CLARK COUNTY WATER RECLAMATION DISTRICT WASTEWATER RATES AND CHARGES CITIZENS ADVISORY COMMITTEE

MINUTES

November 30, 2023, 11:00 a.m.

Meeting held in-person at the Vegas Chamber

Committee Members Present:

Paul Moradkhan	Warren Hardy
Gene Houston	Lisa Ortega
Jennifer Lewis	
Virginia Valentine	
Andres Estrada (Virtual)	

Staff Present:

Tom Minwegen	David Stoft
Shawn Mollus	Dan Fischer
Charles Ocansey	Brenda Pappas
Brett Borek	Corey Synagogue
Mike Pierson	Rick Donahue
Bud Cranor	Jolene Bradley
Greg Goussak	Michael Malinowski
Tara Teegarden	Michael Phillips
Michael Malinowski (Virtual)	

Others Present:

Terry Murphy	Guy Hobbs

Absent Committee Members:

John Restrepo	Georgie Rucker
Julie Cleaver	

I. Call to Order, and Roll Call – The meeting was called to order by Terry Murphy. Terry introduced herself and invited the committee members and staff to introduce themselves.

II. Public Comment – There were no persons wishing to speak.

III. Approval of Agenda *(For possible action)* – Terry Murphy made a motion to approve the agenda. The agenda was unanimously approved by the committee.

IV. Receive a Presentation on the Water Reclamation District's rate model and funding options and make recommendations, if appropriate. *(For Possible Action)*. David Stoft opened the meeting with a brief review of topics covered in the previous session, touching on capital & operational costs, CIP projections, major cost increase factors like inflation and supply chain issues. He addressed committee queries from the last meeting, offering a side-by-side analysis of O&M expenses for FY23 versus the FY24 budget. This summary outlined areas of notable cost growth, highlighting increases in utilities, chemicals, and supplies.

Virgina Valentine inquired about the 143% electricity price surge via the Silver State Energy Association (SSEA), questioning whether the Purchase Power Agreement involves a kWh charge. If so, she wonders why the District doesn't opt for NV Energy, who is more cost-effective. Shawn Mollus explained the District transitioned off the grid a few years ago, during expansion, relying on market power due to delays in the Boulder Flat solar project. The project's slow development means the District is locked into contracts, facing higher energy costs for another two years, until the Boulder Flat solar project becomes operational and stabilizes prices, there's optimism that the costs will drop, ideally falling below those of NV Energy.

Guy Hobbs revisited the District's projected funding gap from the previous meeting as he presented the rate study. He highlighted the reserve target, emphasizing that reserves serve to address unforeseen and uncontrollable expenses that inevitably arise. Guy noted that we can predict the impact of recessionary environment, acknowledging that over the course of 10, 20, or 30 years, a few recessions are expected. He highlighted the unpredictability of events like COVID-19, emphasizing that nobody could have foreseen these circumstances when these discussions began with the committee five years ago. He subsequently revisited the projections without any intervention, adhering strictly to the identified capital plan. The committee had no questions.

Next, Guy delved into the scenarios, starting with the committee-reviewed option focused on rate adjustments in FY25 to address the funding gap. Scenario 2 introduces a combined rate increase and a $100 million debt adjustment in FY27. Scenario 3 proposes a combined rate increase paired with a $150 million debt adjustment. In scenario 4, the debt issuance increases to $200 million, coupled with a combined rate increase.

Guy contrasts annual rates among local wastewater agencies, emphasizing that regardless of the scenarios under consideration, the District maintains a significantly favorable position compared to other agencies.

David Stoft explained that the models for the scenarios aim to find a balance between debt capacity and debt coverage that aligns with the organization's interests. He emphasized the fluctuating scale and suggested considering this premise when evaluating each scenario presented by the organization.

Warren Hardy inquired about the organization's overall debt, including the recently accrued $340 million in July, reaching approximately $717 million. He specifically asked for a comparison with other entities, particularly those with higher rates. Guy clarified that there's no direct comparison, emphasizing that none of the presented scenarios should pose a credit issue for the organization. He explained the tradeoffs between debt and reducing revenue, highlighting that relying on rates in the early years leans on current ratepayers, while bonding extends the burden to future ratepayers. Guy acknowledged the cost implications but emphasized the extended timeframe, contrasting it with the shorter duration of scenario 1. Warren acknowledged Guy's position but expressed concern about securing additional debt, particularly when the organization's rates are notable lower compared to others. Guy countered, explaining that the aim is to preserve as much future rate capacity as possible and avoid raising rates to match the levels of other entities.

When Warren Hardy inquired from Guy Hobbs why rate capacity takes precedence over debt capacity, Guy responded that having rate capacity is crucial for the future, such as 10 years from now, if the committee reconvenes. During that time, having rate capacity allows them the flexibility to generate pay-as-you-go funds or leverage capacity. Virginia Valentine followed up by asking what the reserved rate capacity is being saved for. Both Guy and David Stoft explained that it's reserved for the unexpected, citing PFAS regulations as a possible expense in the future. Gene Houston expressed apprehensions about the District acquiring additional debt.

Guy Hobbs revisited scenario 1, drawing comparisons with the cities of Henderson and Las Vegas. He highlighted that even if the organization raised its rates to $385, it would still fall in the middle when compared to the rates of the other two agencies. Lisa Ortega inquired about the portion of the increases associated with the CIP, particularly focusing on supplies and contracts. She sought clarification on how the organization determines the extent of these increases within the 10-year scenario, specifically questioning their impact on the overall proposed rate increases. Guy clarified that there is an anticipated growth of 3 - 5% across all expense categories in the projections. Tom Minwegen clarified that the committee's recommendations from 2018 for the next decade were effective until the economy shifted. Due to uncertainties arising from the pandemic, the organization had to reconvene the committee almost four to five years earlier than originally planned.

Gene Houston emphasized that among all the bills he pays, the District's bill is relatively affordable, making him less hesitant about supporting rate increases to avoid additional debt. Guy Hobbs noted that securing debt is common for public entities financing major CIP projects. Warren Hardy expressed concerns about the organization's debt position, and Guy explained the pros and cons, highlighting that debt would be spread over years to future users. David Stoft emphasized the importance of the CAC process and urged the committee to make a decision they're comfortable with. Warren voiced reservations without clarity on the organization's comfort with more debt. Guy emphasized the District's sensitivity to ratepayers amid rising costs. Warren acknowledged the balancing act but deferred a decision, expressing the need for internal discussions to understand the District's position better.

Guy Hobbs proposed scenarios that strike a balance between debt and rate increases, which Virginia Valentine found appealing. She acknowledged the impact of rate increases on businesses, especially when comparing ERUs, and expressed the need to consult stakeholders before deciding, particularly considering the significant impact a 15% increase could have on businesses. Terry Murphy proposed a list of emerging issues relevant to larger users that committee members can discuss with their stakeholders to inform the decision-making. Warren expressed a current preference for a balance, leaning towards scenarios 2 and 3, if a decision were to be made today. Lisa Ortega also found a good balance between scenarios 2 and 3. Gene Houston recognized that regardless of the chosen scenario, the ratepayers bear the cost. While taking on more debt may provide a short-term break, he emphasized that in the long run, it would result in higher costs for ratepayers.

Paul Moradkhan requested a breakdown of commercial accounts versus residential, and Brett Borek confirmed around 10,000 out of approximately 249,000 accounts are commercial. Paul mentioned taking the options to the Chamber for their perspective and expressed that scenarios 2 and 3 are likely to be considered. Guy mentioned that the proposed year to issue debt in the scenarios is estimated to be in 2027, but it could be later depending on interest rates. He clarified that the recently issued $340 million in bonds resulted in $377 million in proceeds due to issuing with a premium. For example, if the District were to issue $150 million under scenario 3, in a stable market, they might only need to issue $125 million to obtain $150 million. Guy further clarified that the numbers provided are not exact; they depend on the District's cash needs at the time of the issuance. However, he expressed the expectation that the figures would not exceed what was being presented. Warren Hardy is of the opinion that none of the presented options pose a disruption or problem for future bonding or rate increases. However, he struggles with the idea of borrowing money when there are alternatives not to do so. Despite this, he acknowledges the benefits of issuing debt, spreading the costs to future ratepayers equitably. At the same time, he expresses concerns about the potential risks to the economy and the broader tax debate structure. Guy acknowledged the challenging situation, noting that those averse to debt might prefer scenario 1, while those cautious about rate increases might lean toward scenario 4. Warren, however, expressed being in the middle, recognizing value in both perspectives. He pointed out the District's advantageous starting base, contributing to the complexity of the economic question. Jennifer Lewis emphasized the significance of understanding rate distribution between residential and business sectors, expressing concern about scenarios 1 and 4, which she considers non-starters. She also sought information on the financial impact, particularly the comparison between 10% covering it and the other 90%. Additionally, she highlighted that competitive utility rates are an attraction for new businesses coming to Southern Nevada.

David Stoft clarified that the presented scenarios were carefully considered before the meeting, and the District recognized that a hybrid solution was likely the best approach to achieve consensus in the decision-making process. He further acknowledged both the challenges and benefits of the commission, appreciating the diverse interests each member represents. He commended the group's engagement and willingness to navigate challenging discussions. David then asked if there's anything else the District can provide to support the committee in reaching a consensus.

Dan Fisher, along with Rick, highlighted their request for $100 million and its placement in 2030. He acknowledged the possibility that expecting a significant increase in that amount over the next seven years might be wishful thinking. Regardless of the scenario chosen, he stressed that the gap between the top line and the projected spending exceeding $100 million in 2023 would likely narrow. Virgina Valentine emphasized the importance of taking calculating risks, cautioning against excessive debt. David stated the District's responsibility to balance rates appropriately and acknowledged the challenge of projecting 10 years ahead. He mentioned the District's commitment to reviewing rates annually using a recently developed model to anticipate revenue needs. Additoonally, he assured that the organization is prepared to revisit rates in fie years to ensure ongoing appropriateness.

David Stoft proposed that selecting a scenario for the group to take away, discuss with their respective groups, would enhance the overall process. The group reached a consensus to present scenarios 2 and 3 to their respective groups for consideration. Additionally, they agreed to reconvene virtually on December 18, 2023 at 11:00 a.m. to discuss the outcome of their discussions.

V. Public Comment – There were no persons wishing to speak.

VI. Adjournment – Meeting was adjourned at 12:51 PM