

Nevada Irrigation District



Cost of Service Study

February 26, 2020



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Overview



- **Study Objectives**
- **Water Finances**
- **Cost of Service Methodology**
- **Cost of Service Findings**

Study Objectives

- **Comprehensive effort to identify cost of service for**
 - **Treated Water System**
 - **Raw Water System**
 - **Service Zones within each system**
- **Based on detailed financial data developed by NID staff over past 3 years: 2017 - 2019**
- **Cost of service analysis differs from a full rate analysis**
- **Cost of service are compared to current water rate revenues for informational purposes**



Water Finances



Water Division Revenues & Expenses

	2019 Estimates	2020 Budget
Operating Revenues		
Treated Water Rate Revenues	16,544,000	19,208,000
Raw Water Rate Revenues	7,616,000	7,358,000
Interest Earnings	1,487,000	971,000
Hydro Transfer In	8,991,000	13,580,000
Grants for Operations	736,000	600,000
Other Revenues/Transfers	2,656,000	2,309,000
Total	38,030,000	44,026,000
Operating Expenses & Debt Service		
Salaries	13,456,000	14,334,000
Benefits	9,661,000	12,407,000
Materials/Chemicals/Consultants	8,853,000	12,466,000
Other Operating Expenses	1,617,000	1,837,000
Debt Service	4,190,000	4,190,000
Total	37,777,000	45,234,000
Operating Revenues Less Expenses	253,000	(1,208,000)
Non-Operating Revenues		
Property Taxes	12,677,000	13,057,000
Grants for Capital Projects	4,277,000	0
Drawdown of Bond Proceeds	2,290,000	10,492,000
Transfer In - CapFee, Hydro	1,375,000	400,000
Total	20,619,000	23,949,000
Non-Operating Expenses		
Capital Projects	20,619,000	22,922,000
Non-Operating Revenues Less Expenses	0	1,027,000
Water Division Net Income	253,000	(181,000)

Water Division relies on substantial funding from other sources to supplement water rates

Funding from sources other than water rates totals over \$30 million per year (excluding bonds)

Water rates fund less than half of total water division operating & capital expenses

Cost of Service Methodology



Cost of Service Methodology

- **Comprehensive effort to identify cost of service for**
 - **Treated & Raw Water Systems**
 - **Service Zones within each system**
- **Based on detailed financial data developed by NID over past 3 years: 2017 - 2019**
 - **District staff compiled labor and non-labor transactional data for almost 3 years resulting approximately 200,000 rows of data**
- **For transactions coded to projects and facilities, NID staff allocated the percentage of expenses to the treated and raw water systems, as well as to other divisions**
- **NID conducted a detailed time-tracking analysis in 2019 for admin & support services**
- **Projects and facilities were mapped to each service zone to facilitate a breakout of the cost of service for each zone**
- **Operating costs of service categories:**
 - 1) Salaries
 - 2) Benefits
 - 3) Other O&M

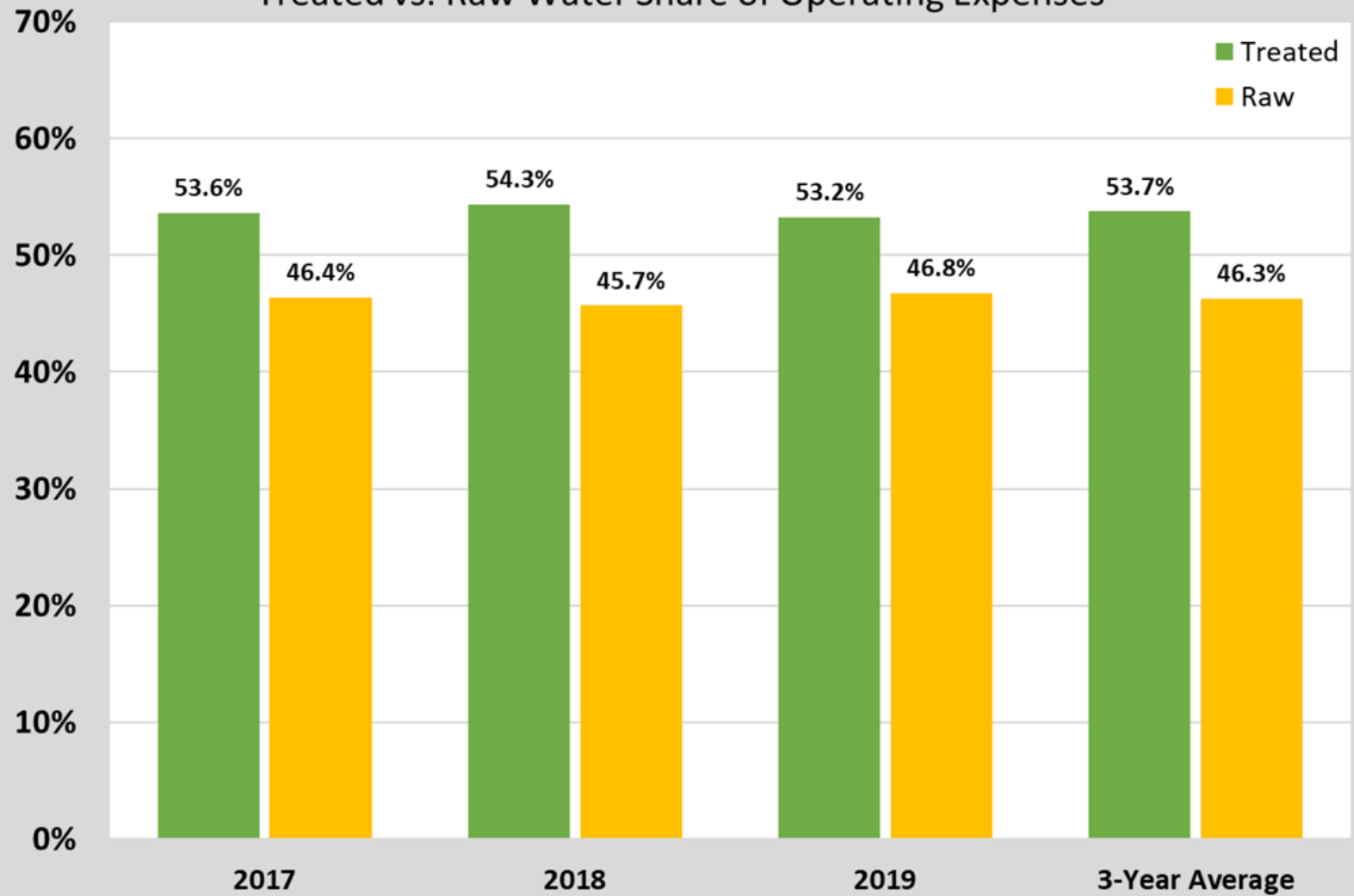


Cost of Service Findings



Nevada Irrigation District

Treated vs. Raw Water Share of Operating Expenses



Concluding Comments

- **Water Division relies on substantial funding from other sources to supplement water rates**
 - **Water rates fund less than half of annual water operating & capital expenses**
 - **Current level of transfers in from Hydro are not sustainable**

- **NID has conducted a comprehensive effort to identify costs of service for**
 - **Treated & raw water systems**
 - **Service zones within each system**

- **Treated & raw water rates not aligned with operating cost of service**
 - **Assuming transfers in & other funding sources are applied to all water operating expenses and are not disproportionately allocated to treated or raw water**
 - **Realigning costs would result in major rate impacts to raw water customers**

Questions & Discussion

