

BUSINESS IMPACT STATEMENT

The following business impact statement was prepared pursuant to NRS 237.090 to address the proposed impact of Ordinance Title: Ordinance Number 2608, amending Ordinance No. 2176 being Chapter 13.24.070 of the North Las Vegas Municipal Code as follows:

Amending SNWA Commodity charge and/or adding for an infrastructure charge.

- 1. The following constitutes a description of the number of the manner in which comment was solicited from affected businesses, a summary of their response and an explanation of the manner in which other interested persons may obtain a copy of the summary.**

The City of North Las Vegas (CNLV) is a Purveyor Member of the Southern Nevada Water Authority (SNWA). The SNWA is a regional water agency created in 1991 by seven governmental water and wastewater agencies to address water issues; develop additional water supplies; and fund, build and operate water treatment and transmission facilities on a regional basis. Eighty percent of the SNWA costs are fixed costs for debt and infrastructure operating expenses.

The SNWA Consultants, Hobbs, Ong & Associates and Public Financial Management, Inc., were hired on June 16, 2011, to conduct a rate study. Prior to issuing the completed rate study, "Rate Analysis Report for the Southern Nevada Water Authority" (Report), in January 2012, the Consultants met with Purveyor Member's staff and representatives of many different business and residential customer classes to discuss and review the effects of various rate options on individual bills. The SNWA General Manager, Deputy General Manager, or Chief Financial Officer similarly met to discuss the study with the Las Vegas Chamber of Commerce on November 3, 2011, November 30, 2011, December 9, 2011, and January 30, 2012. They met with the North Las Vegas Chamber of Commerce on January 11, 2012, the Henderson Chamber of Commerce on January 9, 2012, and the Nevada Resort Association on February 6, 2012.

The SNWA Board of Directors received the Report and a presentation from the Consultants at its January 19, 2012, meeting. After discussion, the Board decided to consider three of the five options presented by the Report. Staff was directed to prepare and hold an open house public meeting in each of the affected Purveyor Member's service area. The Board further directed the Purveyor Members to commence preparation of a joint Business Impact Statement (BIS) comment period advertisement requesting public input regarding the three options. Trade Associations were notified as part of the BIS process and an advertisement seeking comment was placed in Review-Journal on January 30, 2012. The open house public meetings were properly noticed and posted; additional notice was provided to all customers (over 600,000 residential and business) in Las Vegas, North Las Vegas, and Henderson through an article in the Water Smart Living newsletter. Information concerning options, open house meetings, and Boards of Directors meeting were also available on the SNWA web site. During the BIS comment period that ended on February 22, 2012, the SNWA answered customer questions and received public comment on the three proposals. The Report was made available for public review and comment prior to a final decision or board action which was February 29, 2012 SNWA Board meeting. The public meeting dates and times were published and are listed below.

Public Meeting Dates/Locations:

Monday, Feb. 13	5-8 p.m.	Marvin M. Sedway Middle School 3465 Englestad St., North Las Vegas, NV 89032
Wednesday, Feb. 15	5-8 p.m.	Ernest Becker Middle School 9151 Pinewood Hills Dr., Las Vegas, NV 89134
Thursday, Feb. 16	5-8 p.m.	Bob Miller Middle School 2400 Cozy Hill Circle, Henderson, NV 89052

Rate and Open House Public Meeting information were available at www.snwa.com beginning Monday, January 30.

The proposed initial 3-year rate increase will offset significant declines in regional connection charge revenue, as well as fund improvements to water treatment and transmission infrastructure, including the Lake Mead Intake No. 3 currently under construction.

The Board selected
a flat-fee infrastructure surcharge, based on meter size and type.

The SNWA Board directed staff of each affected agency to receive comment on the options in public meetings as well as make the Report available for public review and comment prior to a final decision or Board action which was at the February 29, 2012, SNWA Board meeting. In addition, CNLV Council set the public hearing to adopt one of the three options on March 7, 2012.

As a Purveyor Member, CNLV is responsible for providing its share of the money needed by the SNWA to fund its projects.

The SNWA Board of Directors adopted the current rate increase at its February 29, 2012, meeting. The recommended SNWA alternative is scheduled to be considered for adoption by CNLV Council at its March 7, 2012, meeting

2. The estimated economic effect of the proposed rule on businesses, including, without limitation, both adverse and beneficial effects, and both direct and indirect effects:

Adverse effects:

- The fixed charge may affect some businesses, such as the timing of expansion, or will increase costs due to the fixed rate imposed regardless of consumption.

Beneficial effects:

- The business knows exactly what the charge will be each month, regardless of the amount of consumption.

Direct effects:

- The flat rate increases a business's cost by a fixed and known amount.

Indirect effects:

- May lead the business to consider increasing prices to cover additional operating costs.

3. The following constitutes a description of the methods the local government considered to reduce the impact of the proposed rule on businesses and a statement regarding whether any, and if so which, of these methods were used:

During the preparation of the Rate Analysis Report, multiple funding scenarios, in combination with alternative growth assumptions, were prepared and considered. Assumptions, including those pertaining to population growth, future water sales, operating costs, water meters, other SNWA revenue and the target level of the ending fund balance were developed and refined. Likewise, fixed and variable rate increments--individually and in combination--were developed and considered. As this process unfolded, there was periodic consultation with the SNWA, its Member Agencies and stakeholder groups, and the input of these parties proved to be valuable in developing and refining the alternative scenarios presented in the Report.

The Consultants first met with SNWA management and staff to clearly identify the deliverables of the engagement. The various cost components or cost centers and revenue streams available to the SNWA, as well as any limitations as to how the funds can be used, were examined during these discussions with management and staff. These expenditure categories and revenue streams and their related use restrictions are discussed later in the Report. It was during this formative stage of the process that several pricing objectives were discussed for the rate-making effort. These objectives included, but were not limited to, water conservation, fixed income affordability, revenue stability, cost of service equity, customer acceptance, customer impact and administrative ease. It was also during this discussion stage that the price elasticity of water as an economic commodity was discussed. Price elasticity quantifies the reduction in demand and water consumption that results when the price of a commodity is increased.

The group also identified and reviewed the various customer data fields available to assess the suitability of each as a rate-making component (e.g., meter size, customer class, parcel size, usage characteristics, etc.) The model was structured and various rate-making components and rate scenarios were developed and reviewed with SNWA management and staff, and then with Member Agencies and finally with representative customer class groups to identify any deficiencies and/or areas of concern among the reviewers. This was a lengthy and involved process that ran parallel to the development of the rate modeling and the resulting output and recommendations. These outreach efforts early in the process helped identify any potential concerns within the user groups. The Consultants hope that this continuous internal and external guidance will enhance understanding of the rate structuring process and the final results by the SNWA's customers.

The following criteria were used to evaluate the different rates to be charged and collected from the water user:

- Revenue Stability
- Stable, predictable revenues from year to year
- Impact on Customers
- The extent to which customers and customer classes are affected upon adoption of the rates
- Equity or fairness
- Revenues recovered by customer class reflect the cost of providing service
- Conservation

- Degree to which rate structure promotes optimal use of water resource
- Legality
- Degree to which rates comply with relevant laws, regulations and court decisions and further minimizes potential for legal challenges
- Simplicity / Transparency
- Rate structure easily understood and communicated to customers
- Rate Stability
- Predictable and manageable rate changes, avoiding erratic changes from year to year
- Implementation/Administration
- Ease with which billing systems can be updated to reflect changes
- Competitiveness
- Degree to which rates are competitive with similar and adjacent communities

Of the many scenarios considered, five were presented to the SNWA Board of Directors:

Scenario 1	Pure Volume Based (Commodity) Charge
Scenario 2a	Pure Fixed Rate Charge based upon meter capacity; \$5 cap on monthly residential charges
Scenario 2b	Pure Fixed Rate Charge based upon meter capacity; \$4 monthly residential rate in first year, increasing by \$1 per year thereafter
Scenario 3a	Blended Charge; \$0.05 annual increase in the Commodity Charge, with balance funded by fixed charge (\$5 cap on monthly residential rate)
Scenario 3b	Blended Charge; \$0.05 annual increase in the Commodity Charge, with balance funded by fixed charge (\$4 monthly residential rate in first year, increasing by \$1 per year thereafter)

After initial discussion and consideration of these scenarios, the Board eliminated Scenarios 2b and 3b. The Board then scheduled the remaining scenarios (which were then renamed as Options 1, 2 and 3) for further public explanation, input, and hearing before a final decision was made.

4. The governing body estimates the annual cost to the local government for enforcement of the proposed rule is:

- The proposed rate change will cost slightly more to administer, or enforce, than current rates and charges billed to customers. The billing process is automated, and it requires changes in amounts used in calculation formulas or billing statements.

5. (If applicable, provide the following:) The proposed rule provides for a new fee or increases and existing fee and the total annual amount expected to be collected is:

SNWA Rate Increase Proposals					
Business Impact Statement Calculations					
			2013	2014	2015
Projected Total SNWA Revenue			92,932,000	93,141,000	93,386,000

6. The money generated by the new fee or increase in existing fee will be used by the local government to:

The funds will be used for SNWA bonded indebtedness funding for system improvements including Intake No. 3 at Lake Mead.

7. (If applicable, provide the following:) The proposed rule includes provisions that duplicate or are more stringent than federal, state or local standards regulating the same activity. The following explains when such duplicative or more stringent provisions are necessary:

- Not applicable.