

- VI. Receive a review of the Clark County Water Reclamation District's Capital Improvement Program and make recommendations.

Tom Minwegen reviewed the Capital Improvement Program. There are 72 projects in the 15-year horizon. There are \$154.4M in capacity related Collection System projects.

Jennifer Lewis asked if they are only what the District needs to do. Tom Minwegen stated these projects are based upon where we think the backbone will be needed for development.

Virginia Valentine asked if this includes replacement of old pipeline. Tom Minwegen stated this is only for capacity related projects, the rehabilitation/replacement projects are separate. Tom Minwegen stated there is an oversize program where we work with the developers. Tom Minwegen discussed the rehabilitation/replacement portion of the CIP.

Warren Hardy asked what the methodology is to determine growth. Tom Minwegen stated we get information from Comprehensive Planning and Public Works. Shawn Mollus stated once we get that information, we run it through the hydraulic model and monitor the area with flow meters. Tom Minwegen discussed the rehabilitation/replacement projects for the Collection System and plant facilities. Jennifer Lewis asked if the CIP can be found online.

Shawn Mollus said someone could request to come in and look through the plan. Tom Minwegen stated the plan is based on current land use patterns. Warren Hardy mentioned that Hollywood could be extended to Galleria, which could promote growth in the area, and asked if we have looked at that. Tom Minwegen stated it hasn't been incorporated into our plan yet. Terry Murphy asked if the committee is comfortable with the 15-year Capital Improvement Program. Warren Hardy suggested the District reach out to Comprehensive Planning regarding the Hollywood extension.

- VII. Review rate models and make recommendations.

Terry Murphy reviewed that the past 5-year expense average is \$214M, the 5-year revenue average is \$189M, the current debt is \$400M and the funding gap over the next 10 years is \$721M. Tom Minwegen discussed the cost of infrastructure from a survey from the National Association of Clean Water Agencies. Tom Minwegen showed the figures for region 9, and the average rates across the country. John Restrepo asked what is driving the disparity between the CPI and the NACWA index. Tom Minwegen said that it is the cost of infrastructure, and many agencies are catching up from the economy downturn. Julie Cleaver asked if it also could be the type of businesses in those areas, more commercial and industrial. Tom Minwegen stated that when you go vertical, your density footprint changes drastically.

Guy Hobbs stated the comparison slides were just to provide perspective as to where we are in relation to other agencies. Guy Hobbs reviewed the scenario 3, which is partially funding the CIP with debt. Guy Hobbs discussed that the "b" scenarios that are going to be presented include the sales tax, and that the Board of Commissioner may consider extending the sunset this year. Guy Hobbs stated scenario 3 includes immediately increasing the connection fee without phasing it in. Scenario 4 shows the phase in of the connection fee. Guy Hobbs stated that with rate setting, you look at a ten to fifteen-year horizon, but only set the rates for a shorter period, then you can true up your model. Guy Hobbs stated he could see a benefit to

stay organized as a CAC and receive an annual report and if projections, then can meet to true up the model. Warren Hardy said it would be nice to look at to true up the numbers. Warren Hardy stated the CAC should meet every couple of years. Guy Hobbs said we could produce annual reports. Warren Hardy asked if there was a public declaration, how would it affect interest rates. Guy Hobbs said if it was to monitor rates, it shouldn't be a problem. Guy Hobbs said that scenario 4 is to phase in connection fee and issue \$400M in additional debt. John Restrepo asked what are the phase-in assumptions. Guy Hobbs said it is stepping up equally. Guy Hobbs stated that in the outer years, there is a build up of cash, so if the committee reconvened, that could be looked at.

Guy Hobbs discussed scenario 5, which phases in connection charge, and optimizes rates by adding more debt. By increasing debt by \$100M, the sewer service rate increase is reduced from 3.95% to 2.75%.

Guy Hobbs discussed scenario 6, which decreases debt, but increases sewer service rate and connection fees by 5%. The trade-off of borrowing less, makes a higher rate. Warren Hardy stated he feels that we should optimize the rate. John Restrepo asked what the 5% means.

Guy Hobbs stated that none of the levels we are looking at will impact the credit rating. Virginia Valentine said that a certain amount of debt allows future growth to pay the debt too.

Georgia Rucker stated she supports 5B, because for the senior community, everything is going up, but income isn't, and seniors must balance everything just to be able to live.

Justin Harrison stated that he still would like to see the scenarios without the sales tax included. Warren Hardy feels there must be something in there to account for visitors paying their share. Cliff Marshall said he supports 5B and agrees to meet every 3 or so year.

John Restrepo said that 5b seems the best. Annette Bubak thinks that 4b provides some safety in the middle. Warren Hardy doesn't even want to present the non-sales tax option to the Board. Gene Houston asks if the debt runs out during this time. Guy Hobbs stated the current level of indebtedness is being paid down. Guy Hobbs said that in the out years, if the cash balance is high, you could look at defeasing the debt.

Terry Murphy said that Cliff Marshall, Georgia Rucker and Warren Hardy were all leaning towards 5B and asked what everyone else was thinking. Julie Cleaver thinks that a rate as close to the CPI makes the most amount of sense. Edgar Patino thinks sticking close to CPI, the customers will appreciate the stability, and agrees with 5B. Jennifer Lewis is looking globally at all the other utility costs and feels that 5B is best. Annette Bubak thinks that 5B, wonders if 4B would be an alternative, that it is more balanced. Edgar Patino asked if one number gets presented to the Board or will there be options. Guy Hobbs said that if the committee is comfortable with 5B, that will get presented, but 5A may need to be presented if the Board hasn't acted on the sales tax. Warren Hardy thinks a strong message should be sent to extend

the sunset. Virginia Valentine said that if we don't include sales tax, at the end of the day, we are still all paying for it. Gene Houston asked if there was an increase in rates and connection charges every year from previous CAC. Gene Houston asked how the customers will feel about annual increases. Tom Minwegen said we will let customer base know the rate and charge changes well in advance. Guy Hobbs stated that the connection charge increases may be best argument for meeting to true up the rates. Warren Hardy asked how long it has been since the fees have been increased. Warren Hardy stated there is precedent for annual increases.

Terry Murphy asked if there is a unanimous decision on the sales tax. Terry Murphy asked if it would be a problem for the Chamber.

Annette Bubak asked how the potential increase will be conveyed to customers. Marty Flynn said that we will work directly with the Trustees, we will contact business community and stakeholder community for the business impact study, and we hope the CAC members will get the word out. Marty Flynn said this is a public hearing process.

Terry Murphy wants to summarize the recommendations for the members to take back to stakeholders and have members come back on the 18th to finalize the recommendations to the Board of Trustees.

- 1. Accept the CIP and satisfied that it can change over time.*
- 2. This CAC or similarly composed group will come back as necessary to review progress of plan and funding mechanisms.*
- 3. 5B or if sales tax doesn't come with it, then 5A. Warren Hardy said we should just say 5B is the recommendation. Justin Harrison said that he would prefer to not directly address the sales tax in the recommendation.*
- 4. If the ending balance is above reserve target, the money should be used for capital or debt defeasance.*

Terry Murphy stated we can get the recommendations out to the members to get feedback. Virginia Valentine asked for copies of the presentation slides.

VIII. Public Comment-There were no persons wishing to speak.

IX. Adjournment-The meeting was adjourned at 1:30 PM. The next meeting is on October 18, 2018 at 11:30 AM at the Clark County Water Reclamation District.