

**SOUTHERN NEVADA WATER AUTHORITY
BOARD OF DIRECTORS
REGULAR MEETING
APRIL 19, 2018
MINUTES**

CALL TO ORDER 9:00 a.m., Colorado River Conference Rooms, Southern Nevada Water Authority, 100 City Parkway, Seventh Floor, Las Vegas, Nevada

BOARD MEMBERS PRESENT Marilyn Kirkpatrick, Chair
Bob Coffin, Vice Chair
Jim Gibson
Peggy Leavitt
John Lee
John Marz
Steve Sisolak

BOARD MEMBERS ABSENT None

STAFF PRESENT John Entsminger, Dave Johnson, Greg Walch, Brian Thomas

OTHERS PRESENT

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 speakers.

ITEM NO.

1. ***For Possible Action: Approve agenda with the inclusion of tabled and/or reconsidered items, emergency items and/or deletion of items.***

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

2. ***For Information Only: Receive an overview and discuss the Fiscal Year 2018/2019 Tentative Budget.***

John Entsminger, General Manager, gave an overview presentation of the tentative budget. A copy of his presentation is attached to these minutes.

Chair Kirkpatrick asked if changes in construction costs were factored into budget projections for infrastructure projects like the Low Lake Level Pumping Station and Eastern Nevada Transmission Project. Dave Johnson, Deputy General Manager – Engineering & Operations, said that project budgets included escalation of construction costs.

Director Sisolak asked if utilities in other states have looked to the Authority for advice on conservation programs. Mr. Entsminger said that some areas in the Colorado River Basin, such as Southern California, had discussed conservation programs with the Authority.

Vice Chair Coffin asked if the Authority was creating additional water conservation advertisements. Mr. Entsminger said that the Authority's ad campaigns had been effective in promoting conservation, and that the Authority would continue to run similar ads in the future.

Director Sisolak said that the Integrated Resource Planning Advisory Committee's recommendations regarding rates and infrastructure funding had benefitted the Authority and the community. Mr. Entsminger said that the committee's recommendations, which were adopted by the Board, provided guidance for the Authority and increased rate stability for the future.

Director Marz asked if there was a recommended best practice for the amount of reserves a water utility should have. Brian Thomas, Chief Financial Officer, said that the Authority's reserve policy reflected industry best practices.

Vice Chair Coffin asked if the new filters being proposed for the treatment plant would help against invasive species, such as quagga mussels. Mr. Johnson said that chemical feedlines located within the Authority's intakes protect the treatment system from quagga mussels and prevent invasive species from reaching the filters.

NO ACTION REQUIRED

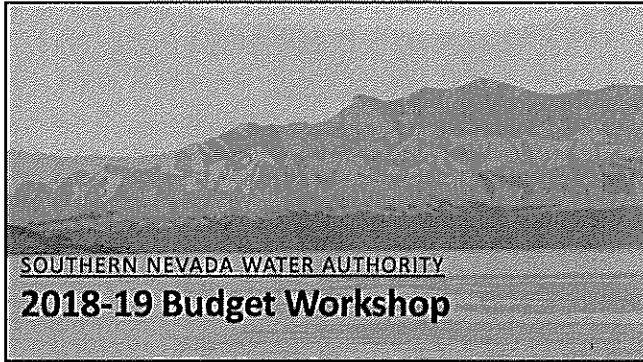
Public Comment

There were no speakers.


Adjournment

There being no further business to come before the Board, the meeting adjourned at 9:51 a.m.

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.



2017-18 HIGHLIGHTS & ACHIEVEMENTS



- Low Lake Level Pumping Station (L3PS) construction continues on schedule
- Final weir under construction in the upper Las Vegas Wash
- Implemented mandatory Sundays Off within watering schedule across all jurisdictions
- Partnered with other Colorado River Basin States and country of Mexico to execute Minute 323
- Opened the Warm Springs Natural Area to the public

Warm Springs Natural Area

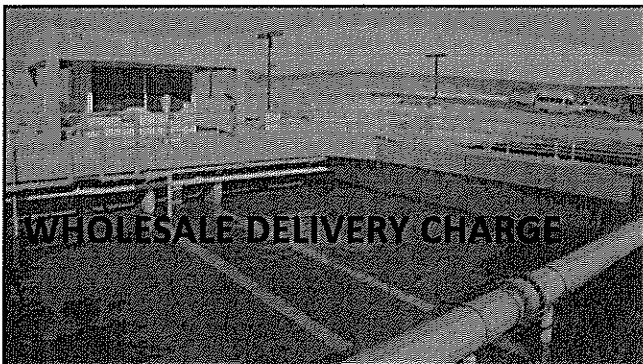
SNWA CREDIT RATING

In March, S&P raised the SNWA's credit rating to AA from AA-, with a stable outlook. Reasons for their increase include:

- The SNWA's critical role as the region's water resource and conservation planning agency
- Extremely strong liquidity position
- Flexibility to fund future capital improvements on a pay-as-you-go basis in lieu of increasing leverage

2018-19 INITIATIVES

- Update conservation programs to achieve further savings
- Update the SNWA Conservation Plan
- Continue construction of L3PS
- Move the Eastern Nevada Transmission Project forward
- Continue water storage and banking efforts
- Engage with Colorado River Basin partners to address declining reservoir levels
- Evaluate opportunities for innovation



SNWA WHOLESALE DELIVERY CHARGE

The Wholesale Delivery Charge is a charge for Colorado River water delivered by the SNWA to its purveyor members

- Only SNWA Purveyors pay the charge
- Enacted in 1995
- Represents approximately 25% of total SNWA revenues

SNWA WHOLESale DELIVERY CHARGE

Revenues generated from the Wholesale Delivery Charge fund:

- Operations and maintenance costs
- Energy costs
- Asset management costs for the SNWA facilities
- Administrative costs
- Maintenance of reserve funds
- Debt service related to SNWS facilities

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SNWA WHOLESale DELIVERY CHARGE

Recent Rate History

Date Enacted	Treated (Per Acre-foot)	Raw (Per Acre-foot)
July 2013	\$303	\$232
July 2011	\$293	\$226
July 2010	\$283	\$220
July 2009	\$270	\$204
July 2008	\$262	\$192

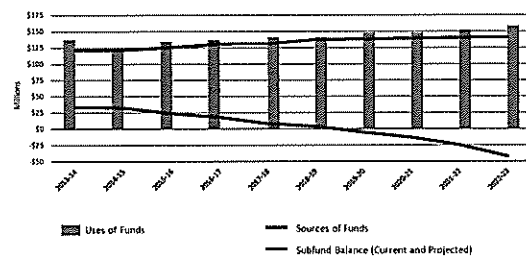
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SNWA WHOLESale DELIVERY CHARGE

- Rates have not kept pace with inflation
- Other operating costs increase at approximately 3 percent annually
- Current projections indicate that the Wholesale Delivery Operations Subfund will fall below \$10 million this year if no action is taken

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SNWA WHOLESale DELIVERY CHARGE Current Subfund Projections



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SNWA WHOLESale DELIVERY CHARGE

The SNWA met with members of the SNWA Financial Workgroup to make recommendations on the best way to close the gap.

Their recommendation:

- Increase the Wholesale Delivery Charge for treated water by \$10 annually (\$6 for raw water) for the next two years
- After two years, increase the charge by CPI (limited to a range of 1.5 – 4.5% increases)
- If the Subfund's projection exceeds \$20 million by June 30 of any year, defer the CPI adjustment

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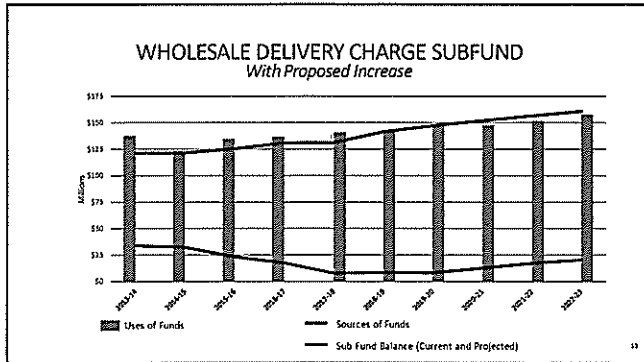
SNWA WHOLESale DELIVERY CHARGE

Proposed Rates:

Date	Treated (Per Acre-foot)	Raw (Per Acre-foot)
Current	\$303	\$232
July 2018	\$313	\$238
July 2019	\$323	\$244

In future years, the rate would be adjusted by CPI, unless the Subfund exceeded \$20 million by June 30 in the year prior.

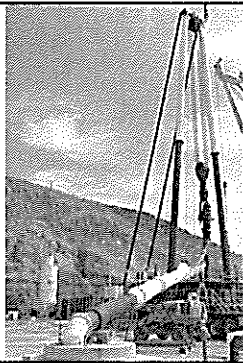
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OVERVIEW

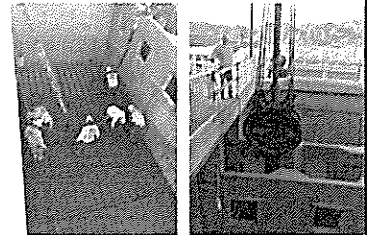
The 2018-19 Budget includes \$188.5 million for capital expenditures, a decrease of approximately \$25 million from last year's budget.

The decrease is largely due to weir construction in the upper Las Vegas Wash nearing completion, which is expected at the end of 2018.



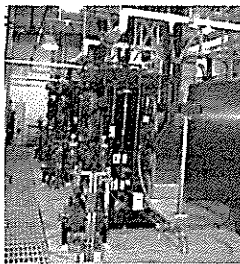
WATER TREATMENT FACILITY - FILTER REHABILITATION

Filter media, media blocks and valves will be replaced, and concrete and ancillary systems will be repaired for 20 of 26 existing filters at the Alfred Merritt Smith Water Treatment Facility



WATER TREATMENT FACILITY REHABILITATION

Five sodium hypochlorite generators installed at River Mountains Water Treatment Facility have reached the end of their useful life.

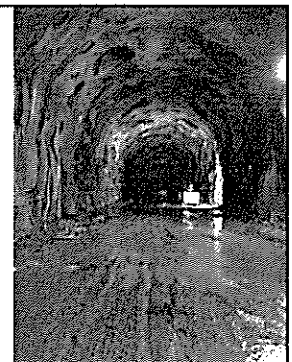


LOW LAKE LEVEL PUMPING STATION

Construction continues on the Low Lake Level Pumping Station.

Major activities this upcoming fiscal year:

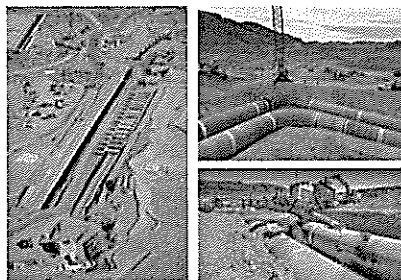
- Complete underground construction
- Complete electrical construction
- Continue above ground construction activities and begin installation of pumps



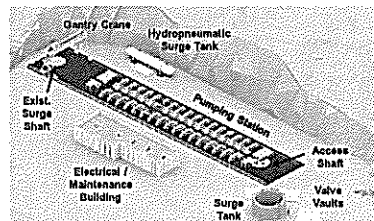
LOW LAKE LEVEL PUMPING STATION

Connector pipelines were installed from L3PS to feed AMSWTF and RMWTF.

The 144-inch pipeline construction installation was completed in Dec. 2017

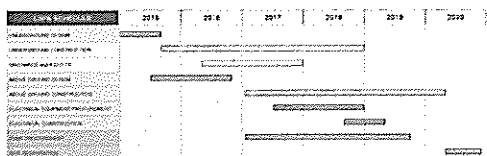


LOW LAKE LEVEL PUMPING STATION



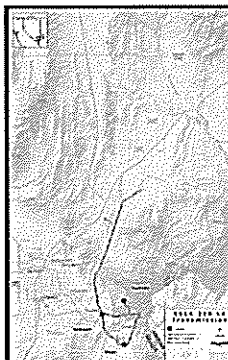
Above ground construction continues, which includes piping, valving, surge, gantry crane, electrical/maintenance building and electrical substation.

LOW LAKE LEVEL PUMPING STATION



\$115 million is budgeted for 2018-19.
Project is scheduled to be completed in 2020.

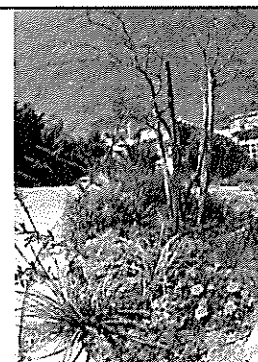
EASTERN NEVADA TRANSMISSION PROJECT



\$6.1 million is budgeted for 2018-19 to fund project design and continued permitting activities.

CONSERVATION

\$17.5 million is budgeted for Conservation Programs, which reflects a committed effort to improve participation within existing programs.



CONSERVATION UPDATE

CONSERVATION

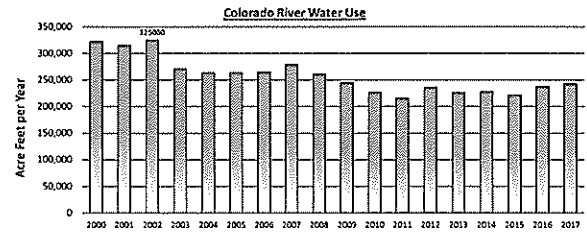
Nevada is facing the threat of a shortage declaration in the near term.

Reservoir	Current Elevation	Projected Elevation Jan. 1, 2019	Projected Elevation Jan. 1, 2020
Lake Mead	1,088 ft.	1,077 ft.	1,072 ft.

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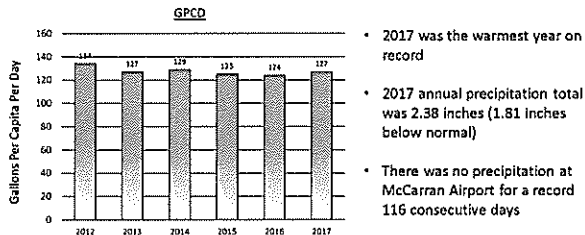
WATER USE

Annual water use is up.



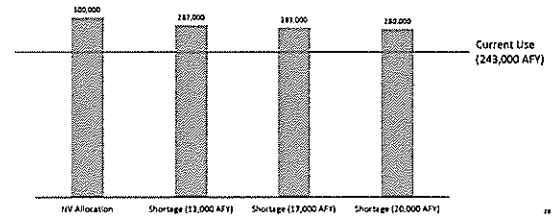
WATER USE

Weather influences how Southern Nevada uses water.



CONSERVATION

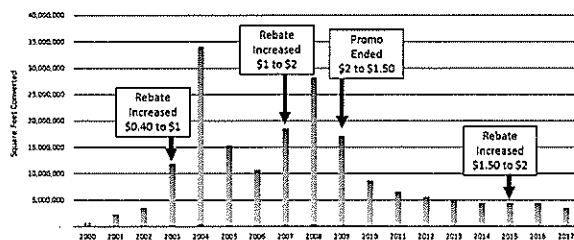
SNWA's conservation achievements have helped buffer impacts of shortage declarations.



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CONSERVATION

Landscape conversions have declined in recent years.



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CONSERVATION

Program enhancements are needed to maintain progress.

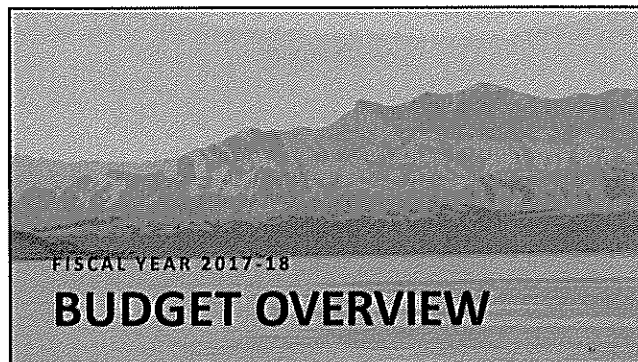
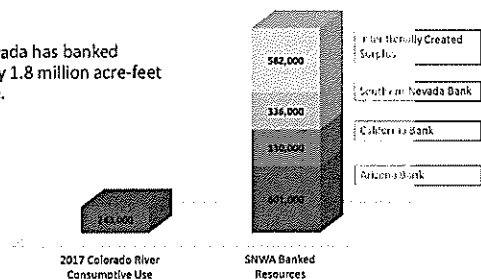
Goals to Enhancing the Conservation Program:

- Invest in programs that are working
- Increase participation
- Keep incentives compelling
- Pilot new programs

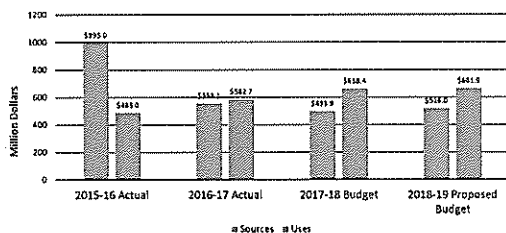
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PLANNING FOR THE FUTURE

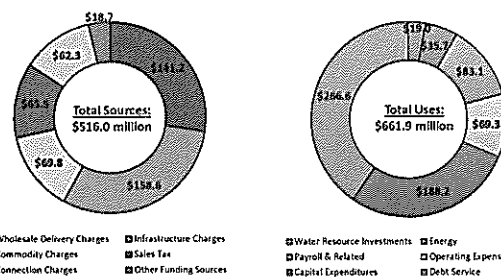
Southern Nevada has banked approximately 1.8 million acre-feet for future use.



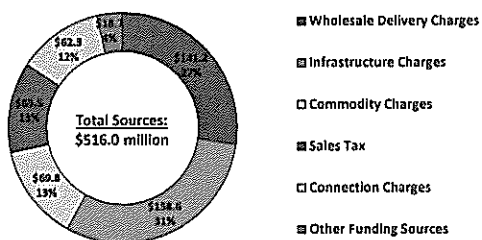
SOURCES AND USES SUMMARY



SOURCES AND USES OVERVIEW

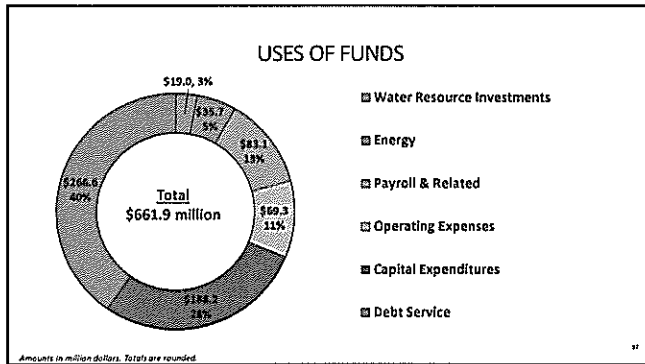


FUNDING SOURCES



FUNDING SOURCES

Sources	Actual 2016-17	Budget 2017-18	Proposed Budget 2018-19	Budget-to- Budget Variance
Wholesale Delivery Charge	\$ 130.1	\$ 130.8	\$ 141.2	\$ 10.4
Infrastructure Charge	132.5	149.1	158.6	9.5
Commodity Charge	65.4	68.5	69.8	1.3
Connection Charge	7.0	63.3	62.3	(1.0)
Reliability Surcharge	5.3	5.3	5.6	0.3
Sales Tax	60.9	62.3	65.5	3.2
Investment Income	4.9	3.8	5.9	2.0
Groundwater Management Fees	0.9	0.9	0.9	(0.0)
LV Wash Program Fees	0.4	0.4	0.4	(0.0)
Grant Proceeds	1.4	4.7	0.4	(4.3)
Other Revenues	94.4	4.2	5.4	0.2
Subtotal	\$ 553.1	\$ 493.9	\$ 516.0	\$ 22.1
Debt Issuance Proceeds	-	-	-	-
Total Sources	\$ 553.1	\$ 493.9	\$ 516.0	\$ 22.1



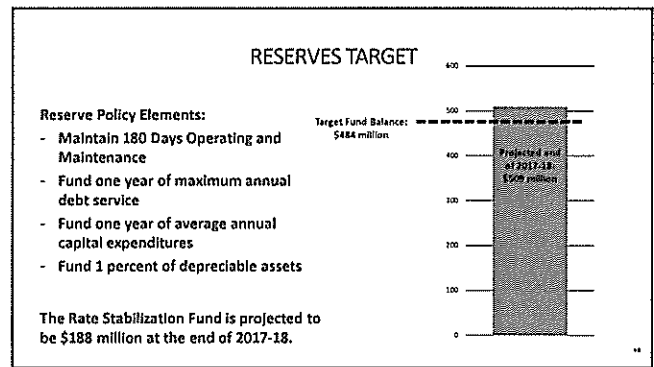
USES OF FUNDS

Uses	Actual 2016-17	Budget 2017-18	Proposed Budget 2018-19	Budget-to- Budget Variance
Water Resource Investments	\$ 3.5	\$ 12.1	\$ 19.0	\$ 6.9
Energy	36.6	37.0	35.7	(1.3)
Payroll & Related	69.8	77.2	83.1	5.9
Operating Expenses	41.4	54.5	69.3	14.8
Capital Expenditures	166.4	213.7	188.2	(25.5)
Debt Service	265.0	264.0	266.6	2.7
Total Uses	\$ 582.7	\$ 658.4	\$ 661.9	\$ 3.6

Amounts in million dollars. Totals are rounded.

SNWA Budget Summary

	Actual 2016-17	Budget 2017-18	Proposed Budget 2018-19	Budget-to- Budget Variance
Sources				
Wholesale Delivery Charge	\$ 130.1	\$ 130.8	\$ 141.2	\$ 10.4
Infrastructure Charge	132.5	149.1	158.6	9.5
Commodity Charge	65.4	68.5	69.8	1.3
Connection Charge	57.0	61.1	62.1	(1.0)
Reliability Surcharge	5.3	5.3	5.6	0.3
Sales Tax	60.9	62.3	65.5	3.2
Investment Income	4.9	3.8	5.0	2.0
Groundwater Management Fees	0.0	0.0	0.9	(0.0)
LV Wash Program Fees	0.4	0.4	0.4	(0.0)
Grant Proceeds	1.4	4.7	0.4	(4.3)
Other Revenues	56.4	4.2	5.4	0.2
Subtotal	\$ 553.1	\$ 493.9	\$ 516.0	\$ 22.1
Debt Insurance Proceeds				
Total Sources	\$ 553.1	\$ 493.9	\$ 516.0	\$ 22.1
Uses				
Water Resource Investments	\$ 3.5	\$ 12.1	\$ 19.0	\$ 6.9
Energy	36.6	37.0	35.7	(1.3)
Payroll & Related	69.8	77.2	83.1	5.9
Operating Expenses	41.4	54.5	69.3	14.8
Capital Expenditures	166.4	213.7	188.2	(25.5)
Debt Service	265.0	264.0	266.6	2.7
Total Uses	\$ 582.7	\$ 658.4	\$ 661.9	\$ 3.6
Total Net Surplus/(Deficit)	\$ (29.6)	\$ (164.5)	\$ (146.0)	



2018-19 BUDGET SUMMARY

- Total uses are up \$3.6 million (Less than 1%)
- Total revenues are up \$22.1 million (approximately 4%)
- Budget supports increased investments in conservation and water resource management activities for drought protection
- Healthy reserves will be used to fund capital in upcoming years, likely eliminating the need to issue debt for the next three years

