

# SECTION 3

## OPERATING AND CAPITAL BUDGET PLAN

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SOUTHERN NEVADA WATER AUTHORITY®

FISCAL YEAR 2016-17  
OPERATING AND CAPITAL BUDGET



**Southern Nevada Water Authority**  
**Operating and Capital Budget**  
**Operating and Capital Budget Plan**  
Fiscal Year Ending June 30, 2017

The fiscal year 2016-17 Budget Plan reflects the continued commitment of the Southern Nevada Water Authority (SNWA) to provide water resources and services to meet the demands of Southern Nevada. The SNWA utilizes its Strategic Plan as a guide in shaping its annual Budget Plan. The fiscal year 2016-17 Budget Plan's total sources of funds are projected to be \$556.6 million, or a 41

percent decrease compared to the fiscal year 2015-16 Adopted Budget Plan. The fiscal year 2016-17 Budget Plan's total uses of funds are projected to be \$649.0 million, or a .5 percent decrease compared to the fiscal year 2015-16 Adopted Budget Plan. The table below shows the Sources and Uses Summary for the fiscal years 2014-15, 2015-16, and 2016-17.



**Budget Summary**

|                                    | Actual<br>2014-15     | Budget<br>2015-16     | Budget<br>2016-17      | Budget-to-Budget<br>Variance |             |
|------------------------------------|-----------------------|-----------------------|------------------------|------------------------------|-------------|
|                                    |                       |                       |                        | \$                           | %           |
| <b>Sources</b>                     |                       |                       |                        |                              |             |
| Wholesale Delivery Charge          | \$ 121,100,263        | \$ 122,401,411        | \$ 122,759,977         | \$ 358,566                   | 0%          |
| Infrastructure Charge              | 87,046,856            | 112,462,115           | 149,563,411            | 37,101,296                   | 33%         |
| Commodity Charge                   | 48,885,982            | 57,648,277            | 63,850,411             | 6,202,135                    | 11%         |
| Connection Charge                  | 66,015,927            | 53,765,118            | 68,446,150             | 14,681,032                   | 27%         |
| Reliability Surcharge              | 4,875,676             | 5,119,962             | 5,283,282              | 163,320                      | 3%          |
| Sales Tax                          | 55,933,316            | 54,448,884            | 57,992,371             | 3,543,487                    | 7%          |
| Interest Income                    | 1,592,657             | 1,283,700             | 2,936,847              | 1,653,147                    | 129%        |
| Groundwater Management Fees        | 882,331               | 874,637               | 873,661                | (976)                        | 0%          |
| LV Wash Program Fees               | 404,578               | 416,715               | 416,715                | -                            | 0%          |
| Grant Proceeds                     | 7,944,857             | 553,631               | 890,510                | 336,878                      | 61%         |
| Other Revenues                     | 12,793,313            | 8,918,320             | 83,613,324             | 74,695,004                   | 838%        |
| <b>Subtotal</b>                    | <b>\$ 407,475,756</b> | <b>\$ 417,892,771</b> | <b>\$ 556,626,659</b>  | <b>\$ 138,733,888</b>        | <b>33%</b>  |
| Debt Issuance Proceeds             | -                     | 520,362,957           | -                      | (520,362,957)                | -100%       |
| <b>Total Sources</b>               | <b>\$ 407,475,756</b> | <b>\$ 938,255,728</b> | <b>\$ 556,626,659</b>  | <b>\$ (381,629,069)</b>      | <b>-41%</b> |
| <b>Uses</b>                        |                       |                       |                        |                              |             |
| Energy                             | \$ 35,071,725         | \$ 37,524,906         | \$ 38,008,556          | \$ 483,650                   | 1%          |
| Payroll & Related                  | 66,645,023            | 66,684,688            | 71,530,308             | 4,845,621                    | 7%          |
| Operating Expenses                 | 42,471,373            | 36,628,270            | 49,192,884             | 12,564,614                   | 34%         |
| Capital Expenditures               | 95,589,791            | 287,376,221           | 219,255,395            | (68,120,826)                 | -24%        |
| Debt Service                       | 167,633,716           | 223,751,702           | 271,025,463            | 47,273,761                   | 21%         |
| <b>Total Uses</b>                  | <b>\$ 407,411,628</b> | <b>\$ 651,965,787</b> | <b>\$ 649,012,607</b>  | <b>\$ (2,953,180)</b>        | <b>0%</b>   |
| <b>Total Net Surplus/(Deficit)</b> | <b>\$ 64,128</b>      | <b>\$ 286,289,941</b> | <b>\$ (92,385,948)</b> | <b>\$ (378,675,889)</b>      |             |

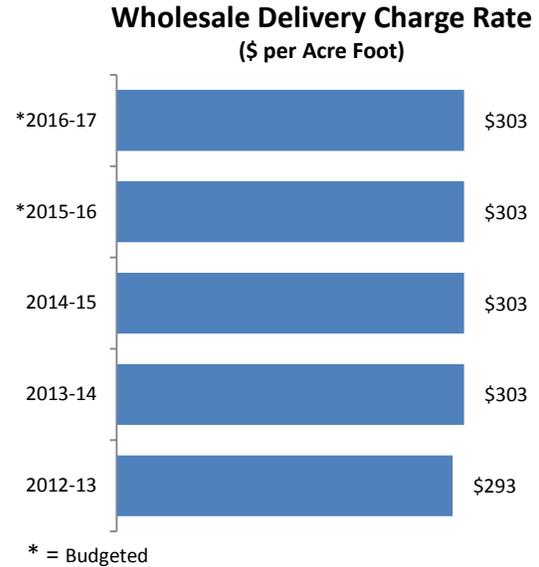
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**Sources**

The fiscal year 2016-17 Budget Plan’s total sources of funds are projected to be \$556.6 million, which is a 41 percent decrease compared to the 2015-16 Adopted Budget Plan. The decrease is largely due to the prior year including proceeds from a \$520 million debt issuance. Offsetting the debt proceeds, the remaining sources experienced a 33 percent increase over the 2015-16 Adopted Budget Plan due to a combination of an improved local economy and further implementation of the Phase 1 and 2 water rate increases recommended by the SNWA Board of Directors (Board) appointed 21-member Integrated Resource Planning Advisory Committee (IRPAC), and subsequently approved by the Board.

**Wholesale Delivery Charge.**

The wholesale delivery charge is the revenue generated from treated Colorado River water delivered by the SNWA to its purveyor members. Those purveyor members then sell the purchased water to end-users. The SNWA has no retail customers. For fiscal year 2016-17, the wholesale delivery charge will remain at \$303 per acre-foot. Periodic rate increases have kept the wholesale delivery charge revenue relatively stable during periods of declining usage. The increase of \$0.4 million (0.3 percent) in fiscal year 2016-17 is the result of a slight increase in water sales to purveyor members. As the following chart illustrates, the SNWA makes a concerted effort to keep the wholesale delivery per acre foot charge economical for its purveyor members.



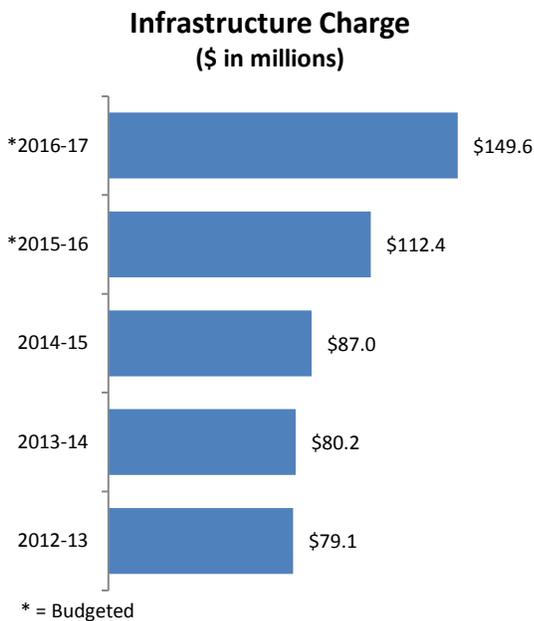
**Infrastructure Charge.**

In October 2011, the Board authorized an extensive rate study and a public outreach process to study various alternative rate structures to service the SNWA’s outstanding debt. In February 2012, the Board approved an infrastructure charge. This charge is applied by the SNWA purveyor members, typically to retail bills, and is a fixed charge assessed based on meter size and customer class. Consumption is not considered in the application of the charge. Revenue is remitted to the SNWA, from its purveyor members, on a monthly basis. At the same time in 2012, the Board assembled the IRPAC to review future financial projections of the SNWA and recommend strategies concerning the financial commitments. IRPAC’s Phase 1 recommended, with subsequent Board approval, a four-year step-in increase of the infrastructure charge beginning January 1, 2014, and increasing annually through January 1, 2017. The fiscal year 2016-17 projections of the infrastructure charge revenue includes six months of the January 1,

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2016, increase and six months of the January 1, 2017, increase.

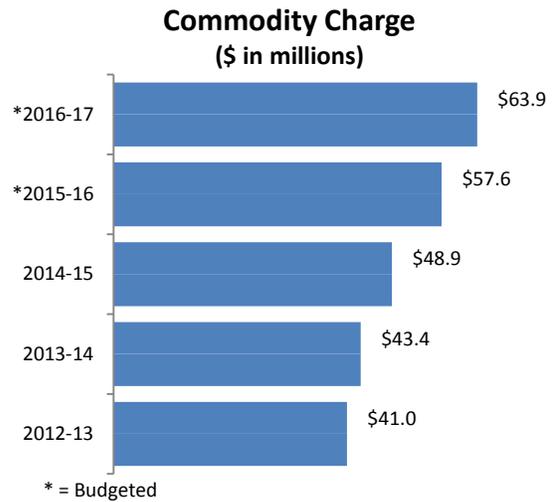
In addition to IRPAC’s Phase 1 recommended increases to the infrastructure charge, IRPAC’s Phase 2 recommended, with subsequent Board approval in December 2014, to increase the fixed monthly charges. This charge was called the Drought Protection Charge and was added to the infrastructure charge. The fiscal year 2016-17 Budget Plan includes six months of the January 1, 2016, implementation of the charge and six months of the January 1, 2017 increase. These IRPAC Phase 1 and 2 recommended, and Board approved, increases account for the rise in the infrastructure charge of \$37.1 million, which is a 33 percent increase compared to the 2015-16 Adopted Budget Plan.



**Commodity Charge.**

The commodity charge went into effect in November 1996. This charge is typically collected by purveyor members and remitted

to the SNWA monthly. The commodity charge is applied to retail water bills. In addition to the infrastructure charge mentioned earlier, IRPAC’s Phase 1 recommended, with subsequent Board approval, the commodity charge be increased annually through the same duration as the Phase 1 increases to the infrastructure charge. The \$0.30 rate increased to \$0.34 in January, 2014, to \$0.38 in January, 2015 and to \$0.44 in January, 2016. It is approved to increase to \$0.48 in January, 2017.

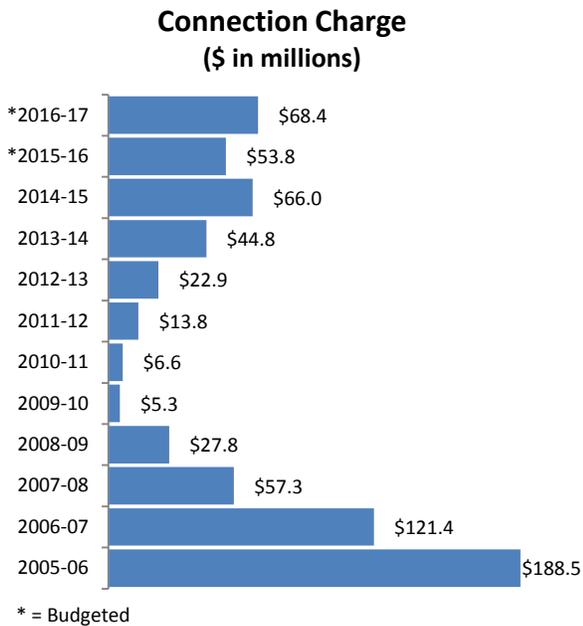


**Connection Charge.**

The connection charge is a charge assessed for new connections to the potable water system and is based on customer type, land usage, and meter size. The SNWA’s purveyor members collect these charges when customers apply for new water services and they are remitted to the SNWA monthly. The fiscal year 2016-17 projection of connection charge revenue is \$68.4 million, which is higher (27 percent) than the 2015-16 Adopted Budget Plan. Connection charge collections were one of the SNWA’s largest sources of funds in the mid-2000s. However,

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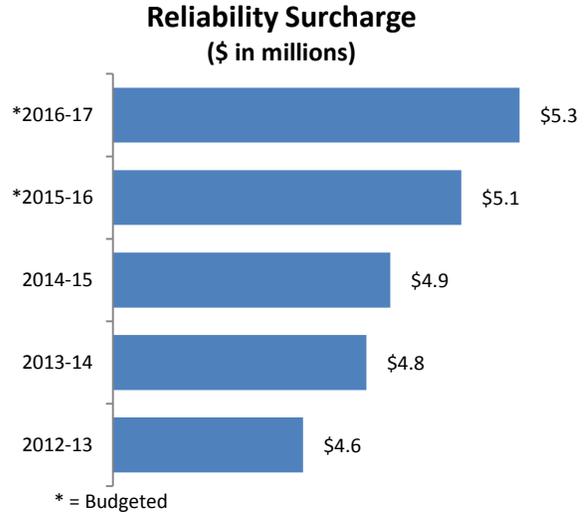
during the recent recession, this revenue fell sharply with the lack of construction activity in the SNWA’s service area. Since reaching a low in fiscal year 2009-10, connection charges have increased steadily.



**Reliability Surcharge.**

The reliability surcharge went into effect in April 1998 and is based on the total water bill, excluding the infrastructure charge, of the SNWA’s purveyor members. The rate is 0.25 percent for residential customers and 2.5 percent for non-residential customers. These revenues are collected by purveyor members from retail billings and are remitted to the SNWA monthly. The fiscal year 2016-17 reliability surcharge is projected to increase slightly (\$0.2 million, 3 percent). Because this surcharge is based on the total water bill charged to an end user by a purveyor, less the infrastructure charge, the reliability surcharge will increase when a purveyor approves a retail rate increase, when the SNWA increases the commodity

charge and when additional customers are added to the system.



**Sales Tax.**

The only taxes the SNWA receives are sales taxes. The SNWA does not levy taxes on its own. The Clark County Water and Wastewater Infrastructure Sales Tax went into effect on April 1, 1999. At that time, this increased the sales tax rate in Clark County from 7.0 percent to 7.25 percent. The tax is collected by the Nevada Department of Taxation (DOT) and remitted to the SNWA monthly. Of the gross amount received from the DOT, approximately 3.3 percent is forwarded to rural areas in the county and 4.0 percent is held in reserve by the SNWA to fund needed capital improvements in the Las Vegas Wash. The Las Vegas Wash is the primary channel through which the valley's excess water returns to Lake Mead. The water flowing through the wash comprises less than 2 percent of the water in Lake Mead and consists of urban runoff, shallow groundwater, storm water and releases from the valley's three water reclamation facilities.

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By agreement with the wastewater agencies in the service area, the SNWA received 100 percent of the remaining sales tax proceeds for the first two years. Since then, the remainder has been split between water and wastewater based on the relative size of their capital improvement plans. The fiscal year 2016-17 projection of sales tax revenue is \$3.5 million, or 7 percent, higher than the 2015-16 Adopted Budget Plan, due to an improving economy.



**Interest Income.**

Interest income includes both interest from bank accounts and investment earnings. The primary objectives of such investments are, in order of importance, safety of principal, maintenance of liquidity, and return on investment (ROI). Interest income is projected to increase \$1.7 million (129 percent) over the 2015-16 Adopted Budget Plan. This increase is primarily attributable to the investment of unspent bond proceeds from the prior year debt issuance. Interest income is based on the amount of funds available to invest and the ROI. The ROI is

expected to remain fairly consistent, therefore the projected increase is entirely due to having more funds available to invest.

**Groundwater Management Program Fees.**

The groundwater management program fees consist of an annual fee of \$30 per acre-foot of permitted groundwater rights or \$30 per domestic well. The fee consists of \$13 reserved for operation and maintenance expenses and \$17 reserved for recharge water purchases. The SNWA will have no recharge water available for purchase for the groundwater management program in fiscal year 2016-17. Consequently, for the fourth year in a row, the SNWA will not charge the \$17 portion of the groundwater management fee. Revenue is projected to be fairly consistent with the fiscal year 2015-16 Adopted Budget Plan.

**Las Vegas Wash Program Fees.**

The SNWA, along with the City of Henderson, Clark County Water Reclamation District, City of Las Vegas, Clark County, and the Clark County Regional Flood Control District has entered into an interlocal agreement establishing funding for annual operations of the Las Vegas Wash. Each participant will be billed for budgeted costs according to the interlocal agreement. The program fees are projected to remain flat in fiscal year 2016-17 as compared to the 2015-16 Adopted Budget Plan.

**Grant Proceeds.**

The SNWA attempts to secure grant monies from federal and state sources to help defray some construction, research, and operation costs. These proceeds are expected to increase \$0.4 million (61 percent) in fiscal

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year 2016-17 from the 2015-16 Adopted Budget Plan. This increase is primarily attributable to grants related to water quality research and development.

**Other Revenues.**

Other revenues are budgeted to increase \$74.7 million (838 percent) from the fiscal year 2015-16 Adopted Budget Plan. The most significant other revenue item is the sale of the SNWA’s 25% ownership in the Silverhawk Power Generation Facility to NV Energy. The SNWA will receive \$77 million at the close of the transaction in May 2017.

**Debt Issuance Proceeds.**

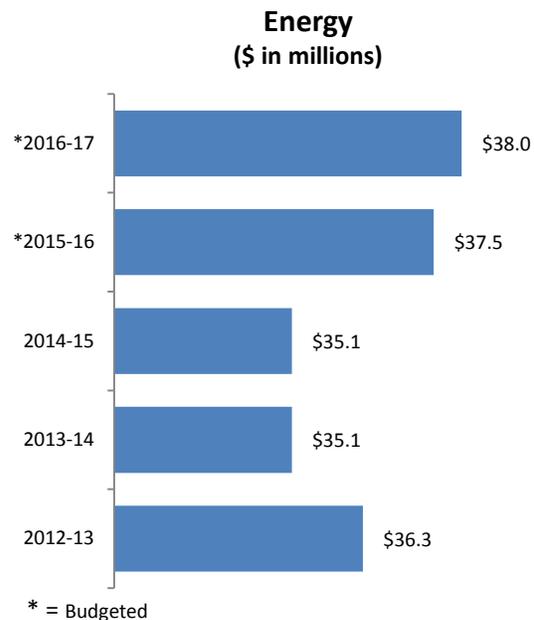
The SNWA expected to expend all of the currently available bond funds in fiscal year 2015-16. Therefore, the SWNA issued bonds in fiscal year 2015-16 to fund the next 24 to 36 months of capital expenditures related to the Major Capital and Construction Plan, which is discussed in further detail later in this section. The majority of capital expenditures in the next 24 to 36 months are attributable to the low lake level pumping station.

**Uses**

The fiscal year 2016-17 Budget Plan’s total uses of funds are projected to be \$649.0 million, a 0.5 percent increase compared to the 2015-16 Adopted Budget Plan. The uses remained fairly constant from the prior year due to increases in operating expenses and debt service being offset by a decrease in capital expenditures.

**Energy.**

Treating raw water and delivering it to the Las Vegas valley is energy intensive. The cost of energy for fiscal year 2016-17 is projected to increase \$0.5 million (1 percent) over the fiscal year 2015-16 Adopted Budget Plan. This increase is primarily due to higher anticipated energy prices.



**Payroll & Related.**

The SNWA does not have any employees. As described in the introduction section of this budget document, the Las Vegas Valley Water District (LVVWD) is the operating agent for the SNWA. A significant portion of the SNWA’s operating expenses, including payroll costs, are initially paid by the LVVWD and then reimbursed by the SNWA. Payroll and related includes wages, salaries and benefits. For fiscal year 2016-17, payroll and related expenses are anticipated to be \$71.5 million. This represents an increase of \$4.8 million, or 7 percent, compared to the 2015-16 Adopted Budget Plan.

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**Payroll & Related**  
 (\$ in millions)



\* = Budgeted

Full-time equivalent (FTE) is a unit of measurement which represents the workload of one full-time employed person. The SNWA's FTE count is expected to increase by approximately 8 employees over the fiscal year 2015-16 Adopted Budget Plan. Demands to secure and protect water resources, ensure efficient use of existing resources, and provide a safe and reliable water supply under current operational conditions has resulted in increased staffing requirements for the SNWA. The following chart summarizes the number of equivalent FTE positions by department charging time to the SNWA.

**FTE Summary**

| <u>Department</u>                                     | <u>Actual</u>  | <u>Budget</u>  | <u>Budget</u>  |
|---|----------------|----------------|----------------|
|   | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> |
| Executive Management                                  | 8.0            | 5.0            | 5.0            |
| Legal Services  | 9.6            | 11.9           | 13.9           |
| Finance   | 29.0           | 32.4           | 32.0           |
| Energy Management                                     | 5.5            | 6.0            | 6.0            |
| Information Technology                                | 42.5           | 34.4           | 34.5           |
| Human Resources                                       | -              | -              | 4.1            |
| Public Services                                       | 20.7           | 31.9           | 30.1           |
| Environmental, Health,<br>Safety & Corporate Security | 15.7           | 15.8           | 16.8           |
| Customer Care & Field<br>Services                     | 2.0            | 1.3            | 3.0            |
| Engineering   | 32.3           | 32.9           | 30.3           |
| Resources & Facilities                                | 97.6           | 98.6           | 97.0           |
| Infrastructure Management                             | 13.6           | 16.0           | 19.2           |
| Operations  | 63.6           | 56.7           | 57.4           |
| Water Quality & Treatment                             | 86.8           | 87.3           | 89.3           |
| <b>Total</b>  | <b>426.9</b>   | <b>429.9</b>   | <b>438.4</b>   |

*\*Totals may be off slightly due to rounding*

**Operating Expenses.**

Operating expenses include all normal operating costs of the SNWA except energy, payroll and related, capitalized expenditures, and debt service, which are presented separately. Examples include, but are not limited to, materials and supplies, maintenance and repairs, rental and leases, water treatment chemicals, research and studies, legal fees, and office supplies. Operating expenses are projected to increase \$12.6 (34 percent) as compared to the 2015-16 Adopted Budget Plan. This increase is due to higher costs in materials, supplies, maintenance, and repairs. Also, the SNWA has increased the capitalization threshold, which has generated a shift of items from capital costs to operating expenses.

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**Capital Expenditures.**

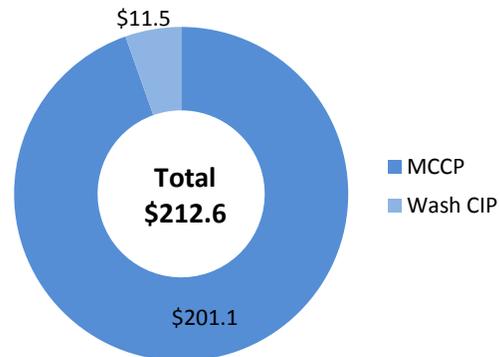
Capital expenditures are projected to decrease \$68.1 million (24 percent), compared to the fiscal year 2015-16 Adopted Budget Plan. The decrease is primarily attributable to completion of the third intake and the beginning of the low-lake level pumping station, which encompasses 65 percent of the projected capital expenditures in the 2016-17 budget. (This project is described later in this section.)

Capital expenditures are different from operating expenses in that they are generally related to assets and those assets have useful lives extending beyond three years and surpass an internally established dollar threshold. Typically capital expenditures of the SNWA are related to infrastructure assets, but can be related to water rights. Examples include, but are not limited to, construction of water treatment and distribution infrastructure, water resource acquisitions, vehicles, and some computer equipment.

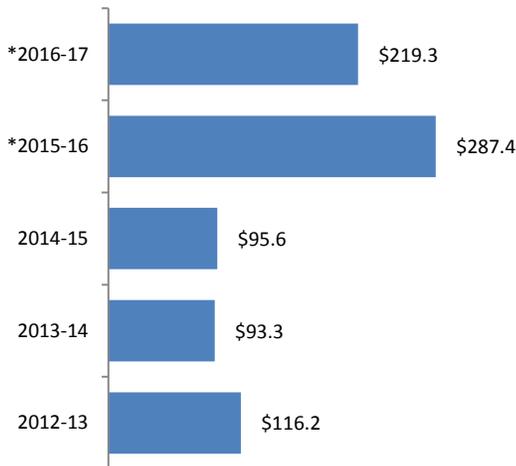
The majority of the SNWA’s capital expenditures are accounted for in the SNWA’s two approved capital improvement plans (CIP):

- Major Construction and Capital Plan (MCCP). The projects of this CIP are mainly for the water treatment and delivery infrastructure or the acquisition and retention of water resources. It is funded primarily with publicly issued municipal debt.
- Las Vegas Wash Capital Plan. The projects of this CIP are related to the improvement of the Las Vegas Wash. It is funded primarily with sales tax proceeds.

**CIP Related Capital Expenditures  
 in Fiscal Year 2016-17 Budget Plan  
 (\$ in millions)**



**Capital Expenditures  
 (\$ in millions)**



\* = Budgeted

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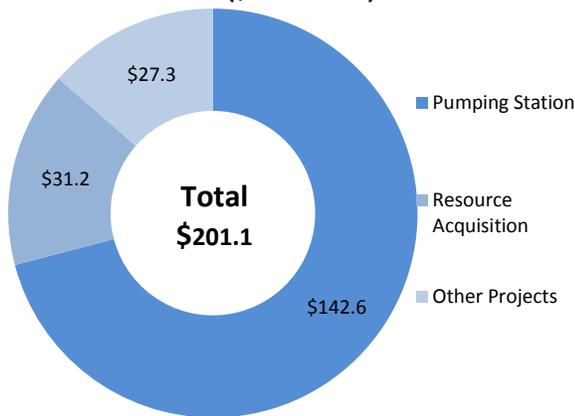
The following is a brief description of the most significant M CCP project:

- Intake No.3 Project – Low Lake Level Pumping Station. Construct a 900 million gallon per day pumping station to convey water from the new Intake No. 3 to the existing treatment facilities, 600 million gallons per day (MGD) to the Alfred Merritt Smith Water Treatment Facility and 300 MGD to the River Mountains Water Treatment Facility. This pumping station will function to replace the lost capacities of the existing Intake Pumping Stations No. 1 and No. 2 in the event of extremely low lake levels. The design and construction costs for this project are estimated to be approximately \$650 million and could be complete as early as 2021. The fiscal year 2016-17 Budget Plan includes \$142.6 million to be spent on this project.

stability. Projecting long term additional expenses of future capital projects, including the ones described above, is tenuous at best. Capital projects are typically instituted for two major reasons – 1) to ensure end users have a reliable, consistent source of water and 2) to deliver that water in the most economical manner possible.

The construction of major capital items fits into an overall goal of system reliability and efficiency. Unlike other government agencies that can highlight a park, school, or street, for example, and immediately determine possible maintenance and operating costs, the capital items for a water utility affect the coordination of the entire water system. An increase in costs for one section of the project may cause a reduction in another connected portion. The SNWA’s capital projects utilize state of the art diagnostic equipment and testing procedures which significantly reduce the risk of catastrophic failures and help to minimize routine operating costs. Additionally, the SNWA utilizes internal cost controls to ensure funds are spent in the most conscientious manner. However, even with comprehensive controls such as these, estimating long range costs, especially in current financial conditions, can be a challenge.

**MCCP Related Capital Expenditures in 2016-17 Budget Plan**  
 (\$ in millions)



Periodically, the SNWA pays for capital costs on a pay-as-you-go basis, attempting to minimize financing costs for these capital expenditures, while maintaining financial

**Debt Service.**

This reflects all outstanding debt of the SNWA. For more detail on the SNWA’s outstanding debt, see the Debt Management Policy, which is section seven of this budget document.

The Las Vegas valley has experienced extraordinary population growth since the SNWA’s inception in 1991. The vast majority of the SNWA’s outstanding debt was

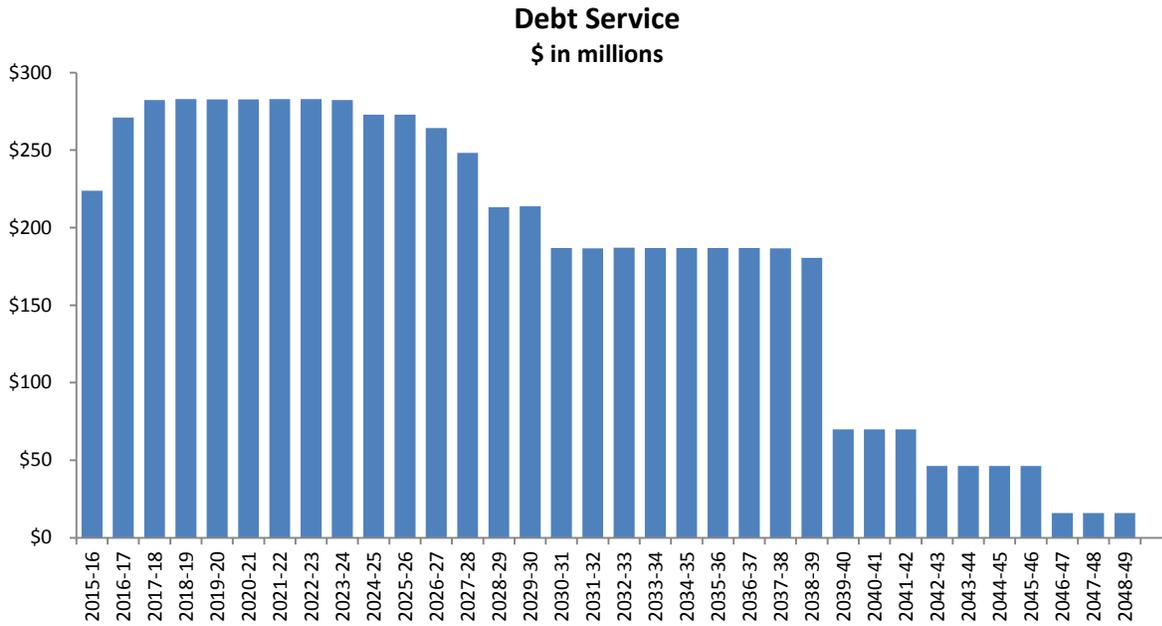
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necessary to fund the infrastructure growth to support such extraordinary population growth. During the recent recession, population growth slowed and the SNWA took actions to provide cash flow relief. For example, the SNWA postponed various capital projects and took advantage of historically low borrowing costs to refinance debt.

increase is primarily due to the ending of the cash flow relief as discussed above. This increase in debt service has been anticipated for several years. The IRPAC's Phase 1 and 2 rate increases were partially based on the future debt service requirements. The existing debt service was projected to rise again in fiscal year 2016-17 before stabilizing for approximately ten years, then declining.

Debt service payments are anticipated to increase \$47.3 million (21 percent) compared to the 2015-16 Adopted Budget Plan. This

The following chart illustrates the outstanding debt service.



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**Summary of Sources and Uses of Funds and Changes in Net Assets**

An enterprise fund's year-end balance differs dramatically from other government agencies' fund balances. The enterprise net asset balance closely approximates a private corporation's retained earnings section. As

such, net assets are affected by operating items as presented in this document as well as other financial resources and expenditures. The SNWA accounts for its Net Assets in accordance with GASB Statement 33. The following table summarizes the estimated sources and uses of funds and changes in net assets for the fiscal year 2016-17 Budget Plan.

**Estimated Net Assets Detail**  
**Fiscal Year 2016-17 Budget**

|  | <b>Invested in<br/>Capital Assets<br/>Net of<br/>Related Debt</b> | <b>Restricted</b>       | <b>Unrestricted</b>   | <b>Total Net<br/>Assets</b> |
|--|---|-------------------------|-----------------------|-----------------------------|
| Estimated Net Position on June 30, 2016  | \$ 1,213,799,697  | \$ 65,344,310           | \$ 588,927,690        | \$ 1,868,071,697            |
| <i>From Revenues, Expenses,<br/>and Net Income Schedule<br/>(RENI), Page 4-5</i> |   |                         |                       |                             |
| Operating Revenue  | \$ -  | \$ -                    | \$ 208,123,597        | \$ 208,123,597              |
| Capital Contributions  |   | 57,992,371              | 287,143,255           | 345,135,626                 |
| Interest Earned  | (1,459,613)   |                         | 2,936,847             | 1,477,234                   |
| Payroll and Related<br>Energy  | 24,115,193  |                         | (71,530,308)          | (47,415,116)                |
| Operating Expenses   |   |                         | (38,008,556)          | (38,008,556)                |
| Depreciation Expense   | (80,000,000)  |                         | (49,192,884)          | (49,192,884)                |
| Interest Expense (Debt Service)  | 106,181,518   |                         | (271,025,463)         | (164,843,946)               |
| <i>Subtotal from RENI</i>  | <b>\$ 48,837,097</b>  | <b>\$ 57,992,371</b>    | <b>\$ 68,446,486</b>  | <b>\$ 175,275,955</b>       |
| <i>Items not on RENI</i>   |   |                         |                       |                             |
| Capitalized Expenditures   | \$ 219,255,395  | \$ (219,255,395)        | \$ -                  | \$ -                        |
| Debt Issuance Proceeds   |   | -                       |                       | -                           |
| <i>Subtotal Items not on RENI</i>  | <b>\$ 219,255,395</b>   | <b>\$ (219,255,395)</b> | <b>\$ -</b>           | <b>\$ -</b>                 |
| Estimated Net Position on June 30, 2017  | <b>\$ 1,481,892,189</b>   | <b>\$ (95,918,714)</b>  | <b>\$ 657,374,176</b> | <b>\$ 2,043,347,651</b>     |

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**Sub Funds**

According to Generally Accepted Accounting Principles, governmental entities use fund based accounting. As a governmental entity, the SNWA accounts for its financial activities in a single enterprise fund. However, the SNWA utilizes sub funds for internal tracking purposes.

and Las Vegas Wash Operating sub fund are small in terms of activity and dollars, they are typically combined into one sub fund for budgeting purposes. Therefore, the SNWA budget presents only five sub funds. Three are classified as capital sub funds while two are operating sub funds. The following table presents the five sub funds, which are described after the table.

The SNWA maintains six sub funds. Since both the Las Vegas Wash Capital sub fund

**Budget Summary by Sub Fund**  
**Fiscal Year 2016-17**

|                                    | Operating Sub Funds           |                             | Capital Sub Funds          |                                   |                     | Total                  |
|------------------------------------|-------------------------------|-----------------------------|----------------------------|-----------------------------------|---------------------|------------------------|
|                                    | Wholesale Delivery Operations | Groundwater Management Plan | New Expansion Debt Service | Major Capital & Construction Plan | Las Vegas Wash      |                        |
| <b>Sources</b>                     |                               |                             |                            |                                   |                     |                        |
| Wholesale Delivery Charge          | \$ 122,759,977                | \$ -                        | \$ -                       | \$ -                              | \$ -                | \$ 122,759,977         |
| Infrastructure Charge              |                               |                             | 149,563,411                |                                   |                     | 149,563,411            |
| Commodity Charge                   |                               |                             | 63,850,411                 |                                   |                     | 63,850,411             |
| Connection Charge                  |                               |                             | 68,446,150                 |                                   |                     | 68,446,150             |
| Reliability Surcharge              |                               |                             | 5,283,282                  |                                   |                     | 5,283,282              |
| Sales Tax                          |                               |                             | 54,217,379                 |                                   | 3,774,992           | 57,992,371             |
| Interest Income                    | 58,737                        | 8,811                       | 1,409,687                  | 1,459,613                         |                     | 2,936,847              |
| Groundwater Management Fees        |                               | 873,661                     |                            |                                   |                     | 873,661                |
| LV Wash Program Fees               | (736,161)                     |                             |                            |                                   | 1,152,876           | 416,715                |
| Grant Proceeds                     | 890,510                       |                             |                            |                                   |                     | 890,510                |
| Other Revenues                     | 1,477,520                     |                             | 82,063,803                 | 72,000                            |                     | 83,613,324             |
| <b>Subtotal</b>                    | <b>\$ 124,450,583</b>         | <b>\$ 882,471</b>           | <b>\$ 424,834,124</b>      | <b>\$ 1,531,613</b>               | <b>\$ 4,927,867</b> | <b>\$ 556,626,659</b>  |
| Debt Issuance Proceeds             | -                             | -                           | -                          | -                                 | -                   | -                      |
| <b>Total Sources</b>               | <b>\$ 124,450,583</b>         | <b>\$ 882,471</b>           | <b>\$ 424,834,124</b>      | <b>\$ 1,531,613</b>               | <b>\$ 4,927,867</b> | <b>\$ 556,626,659</b>  |
| <b>Uses</b>                        |                               |                             |                            |                                   |                     |                        |
| Energy                             | \$ 38,008,556                 |                             |                            |                                   |                     | \$ 38,008,556          |
| Payroll & Related                  | 46,919,663                    | 495,453                     | 11,191,436                 | 11,765,228                        | 1,158,528           | 71,530,308             |
| Operating Expenses                 | 37,634,542                    | 722,905                     | 9,586,307                  |                                   | 1,249,130           | 49,192,884             |
| Capital Expenditures               |                               |                             |                            | 219,255,395                       |                     | 219,255,395            |
| Debt Service                       |                               |                             | 271,025,463                |                                   |                     | 271,025,463            |
| <b>Total Uses</b>                  | <b>\$ 122,562,761</b>         | <b>\$ 1,218,358</b>         | <b>\$ 291,803,207</b>      | <b>\$ 231,020,623</b>             | <b>\$ 2,407,658</b> | <b>\$ 649,012,607</b>  |
| <b>Total Net Surplus/(Deficit)</b> | <b>\$ 1,887,822</b>           | <b>\$ (335,886)</b>         | <b>\$ 133,030,917</b>      | <b>\$ (229,489,010)</b>           | <b>\$ 2,520,209</b> | <b>\$ (92,385,948)</b> |

**Southern Nevada Water Authority**  
**Operating and Capital Budget**  
**Operating and Capital Budget Plan**  
Fiscal Year Ending June 30, 2017

**Operating Sub Funds.**

**Wholesale Delivery Operations sub fund.** This sub fund accounts for the sources and uses of funds related to the SNWA's primary operations, which is the treatment and delivery of potable water to its members. Other activities include the research and study of water quality issues in support of the overall water industry.

**Groundwater Management Program sub fund.** This sub fund accounts for the sources and uses of funds related to the SNWA's groundwater management program. In 1997, the Nevada Legislature directed the SNWA to develop a Groundwater Management Program to protect and manage the Las Vegas valley's primary groundwater supply. The program protects the local groundwater basin from over-drafting and potential sources of contamination.

**Capital Sub Funds.**

**New Expansion Debt Service sub fund.** The primary purpose of this sub fund is to account for the majority of the SNWA's debt service and funds received to support those debt service payments. Other expenses include non-turf rebate conservation costs, northern resources costs, non-engineering capitalized labor in support of the MCCP, and some pay-as-you-go capital expenditures.

**Major Construction and Capital Plan sub fund.** This sub fund accounts for proceeds of debt issued to support the MCCP and capital expenditures related to the MCCP.

**Las Vegas Wash sub fund.** Although this is a hybrid sub fund paying both capital and operating expenses, the major function of this sub fund is to pay construction costs of the Las Vegas Wash. This sub fund tracks capital and operational revenues and expenses pertaining to the Las Vegas Wash. As stated previously, this sub fund is actually two small sub funds combined into one for budget presentation purposes. They are the Las Vegas Wash Capital sub fund and the Las Vegas Wash Operating sub fund.

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SOUTHERN NEVADA WATER AUTHORITY®