

MEETING AGENDA

Southern Nevada Water Authority Integrated Resource Planning Advisory Committee 2020



Wednesday, February 12, 2020

3:00 p.m.

**Colorado River Conference Rooms, Southern Nevada Water Authority
100 City Parkway, Seventh Floor, Las Vegas, Nevada**

All items on the agenda are for action by the Advisory Committee, unless otherwise indicated. Items may be taken out of order. The board may combine two or more agenda items for consideration, and the board may remove an item from the agenda or delay discussions relating to an agenda item at any time.

CALL TO ORDER

COMMENTS BY THE GENERAL PUBLIC

NO ACTION MAY BE TAKEN: This is a period devoted to comments by the general public pertaining to items on this agenda. If you wish to speak to the Advisory Committee about items within its jurisdiction, but not appearing on this agenda, you must wait until the “Comments by the General Public” period listed at the end of this agenda. Please limit your comments to three minutes or less. No action may be taken upon a matter not listed on the posted agenda.

1. *For Possible Action:* Approve agenda and minutes from the January 29, 2020 meeting
2. *For Possible Action:* Review and discuss rate models and develop recommendations, if appropriate
3. *For Possible Action:* Review committee discussions to date and develop recommendations

COMMENTS BY THE GENERAL PUBLIC

NO ACTION MAY BE TAKEN: At this time, the Advisory Committee will hear general comments from the public on matters under the jurisdiction of the Committee. Please limit your comments to three minutes or less. No action may be taken upon a matter not listed on the posted agenda.

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED IN THE FOLLOWING LOCATIONS:

City of Boulder City, City Hall
401 California Avenue
Boulder City, NV

City of North Las Vegas, City Hall
2250 Las Vegas Boulevard North
North Las Vegas, NV

City of Henderson, City Hall
240 Water Street
Henderson, NV

Clark County Government Center
500 S. Grand Central Parkway
Las Vegas, NV

Las Vegas Valley Water District
1001 S. Valley View Boulevard
Las Vegas, NV

Southern Nevada Water Authority
100 City Parkway
Las Vegas, NV

Clark County Water Reclamation District
5857 East Flamingo Road
Las Vegas, NV

City of Las Vegas, City Hall
495 South Main Street
Las Vegas, NV

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Agendas for this meeting and others are available online. Visit snwa.com.



INTEGRATED RESOURCE PLANNING ADVISORY COMMITTEE 2020 MEETING SUMMARY

January 29, 2020, 3:00 p.m.

*Colorado River Conference Rooms, Southern Nevada Water Authority
100 City Parkway, 7th Floor, Las Vegas, Nevada*

IRPAC members present:

Ken Evans
Carol Jefferies
Paul Moradkhan
Bob Murnane
Phil Ralston
Virginia Valentine

Peter Guzman
Andy Maggi
Tom Morley
Jonas Peterson
John Restrepo

Staff present:

John Entsminger
Julie Wilcox
Ken Albright
Peter Jauch
Colby Pellegrino
Jordan Bunker

Dave Johnson
Kevin Bethel
Andy Belanger
Doa Meade
Katie Horn

Others present:

Terry Murphy, Facilitator
Guy Hobbs, Financial Consultant

PUBLIC COMMENT

There were no speakers.

SUMMARY OF ACTIVITIES

The Southern Nevada Water Authority's (SNWA) Integrated Resource Planning Advisory Committee 2020 (IRPAC 2020) met on Wednesday, January 29, 2020. The meeting began at 3:03 p.m.

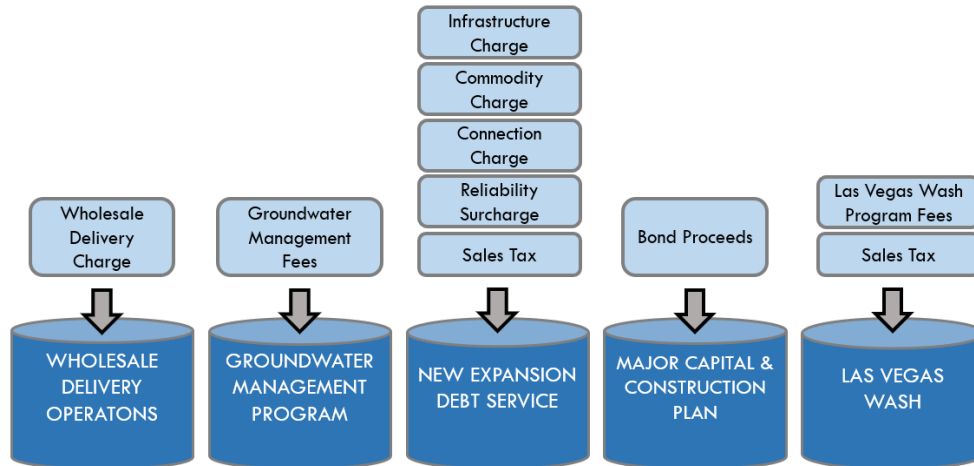
#1 Approve agenda and minutes from the January 8, 2020 meeting.

Peter Guzman motioned to approve the agenda and minutes from the January 8th meeting. The agenda and minutes were approved.

#2 Receive a presentation on the Authority's financial structure.

Kevin Bethel, Chief Financial Officer, gave a presentation on SNWA's financial structure and began by reviewing the capital cost assumptions presented to the committee in prior meetings that total \$3.51 billion in present dollars. He explained that SNWA segregates funds into either Operating and Capital and uses five sub-funds for internal tracking purposes. The Wholesale Delivery Operations and Groundwater Management Program make up the Operating Fund, and the New Expansion Debt Service, Major Capital & Construction Plan and Las Vegas Wash make up the Capital Fund. He reviewed each sub-fund by explaining its intent, what it's funded by and what it's used to fund.

SNWA SUB-FUNDS



Mr. Bethel then reviewed SNWA's funding sources, addressing how each source is collected, its contribution to SNWA's overall funding picture, and what it's typically used to fund. He noted that the Infrastructure, Commodity and Connection charges are the preferred and available sources to help fund new capital projects. They are collected by SNWA purveyor members via either customer bills or new connection fees.

While reviewing historical Connection Charge revenues, which last increased in November of 2008, Ken Evans asked if an adjustment to that charge is needed, and if so, how is a balance struck to not discourage development in the valley. Mr. Bethel stated that a Consumer Price Index-based (CPI) adjustment is recommended as a phased-in approach. John Entsminger, General Manager, added that the committee should consider if the Connection Charge should keep up with inflation for the long term so that growth and development can support infrastructure, and to what degree does the community want to rely on this type of revenue stream given what has happened in the past with the economic recession. Mr. Bethel stated that any Connection Charge revenues collected in excess of \$16.1 million are currently available to be, and have been used for early payment or pre-refunding of existing debt or one-time capital expenditures, as recommended by a previous IRPAC. That balance is referred to as the Rate Stabilization Fund, and a portion of these funds were used for the Low Lake Level Pumping Station. Phil Ralston asked how operating capital would be affected if an adjustment was made to the \$16.1 million Connection Charge threshold. Mr. Bethel stated that any adjustment to the Connection Charge would increase overall collections and anything above the \$16.1 million threshold would be used for SNWA's one-time capital needs. Mr. Entsminger clarified by adding that the way the IRPAC recommendation was made, excess beyond the \$16.1 million could have been used for something other than one-time capital purposes, but as a practical matter, the SNWA has only been using Connection Charge revenues for two purposes since the 2014 committee made those recommendations: debt defeasance and one-time capital expenses. Guy Hobbs, financial consultant, stated that the committee could consider a scenario that adjusts the \$16.1 million threshold.

While reviewing the sales tax proceeds that funds water and wastewater improvements in Clark County, Mr. Bethel noted the removal of the sunset clause that was approved in 2019. Mr. Hobbs emphasized the importance of the removal of the sales tax sunset, stating that if that had not happened, new funding sources would be needed to replace approximately \$65 to \$70 million each year. Mr. Bethel also reviewed the SNWA reserve policy and its four components: base operating reserves, debt service

reserves, capital related reserves and unforeseen events. The reserve balance at the end of fiscal year 2018-19 was \$665 million.

#3 Discuss capital funding scenarios, and, if appropriate, make recommendations to the rate model.

Mr. Bethel reviewed the rate model assumptions with the included variables including capital costs, CPI, Engineering News Record index, UNLV's Center for Business and Economic Research's (CBER) population growth rate, interest on new debt and the SNWA's reserve policy. He showed three graphs that each assumed baselines of \$3.5 billion in capital costs in present dollars and no increase to funding sources, but with different debt issuances of 100%, 50% and 0%. After showing these three scenarios, he recommended that additional revenue or sources of revenue would be needed to adequately fund a new capital plan. Without a rate adjustment to keep pace with inflation, reserves diminish over time.

Mr. Bethel reviewed the increases needed to catch up with inflation the Infrastructure (+7.8%), Commodity (+11.7%) and Connection charges (+36.3%). He discussed a phase-in approach citing a 2013 IRPAC recommendation to "temporarily reduce the maximum rate to provide the community time to adjust to the new rates," adding that ratepayers find incremental increases easier to absorb and budget for than a large increase. He then stated that the first modeling effort proposes a 6-year phase-in of the catch-up component of inflation, with an additional current year inflation component in order for charges to be current with inflation at the end of the 6-year phase-in period.

**SNWA Rate Model Assumption:
Catching up SNWA's Funding Sources with CPI and Applying Current Year Inflation**

		2021	2022	2023	2024	2025	2026	2027 ➡
Connection Charge (ENR)	Catch-Up Inflation	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	3.0%
Commodity Charge (CPI)	Catch-Up Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%
	Current Year Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Total	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	2.5%
Infrastructure Charge (ENR)	Catch-Up Inflation	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	3.0%

Mr. Ralston asked if all three revenue sources are currently not indexed to inflation, which Mr. Bethel affirmed. Mr. Ralston added that the committee would then not only need to consider a recommendation for inflation catch-up, but to consider a recommendation to impose inflation as well.

Mr. Bethel reviewed a 6-scenario summary with variables including with and without the \$162 million contingency and differing debt issuances of 100%, 75% and 50%. He stated that the 50% debt funding scenario did not seem realistic without needing to raise rates even more and recommended a debt funding strategy between 75% and 100%, with some flexibility for the committee's consideration.

SNWA FINANCIAL FORECAST: SCENARIO SUMMARY

Scenario Variables		Scenario Results							
		% of Reserve Target				Projected Reserves (in millions)			
		Floor		Year 5	Year 10	Year 5: 2024-25		Year 10: 2029-30	
With Contingency (\$3.51 B)		%	Year	2024-25	2029-30	Amount	Target	Amount	Target
1A	100% debt funded	89%	2022-23	93%	131%	\$694	745	1,007	769
1B	75% debt funded	58%	2028-29	73%	74%	\$538	735	529	718
1C	50% debt funded	-22%	2030-31	53%	5%	\$381	724	34	668
Without Contingency (\$3.35 B)									
2A	100% debt funded	91%	2022-23	95%	138%	\$695	732	1,036	752
2B	75% debt funded	62%	2026-27	75%	83%	\$539	722	584	705
2C	50% debt funded	-7%	2028-29	54%	18%	\$384	712	119	657

Mr. Hobbs suggested setting a debt funding target, given the goal of the reserve policy and to keep credit ratings high. He suggested giving administration some flexibility as to the timing of the debt issuances and amount. Carol Jefferies suggested shortening the phase-in approach, given the health of the economy and market. Mr. Bethel responded that the optics of the percentage rate increase might not be very palatable for the community. Bob Murnane added that homebuilder's planning horizon is out five to six years, and a 6-year phase-in fits well within their financial models.

Mr. Bethel reviewed proposed rate impacts to sample customers. He noted these sample customers, which range between typical residential customers to high use commercial customers, include LVVWD charges. The chart showed current bill charges and future charges with the proposed inflation increases embedded. Mr. Bethel also showed the Connection Charge impact but noted that it is only a one-time impact upon connection to the water system. Virginia Valentine asked if the Connection Charges are in addition to purveyor member charges, which Mr. Entsminger affirmed. Mr. Evans requested staff to show what the total Connection Charge picture looks like with both the SNWA and the purveyor members charges combined.

The committee took a few minutes to review the different rate scenarios, which included variables such as catching inflation up and keeping SNWA's charges current with inflation, different debt funding scenarios (100%, 75%/25% and 50%/50%), and how these scenarios impacted SNWA's reserves and customers. Following a pause, Mr. Bethel noted that as CFO, he would not be comfortable moving forward with a 50%/50% debt funded scenario. He added that SNWA would feel comfortable with removing the 50% debt funded scenario for future considerations. Mr. Evans expressed concern about the scenario without contingency stating that he would prefer more financial flexibility with future conservation opportunities and resource efforts. Mr. Ralston would also like the staff and committee to consider some assessment of increasing the \$16.1 million Connection Charge threshold. Mr. Restrepo asked to review a 5-year phase-in scenario and to cap the percentage increase annually. In light of the new parameters, Mr. Evans asked if staff could update charts to visually show sources, uses and reserves

implemented with the committee's considerations. SNWA staff noted these recommendations and will show the different scenarios at the next meeting.

With no additional comments or proposed changes to the funding model, Ms. Murphy noted staff's commitment to offer a facility tour to interested committee members. She asked the committee to contact her by Friday, February 7th if they would like a tour of SNWA's facilities. Following no more comments or questions from committee members, Ms. Murphy closed the meeting and stated that the next meeting will be held February 12th.

PUBLIC COMMENT

Priscilla Howell, Director of Utility Services for the City of Henderson, was concerned that the sample customer impacts did not reflect proposed rate increases for all the purveyor members. Mr. Entsminger noted that the sample customers shown include LVVWD approved inflation indexed rates for future years.

ADJOURNMENT

The meeting was adjourned at 4:27 p.m.

DRAFT

CAPITAL PROJECT FUNDING

FEB. 12, 2020



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SNWA FINANCIAL FORECAST: SCENARIO SUMMARY

Scenario Variables		Scenario Results							
		% of Reserve Target				Projected Reserves (in millions)			
		Floor		Year 5	Year 10	Year 5: 2024-25		Year 10: 2029-30	
		%	Year	2024-25	2029-30	Amount	Target	Amount	Target
With Contingency (\$3.51 B)									
1A	100% debt funded	89%	2022-23	93%	131%	\$694	745	1,007	769
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Without Contingency (\$3.35 B)									
2A	100% debt funded	91%	2022-23	95%	138%	\$695	732	1,036	752
2B	75% debt funded	62%	2026-27	75%	83%	\$539	722	584	705
2C	50% debt funded	-7%	2028-29	54%	18%	\$384	712	119	657

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SCENARIO 1: 6-YEAR PHASE-IN

Catch-Up Inflation + Current Year Inflation

		6 YEAR PHASE-IN						INDEXING
		2021	2022	2023	2024	2025	2026	2027 ➡
Connection Charge (ENR)	Catch-Up Inflation	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	3.0%
Commodity Charge (CPI)	Catch-Up Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%
	Current Year Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Total	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	2.5%
Infrastructure Charge (ENR)	Catch-Up Inflation	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	3.0%

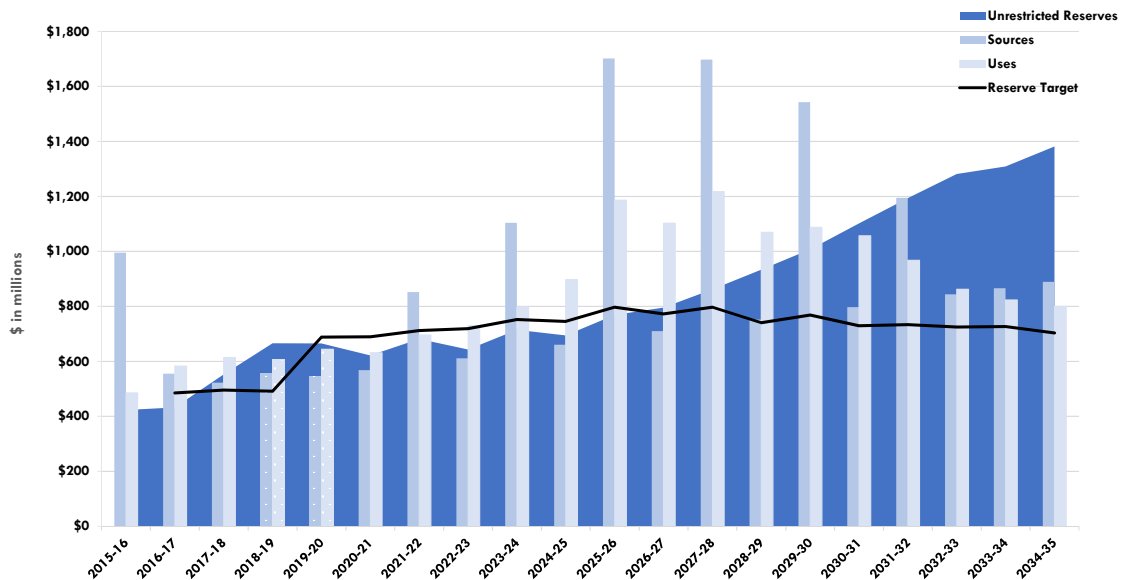
ENR – Engineering News Record – Construction Cost Index, 20 city average

CPI: Consumer Price Index; all items for Urban Consumers (CPI-U) – West Size Class A

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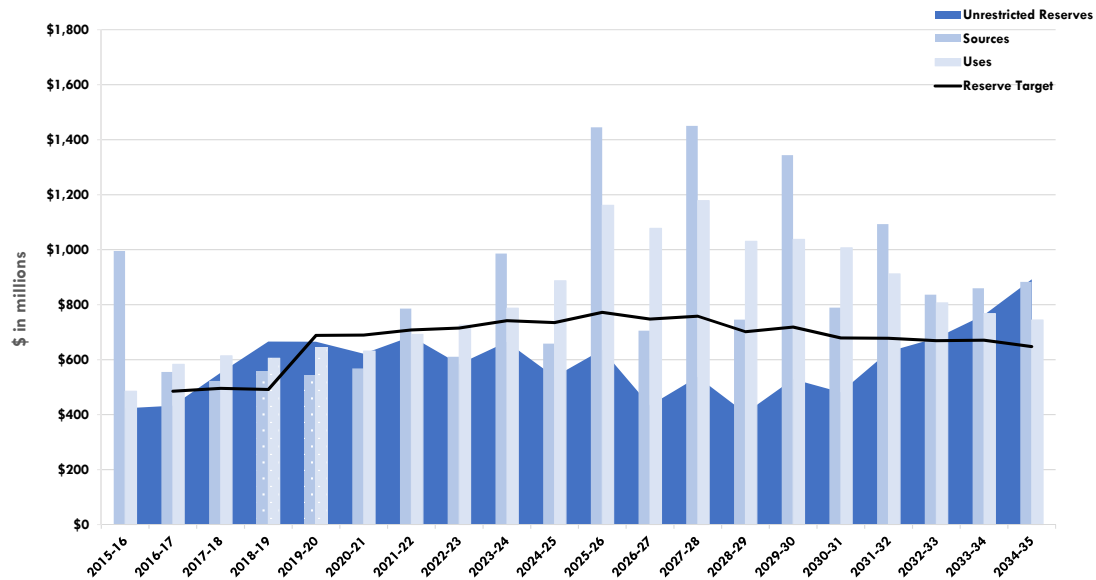
SCENARIO 1A: 100% Debt; 6 year Phase-in



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SCENARIO 1B: 75% Debt; 6 year Phase-in



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SNWA FINANCIAL FORECAST: SCENARIO SUMMARY

Scenario Variables		Scenario Results							
		% of Reserve Target				Projected Reserves (in millions)			
		Floor		Year 5 2024-25	Year 10 2029-30	Year 5: 2024-25		Year 10: 2029-30	
		%	Year			Amount	Target	Amount	Target
With Contingency (\$3.51 B)									
1A	100% debt funded (6 year phase-in)	89%	2022-23	93%	131%	\$694	\$745	\$1,007	\$769
1B	75% debt funded (6 year phase-in)	58%	2028-29	73%	74%	\$538	\$735	\$529	\$718
3A	100% debt funded (5 year phase-in)	90%	2020-21	96%	136%	\$716	\$745	\$1,042	\$769
3B	75% debt funded (5 year phase-in)	62%	2026-27	76%	78%	\$559	\$735	\$564	\$718

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SCENARIO 3: 5-YEAR PHASE-IN

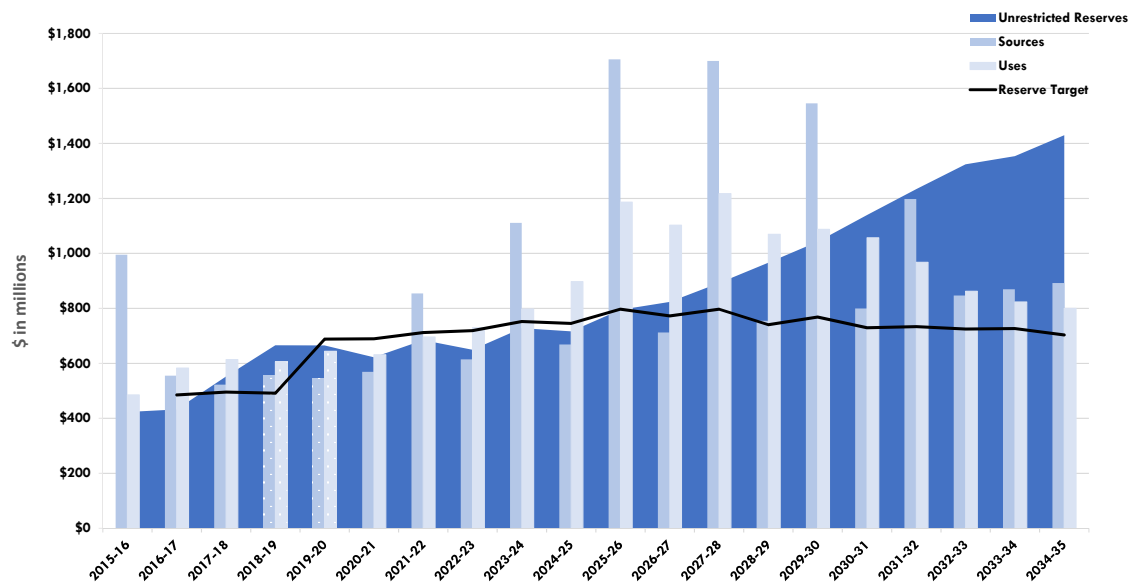
Catch-Up Inflation + Current Year Inflation

		5 YEAR PHASE-IN					INDEXING	
		2021	2022	2023	2024	2025	2026	2027 ➡
Connection Charge (ENR)	Catch-Up Inflation	7.3%	7.3%	7.3%	7.3%	7.3%	0.0%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	10.3%	10.3%	10.3%	10.3%	10.3%	3.0%	3.0%
Commodity Charge (CPI)	Catch-Up Inflation	2.3%	2.3%	2.3%	2.3%	2.3%	0.0%	0.0%
	Current Year Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Total	4.8%	4.8%	4.8%	4.8%	4.8%	2.5%	2.5%
Infrastructure Charge (ENR)	Catch-Up Inflation	1.6%	1.6%	1.6%	1.6%	1.6%	0.0%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	4.6%	4.6%	4.6%	4.6%	4.6%	3.0%	3.0%

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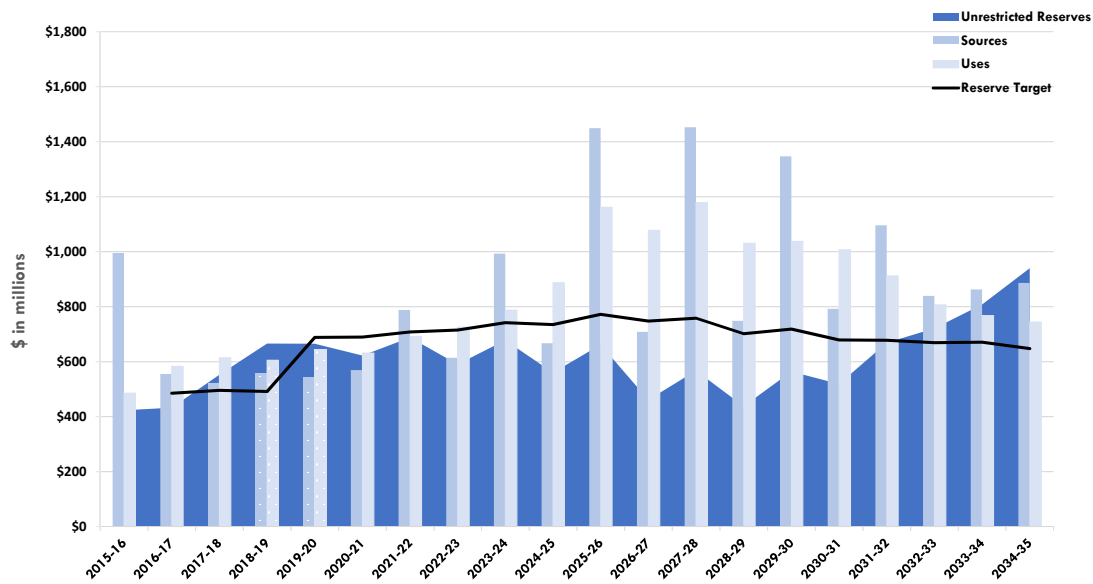
SCENARIO 3A: 100% Debt; 5 year Phase-in



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SCENARIO 3B: 75% Debt; 5 year Phase-in



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SCENARIO 3: SAMPLE CUSTOMER IMPACT

CUSTOMER TYPE	CURRENT BILL 2021	5 YEAR PHASE-IN					INDEXING	
		NEW 2021	NEW 2022	NEW 2023	NEW 2024	NEW 2025	NEW 2026	NEW 2027
Single Family Residential – Typical	\$42.49	\$43.24	\$44.65	\$46.09	\$47.71	\$49.35	\$50.73	\$52.14
Single Family Residential – High	94.90	95.92	98.73	101.60	104.77	108.07	111.01	113.96
1" Single Family Residential – Typical	106.72	108.73	112.34	116.01	120.11	124.31	127.81	131.35
1" Single Family Residential - High	365.82	368.93	379.40	390.15	401.86	414.04	425.15	436.31
Mobile Home Boulder Cascade	4,874.16	4,957.61	5,109.42	5,263.81	5,452.54	5,645.61	5,803.17	5,962.17
High Rise (Residential) Queensridge Place	15,261.20	15,442.94	15,867.14	16,297.29	16,775.96	17,277.71	17,710.08	18,145.77
Office Park Desert Canyon	1,838.74	1,847.87	1,875.48	1,903.36	1,933.94	1,966.51	1,995.33	2,024.31

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SCENARIO 3: SAMPLE CUSTOMER IMPACT

CUSTOMER TYPE	CURRENT BILL 2021	5 YEAR PHASE-IN					INDEXING	
		NEW 2021	NEW 2022	NEW 2023	NEW 2024	NEW 2025	NEW 2026	NEW 2027
Resort and Hotel <i>Bellagio</i>	\$130,055.16	\$130,897.23	\$134,492.72	\$138,099.19	\$142,041.76	\$146,289.57	\$150,150.67	\$154,017.62
Restaurant <i>Lawry's</i>	2,123.17	2,137.64	2,180.98	2,224.69	2,272.69	2,323.77	2,368.94	2,414.34
Retail Complex (Enclosed) <i>Fashion Show Mall</i>	29,205.80	29,483.56	30,328.32	31,180.23	32,115.67	33,111.95	33,994.27	34,880.40
School <i>Palo Verde High School</i>	12,719.18	12,822.06	13,160.46	13,501.24	13,875.02	14,274.23	14,630.30	14,987.67
Municipal Park <i>All American</i>	9,269.85	9,368.12	9,629.62	9,894.09	10,184.82	10,493.05	10,762.01	11,032.53
Hospital <i>Sunrise Hospital</i>	29,071.76	29,292.87	30,090.59	30,897.20	31,775.41	32,712.63	33,557.51	34,404.94
Locals Hotel <i>Palace Station</i>	31,746.85	32,136.81	33,090.46	34,057.00	35,116.20	36,239.93	37,206.16	38,179.31

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SCENARIO 3: SAMPLE CUSTOMER IMPACT

CUSTOMER TYPE	CURRENT BILL 2021	5 YEAR PHASE-IN					INDEXING	
		NEW 2021	NEW 2022	NEW 2023	NEW 2024	NEW 2025	NEW 2026	NEW 2027
Industrial <i>Brady Linen</i>	\$44,809.18	\$45,143.26	\$46,375.61	\$47,614.51	\$48,966.98	\$50,419.80	\$51,725.93	\$53,035.61
Apartment Complex <i>Foothill Village</i>	15,176.20	15,255.25	15,656.30	16,073.41	16,521.88	16,984.33	17,425.57	17,867.37
Warehouse <i>Baldwin Motor Sports</i>	567.86	570.66	574.97	579.38	584.30	589.33	593.36	597.47
Strip Mall (Large) <i>Rhodes Ranch Town Center</i>	10,834.21	10,951.63	11,228.46	11,510.39	11,819.16	12,144.15	12,423.77	12,705.94
Strip Mall (Small) <i>Southwest Marketplace</i>	6,402.97	6,448.17	6,603.94	6,764.83	6,939.45	7,120.26	7,286.41	7,453.22
Higher Education <i>UNLV</i>	115,325.84	116,371.14	119,651.97	122,959.20	126,582.58	130,455.00	133,884.72	137,328.68

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SCENARIO 3: CONNECTION CHARGE IMPACT

CUSTOMER TYPE*	CURRENT CHARGE	5 YEAR PHASE-IN					INDEXING	
		NEW 2021	NEW 2022	NEW 2023	NEW 2024	NEW 2025	NEW 2026	NEW 2027
Residential & Non-Residential 5/8" & 3/4" meter sizes <i>Excluding Hotels, Motels, Golf Courses & Laundries</i>	\$ 4,870	\$ 5,372	\$ 5,925	\$ 6,535	\$ 7,208	\$ 7,950	\$ 8,189	\$ 8,435
Residential & Non-Residential 1" meter size <i>Excluding Hotels, Motels, Golf Courses & Laundries</i>	9,610	10,600	11,692	12,896	14,224	15,689	16,160	16,645
Residential & Non-Residential 1.5" meter size <i>Excluding Hotels, Motels, Golf Courses & Laundries</i>	19,170	21,145	23,323	25,725	28,375	31,298	32,237	33,204
Hotels & Motels <i>Per Room</i>	2,780	3,066	3,382	3,730	4,114	4,538	4,674	4,814

* The meter sizes above represent approximately 96% of the active meters within the LVVWD Service Area

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COMMITTEE DISCUSSION

- **5 year phase-in versus 6 year phase-in**
- **Locking in inflation costs during phase-in years**

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SCENARIO 1: 6-YEAR PHASE-IN

Catch-Up Inflation + Current Year Inflation

		6 YEAR PHASE-IN						INDEXING
		2021	2022	2023	2024	2025	2026	2027 ➡
Connection Charge (ENR)	Catch-Up Inflation	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	0.0%
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Infrastructure Charge (ENR)	Catch-Up Inflation	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	3.0%

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COMMITTEE DISCUSSION, CONT

- **5 year phase-in versus 6 year phase-in**
- **Locking in inflation costs during phase-in years**
- **Collared index percentages**
- **Rate Stabilization Fund and Reserves**

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COMMITTEE DISCUSSIONS

Meeting	Topic
November 20	Facilities and Candidate Projects to M CCP: <ul style="list-style-type: none"> - New facilities - Asset Management projects - Solar Projects
December 18	Water Resources <ul style="list-style-type: none"> - Overview of SNWA Water Resource Portfolio - New water resource projects - Impact of new resources to SNWA Water Resource Plan
January 8	Water Conservation <ul style="list-style-type: none"> - SNWA Water Conservation Plan - Current programs, efforts and initiatives - New strategies to meet goal
January 29	SNWA Finances Rate Model and Baseline Scenarios

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

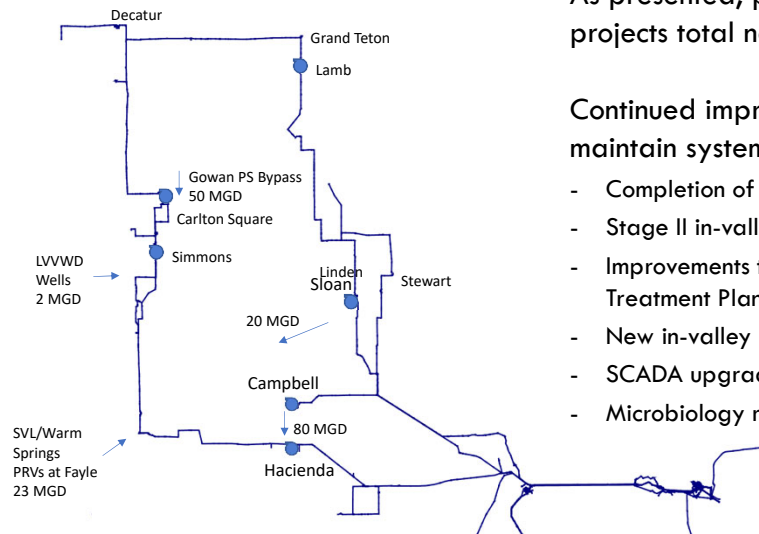
**Work with community stakeholders
to implement IRPAC recommendations.**

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ASSET MANAGEMENT



As presented, proposed Asset Management projects total nearly \$230 million.

Continued improvement of existing facilities maintain system reliability.

- Completion of L3PS
- Stage II in-valley upgrades
- Improvements to filter beds at Alfred Merritt Smith Water Treatment Plant
- New in-valley maintenance facility
- SCADA upgrades
- Microbiology research lab retrofit

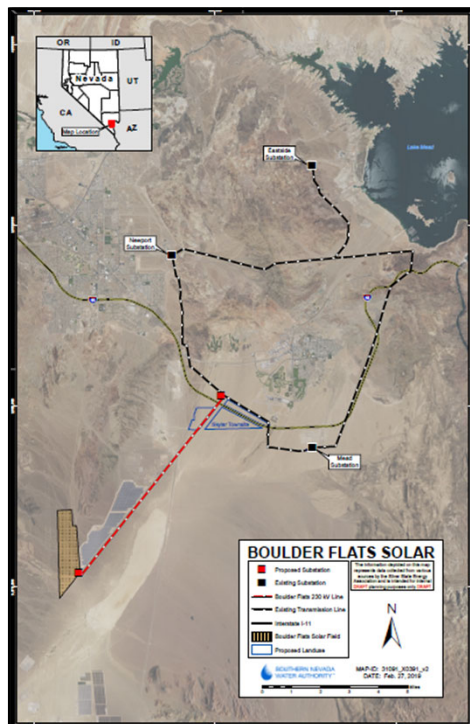
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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Maintain current asset management funding levels and practices to ensure reliable water treatment and transmission in Southern Nevada.

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MEETING NEVADA'S RENEWABLE ENERGY PORTFOLIO STANDARD

SNWA's existing renewable energy portfolio: 18%

SB358, passed at 2019 legislative session, progressively increases the RPS from 20% in 2019 to 50% by 2030

The proposed Large Scale Solar PV Project is critical to meet the new standard.

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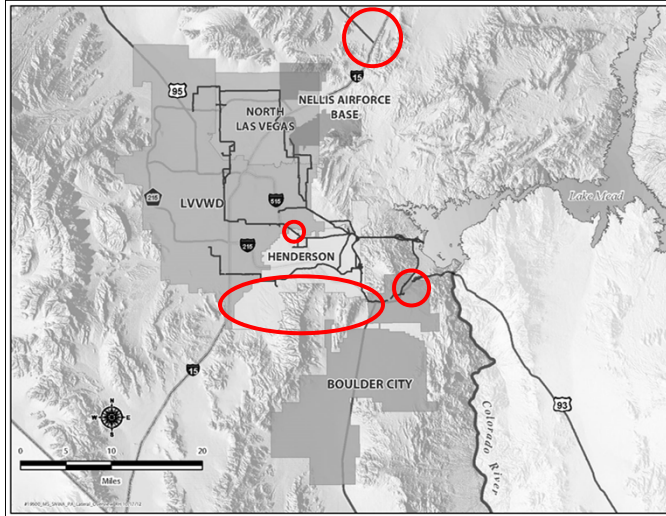
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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

**Pursue projects to meet the
Nevada Renewable Portfolio Standard.**

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2020 AMENDMENT TO SNWA MCCP



Today's water system is insufficient in meeting tomorrow's demands.

Candidate facility projects include:

- Horizon Lateral
- Garnet Valley Water & Wastewater System
- Boulder City Wastewater System
- Large Scale Solar PV Project
- Asset Management Projects

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2020 AMENDMENT TO SNWA MCCP



The proposed MCCP amendment also includes other resource and conservation projects:

- Future water supplies
- Virgin and Muddy River Water Resources
- Mexico Minute 323 projects
- Colorado River water banking efforts
- Water Smart Landscape program
- Resource & Conservation contingency amount

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Total SNWA Capital

Major Construction and Capital Plan	\$3,165.6 million
<i>Facilities</i>	<i>\$2,123.0 million</i>
<i>Resources</i>	<i>880.3 million</i>
<i>Resources/Conservation Contingency*</i>	<i>162.3 million</i>
Operating Capital	176.7 million
Capital Equipment	50.0 million
<u>Lower Las Vegas Wash</u>	<u>122.5 million</u>
TOTAL SNWA CAPITAL	\$3.51 billion

*Contingency includes funding needed for new resources or new conservation projects

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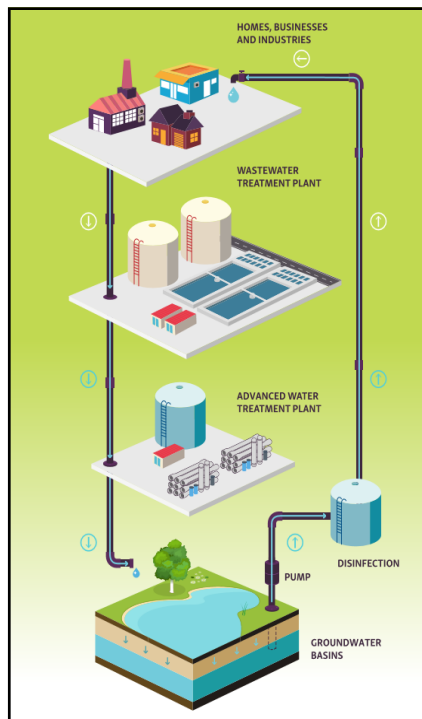
**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

**Include the candidate projects presented to
IRPAC 2020, totaling \$3.166 billion, in the SNWA's
Major Construction and Capital Plan (MCCP).**

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WATER RESOURCES

The SNWA has been successful working with Colorado River partners to manage shared resources.

- Future projects take time to evaluate, negotiate, fund and construct
- The SNWA must be positioned to take action when an opportunity becomes available

Metropolitan Water District of Southern California recycling project example

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

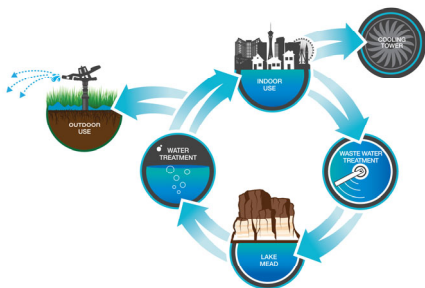
**Pursue emerging water resource opportunities
with Colorado River partners to increase
Nevada's water supplies.**

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MAXIMIZING RESOURCES

The SNWA Board adopted an Out of Valley Water Use Policy to maximize regional water supplies used for out-of-valley development.

To date, the policy's guidelines have not been codified in code.



- Return treated wastewater to Lake Mead for return-flow credits whenever feasible.
- Adopt service rules and development codes that rely on industry best practices to minimize consumptive use of water resources.
- Prohibit inefficient water uses, for example:
 - Aesthetic uses of water
 - Manmade lakes
 - Wet-cooled power generation
 - Spray turf irrigation (except for schools & parks)
- Treat wastewater to levels sufficient for reuse.

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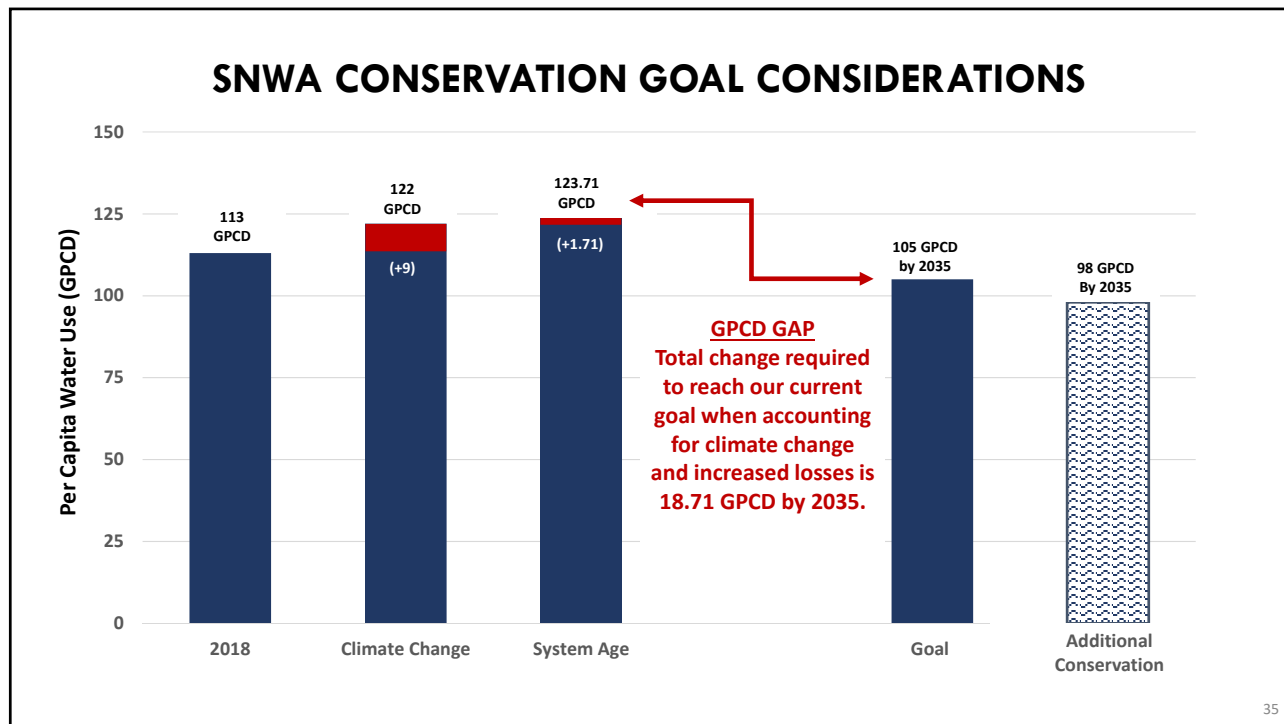
**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

**Require out-of-valley development to return
wastewater to Lake Mead and embed the
principles of the SNWA's Out of Valley Water Use
Policy within municipal codes and LVVWD
Service Rules.**

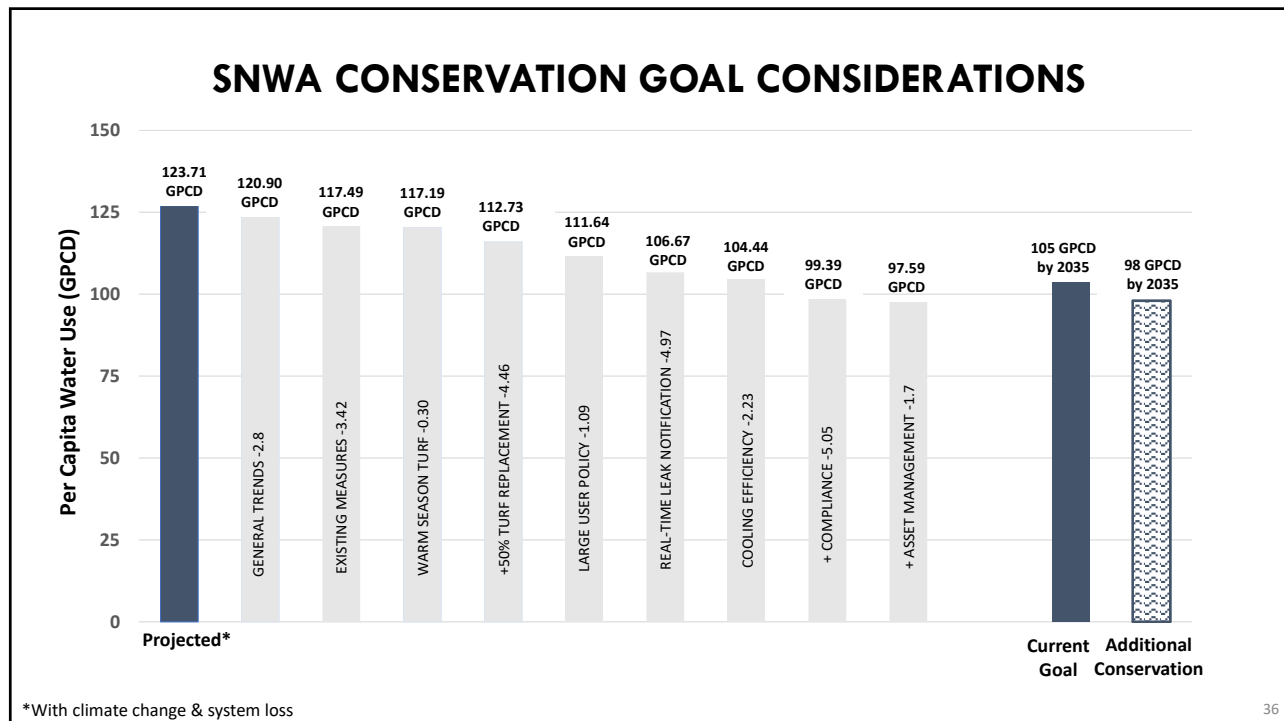
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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

**Pursue changes necessary to achieve the
SNWA's current water conservation goal of
105 GPCD by 2035 and further efforts to
achieve additional conservation thereafter.**

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

**Reduce existing non-functional turf acreage
by 50 percent by 2035.**

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

**Embed the principles of the SNWA's
Non-Functional Turf Resolution
in municipal codes and LVVWD Service Rules.**

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

**Limit future installations of cool-season turf in
public spaces and expedite the conversion of
cool-season turf to warm-season turf at
existing public facilities.**

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Implement smart controller technology to automate landscape watering compliance and increase outreach and enforcement efforts.

41

**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Pursue implementation of advanced metering infrastructure and develop partnerships and programs to improve the speed of customer leak repairs.

42

**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Implement changes necessary to reduce current and future consumptive water losses associated with evaporative cooling technology.

43

**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Establish an efficiency review policy and process for new large water users to encourage efficient development and minimize consumptive use.

44

**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Continue to make investments that will maintain or improve the existing water loss rates among wholesale and retail water purveyors.

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Continue outreach efforts to engage the public and effectuate the changes needed to meet the community's regional conservation goal.

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SNWA SCENARIO SUMMARY

Scenario Variables		Scenario Results							
		% of Reserve Target				Projected Reserves (in millions)			
		Floor		Year 5	Year 10	Year 5: 2024-25		Year 10: 2029-30	
With Contingency (\$3.51 B)		%	Year	2024-25	2029-30	Amount	Target	Amount	Target
1A	100% debt funded (6 year phase-in)	89%	2022-23	93%	131%	\$694	\$745	\$1,007	\$769
1B	75% debt funded (6 year phase-in)	58%	2028-29	73%	74%	\$538	\$735	\$529	\$718
3A	100% debt funded (5 year phase-in)	90%	2020-21	96%	136%	\$716	\$745	\$1,042	\$769
3B	75% debt funded (5 year phase-in)	62%	2026-27	76%	78%	\$559	\$735	\$564	\$718

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Fund the MCCP with a combination of debt capital and pay-go to manage unrestricted reserve balances at adequate levels consistent with the Reserve Policy.

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Variable Package

**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Implement a six year annual increase to phase in an inflationary catch up to SNWA charges to reflect current dollars, effective January 2021:

- **Increase the Connection Charge by 6.0% annually for six years**
- **Increase the Infrastructure Charge by 1.3% annually for six years**
- **Increase the Commodity Charge by 2.0% annually for six years**

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Variable Package

**DRAFT RECOMMENDATION
COMMITTEE CONSIDERATION ONLY**

Implement an annual indexed rate component to the SNWA Infrastructure and Commodity charges effective January 2021 and continue beyond the six year phase-in of the catch up component.

- Infrastructure Charge in accordance with Engineering News Record (ENR) index
- Commodity Charge in accordance with the Consumer Price Index (CPI)

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Variable Package

**DRAFT RECOMMENDATION
COMMITTEE CONSIDERATION ONLY**

Restrict inflationary increases to the SNWA Commodity and Infrastructure charges to a floor of 1.5% and a ceiling of 4.5% per year.

- Infrastructure Charge in accordance with Engineering News Record (ENR) index
- Commodity Charge in accordance with the Consumer Price Index (CPI)

Do not implement inflationary increases in a year in which the five year forecast unrestricted reserve balance is projected to be greater than 150% of targeted reserve balances.

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Variable Package

**DRAFT RECOMMENDATION
COMMITTEE CONSIDERATION ONLY**

Implement an annual indexed rate component to the SNWA Connection Charge in accordance with the Engineering News Record (ENR) index effective January 2021.

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Fixed Package

**DRAFT RECOMMENDATION
COMMITTEE CONSIDERATION ONLY**

Implement a six year annual increase to SNWA charges effective January 2021 to:

- 1) Phase in an inflationary catch up, and**
- 2) Adjust for subsequent annual inflation within the six year period:**
 - Increase the Connection Charge by 9.0% annually for six years**
 - Increase the Infrastructure Charge by 4.3% annually for six years**
 - Increase the Commodity Charge by 4.5% annually for six years**

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Fixed Package

DRAFT RECOMMENDATION
COMMITTEE CONSIDERATION ONLY

Implement an indexed rate component to the SNWA Infrastructure and Commodity charges annually, effective January 2027, and limit future increases to a floor of 1.5% and a ceiling of 4.5% each year.

- Infrastructure Charge in accordance with Engineering News Record (ENR) index
- Commodity Charge in accordance with the Consumer Price Index (CPI)

Do not implement inflationary increases in a year in which the five year forecast unrestricted reserve balance is projected to be greater than 150% of targeted reserve balances.

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Fixed Package

DRAFT RECOMMENDATION
COMMITTEE CONSIDERATION ONLY

Implement an indexed rate component to the SNWA Connection Charge annually in accordance with the Engineering News Record (ENR) index, effective January 2027.

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Eliminate the \$16.1 million Connection Charge threshold, require SNWA Connection Charge revenues to fund the pay-go portion of capital expenditures and related debt service, and consider Unrestricted Reserves consistent with the Reserve Policy.

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**DRAFT RECOMMENDATION
FOR COMMITTEE CONSIDERATION ONLY**

Provide IRPAC 2020 with an annual update of the funding model.

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NEXT STEPS

February	IRPAC Draft Recommendations Report provided to committee members for review/comment
March 4	Committee Meeting: Finalize recommendations report
March 11	Committee Meeting: Finalize recommendations report, if needed <i>Begin Business Impact Statement public comment process</i>
March 20	SNWA Board meeting – <i>consider recommendations report</i>
April	SNWA Board meeting - <i>consider BIS</i>
May	SNWA Board meeting – <i>Public Hearing on rates</i>
Spring – Winter	<i>Public Outreach</i>
January	Recommended rate scenario takes effect

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OUTREACH ACTIVITIES

- Business Impact Statement
- Civic/chamber outreach
- Trade and professional association outreach
- Web information (SNWA + member agencies)
- Social Media
- Water Smart Living Newsletter (all customers)
- Bill Insert information
- SNWA Water Ways programming
- Speakers Bureau

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