

# Proprietary Funds

Proprietary funds are used to account for a government's business-type activities. There are two types of proprietary funds - enterprise funds and internal service funds. Both fund types use the same generally accepted accounting principles (GAAP) as similar to businesses in the private sector. Both enterprise and internal service funds recover the full cost of providing services (including capital costs) through fees and charges on those who use their services. The adopted budget for each proprietary fund is based on GAAP and includes depreciation, but excludes capital outlay and principal payments on debt.

However, the management of these funds is based on the "bottom line" and whether the expenses are supported by revenue. The City uses "net unrestricted assets" to evaluate these funds. This method works similarly to working capital and is the result of all transactions that affect unrestricted assets and liabilities. By including capital outlay and debt service payments in the reconciliation of these funds, the City can determine whether the charges for services are adequate to cover all expenses and future capital needs.

## Proprietary Funds Statement of Revenues, Expenses and Changes in Unrestricted Net Assets - Fiscal 2005

	Water Fund	Wastewater Fund	Golf Fund	Self-Insurance Fund	Motor Equip Fund	Totals
<b>Revenues</b>						
Charges for Services	39,419,500	17,304,800	595,000	7,495,100	3,605,600	68,420,000
Fines and Forfeitures	350,000	350,000	0	0	0	700,000
Miscellaneous	375,000	375,000	0	0	0	750,000
<b>Total Revenue</b>	<b>40,144,500</b>	<b>18,029,800</b>	<b>595,000</b>	<b>7,495,100</b>	<b>3,605,600</b>	<b>69,870,000</b>
<b>Expenses</b>						
Salaries and Wages	4,325,900	1,825,600	322,900	2,073,900	1,192,800	9,741,100
Employee Benefits	1,483,900	616,900	92,100	86,200	407,400	2,686,500
Water Purchase	11,437,900	0	0	0	0	11,437,900
Sewage Treatment	0	7,853,600	0	0	0	7,853,600
Services and Supplies	6,071,800	1,879,800	129,600	3,854,200	1,744,100	13,679,500
<b>Total Expenses</b>	<b>23,319,500</b>	<b>12,175,900</b>	<b>544,600</b>	<b>6,014,300</b>	<b>3,344,300</b>	<b>45,398,600</b>
<b>Operating Income</b>	<b>16,825,000</b>	<b>5,853,900</b>	<b>50,400</b>	<b>1,480,800</b>	<b>261,300</b>	<b>24,471,400</b>
<b>Non-Operating Revenues (Expenses)</b>						
Connection Fees	7,349,100	7,137,400	0	0	0	14,486,500
Payment in Lieu of Taxes	(16,363,000)	(8,031,300)	0	0	0	(24,394,300)
Debt Service	(5,641,900)	(620,900)	0	0	0	(6,262,800)
Capital Outlay	(6,653,000)	(5,426,000)	0	0	(475,000)	(12,554,000)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(21,308,800)</b>	<b>(6,940,800)</b>	<b>0</b>	<b>0</b>	<b>(475,000)</b>	<b>(28,724,600)</b>
<b>Income Before Transfers In (Out)</b>	<b>(4,483,800)</b>	<b>(1,086,900)</b>	<b>50,400</b>	<b>1,480,800</b>	<b>(213,700)</b>	<b>(4,253,200)</b>
<b>Transfers to Other Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,000)</b>	<b>(20,000)</b>
<b>Change in Unrestricted Net Assets</b>	<b>(4,483,800)</b>	<b>(1,086,900)</b>	<b>50,400</b>	<b>1,480,800</b>	<b>(233,700)</b>	<b>(4,273,200)</b>
<b>Beginning Unrestricted Net Assets</b>	<b>19,413,843</b>	<b>24,013,943</b>	<b>408,561</b>	<b>636,389</b>	<b>56,390</b>	<b>44,529,126</b>
<b>Ending Unrestricted Net Assets</b>	<b>14,930,043</b>	<b>22,927,043</b>	<b>458,961</b>	<b>2,117,189</b>	<b>(177,310)</b>	<b>40,255,926</b>



Enterprise funds are used in situations where a fund provides services primarily to external customers. The City classifies its Water, Wastewater and Golf Funds as enterprise funds. GAAP mandate the use of an enterprise fund when legal requirements or management policy require that the full cost of providing services (including capital costs) be recovered through fees and charges.

Internal service funds are designed to function on a cost-reimbursement basis and are used to recover the full cost of providing a given activity. Internal service funds are used when a fund primarily provides benefits to other funds, departments or agencies of the government. Costs in the internal service funds are allocated to the benefiting funds in the form of fees and charges. The City classifies its Motor Equipment and Self-Insurance Funds as internal service funds.

**Proprietary Funds Statement of Revenues, Expenses and Changes in Unrestricted Net Assets, Fiscal Years 2003-2005**

	Actual 2003	Amended Budget 2004	Adopted Budget 2005	2004 vs 2005 Amount	Variance Percent
<b>Revenues</b>					
Intergovernmental Revenues	164,250	0	0	0	0.0
Internal Service Charges	6,652,098	7,657,000	11,100,700	3,443,700	45.0
Golf Fees	565,652	650,000	595,000	(55,000)	(8.5)
Water Fees	31,799,598	37,120,000	39,419,500	2,299,500	6.2
Sewer Fees	11,248,578	12,650,000	17,304,800	4,654,800	36.8
Licenses and Permits	1,408,996	0	0	0	0.0
Fines and Forfeitures	792,274	700,000	700,000	0	0.0
Miscellaneous	2,057,687	494,400	750,000	255,600	51.7
<b>Total Revenue</b>	<b>54,689,133</b>	<b>59,271,400</b>	<b>69,870,000</b>	<b>10,598,600</b>	<b>17.9</b>
<b>Expenditures</b>					
Salaries and Wages	14,330,349	9,140,800	9,741,100	600,300	6.6
Employee Benefits	4,088,572	2,568,273	2,686,500	118,227	4.6
Water Purchase	8,615,827	9,300,000	11,437,900	2,137,900	23.0
Sewage Treatment	6,014,090	7,850,300	7,853,600	3,300	0.0
Services and Supplies	10,246,495	12,232,000	13,679,500	1,447,500	11.8
<b>Total Expenditures</b>	<b>43,295,333</b>	<b>41,091,373</b>	<b>45,398,600</b>	<b>4,307,227</b>	<b>10.5</b>
<b>Operating Income</b>	<b>11,393,800</b>	<b>18,180,027</b>	<b>24,471,400</b>	<b>6,291,373</b>	<b>34.6</b>
<b>Non-Operating Revenues (Expenses)</b>					
Connection Fees	15,907,970	17,350,000	14,486,500	(2,863,500)	(16.5)
Payment in Lieu of Taxes	(11,773,268)	(21,748,000)	(24,394,300)	(2,646,300)	12.2
Debt Service	(6,326,699)	(6,374,000)	(6,262,800)	111,200	(1.7)
Capital Outlay	(1,640,595)	(9,303,500)	(12,554,000)	(3,250,500)	34.9
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(3,832,592)</b>	<b>(20,075,500)</b>	<b>(28,724,600)</b>	<b>(8,649,100)</b>	<b>43.1</b>
<b>Income Before Transfers In (Out)</b>	<b>7,561,208</b>	<b>(1,895,473)</b>	<b>(4,253,200)</b>	<b>(2,357,727)</b>	<b>(124.4)</b>
<b>Transfers to Other Funds</b>	<b>(1,650,225)</b>	<b>(499,500)</b>	<b>(20,000)</b>	<b>479,500</b>	<b>96.0</b>
<b>Change in Unrestricted Net Assets</b>	<b>5,910,985</b>	<b>(2,394,973)</b>	<b>(4,273,200)</b>	<b>(1,878,227)</b>	<b>(78.4)</b>
<b>Beginning Unrestricted Net Assets</b>	<b>41,013,114</b>	<b>46,924,099</b>	<b>44,529,126</b>	<b>(2,394,973)</b>	<b>(5.1)</b>
<b>Ending Unrestricted Net Assets</b>	<b>46,924,099</b>	<b>44,529,126</b>	<b>40,255,926</b>	<b>(4,273,200)</b>	<b>(9.6)</b>

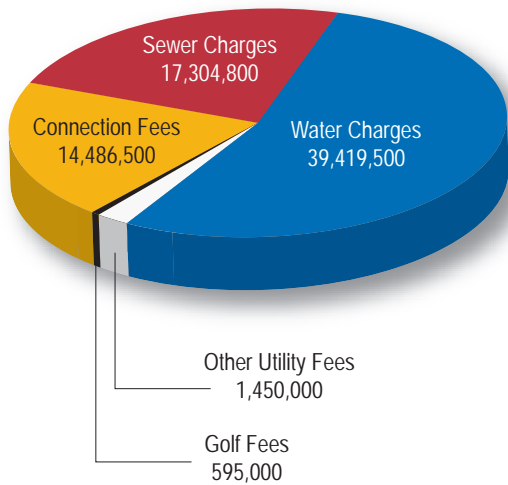


**Enterprise Funds**

Enterprise Funds are used to finance and account for the acquisition, operation and maintenance of City facilities and services that are intended to be entirely or predominately self-supported from user charges. Operations are accounted for in such a manner as to show a profit or loss on a basis comparable with industries in the private sector. The City of North Las Vegas operates three funds in this manner: the Water, Wastewater and the Golf Course Funds.

Enterprise Funds represent 17.6% of the City's budget. The most significant issue affecting the enterprise funds is to ensure that these funds operate as self-supporting funds and maintain adequate cash balances to cover operating costs, debt service including debt coverage and capital repairs and replacements. While all the enterprise funds are self-supporting and maintain adequate cash reserves, rate adjustments are needed occasionally to ensure this condition continues.

**Enterprise Fund Revenue  
\$73,255,800**



**Budget Basis of Accounting**

The City of North Las Vegas uses the full accrual basis in preparing enterprise fund budgets. However, the City uses "net unrestricted assets" to evaluate these funds. Revenues and expenses are recognized at the time they occur. For example, when homeowners use water, the City records the revenue when the meters are read and consumption is calculated. When the customer pays the utility bill does not affect when the City records the transaction. Conversely, the City reports expenses when a service is performed or an item is purchased. When the City pays the invoice does not affect when the expense is recorded.

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*The most significant issue affecting the enterprise funds is to ensure that these funds operate as self-supporting funds and maintain adequate cash balances to cover operating costs, debt service including debt coverage and capital repairs and replacements.*

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A city, unlike private sector enterprises, cannot make a profit. Expenses and revenues should balance, however, cash balances should accumulate to a level sufficient for three purposes:

1. Provide a cushion or a contingency for unforeseen needs and emergencies (like fund balances in governmental funds);
2. Provide adequate security for long-term debt; and
3. Allow for a capital development program to reduce the need for borrowing.



## Water and Wastewater Funds

### Background

The newly created Utilities Department is responsible for managing the Water Fund and Wastewater Fund. The major issues facing the water utility are the cost of water, the water supply, and conservation.

The major issues facing the wastewater utility are the increasing cost of wastewater treatment and compliance with the Clean Water Act.

In fiscal 2004, the City completed a comprehensive rate study for the water and wastewater utility. Since the last rate increase in 1996, the water utility experienced significant increases in operating costs and expenses were outpacing revenues by a large margin. Similar issues surfaced in the wastewater utility since rates were last increased in 1993. It became further evident that the water utility was subsidizing wastewater costs. In addition, the utility was operating as a combined water and wastewater fund and it was difficult to analyze the financial condition of each enterprise.

Several accounting and policy issues were implemented in fiscal 2004 as a result of the rate study and City Council directives. First, water rates were increased by an average 8.0% in October 2003 with annual 8.0% rate increases planned in fiscal 2005 and 2006. It will be necessary to increase rates between 2.4% and 2.5% per annum in the "out" years to maintain target cash reserves equivalent to two months of operations and maintenance costs.

Second, wastewater rates were increased by an average 28.7% in October 2003 with annual 28.7% rate increases planned in fiscal 2005 and 2006. Rate increases in fiscal 2007 and 2008 are planned at 2.8%, and are projected to increase to 6.6% per annum in fiscal years 2009 through 2013.

Third, the water and wastewater fund was split into two separate and distinct accounting entities. Shared expenses and activities such as the Customer Services Division, were previously allocated 75% to water and 25% to wastewater. The new allocation is based on number of utility accounts and changes the cost allocation to 60% water and 40% wastewater. The creation of the new Wastewater Fund will enable management to analyze the financial condition of each utility and determine whether the revenue stream is adequate to maintain the overall fiscal integrity of the enterprise.

Fourth, the public works engineering and administrative expenses were transferred to the General Fund and the payment in lieu of tax (PILT) methodology was changed to mitigate the impact of the transfer. More information on the PILT methodology can be found in the Water and Wastewater Fund analysis.



# Water Utility Fund

## Source of Supply

The City obtains water from two sources, ground water and Colorado River water. Groundwater is obtained from a series of City-owned operating wells that account for 12% of the potable water supply for the City. The City's remaining water requirements are met with treated Colorado River water furnished through the Southern Nevada Water Authority.

The water distribution system consists of several pump stations, well sites, storage facilities and over 800 miles of water system piping. This infrastructure enables the utility to provide water service to over 53,000 customers. The water system services all of incorporated North Las Vegas, as well as Sunrise Manor and sections of unincorporated Clark County.



**Hoover Dam**

Colorado River water is provided to the City at rates based on a formula that will recoup the costs associated with the construction, debt service and operational expenses of the Southern Nevada Water Authority. The quantity of Colorado River water received by the City under the water supply contract with the Colorado River Commission is based upon an allocation agreement between the City and the water and wastewater purveyors in southern Nevada.

The Southern Nevada Water System is a water supply system comprised of two water treatment plants and pumping and transmission facilities with an annual delivery capacity of over 750 million gallons per day (mgd). Water is treated after diversion from Lake Mead and the potable product is delivered to the Southern Nevada Water Authority water purveyors. The Southern Nevada Water Authority is currently planning,

designing and constructing new facilities as a part of a capital improvement plan to expand the System's capacity to reliably treat and transport Colorado River water to the purveyor members.

The Southern Nevada Water Authority and Colorado River Commission continue to pursue all opportunities to secure additional water for southern Nevada. The members of the Southern Nevada Water Authority include the cities of Boulder City, Henderson, Las Vegas and North Las Vegas, the Big Bend Water District, Clark County Water Reclamation District (formerly Clark County Sanitation District), and the Las Vegas Valley Water District. Among other things, this agency is addressing water resource management and water conservation on a regional basis; planning, managing and developing additional supplies of water for southern Nevada; and

expanding and enhancing regional treatment and delivery capabilities. The Las Vegas Valley Water District provides the management and staff for the Southern Nevada Water Authority.

## Drought Alert

On January 1, 2004, Southern Nevada moved from a Drought Watch to a more severe stage of drought, Drought Alert. Additional drought restrictions now impact all water users in Southern Nevada. Despite higher-than-average valley rainfall last year and the community's conservation efforts to date, the key factor in the drought is below-average snowfall in the Rocky Mountains. Runoff from the Rockies feeds Lake Mead, our primary water source. Lake Mead has dropped approximately 70 feet over the past few years, and it will require several years of above-average runoff to significantly raise current lake levels.



**Water Rates**

Prior to the rate increase, water sales revenue was insufficient to meet annual revenue requirements. The annual deficit over the next three fiscal years was projected to increase from \$4.8 million in 2004 to \$10.8 million in 2006 without a rate adjustment.

Projected deficits will diminish through a combination of rate adjustments, operating reserves and connection fee revenue. Cash reserves by June 30, 2007 are projected at \$10.6 million - approximately two months operating expenses.

The City of North Las Vegas provides water service to over 53,000 customers. Water rates currently consist of a monthly service charge and a four-block volume charge for residential customers. The block or tiered volume charge system is structured so that the difference in cost between the blocks or tiers is sufficient to promote conservation. A monthly service charge and a two-block volume charge is in place for commercial customers.

The average residential water customer consumes 14,000 gallons per month. Monthly bills for this consumption are currently \$25.90. In 2005, the monthly water bill will be \$27.82, an increase of \$1.92.

**Customer Account Growth**

Since 1994, the number of meters grew by over 31,000, an increase of 115% in the water utility's customer base. It is expected that the utility will service 63,100 meters in 2005, an increase of 7.7% over 2004. Projections indicate a 7.1% rate of growth in 2006 and an average 4.0% growth per annum thereafter.

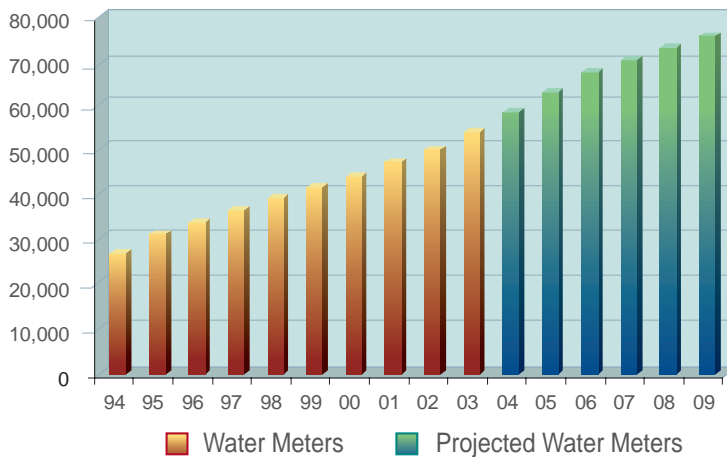
The graph depicted below shows the growth in water meters over the last ten years and projections for the next five years.

**Summary**

The financial statement depicted on the following page illustrates a \$4.5 million reduction in the Water Funds' unrestricted net assets in fiscal 2005 and is largely due to a \$6.1 million capital program. The projected water rate increases will be phased in over a period of three years and will substantially enhance the cash flow of this utility.

The GAAP-based budget presented in the utility department summary excludes capital outlay and principal on debt payments since these are reflected as additions to long-term assets and a reduction to long-term liabilities on the City's financial statements. However, by including capital expenses and debt service payments on an "unrestricted net asset" basis, the City can determine whether water revenues are adequate to cover all expenses and future capital needs.

**Water Meter Growth**



**Year Water Meters**

94	27,251
95	31,377
96	33,985
97	36,782
98	39,412
99	41,953
00	44,208
01	47,486
02	50,344
03	54,125
04	58,600
05	63,100
06	67,600
07	70,300
08	73,000
09	75,700



**Water Fund****Statement of Revenues, Expenses and Changes in Unrestricted Net Assets  
For the Years 2003 - 2005**

	Actual 2003	Amended Budget 2004	Adopted Budget 2005	2004 vs 2005 Variance Amount	2004 vs 2005 Variance Percent
<b>Revenues</b>					
Intergovernmental revenue	164,250	0	0	0	0
Water fees	29,916,898	33,600,000	36,955,700	3,355,700	10.0
Sewer Fees	9,365,878	0	0	0	0
Other fees	3,665,888	3,520,000	2,463,800	(1,056,200)	(30.0)
Licenses and permits	1,408,996	0	0	0	0
Fines and forfeitures	792,274	700,000	350,000	(350,000)	(50.0)
Miscellaneous	2,057,687	454,400	375,000	(79,400)	(17.5)
<b>Total Revenue</b>	<b>47,371,871</b>	<b>38,274,400</b>	<b>40,144,500</b>	<b>1,870,100</b>	<b>4.9</b>
<b>Expenditures</b>					
Salaries and wages	11,403,290	4,601,700	4,325,900	(275,800)	(6.0)
Employee benefits	3,560,427	1,584,600	1,483,900	(100,700)	(6.4)
Water purchase	8,615,827	9,300,000	11,437,900	2,137,900	23.0
Sewage treatment	6,014,090	0	0	0	0
Services and supplies	4,550,455	5,824,800	6,071,800	247,000	4.2
<b>Total Expenditures</b>	<b>34,144,089</b>	<b>21,311,100</b>	<b>23,319,500</b>	<b>2,008,400</b>	<b>9.4</b>
<b>Operating Income</b>	<b>13,227,782</b>	<b>16,963,300</b>	<b>16,825,000</b>	<b>(138,300)</b>	<b>(0.8)</b>
<b>Non-Operating Revenues (Expenses)</b>					
Connection Fees	15,907,970	8,890,000	7,349,100	(1,540,900)	(17.3)
Payment in Lieu of Taxes	(11,773,268)	(15,475,000)	(16,363,000)	(888,000)	5.7
Debt Service	(6,326,699)	(6,374,000)	(5,641,900)	732,100	(11.5)
Capital Outlay	(1,633,427)	(6,669,500)	(6,653,000)	16,500	(0.2)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(3,825,424)</b>	<b>(19,628,500)</b>	<b>(21,308,800)</b>	<b>(1,680,300)</b>	<b>(8.6)</b>
<b>Income Before Transfers In (Out)</b>	<b>9,402,358</b>	<b>(2,665,200)</b>	<b>(4,483,800)</b>	<b>(1,818,600)</b>	<b>(68.2)</b>
<b>Transfers to Other Funds</b>	<b>(812,000)</b>	<b>(182,000)</b>	<b>0</b>	<b>182,000</b>	<b>100.0</b>
<b>Change in Unrestricted Net Assets</b>	<b>8,590,358</b>	<b>(2,847,200)</b>	<b>(4,483,800)</b>	<b>(1,636,600)</b>	<b>(57.5)</b>
<b>Beginning Unrestricted Net Assets</b>	<b>35,931,728</b>	<b>44,522,086</b>	<b>19,413,843</b>	<b>(25,108,243)</b>	<b>(56.4)</b>
<b>Allocation to Sewer Fund</b>	<b>0</b>	<b>(22,261,043)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ending Unrestricted Net Assets</b>	<b>44,522,086</b>	<b>19,413,843</b>	<b>14,930,043</b>	<b>(4,483,800)</b>	<b>(23.1)</b>

In fiscal 2003, the water and wastewater funds were combined. A separate wastewater fund was created in fiscal 2004. Fiscal 2003 ending net assets were allocated 50% to the water fund and 50% to the sewer fund.



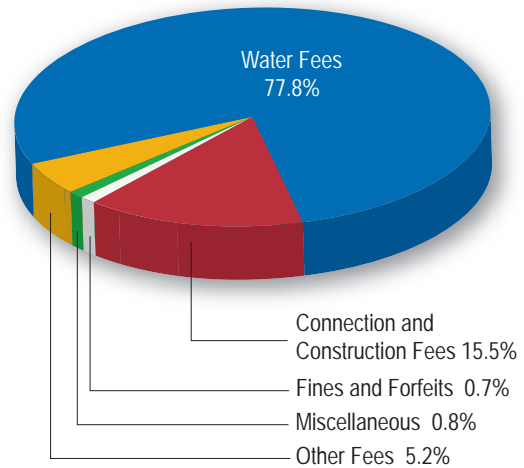
**Major Revenues**

Water Fund operating revenue is projected at \$40.1 million and is supplemented with \$7.3 million in construction and connection fees to produce total revenues of \$47.5 million. The utility expects to receive almost \$37.0 million in rate revenue generated from the sale of water services to City customers. Rate revenue increased by \$3.4 million, or 10.0%, largely due to the water rate increase and customer growth.

Almost 78% of all water revenue is derived mainly from water user fees. Other charges for services depict a decrease in revenue; however, this is attributed to the revenue allocation between the Water and Wastewater Fund. Most of the non-rate revenue sources were allocated 50% to the Water Fund and 50% to the Wastewater Fund. Other fees amount to \$2.5 million and include water connection and turn-on fees, water application fees and backflow prevention fees. Late penalties and interest is budgeted at \$350,000 and miscellaneous revenue is projected at \$375,000 in fiscal 2005. Miscellaneous revenue includes approximately \$200,000 in fees that are charged to Republic Services for garbage billing services.

Connection fees are budgeted at \$7.3 million, a \$1.5 million decrease from fiscal 2004. These fees are based on account growth and are conservatively budgeted. Connection fees are charged to new customers who connect to the water system. The fee represents a charge for the fair share of the capital cost of the system already in place and the cost of increasing the capacity of the system to meet the additional demand created by the connection of new customers.

**Water Revenue  
\$47,493,600**



Fort Sumter Utility Building

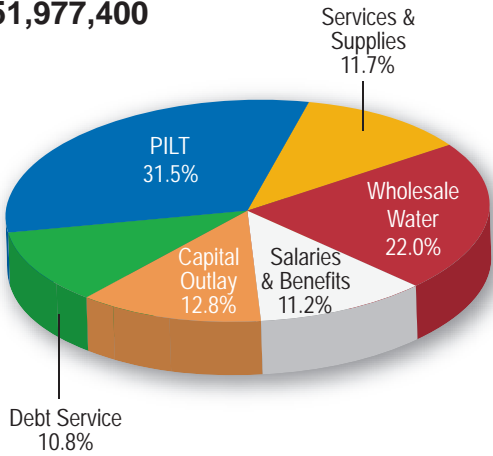


**Major Expenses-Unrestricted Net Asset Basis**

The 2005 operating budget amounts to \$23.3 million and is supplemented with capital outlay and construction (\$6.7 million), debt service (\$5.6 million) and the payment in lieu of taxes (\$16.4 million) to produce a total financial program of \$51,977,400. Total expenses increased by \$2.1 million or 4.3% as compared to the 2004 amended budget.

The SNWA's wholesale water cost increased from \$215 per acre-foot to a proposed \$246 per acre-foot, a 14.4% increase. In addition, it is expected that the water utility's usage will increase from 43,255 to 46,500 acre-feet of water in fiscal 2005.

**Water Expenses by Object  
Unrestricted Net Assets Basis  
\$51,977,400**



Supplies and services are budgeted at \$6.1 million, a 4.2%, or a \$247,000 net increase. Some of the supplemental requests include \$150,000 for contracted backflow testing; \$156,300 in increased electricity expenses; \$72,300 in utility billing and cashiering software support fees; \$25,900 in Oracle database enhancements; \$20,400 in increased postage; \$21,600 for integrated point of sale systems and barcode scanning devices and \$18,000 for office furniture for the Business Services Division.

Payment in lieu of taxes (PILT) amount to \$16.4 million and is based on the following methodology adopted in fiscal 2004.

**PILT Calculation**

Payment in Lieu of Taxes @	
20.0% of Water Rate Revenue	7,391,140
Franchise Fees @ 5.0% of Water Rate Revenue	1,847,785
Overhead Fees @ 15.0% of Total Revenue	7,124,040
<b>Total Payment in Lieu of Taxes</b>	<b>16,362,965</b>

**Salaries and benefits** amount to \$5.8 million, a decrease of 6.1% as compared to fiscal 2004. This is primarily due to the change in the cost allocation methodology between the Water and Wastewater Fund. Shared expenses and activities such as the Customer Services Division, were previously allocated 75% to water and 25% to wastewater. The new allocation is based on number of utility accounts and changes the cost allocation to 60% water and 40% wastewater. There are no new positions in the water utility.

Wholesale water purchases accounts for 22.0% of the total budget. Water purchases amount to \$11.4 million, an increase of \$2.1 million or 23%. The City purchases 88% of its water from the Southern Nevada Water Authority (SNWA).



# Wastewater Utility Fund

Wastewater generated in the City is transmitted through City-owned sewer lines to the wastewater collection systems belonging to the City of Las Vegas and to the Clark County Water Reclamation District. The wastewater from North Las Vegas is treated by these entities and discharged to the Las Vegas Wash and eventually to Lake Mead. The City of North Las Vegas discharges approximately 15 million gallons per day of wastewater. Both wastewater treatment facilities are continually being enlarged in compliance with the Environmental Protection Agency approved 208 and 201 plans.

The sewer collection system services all of incorporated North Las Vegas and contains of over 450 miles of piping. The utility is also responsible for the maintenance of stormdrains throughout the City.

### Wastewater Rates

Prior to the rate increase, wastewater sales revenue was insufficient to meet annual revenue requirements. The annual deficit over the next three fiscal years was projected to increase from \$8.3 million in fiscal 2004 to \$16.4 million in fiscal 2006 without a rate adjustment.

Projected deficits will be met from additional revenue generated through rate adjustments, operating reserves and connection fees. Cash

reserves by June 30, 2007 are projected at \$7.2 million and are approximately two months' operating expenses.

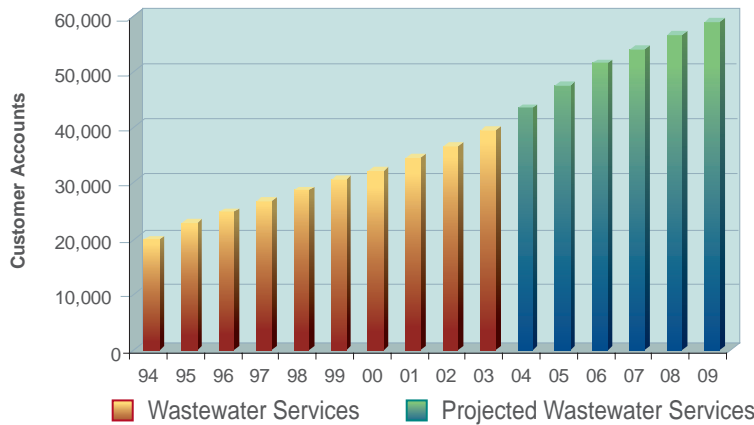
A single family wastewater customer is billed for an average monthly usage of 6,000 gallons. Monthly wastewater bills for this usage are currently \$15.68 per month and will increase to \$19.50 a month in 2005.

The City of North Las Vegas provides wastewater service to over 38,000 customers. In October 2003 the wastewater rate methodology was revised to base wastewater rates on water consumption. Wastewater rates consist of a monthly service fee and a fee per 1,000 gallons of water used. For residential customers, the wastewater rate is capped at a water usage of 8,000 gallons each month. A monthly service fee and a fee per 1,000 gallons of water used is in place for commercial customers without a maximum cap.

### Customer Account Growth

At present, the City services 43,500 wastewater accounts. Since 1994, the number of accounts grew by 23,600, an increase of 119% in the utility's customer base. It is expected that the utility will service 4,000 more accounts in 2005, an increase of 9.2%. Projections indicate an 8.4 % account growth in 2006; 4.9% in 2007; 4.6% in 2008 and 4.4% in 2009.

### Wastewater Services Growth



Year	Wastewater Services
94	19,900
95	22,900
96	24,800
97	26,800
98	28,700
99	30,600
00	32,200
01	34,600
02	36,700
03	39,500
04	43,500
05	47,500
06	51,500
07	54,000
08	56,500
09	59,000



**Summary**

The Statement of Revenues, Expenses and Changes in Unrestricted Net Assets shows a \$1.1 million reduction in the Sewer Fund in fiscal 2005. This is

largely due to a \$5.4 million capital program. The projected wastewater increases will substantially enhance the cash flow of this utility.

**Wastewater Fund****Statement of Revenues, Expenses and Changes in Unrestricted Net Assets  
For the Years 2003-2005**

	Actual 2003	Amended Budget 2004	Adopted Budget 2005	2004 vs 2005 Variance Amount	2004 vs 2005 Variance Percent
<b>Revenues</b>					
Charges for services:					
Sewer fees	0	12,400,000	17,036,100	4,636,100	37.4
Other fees	0	250,000	268,700	18,700	7.5
Fines and forfeitures	0	0	350,000	350,000	100.0
Miscellaneous	0	40,000	375,000	335,000	837.5
<b>Total Revenue</b>	<b>0</b>	<b>12,690,000</b>	<b>18,029,800</b>	<b>5,339,800</b>	<b>42.1</b>
<b>Expenditures</b>					
Salaries and wages	0	1,088,800	1,825,600	736,800	67.7
Employee benefits	0	399,900	616,900	217,000	54.3
Services and supplies:	0	0	0	0	0.0
Sewage treatment	0	7,850,300	7,853,600	3,300	0.0
Services and supplies	0	1,155,100	1,879,800	724,700	62.7
<b>Total Expenditures</b>	<b>0</b>	<b>10,494,100</b>	<b>12,175,900</b>	<b>1,681,800</b>	<b>16.0</b>
<b>Operating Income</b>	<b>0</b>	<b>2,195,900</b>	<b>5,853,900</b>	<b>3,658,000</b>	<b>166.6</b>
<b>Non-Operating Revenues (Expenses)</b>					
Construction Fees	0	8,460,000	7,137,400	(1,322,600)	(15.6)
Payment in Lieu of Taxes	0	(6,273,000)	(8,031,300)	(1,758,300)	28.0
Debt Service	0	0	(620,900)	(620,900)	0.0
Capital Outlay	0	(2,630,000)	(5,426,000)	(2,796,000)	106.3
<b>Total Non-Operating Revenues (Expenses)</b>	<b>0</b>	<b>(443,000)</b>	<b>(6,940,800)</b>	<b>(6,497,800)</b>	<b>1,466.8</b>
<b>Income Before Transfers In (Out)</b>	<b>0</b>	<b>1,752,900</b>	<b>(1,086,900)</b>	<b>(2,839,800)</b>	<b>(162.0)</b>
<b>Transfers to Other Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Change in Unrestricted Net Assets</b>	<b>0</b>	<b>1,752,900</b>	<b>(1,086,900)</b>	<b>(2,839,800)</b>	<b>(162.0)</b>
<b>Beginning Unrestricted Net Assets</b>	<b>0</b>	<b>0</b>	<b>24,013,943</b>	<b>24,013,943</b>	<b>100.0</b>
<b>Allocation from Water Fund</b>	<b>0</b>	<b>22,261,043</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ending Unrestricted Net Assets</b>	<b>0</b>	<b>24,013,943</b>	<b>22,927,043</b>	<b>(1,086,900)</b>	<b>(4.5)</b>

In fiscal 2003, the water and wastewater funds were combined. A separate wastewater fund was created in fiscal 2004. Fiscal 2003 ending net assets were allocated 50% to the water fund and 50% to the sewer fund.

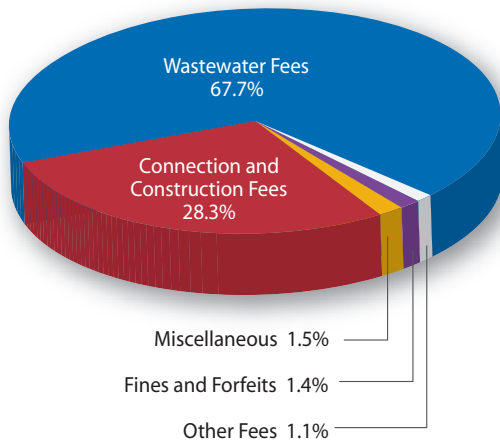


**Major Revenues**

Wastewater Fund operating revenue is projected at \$18.0 million and is supplemented with \$7.2 million in construction and connection fees to produce total revenues of \$25.2 million. The utility expects to receive over \$17.0 million in rate revenue generated from the sale of wastewater services to City customers. Rate revenue increased by \$4.6 million, or 37.4%, largely due to the wastewater rate increase and customer growth.

Almost 68% of all revenue is derived mainly from wastewater rates. Other charges for services increased by \$704,000, however, this is attributed to the new revenue allocation between the Water and Wastewater Fund. The fees include wastewater connection and turn-on fees, wastewater permit fees, late penalties and interest and miscellaneous revenue. Miscellaneous revenue includes approximately \$200,000 in fees that are charged to Republic Services for garbage billing services.

**Wastewater Revenue  
\$25,167,200**



Connection fees are budgeted at \$7.1 million, a \$1.3 million, or 15.6% decrease from fiscal 2004. These fees are based on account growth and are conservatively budgeted because of their elastic nature. Development activity can be impacted by a variety of factors including air quality, drought conditions and the local economy. Connection fees are charged to new customers who connect to the wastewater system. The fee represents a charge for the fair share of the capital cost of the system already in place and the cost of increasing the capacity of the system to meet the additional demand created by the connection of new customers.



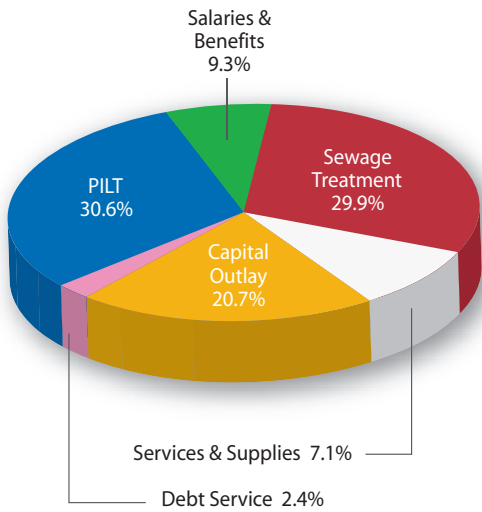
**Major Expenses - Unrestricted Net Asset Basis**

The 2005 operating budget amounts to \$12.2 million and is supplemented with capital outlay and construction (\$5.5 million), debt service (\$0.6 million) and the payment in lieu of taxes (\$8.0 million) to produce a total financial program of \$26.3 million. Total expenses increased by \$6.9 million or 35.4% as compared to the 2004 amended budget.

**Sewage Treatment** accounts for almost 30% of the total budget and is \$7.9 million in fiscal 2005. Sewage treatment is contracted with the Clark County Reclamation District and the City of Las Vegas. The City is currently negotiating with the City of Las Vegas on its sewage treatment fees.

**Supplies and services** are budgeted at \$1.9 million, a 62.7%, or a \$.7 million increase. Although a majority of the increase is attributed to the cost allocation change, other supplemental requests include \$48,200 in utility billing and cashiering software support fees; \$17,300 in Oracle database enhancements; \$13,600 in increased postage; \$3,600 for barcode scanning devices and \$12,000 for office furniture for the Business Services Division.

**Wastewater Expenses by Object  
Unrestricted Net Assets Basis  
\$26,254,100**



Payment in lieu of taxes (PILT) amount to \$8.0 million and is based on the following methodology adopted in fiscal 2004 (see chart below). Debt Service totals \$0.6 million and includes principal and interest payments on general obligation revenue bonds. More detail can be found in the debt management section of this document.

Capital outlay and construction appropriations total \$5.4 million and include \$2.4 million in design on a new reclamation facility. A detail listing of all capital can be found in the Utility Department section of the budget.

**Salaries and benefits** amount to \$2.4 million, an increase of 64.1% as compared to fiscal 2004. This is primarily due to the change in the cost allocation methodology between the Water and Wastewater Fund. Shared expenses and activities such as the Customer Services Division, are now allocated 40% to the wastewater utility as compared to the 25% allocation used in prior years. The new allocation is based on number of utility accounts and is now 60% water and 40% wastewater. There are no new positions in the wastewater utility.

**PILT Calculation**

Payment in Lieu of Taxes @ 20.0% of Water Rate Revenue	3,403,520
Franchise Fees @ 5.0% of Water Rate Revenue	852,730
Overhead Fees @15.0% of Total Revenue	3,775,080
<b>Total Payment in Lieu of Taxes</b>	<b><u>8,031,330</u></b>



# Golf Course Fund

## Golf Course

The nine hole, par-3 golf course is highlighted by its ability to be user-friendly for beginners, yet still challenges the experienced player with its small greens. Well-maintained with a mature treescape, this lighted course allows for nighttime play and is open every day except on Christmas.

## Summary

The financial statement depicted below illustrates a \$50,400 increase in the unrestricted net assets of the Golf Fund. Although the Golf Fund maintains adequate cash reserves, the competition of nearby

golf courses is having an adverse impact on revenues. Revenues generated from green fees and concession sales are estimated at \$595,000, an 8.5% decrease from 2004. The number of rounds played totalled 55,414 in 2003, a decrease from 67,800 in 2002.

The 2005 operating budget amounts to \$544,600 and represents a decrease of \$90,373 or 14.2%. Salaries and benefits decreased by 18.5% or \$94,173 resulting from proposed changes in the staffing pattern. Supplies and services increased slightly by 3.0%.

## Golf Fund

### Statement of Revenues, Expenses and Changes in Unrestricted Net Assets Fiscal 2003-2005

	Actual 2003	Amended Budget 2004	Adopted Budget 2005	2004 vs 2005 Variance Amount	Percent
<b>Revenues</b>					
Charges for services:					
User fees	455,102	520,000	495,000	(25,000)	(4.8)
Other Fees	110,550	130,000	100,000	(30,000)	(23.1)
<b>Total Revenue</b>	<b>565,652</b>	<b>650,000</b>	<b>595,000</b>	<b>(55,000)</b>	<b>(8.5)</b>
<b>Expenditures</b>					
Salaries and wages	386,634	377,400	322,900	(54,500)	(14.4)
Employee benefits	131,617	131,773	92,100	(39,673)	(30.1)
Services and supplies	117,225	125,800	129,600	3,800	3.0
<b>Total Expenses</b>	<b>635,476</b>	<b>634,973</b>	<b>544,600</b>	<b>(90,373)</b>	<b>(14.2)</b>
Income Before Transfers In (Out)	(69,824)	15,027	50,400	35,373	235.4
Transfers to Other Funds	(1,000)	(1,000)	0	1,000	100.0
<b>Change in Unrestricted Net Assets</b>	<b>(70,824)</b>	<b>14,027</b>	<b>50,400</b>	<b>36,373</b>	<b>259.3</b>
Beginning Unrestricted Net Assets	465,358	394,534	408,561	14,027	3.6
<b>Ending Unrestricted Net Assets</b>	<b>394,534</b>	<b>408,561</b>	<b>458,961</b>	<b>50,400</b>	<b>12.3</b>

