

**Senate Committee on Finance
CLOSING LIST #11
May 8, 2015**

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Title: PUC - PUBLIC UTILITIES COMMISSION
 Account: 224 - 3920

Budget Page: PUC-11, Volume I

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(518,881)	3,262,586	(728.77)	3,442,236	5.51	2,780,981	(19.21)
FEDERAL FUND	546,265	427,205	(21.80)	557,981	30.61	617,716	10.71
INTERAGENCY TRANSFER	212,557	144,716	(31.92)	212,557	46.88	212,557	
OTHER FUND	10,761,173	10,778,459	0.16	10,476,685	(2.80)	10,470,862	(0.06)
Total Revenues	11,001,114	14,612,966	32.83	14,689,459	0.52	14,082,116	(4.13)
Total FTE		96.00		96.00		96.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total 0 0

Grand Total General Fund Impact of Closing Changes 0 0

Overview

The Public Utilities Commission (PUC) is comprised of three commissioners whose responsibilities are to balance the interests of customers of public utilities to receive safe and adequate service with reasonable rates, while providing shareholders of public utilities the opportunity to earn a fair return on their investment. The PUC is also responsible for the Railroad Safety and the Gas Pipeline Inspection programs and for collection of the Universal Energy Charge (UEC) that is deposited into the fund for Energy Assistance and Conservation, which was approved by the 2001 Legislature. The UEC is based upon each kilowatt-hour of electricity and therm of gas sold at the retail level. The fund is administered in conjunction with the Division of Welfare and Supportive Services and the Division of Housing to assist low-income consumers with power bill payments and energy conservation, weatherization, and energy efficiency needs.

The Executive Budget recommends total funding of \$28.8 million for the 2015-17 biennium, an increase of 3.6 percent over the 2013-15 legislatively approved funding of \$27.8 million. Primary funding in this account is derived from a mill assessment on gross utility operating revenues, statutorily capped at 3.5 mills (one mill = 1/10 of one cent). An additional assessment of up to 0.75 mills is assessed and transferred to the Attorney General's Account for the Consumer Advocate. Pursuant to Nevada Revised Statutes 704.033, the PUC has set its annual regulatory assessment at 2.58 mills for each year of the

2015-17 biennium. The mill assessment for FY 2014 and FY 2015 was set at 2.59 and 2.55 mills, respectively. The reserve level at the end of the 2015-17 biennium is recommended by the Governor at \$2.4 million. According to the agency, the optimal reserve range is between \$2.4 million and \$2.9 million.

Major Closing Issue

Unclassified Position Salary Increases

Discussion of Major Closing Issue

Unclassified Position Salary Increases (E-806, PUC-15): The Executive Budget includes Federal Gas Pipeline Safety Grant funding of \$22,218 in FY 2017 and a reduction to reserves of \$254,852 over the biennium to support salary increases for 22 unclassified positions. The agency indicates the salary adjustments are needed to remedy internal inequities, align salaries with comparable classified and/or unclassified positions in other state agencies, and attract and retain a diverse, well-educated professional workforce who are technically prepared to meet the demands of the rapidly changing and increasingly complex utility industry; and capable of supporting the Commission goals. The proposed salary changes for the 22 unclassified positions are as follows:

GOVERNOR RECOMMENDS UNCLASSIFIED SALARY INCREASES					
Position Title	Number of Positions	Legislatively Approved Salary	Proposed Salary	Proposed Increase	Percent Change
Senior Attorney	1	\$106,904	\$118,156	\$11,252	10.5%
Commission Policy Advisory (each)	5	\$90,127	\$93,187	\$3,060	3.4%
Legal Case Manager	1	\$57,124	\$70,894	\$13,770	24.1%
Senior Regulatory Economist	1	\$87,667	\$92,050	\$4,383	5.0%
Engineer, Electric (each)	4	\$85,836	\$91,320	\$5,484	6.4%
Resource Planning Engineer	1	\$81,680	\$84,981	\$3,301	4.0%
Engineer, Water	1	\$81,680	\$93,187	\$11,507	14.1%
Senior Engineering Analyst	1	\$73,194	\$84,981	\$11,787	16.1%
Senior Gas Pipeline Engineer	1	\$86,170	\$93,187	\$7,017	8.1%
Engineer, Gas Pipeline (each)	5	\$81,680	\$84,981	\$3,301	4.0%
Financial Analyst (each)	1	\$81,680	\$85,764	\$4,084	5.0%
TOTALS	22				

Amounts reflect base salary only on the Employee/Employer Paid Retirement plan for comparison purposes, benefits are not included.

The approval of this decision unit would provide funding; however, the salary changes will be considered in conjunction with the Unclassified Pay Bill, which will be considered at a later date. Does the Committee wish to approve the Governor’s recommendation to fund increases to the salaries of 22 unclassified positions?

Other Closing Items

1. Reorganize Agency Vehicle Fleet (E-249, PUC-13): The Governor recommends \$4,629 in additional costs over the 2015-17 biennium to finalize the agency’s transition from its agency-owned fleet of vehicles to utilizing monthly Fleet Services rentals, pursuant to the state’s long-term vehicle utilization guidelines. The \$4,629 in additional costs over the biennium are supported by Excess Property Sales revenue of \$15,257, a reduction in reserve funding of \$2,508, and a decrease in Inspection Fees of \$13,136 over the 2015-17 biennium. **This recommendation appears reasonable.**
2. Replacement Hardware and Software (E-710, PUC-14): The Executive Budget recommends a combination of Federal Gas Pipeline Safety Grant funds of \$6,834, Inspection Fees of \$2,809, and a reduction to reserves of \$128,589 over the 2015-17 biennium to replace 55 desktop computers, 8 laptop computers, 6 printers, 7 switches, and Microsoft Office and Visio software. **This recommendation appears reasonable.**

3. Replacement Microwave Equipment (E-719, PUC-15): The Governor recommends a reduction to reserves of \$10,600 in FY 2016 to replace a high performance microwave radio that is at end-of-life. **This recommendation appears reasonable.**
4. Unclassified Position Reclassification (E-811, PUC-15-16): The Governor recommends a reduction to reserves of \$9,499 over the 2015-17 biennium to reclassify a Financial Analyst to a Senior Financial Analyst and increase the salary by 5 percent from \$81,680 to \$85,764 due to supervisory duties performed by the incumbent. The Senior Financial Analyst is a new unclassified classification. **The approval of this decision unit would provide funding, however, the salary change will be considered in conjunction with the Unclassified Pay Bill, which will be considered at a later date.**

Fiscal staff recommends Other Closing Items be approved as recommended by the Governor with authority for staff to make technical adjustments as necessary.

Other Information – No Action Required by the Committee

1. Senate Bill 46, submitted by the Governor and re-referred without recommendation by the Senate Committee on Government Affairs to the Senate Committee on Finance on April 3, 2015, would exempt the Colorado River Commission as well as the Public Utilities Commission from the majority of the requirements of the State Budget Act; remove all officers and employees from classified and unclassified service; and require the respective commissions to adopt rules and policies regarding employment rights, salary ranges and benefits of its officers and employees. The officers and employees would remain eligible to participate in the Public Employees' Benefits Program and the Public Employees' Retirement System, but they would be exempt from NRS 281.123 that limits salaries of state employees to not more than 95 percent of the Governor's salary.
2. Assembly Bill 175, as amended by the Senate on May 7, 2015, would provide for the regulation of transportation networks by the Public Utilities Commission and the establishment of fees and annual assessments for a transportation network company. The potential fiscal impact of the bill is not known as of the writing of this closing document.

Title: CRC - RESEARCH AND DEVELOPMENT
 Account: 296 - 4497

Budget Page: COLORADO RIVER COMM-10, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(3,021,816)	8,245,483	(372.87)	9,261,646	12.32	8,888,592	(4.03)
OTHER FUND	3,021,816	1,516,163	(49.83)	736,751	(51.41)	757,111	2.76
Total Revenues		9,761,646		9,998,397	2.43	9,645,703	(3.53)

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

The Committee has not previously heard this budget. Staff is responsible for developing closing recommendations for this budget.

The Research and Development Fund is utilized as a pass-through account for the costs related to the Lower Colorado River Multi-Species Conservation Program (LCRMSCP) to comply with the Endangered Species Act. This is a 50-year program implemented on April 4, 2005, to address the biological needs of mammals, birds, fish, amphibians and reptiles, as well as invertebrates and plants. Nevada has entered into a regional partnership with Arizona, California, and the U.S. Department of the Interior, as well as various non-federal stakeholders and water and hydroelectric power agencies along the lower Colorado River. The partnership is governed by an interstate cost-sharing agreement in which funding commitments for the costs associated with the non-federal portion of the project are covered. Funding for this budget is provided primarily through administrative charges in accordance with the multi-species funding contracts between the Colorado River Commission (CRC) and its water and power customers.

Major Closing Issues

There are no major closing issues.

Fiscal staff recommends this budget be closed as recommended by the Governor with authority for staff to make technical adjustments as necessary.

Other Information – No Action Required by the Committee

Senate Bill 46, submitted by the Governor and re-referred without recommendation by the Senate Committee on Government Affairs to the Senate Committee on Finance on April 3, 2015, would exempt the Colorado River Commission as well as the Public Utilities Commission from the majority of the requirements of the State Budget Act; remove all officers and employees from classified and unclassified service; and require the respective commissions to adopt rules and policies regarding employment rights, salary ranges and benefits of its officers and employees. The officers and employees would remain eligible to participate in the Public Employees' Benefits Program and the Public Employees' Retirement System, but they would be exempt from NRS 281.123 that limits salaries of state employees to not more than 95 percent of the Governor's salary.

Title: CRC - POWER DELIVERY SYSTEM
 Account: 502 - 4501

Budget Page: COLORADO RIVER COMM-12, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(511,165)	722,663	(241.38)	640,853	(11.32)	409,682	(36.07)
OTHER FUND	32,864,421	104,241,787	217.19	32,795,235	(68.54)	32,728,953	(0.20)
Total Revenues	32,353,256	104,964,450	224.43	33,436,088	(68.15)	33,138,635	(0.89)

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

The Committee has not previously heard this budget. Staff is responsible for developing closing recommendations for this budget.

The Power Delivery System Fund (Fund) accounts for all of the costs associated with the Colorado River Commission's (CRC) high-voltage power delivery system for the Southern Nevada Water Authority's (SNWA) water delivery system, which provides for a power transmission system from the Lake Mead substation at Hoover Dam to the SNWA water treatment facility. The Fund accounts for all costs of power purchases for water deliveries and for operation and maintenance costs associated with the project. The CRC develops annual operating budgets for the power delivery projects that are reviewed and approved by the SNWA pursuant to contract. Funding is provided through monthly billings to SNWA in accordance with the approved operational budget.

The base budget continues funding for the Power Delivery Project system and power marketing activity to support the agency's water purveyor customers resource needs.

Major Closing Issues

There are no major issues.

Other Closing Items

1. Replacement Vehicle (E-710, COLORADO RIVER COMM-13): The Executive Budget includes Power Sales funding of \$66,610 in FY 2016 to replace two 4X4 sport utility vehicles that are each over ten years old with an excess of 100,000 miles. **This recommendation appears reasonable.**
2. Cost Allocation (E-800, COLORADO RIVER COMM-13): The Governor recommends Power Sales funding of \$220,939 in FY 2016 and \$269,396 in FY 2017 for the CRC's administrative services cost allocation. **This recommendation appears reasonable.**

Fiscal staff recommends this budget be closed as recommended by the Governor with authority for staff to make technical adjustments as necessary.

Other Information – No Action Required by the Committee

Senate Bill 46, submitted by the Governor and re-referred without recommendation by the Senate Committee on Government Affairs to the Senate Committee on Finance on April 3, 2015, would exempt the Colorado River Commission as well as the Public Utilities Commission from the majority of the requirements of the State Budget Act; remove all officers and employees from classified and unclassified service; and require the respective commissions to adopt rules and policies regarding employment rights, salary ranges and benefits of its officers and employees. The officers and employees would remain eligible to participate in the Public Employees' Benefits Program and the Public Employees' Retirement System, but they would be exempt from NRS 281.123 that limits salaries of state employees to not more than 95 percent of the Governor's salary.

Title: CRC - POWER MARKETING FUND
 Account: 505 - 4502

Budget Page: COLORADO RIVER COMM-15, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(41,734)	851,011	(2139.13)	1,162,025	36.55	1,425,909	22.71
OTHER FUND	26,674,360	32,320,941	21.17	29,992,185	(7.21)	29,981,217	(0.04)
Total Revenues	26,632,626	33,171,952	24.55	31,154,210	(6.08)	31,407,126	0.81

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total

0 0

Grand Total General Fund Impact of Closing Changes

0 0

Overview

The Committee has not previously heard this budget. Staff is responsible for developing closing recommendations for this budget.

The Power Marketing Fund is used to record purchases and sales of power, debt service related to the Hoover Upgrading Bonds, and operational costs of the Basic Substation project. This fund accounts for all power related activities except those dedicated to the Southern Nevada Water System and its customers. All hydropower allocations to Nevada, administered by the Colorado River Commission (CRC), are recorded in this account. Funding is provided through monthly billings to hydropower customers.

Since its inception in 1935, the CRC has supplied hydropower to customers, including the four preference power customers (Boulder City, Lincoln County Power District, Overton Power District, and Valley Electric Association), Southern Nevada Water Authority, the six industries located in the Basic Industries complex in Henderson, and NV Energy (formerly Nevada Power Company). All of these customers receive allocations of the federal hydropower resources on the Colorado River sold to Nevada through the CRC. However, the resources from the hydropower plants are not enough to supply the entire power needs of some of the customers and additional power must be purchased. These supplemental power purchases fluctuate greatly depending on anticipated customer load and the hydropower resource availability.

Major Closing Issues

There are no major closing issues.

Other Closing Item

Cost Allocation (E-800, COLORADO RIVER COMM-16): The Governor recommends Power Sales funding of \$440 over the 2015-17 biennium for the CRC's administrative services cost allocation. **This recommendation appears reasonable.**

Fiscal staff recommends this budget be closed as recommended by the Governor with authority for staff to make technical adjustments as necessary.

Other Information – No Action Required by the Committee

Senate Bill 46, submitted by the Governor and re-referred without recommendation by the Senate Committee on Government Affairs to the Senate Committee on Finance on April 3, 2015, would exempt the Colorado River Commission as well as the Public Utilities Commission from the majority of the requirements of the State Budget Act; remove all officers and employees from classified and unclassified service; and require the respective commissions to adopt rules and policies regarding employment rights, salary ranges and benefits of its officers and employees. The officers and employees would remain eligible to participate in the Public Employees' Benefits Program and the Public Employees' Retirement System, but they would be exempt from NRS 281.123 that limits salaries of state employees to not more than 95 percent of the Governor's salary.

Title: PERS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Account: 101 - 4821

Budget Page: PERS-3, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	200,000	200,000		200,000		200,000	
OTHER FUND	9,700,994	9,700,994		10,749,444	10.81	10,983,323	2.18
Total Revenues	9,900,994	9,900,994		10,949,444	10.59	11,183,323	2.14
Total FTE		68.00		69.00		69.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

The Public Employees' Retirement System (System) provides retirement, disability and death benefits to long-term public employees. The System includes employees of Nevada counties, cities, school districts, state government and miscellaneous public employers. In addition to administering the retirement funds for regular and police/fire members, the System also administers the Legislators' Retirement System and the Judicial Retirement System.

Nevada Revised Statutes (NRS) 353.246 provides that the System is not subject to the State Budget Act. While the System is required to submit its proposed budget for inclusion in The Executive Budget, the Budget Division does not review or make substantive adjustments to the budget submitted by PERS.

Per NRS 286.230, the System budget is primarily funded through a monthly per capita fee for each member and benefit recipient. Per capita fees as of July 1, 2014, are \$3.36 for each regular member and benefit recipient and \$3.58 for each police/fire member and benefit recipient. In Fiscal Year 2014, per capita fees were \$3.23 for each regular member and benefit recipient and \$3.42 for each police/fire member and recipient. System staff indicates per capita fees fluctuate based on working capital and beneficiary counts on June 30 of each year.

Based on the actuarial valuation of assets for fiscal year ending June 30, 2014, the actuarial value of assets to accrued liabilities (funded ratio) was 70.8 percent for the regular members and 74.3 percent for police/fire members. The funded ratios increased from 68.9 percent for regular members and 71.1 percent for police/fire members as determined by the actuarial valuation of assets for fiscal year ending June 30, 2013.

Major Closing Issues

New General Counsel Position (E-225)

Discussion of Major Closing Issues

New General Counsel Position (E-225, PERS-4, 5): The System budget for the next biennium includes funding of \$372,295 for a new General Counsel position to serve as a member of the executive staff. The proposed salary for the position is \$146,599 per year (prior to reduction for retirement). For the purpose of comparison, the salary for the Executive Officer is \$175,086 (prior to reduction for retirement).

According to the System, the General Counsel position is requested due to the increase in the number of documents requiring legal review, the specialized nature of pension law and the technical nature of compliance with federal law. The General Counsel will have the authority and responsibility of advising the Retirement Board and staff on legal pension matters that are required on a daily basis for the System and reduce potential conflicts in legal representation. The System does not currently have attorney positions in its budget. The System utilizes the services of its assigned Deputy Attorney General for open meeting law compliance, fulfilling public records requests and reviewing qualified domestic relations orders. The System utilizes outside counsel for litigation and tax compliance issues.

The System indicates the General Counsel would address day-to-day legal matters and manage litigation and tax compliance issues, where these duties are currently supported by the Executive Officer. The addition of the General Counsel would not eliminate the need for services from the Attorney General's Office. The assigned Deputy Attorney General would continue to assist the Retirement Board with open meeting law compliance and public records requests. It does not appear that the General Counsel position would offset the need for outside legal representation either.

Senate Bill 420, currently in the Senate Finance Committee, proposes the establishment of the General Counsel position in statute similar to other executive staff positions.

The System Executive Officer indicated during the hearing that at least 60 statewide pension systems have in-house general and associate counsel positions. The Executive Officer further indicated that approximately 95 percent of outside counsel expenses are related to litigation and 5 percent is related to general legal advice and that the General Counsel position would handle much of the in-house litigation. In response to staff's question regarding the possibility of reducing outside counsel expenses if the General Counsel position were approved, the System indicates that outside counsel expenses can be reduced by \$75,654 in FY 2016 and \$117,239 in FY 2017. The reductions are based on analysis performed by the Executive Officer of pending legal cases and the last 12 months of costs for outside counsel. The Executive Officer estimates that two cases on appeal would require completion by outside counsel over the biennium, but that remaining pending cases could be addressed jointly by outside counsel and the General Counsel and transitioned to the General Counsel in their entirety.

Does the Committee wish to approve the General Counsel position for the Public Employees' Retirement System? If so, staff recommends reducing funding for outside counsel expenses by \$75,654 in FY 2016 and \$117,239 in FY 2017.

Other Closing Items

Decision Unit E-710 (PERS-5) includes funding of \$1.4 million each year for replacement equipment, including a software upgrade totaling \$1.3 million each year to comply with pension changes made through Senate Bill 427 of the 2009 Session. **Staff has no issues with this recommendation.**

Staff seeks authority to make technical adjustments as necessary.