financial provisions, between NV Energy and the Authority for the sale of the Authority's 25 percent ownership interest in the Silverhawk Generating Station, and to execute any ministerial documents necessary to effectuate the transaction.**

Mr. Entsminger gave a presentation that outlined the history and terms of the proposed sale agreement. A copy of his presentation is included with these minutes.

Director Brager asked if the Authority would be able to secure the terms of the sale agreement. Mr. Entsminger noted that the Authority needs the agreement locked into place before it goes to other regulatory entities for approval. He clarified that he is asking the Board to approve the terms stated within the agreement.

Chairwoman Scow asked what the cost difference was between purchasing electricity on the open market versus owning the facility. Mr. Entsminger reported that the Authority is paying more with transmission costs, and operation and maintenance costs than we are with owning the facility; however, he projected that sale proceeds will provide for cost savings over time.

Director Coffin asked how staff determined that selling the facility will provide cost savings over owning the facility. Mr. Entsminger stated that the Authority and NV Energy have an operating agreement, which outlines operating and maintenance costs. Mr. Entsminger noted that these facilities are best utilized when temperatures are high; however, the Authority utilizes their pumps at night. Therefore, entering into power purchase agreements for off-peak power rates will prove to be more cost-effective in the long run.

Director Coffin noted that the Authority had attempted to be involved with the energy business in the past. Mr. Entsminger assured that since the formation of Silver State Energy Association, the public power users are in a cooperative situation now. He noted that the Authority has managed resources and stabilized money spent on power.

Director Wood asked what the Authority will be doing with the proceeds from the lowered energy costs. Mr. Entsminger stated that since the proceeds are not expected until 2017 when the agreement is finalized, it would be premature to discuss their segregation at this time. He recommended bringing back this discussion to the Board when the agreement is finalized.

Director Sisolak asks how far into the future the Authority can enter into power purchase agreements to lock-down energy rates. Scott Krantz, SNWA Director of Energy, noted that the Authority purchases energy through the Silver State Energy Association and typically buys on five-year terms. Director Sisolak asked if longer terms were available. Mr. Krantz noted that they would be; however, based on the advisement of risk managers and other members of the Silver State Energy Association, a five-year term is considered a best practice.

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

17. ***For Information Only:* Recognize the efforts of the Finance Department for the Authority's receiving the "Distinguished Budget Presentation Award" for the fiscal year beginning July 1, 2014, and the "Certificate of Achievement for Excellence in Financial Reporting" for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.**

Mr. Entsminger recognized Gina Neilson, Matt Chorpening and the SNWA Finance Department for their efforts in preparing the organization's annual budget and Comprehensive Annual Financial Report.

Chairwoman Scow asks for the status of the Distribution Employees injured while working on the street last month. Mr. Johnson noted that two individuals were hit by an errant driver while performing road work. Both individuals were sent to the hospital and sustained broken bones and lacerations; however, both are expected to make a full recovery.

NO ACTION TAKEN.

Public Comment
There were no persons wishing to speak.

Adjournment
There being no further business to come before the board, the meeting adjourned at 9:53 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.

Silverhawk Generating Station
Asset Purchase and Sale Agreement

BACKGROUND

During the western energy crisis in the early 2000s, the SNWA purchased a 25% interest in the Silverhawk Power Plant to protect itself from high electricity prices for $101 million.

Later, NV Energy became the majority owner and operator of the facility. NV Energy, through a series of agreements, operates SNWA's portion of the plant for a guaranteed supply of firm energy at a predictable rate.

Since that time, the value of Silverhawk to SNWA has diminished; SNWA's costs have increased to the point of exceeding benefits.

ASSET SALE

NV Energy has made an offer to purchase
SNWA's interest for $77 million, effective May 1, 2017.

Book value = $63,990,879

Comparable sale of Apex Power Plant (2013)

- $73.8 million (for equivalent 25% share)
- Identical plant size, location, type and age

Transaction will be contingent upon regulatory approvals:
Federal Energy Regulatory Commission
Public Utilities Commission of Nevada

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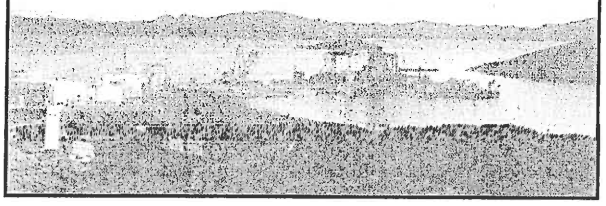
Fiscal Year 2015-16 Budget Hearing



Credit Rating Upgraded

On April 22, Moody's upgraded the LVVWD's credit 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 the agency's commitment to monitor drought conditions and respond as needed to maintain reliable water supply for community**

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

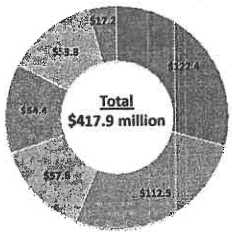
- **The Infrastructure Charge, Commodity Charge and Reliability Charge projections reflect IRPAC-recommended rate modifications**
- **Connection charge revenues are increasing**
- **Grant proceeds reflect the winding down of Las Vegas Wash capital projects**
- **Other Revenues have increased due to SNPLMA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

SNWA Funding Sources

	Actual 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	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	-
LV 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	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

SNWA Funding Sources

*Does not include debt issuance proceeds



- Wholesale Delivery Charges
- Infrastructure Charges
- Commodity Charges
- Sales Tax
- Connection Charges
- Other Funding Sources

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%

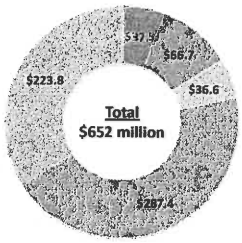
The number of full-time employees (430) remains the same as 2014-15 budget

Operating expenses for 2015-16 increased $0.9 million

Uses of Funds

	Actual 2013-14	Budget 2014-15	Tentative Budget 2015-16	Budget-to-Budget Variance
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

Uses of Funds



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	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	-
LV Wash Program Fees	0.4	0.7	0.4	(0.3)
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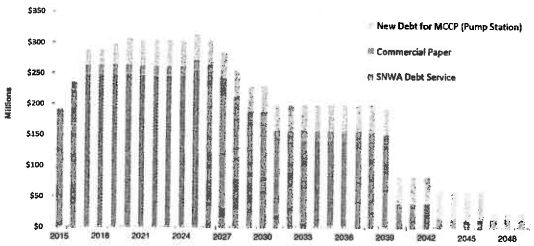
Capital Expenditures	97.9	146.0	287.4	141.4
Debt Service	163.4	170.5	223.8	53.3
Total Uses	$ 419.2	$ 464.0	$ 652.0	$ 188.0
Total Net Surplus/(Deficit)	*$ (52.5)*	*$ (99.4)*	*$ 286.3*	*$ 385.7*

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 Debt Service