LAS VEGAS VALLEY WATER DISTRICT
RATES CITIZEN'S ADVISORY COMMITTEE MEETING

08/15/2007
APPROVED MINUTES
Call to Order
04:00 PM

Las Vegas Valley Water District
1001 S. Valley View Blvd., Las Vegas, Nevada

MEMBERS PRESENT

Olga Albicki, Karl Braun, Louis Conner, Sandra Evans, Steve Hill, Cynthia Lopez, Ralph Murphy, Richard Plaster, Launce Rake, Devin Reiss, Ron Winkle

MEMBERS ABSENT

Bill Bible, Paul Jaramillo, Danny Thompson

STAFF PRESENT

Richard Wimmer, Lewis Michaelson

OTHERS PRESENT

ITEM NO.

SUMMARY OF ACTIVITIES

The Rates Citizens Advisory Committee of the Las Vegas Valley Water District (LVVWD) convened on Wednesday, August 15, 2007 for its first meeting. The meeting began at approximately 4:10 p.m. Lewis Michaelson, facilitator, welcomed members of the committee and others in attendance at the meeting. A list of attendees is provided as Attachment A.

Introduction and Process Overview

Lewis invited committee members and staff to introduce themselves and then explained his role as facilitator. He provided a brief overview of his background in working with water-related issues in Southern Nevada and on other consensus building processes. He outlined the process that the committee would participate in to make recommendations and achieve consensus. Lewis then invited Richard (Dick) Wimmer, LVVWD Deputy General Manager of Administration, to review the committee's purpose, give an overview of issues and set a foundation for future discussions. A copy of the presentation is provided as Attachment B.

Dick welcomed the committee and explained that their purpose is to develop recommendations for the District's Board of Directors regarding water rates and charges. He noted that these recommendations must take into consideration four critical requirements, including:

- Established conservation goals

- Price equity
- Rate shock avoidance
- Revenue stability and financial integrity

The final recommendations are expected to provide direction for both short and long-term water rate changes. The short-term recommendations will include actions that can be implemented right away to achieve the stated goals, while long-term recommendations will include changes that will require time and/or phased implementation to reach.

Next, the committee received an overview on drought, conservation goals and achievements and the current LVVWD budget.

Drought

Dick emphasized that the drought on the Colorado River is serious and ongoing. In contrast to many other areas of the country, water supplies on the Colorado River are managed by a series of storage reservoirs, primarily by two of the nation's largest reservoirs, Lake Powell and Lake Mead. This storage capacity allows for the system to handle individual drought years with little impact. However, average inflows over the last seven years have been only 61 percent of normal, leaving Lake Powell and Lake Mead at approximately 50 percent of their total combined capacity. Even with inflows at 150 percent of normal levels, more than five years would be required to return the reservoirs to their pre-2000 levels. Under normal conditions (100 percent), more than 20 years would be required to return the reservoirs to pre-2000 levels.

Based on current trends, the projection for future drought conditions and lake levels is not good. According to recent modeling by the Bureau of Reclamation, the drought is expected to continue or worsen, which could impact water quality and reliability. Supply shortages and the inability to meet peak demands are serious and immediate concerns. The Southern Nevada Water Authority (SNWA) may lose access to its upper intake in Lake Mead within the next few years. Dick said that more information on this matter would be provided at a future meeting.

Dick emphasized that the ongoing and serious nature of the drought on the Colorado River underscores the necessity of continuing to pursue conservation as a response to the drought and as the most cost effective supply to meet future water resource demands.

Conservation

Dick said that Southern Nevada's conservation programs are robust and successful. Prior to the creation of the SNWA in 1991, member agencies competed with one another for water resources. In the 1990s, conservation strategies were implemented throughout the region and in 2003, an aggressive drought management plan was implemented. Today, Southern Nevada has become a model for other states in terms of water conservation and efficiency. Dick showed the Committee that Southern Nevada's total water use has declined by 18 billion gallons between 2002 and 2006, despite the fact that there were nearly 330,00 new residents and nearly 40 million annual visitors.

Dick explained that conservation progress is measured in terms of gallons per capita per day (gpcd). This unit is calculated differently by every water entity and, therefore, is not useful to compare water use in Southern Nevada to levels in other areas of the country. However, gpcd is a valuable tool to measure our own progress. Dick reported that total water use for SNWA has dropped from 347 gpcd in 1990 to about 264 gpcd in 2006.

Karl Braun asked if the gpcd calculation includes visitors. Dick explained that the figure is calculated by dividing the area's total water use in all sectors by the area's total population. Thus, visitors are not included in the calculation.

Steve Hill asked if "total water use" refers to consumptive use or total diversions from the Colorado River. Dick responded that the total diversions are used to calculate gpcd.

Next, Dick explained that the LVVWD adopted the regional conservation goal to achieve 250 gpcd by 2010 and 245 gpcd by 2035. This goal was set as part of a water resource supply planning advisory committee process conducted by the SNWA in 2004. The SNWA committee recognized conservation as the cheapest method to extend the area's water resources and set an aggressive conservation goal to meet demands.

Dick emphasized that all water resource planning for Southern Nevada assumes achievement of this conservation goal. He showed the Committee a chart depicting the region's projected water demands and the supply shortage that could occur if the conservation goals are not met. Richard Plaster asked if the demand projection takes into account expected changes in consumption trends (for example, higher density development and the "green" trend that is expected to yield conservation results in all resource sectors). Mr. Plaster observed that the goal to reach 250 gpcd seemed simple and guessed that it could be achieved without much incentive given existing development codes, etc. Dick said that projected demand calculations take many factors into consideration and recommended discussing these factors in greater detail at the next meeting. He also noted that the conservation goal is meant to be aggressive and that it will be moved down if the community achieves the goal sooner than anticipated. He reiterated that conservation is the region's cheapest resource to meet future water demands.

To discuss Southern Nevada's current conservation achievements, Dick provided an overview of how water is used in Southern Nevada. He noted that 58 percent of the areas total water use is consumed by single and multi-family residential customers. He also noted that resorts only account for seven percent of the area's water use, of which only three percent is used consumptively and not recycled in some form.

Dick explained that Nevada's Colorado River allocation is measured in terms of consumptive use, meaning the amount of water that is consumed and not returned to Lake Mead. Nevada receives a return-flow credit for returning Colorado River water to Lake Mead following use and treatment. This increases the total amount of water Southern Nevada can divert from the river. The availability of return-flow credits has led SNWA and its member agencies to focus conservation efforts on consumptive (outdoor) water uses, which are essentially lost and cannot be returned to Lake Mead for return-flow credit. Dick provided a breakdown of indoor and outdoor water use by sector and noted that more than two-thirds of water used by single family residential customers is used outside.

Launce Rake asked what percentage of water used indoors is lost through evaporation. Dick explained that the Bureau of Reclamation is responsible for tracking the amount of water returned to Lake Mead. A complex formula is used that takes evaporation and other factors into account.

Dick explained that the amount of water used indoors is fairly constant throughout the year, while outdoor water use fluctuates seasonally. He noted that the system must be capable of meeting peak demands (typically in July) not just average demands. This water use profile will be significant as the Committee considers how rates should impact peak-day water use.

Next, the Committee was provided with a summary of strategies currently utilized by LVVWD and SNWA's other member agencies to encourage water conservation. These strategies fall into four categories: policies, education and outreach, incentives and pricing.

Policy

The LVVWD has implemented day-of-week and time-of-day restrictions to reduce unnecessary water use. Water waste enforcement has been instituted to enforce these restrictions and other prohibited water waste.

Other conservation policies implemented by LVVWD include water budgets for golf courses and the adoption of landscape development codes requiring that new development has no turf installed in front yards and no more than 50 percent turf in backyards. Turf restrictions are also in place for businesses.

Education and Outreach

Dick presented a list of more than ten education and outreach programs and emphasized that LVVWD strives to educate the greatest number of customers and stakeholders by providing many avenues for education and

outreach. Some of these include the Springs Preserve, Water Smart Contractor Program, H2O University for teachers and general media/advertising.

Incentives

The SNWA's Water Smart Landscape Program, which is available for LVVWD customers, provides incentives for residential and commercial property owners to replace ornamental turf with water-efficient landscaping. Since program inception, more than 87 million square feet of turf has been converted in Southern Nevada, saving an estimated 4.9 billion gallons of water annually.

Other incentive programs include an irrigation clock rebate, pool cover rebate, the Water Smart Car Wash Program and the Water Efficient Technologies Program.

Pricing

Dick told the Committee that LVVWD has utilized a tiered rate structure to encourage water conservation since 1990 and provided a summary of changes since that time. The 1990 rate structure only had one tier, priced slightly higher than the first. Over time, LVVWD has moved to a more conservation-oriented structure (four tiers with earlier thresholds and higher prices). Dick noted that LVVWD has historically maintained a low price for indoor water use (first 5,000 gallons), only increasing by $0.12 per thousand gallons from $0.98 to $1.10 in 17 years. The current rate structure for a 5/8-inch meter (typical Single Family customer) is as follows:

Current Water Rate for 5/8-inch meter

First 5,000 gallons - $1.10 per thousand gallons

Next 5,000 gallons - $1.89 per thousand gallons

Next 10,000 gallons - $2.62 per thousand gallons

Use over 20,000 gallons - $3.48 per thousand gallons

Dick provided examples of attributes of the current rate structure that the Committee may consider making recommendations to change. These include rate pricing based on meter size, a subsidized price for first tier water use and the lack of a minimum bill. He emphasized that any significant changes should occur in stages over time to minimize the impact of rate shock to customers and allow sufficient time for administrative implementation.

FY 2007/2008 Budget

Dick stated that providing water service to customers is becoming increasingly expensive. He provided a breakdown of LVVWD projected revenues and expenses for FY 07/08 and emphasized that water revenues account for the largest portion (62 percent) of funding sources.

Dick explained that the LVVWD Board of Directors instituted a budgetary reserve fund for the LVVWD to avoid the necessity of reacting to year-to-year variations in water use levels by changing water rates. The reserve fund allows revenue requirements to be addressed on a long-term basis rather than through short-term adjustments. However, adjustments must be made if the budget is projected to be in deficit repeatedly. The FY07/08 budget projects a $28 million dollar deficit with a closing reserve balance totaling $92 million. If water rates are not increased, these projections will have a significant impact on the LVVWD bond rating.

In addition, LVVWD's successful conservation programs have caused water use to fall by 18 billion gallons, despite the addition of nearly 330,000 new residents. These circumstances, coupled with increasing operating costs, require that rates be raised to maintain financial integrity.

Steve Hill asked how the $128 million in SNWA Charges is used. Dick said these funds pay for the SNWA's

Capital Improvement Program, additional water resources, the upcoming third intake project and general facilities. Mr. Hill asked if the LVVWD's capital costs were standard expenses. Dick said they are, with the addition of some deferred expenses from FY 06/07. He explained that the LVVWD Board of Directors had requested that some expenses be deferred in order to balance the FY 06/07 budget, which underscores the need for a rate increase.

Richard Plaster asked what expenses were attributable to the Springs Preserve. Dick reported that LVVWD will pay an estimated $2 million of the $17 million operating budget of the Springs Preserve in FY07/08. He noted that the Springs Preserve is expected to be self-sustaining in future years and that the conservation benefits of the facility are central to LVVWD's mission.

Following Dick's presentation, Lewis addressed administrative matters and asked the Committee members to notify staff of any meeting dates that they will be unable to attend.

Next Meeting

The next meeting of the Rates Citizens Advisory Committee will be held on Wednesday, September 5, 2007.

PUBLIC COMMENT

No comments were received from the public.

ADJOURNMENT

The meeting was adjourned at approximately 5:35 p.m.

ATTACHMENTS

Attachment A - Attendance List

Attachment B - Meeting Presentation