

**SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
REGULAR MEETING
JANUARY 21, 2016
MINUTES**

CALL TO ORDER 9:02 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
Marilyn Kirkpatrick
Bob Coffin
Duncan McCoy (Via phone for items 1-4, 8, 9)
Steve Sisolak
Anita Wood

BOARD MEMBERS ABSENT None

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

OTHERS PRESENT Guy Hobbs, Hobbs, Ong and Associates

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

There were no persons were wishing to be heard.

Items 8 and 9 were considered out of order.

1. For Possible Action: Approval of Agenda & Minutes

FINAL ACTION: A motion was made by Vice Chair Bateman to approve the meeting's agenda, with the move of items 8 and 9 to follow item 4, and the meeting minutes of November 19, 2015. The motion was approved.

CONSENT AGENDA: The following items are considered routine and were taken in one motion.

- 2. For Possible Action: Renew the Amended and Restated Interlocal Contract between the Las Vegas Valley Water District and the Authority, authorizing the General Manager of the District to serve as the General Manager of the Authority, and utilizing the staff and resources of the District to manage the affairs of the Authority.**
- 3. For Possible Action: Approve two resolutions authorizing the submission of grant proposals to the Bureau of Reclamation WaterSMART: Water and Energy Efficiency Grant Program.**
- 4. For Possible Action: Approve and authorize the General Manager to execute the Second Amendment to Memorandum of Agreement by and among the U.S. Fish and Wildlife Service, Coyote Springs Investment LLC., Moapa Band of Paiutes, Moapa Valley Water District, and the Authority.**

FINAL ACTION: Director Sisolak made a motion to approve staff's recommendations. The motion was approved.

BUSINESS AGENDA

- 8. For Possible Action: Adopt the 2016A Revenue Refunding Bond Resolution, providing for the issuance of Water Revenue Refunding Bonds, Series 2016A, in the maximum principal amount of \$321,725,000 to refinance outstanding bonds for the Authority.**

FINAL ACTION: Director Coffin made a motion to approve staff's recommendation. The motion was approved.

9. **For Possible Action: Adopt the 2016B Revenue Refunding Bond Resolution, providing for the issuance of Water Revenue Refunding Bonds, Series 2016B, in the maximum principal amount of \$344,275,000 to refinance outstanding bonds for the Authority.**

FINAL ACTION: Director Wood made a motion to approve staff's recommendation. The motion was approved.

5. **For Possible Action: Approve and authorize the General Manager to sign an agreement between Brown and Caldwell and the Authority for professional engineering services for the Fluoride System Improvements Project at Alfred Merritt Smith Water Treatment Facility in an amount not to exceed \$179,451, and authorize approval and execution of amendments to the agreement for a total amount not to exceed 10 percent of the base amount and within the general scope of the agreement.**

FINAL ACTION: Vice Chair Bateman made a motion to approve staff recommendations. The motion was approved.

6. **For Possible Action: Approve and authorize the General Manager to execute a purchase agreement between Ferguson Enterprises, Inc., and the Authority in the amount of \$749,999 for the supply of one 120-inch diameter high pressure valve and one 120-inch diameter low pressure valve for the Lake Mead Intake No. 3 Low Lake Level Pumping Station Discharge Aqueducts, and authorize the General Manager to approve change orders for additional costs.**

Director Coffin stated he was concerned about the price, asked what type of metal is used that makes it durable and expensive, and if it will always be in use once the system starts. Marc Jensen, Director of Engineering, responded that the valves are specialized because of their size, not the material, and are custom-manufactured to fit the specific requirements of the installation. Director Coffin asked what steel is used to make the valves. Mr. Jensen replied that the valves are made from a combination of alloys, but stainless steel is one of the primary components.

Chairwoman Scow asked if the valves will increase the price of the overall project if the project is postponed to the beginning of 2017. Mr. Jensen replied that he didn't believe so, but beginning the project sooner may save some money.

FINAL ACTION: Vice Chair Bateman made a motion to approve staff recommendations. The motion was approved.

7. **For Possible Action: Approve and adopt the Southern Nevada Water Authority Reserve Policy.**

Mr. Entsminger outlined the components of the proposed reserve policy.

Director Sisolak asked where the existing funds are housed; Mr. Entsminger answered that the money primarily exists as cash on the books. Following Director Sisolak's question on earnings, Guy Hobbs, Hobbs Ong & Associates, explained, that over the course of the last year, the Authority's Finance Department reviewed the investment approach. Mr. Hobbs stated that the Authority has been looking at cash flow needs and are trying to better match terms of investment to increase yields that the Authority has been receiving.

Director Sisolak and Mr. Hobbs went on to discuss the options to increase the return on investments. Mr. Entsminger recognized Director Sisolak's concern about the rate of return, but noted that maintaining a reserve policy and appropriate cash reserve levels will provide for a good bond rating. Additionally, Mr. Entsminger noted that money earned that exceeds the reserve policy limit can be used as debt defeasance and one-time capital projects, while avoiding borrowing altogether.

Director Coffin noted his concern about establishing a reserve policy, and mentioned that having a large reserve is defensible when there is a sustainable source of revenue. Vice Chair Bateman gave the example of the instability due to the reliance on connection charges, and noted a reserve policy would provide more stability in funding sources. Mr. Entsminger recognized the Board's efforts in stabilizing the Authority's finances by implementing revenue streams that avoid elasticity swings and the establishing a means to fund the Rate Stabilization Fund.

Director Wood recognized the policy as a means to help constituents better understand what the reserve is for and why rate increases are needed.

Director Coffin again noted his concern about adopting a reserve policy today, and considered that the ranking of reserve priorities might be upside down.

Director Sisolak asked if it was possible for another entity or the state to have access to the Authority’s reserve fund, if it was deemed necessary. Director Kirkpatrick replied, noting a Nevada Supreme Court ruling that established a precedent that reserve funds could not be accessed. She noted that establishing a reserve policy would better protect the Authority from the threat of this happening, as it justifies the fund’s amount.

Following more discussion on the topic, Director Kirkpatrick again noted that policies like these are needed to serve as a safety precaution from economic declines. Mr. Entsminger reminded the Board that a budget workshop is scheduled for April where the topic could be further discussed.

FINAL ACTION: Vice Chair Bateman made a motion to approve staff’s recommendation. The motion was approved with Director Coffin voting no.

- 10. 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 a briefing for the month: snowpack projections remain positive, but cautioned that the most important snowpack months are March and April. Mr. Entsminger also included that a full presentation on hydrologic conditions, along with an update on the status of \$2 per square foot turf removal promotion, will be brought to the March meeting.

NO ACTION REQUIRED.

Public Comment

There was no public comment.

Adjournment

There being no further business to come before the board, the meeting adjourned at 9:50 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.

RESERVE COMPONENTS	
Component	Purpose
Base Operating Reserve	To fund 180 days of operations
Debt Service Reserve	To fund one year of maximum annual debt service
Capital-related Reserve	To fund one year average of future capital needs
Unforeseen Events Revenue	To fund 1 percent of depreciable assets

RESERVE COMPONENTS	
Component	Purpose
Base Operating Reserve	To fund 180 days of operations <i>Approximately \$70 million</i>
Debt Service Reserve	To fund one year of maximum annual debt service <i>Approximately \$300 million (includes debt service on new \$520 million)</i>
Capital-related Reserve	To fund one year average of future capital needs <i>Approximately \$70 million</i>
Unforeseen Events Revenue	To fund 1 percent of depreciable assets <i>Approximately \$30 million</i>

2016 RESERVES TARGET	
Total of Reserve Components	\$470.0 million
June 30, 2015 Reserves Balance	<u>\$390.6 million</u>
Total Reserves over/(under) Target	\$ (79.4) million