

**BIG BEND WATER DISTRICT
CITIZEN ADVISORY COMMITTEE
MEETING SUMMARY**

July 25, 2017, 9:00 a.m.

Laughlin Regional Government Center
101 Civic Way, Laughlin, Nevada

Committee Members Present:	Deborah Murray Fred Doten Pamela Tyler Frank Pilj	Kathy Ochs Bruce Henry Danny Laughlin
Committee Members Absent:	Carrie Larson	Sean Hammond
Staff Present:	Brian Thomas Kevin Fisher Jeff Theuret	Julie Wilcox Chaunsey Chau-Duong
Others Present:	Lewis Michaelson, Guy Hobbs, Jeff Share, Chris Wardlaw	

PUBLIC COMMENT

There were no persons wishing to speak.

SUMMARY OF ACTIVITIES

The Big Bend Water District (BBWD) Citizens Advisory Committee met on Tuesday, July 25, 2017. The meeting began at 9:07 a.m.

Facilitator, Lewis Michaelson, opened the meeting by directing the committee's attention to two follow-up documents requested at the last meeting: an acronym list and a pressure zone map of the BBWD.

Lewis also went over the meeting agenda, which included an overview of BBWD's 10-year Capital Program, a funding overview and a discussion of potential future funding sources.

Fred Doten made a motion to approve the minutes and requested that all meeting participants as well as the sign-in sheets be included in minutes moving forward. The minutes were unanimously approved.

Kevin Fisher, Director of Water Quality and Treatment, gave a general review of BBWD's 10-year capital program, which will cost approximately \$9 million over the next 10 years. Kevin also discussed current BBWD asset maintenance efforts. Significant construction and repairs have occurred over the past several years, and those things now need to be maintained to ensure they will be effective throughout their lifespan. He discussed the following critical assets of the water system and the strategies implemented for maintaining them:

Pipeline Improvements: Staff has identified the age of every pipe within the BBWD distribution system and projected its lifespan based on materials, pressure, and other factors. Based on that evaluation, staff estimates that approximately 1,000 to 2,000 feet of pipe per year need to be replaced over the next 10 years. The estimated cost for pipeline improvements over the next 10 years is approximately \$3.6 million.

Emergency Well: An emergency well will serve the community clean water in the event that the river is experiencing high turbidity. The estimated cost for the emergency well is \$1.1 million.

Unforeseen Projects: Kevin briefly mentioned budgeting approximately \$1 million for unforeseen needs and projects. Having sufficient funding to address unanticipated projects will help expedite repairs and restoration of water service.

Clearwell Deck Corrosion: After water gets treated, it goes to the clearwell before being distributed throughout the water system. The rebar within the clearwell's concrete deck is cracking and spalling into the clearwell due to high temperatures. The deck surface needs to be re-coated and the spalling needs to be fixed. The cost for this work is approximately \$820,000.

Tank Refurbishments: Storage tanks within the BBWD system need to be coated, which consists of sandblasting them and then applying epoxy to the interior. It is estimated that this will help extend the tanks' lifecycles by 20 years and will cost \$600,000.

SCADA Software Conversion: SCADA is the software that runs and collects data from the water system. Current software is about 10 years old and needs to be updated, which will cost approximately \$366,000.

Large Meter Replacement Program: Most small meters throughout the water system have been replaced over the last five years, which has helped stabilize the system. About 32 large meters throughout the system now need to be replaced. They will be replaced by turbine meters, which will provide more accurate meter reads and system stability. Estimated cost for this project is \$280,000.

Kathy Ochs asked where the large meters are generally located. Kevin responded that most of them are along Casino Drive. He added that, when a large meter is tested, it needs to be pulled out of the ground and the customer is left without water. Ideally, a bypass mechanism will be installed so that meters can be tested without an interruption in water service.

Kathy also asked if the cost of the large meter program is absorbed solely by the BBWD. Kevin responded that it is.

Treatment Plant Upgrades: Certain items at the treatment plant require repair, including the control for the treatment plant filters. The controls have worked well for 15 years, but the manufacturing company has discontinued the line of hardware used at the treatment plant. Purchase and installation of a new controller will increase the operators' ability to monitor water quality.

Kevin also discussed the filter valves that require replacement. These valves allow water to go out of the filters and they no longer work. Total cost for treatment plant upgrades is approximately \$300,000.

Intake Variable Frequency Drive: This component controls the speed of the pump at the water intake structure. The existing hardware was installed more than 20 years ago and is now reaching the end of its life expectancy. The approximate cost for replacement is \$200,000.

AMI System Installation: Advanced Metering Infrastructure (AMI) installation would be done over the span of a few years and allow both BBWD and customers to track water usage in real time. It will also eliminate the need for staff to drive back and forth to read meters. The approximate cost is \$200,000.

Ozone Generator HVAC: Ozone is the primary disinfection method at the water treatment plant. It is a power-intensive process that generates significant heat. An additional HVAC system is needed to regulate equipment temperatures. The approximate cost is \$150,000.

TTHM Mitigation: Trihalomethanes (TTHM) are chemicals that are formed when chlorine comes in contact with naturally occurring organics found in drinking water. The EPA has strict limits on the amount of TTHMs allowed within a distribution system, and mitigation is required to control the level of TTHMs within the BBWD distribution system. Putting air in the water forces TTHMs to the surface, where a fan then blows them out of the tank. The 1000 Zone Tank requires the installation of a mitigation system, which will cost approximately \$140,000.

Pressure Zone Bypass: Installing a pressure zone bypass allows water stored in higher-elevation tanks to feed lower pressure zones in the event of an outage. This project will increase reliability for Laughlin's highest-demand area during planned or emergency outages. Approximate cost for this project is \$18,000.

Other Needs: Kevin finished by briefly describing the need for a new motor control center at the Rialta Tank and along Casino Drive, and new cathodic protection at the intake structure.

Lewis clarified that these improvements are needed over the next 10 years, as opposed to immediately over the next year or two.

Kathy asked if there is a schedule to complete these projects. Kevin responded that there is a schedule and that there are dates associated with each project. Kathy also requested that staff provide construction updates at future Town Advisory Board meetings, which staff agreed to do. Kevin added that staff works with affected customers prior to planned service outages for things like repairing, replacing or testing large water meters.

Fred Doten asked what the costs for the capital improvement program items are based on. Kevin responded that they are based on similar projects that have been completed in the past. He added that the only cost that varies is the cost of asphalt.

Fred also asked how inflation is accounted for. Kevin responded that the prices in the capital program reflect today's costs. He also said that moving a project forward on the calendar can be discussed if the committee would like to avoid price escalation for some projects. Brian Thomas, Chief Financial Officer, added that inflation is considered when developing a capital program and staff tries to plan for those cost increases.

Bruce Henry asked if there is only one manufacturer that makes the necessary software for the BBWD system. Kevin responded that there are various software manufacturers for SCADA control systems, and noted that the WonderWare software that staff is currently evaluating is a robust and cost-effective system to operate because it requires little customization.

Bruce asked if there is similar software that could cost less. Kevin responded that there could be, but that system security is a very high priority and costs more. He said that a robust data repository also is necessary to comply with state-required reporting standards.

Kathy asked if the work outlined in the capital program is handled by in-house staff or if it is contracted out. Kevin responded that it will be a combination of the two, but most construction work will be done through contract. Staff will engineer and inspect the projects to ensure they are built correctly, but most construction is contracted out. Kathy asked if prevailing wage requirements are adhered to, and Kevin responded that based on their cost, some projects require prevailing wage and others do not. Kathy asked staff to identify the projects that will be in-house and the ones that will be contracted out, so that local contractors can be aware of upcoming work. Staff committed to providing this information at the next meeting.

Brian Thomas then discussed BBWD's financials, including existing and potential funding sources and uses. BBWD's sources of revenue are water charges (customer bills), interest income, system development charges, sales tax proceeds and grant proceeds.

Brian explained that BBWD's expenditures include energy, payroll and related costs, operating expenses, capital expenditures and debt service. Energy is the power costs required to operate the system. Payroll and related is the salaries and benefits for the employees that operate and maintain the system. Operating expenses pay for supplies, vehicle purchase and maintenance and other materials. Capital expenditures are the costs of making improvements or repairs to the water system. Debt service is the principal and interest payments on debt.

Brian then discussed the historical sources and uses of BBWD funding between 2008 and 2017. Because the water system required significant capital expenditures during that time, uses of funds exceeded sources of funds and BBWD's financial reserves were used to fill that gap. BBWD's reserves totaled more than \$9 million in Fiscal Year 2007-08 and are currently less than \$1 million.

Bruce asked how the reserves got up to \$9 million. Brian responded that money was collected as rates were increased between 2003 and 2006 and very few capital expenditures were made for the water system at that time.

Lewis asked what the level of financial reserves should be. Brian responded that it is prudent to have about 90 days' worth of operating expenses, which equates to approximately \$1 million in reserves for BBWD.

Brian briefly discussed BBWD's rate history and the components of customer water rates. BBWD's water rates are comprised of a monthly service charge and two consumption-based tiers. Between 2003 and 2006, water rates were increased by an average of 8.5 percent each year. He added that the while the

tiered rates went up during those years, the service charge remained the same. Brian also explained that while rates have not changed since 2006, inflation has increased by 20 percent.

Kathy said that Laughlin is eligible for a rural designation when it comes to grant funding and encouraged staff to consider that moving forward.

Brian then discussed projections for funding sources and uses over the next 10 years. If the capital program is implemented and funding sources were to remain as they currently are, a funding gap of approximately \$14 million is projected by Fiscal Year (FY) 2026-27 and the purpose of the committee is to determine how to bridge that gap.

Brian then discussed the approved sources and uses of funds in BBWD's FY 2017-18 budget. The largest source of funds for BBWD is water sales, which includes the service charge and tiered charges and represents about \$3.2 million in revenue. Other sources of funds include approximately \$129,000 from system development charges, \$8,874 from interest income and \$395,685 from sales tax proceeds.

Kathy observed that grant funding was not represented on the sources of funds chart and asked if there are any active grants. Brian responded that grants are not included in the budget until they are received, but that grants would be discussed a bit later.

Brian then discussed uses of funds. Operating expenses as well as payroll and related expenses represent the majority of total uses, at \$1.7 million and \$1.9 million, respectively. Other uses of funds include approximately \$248,000 in capital expenditures, \$517,423 in debt service and \$425,000 in energy.

Fred asked if the \$1.9 million in payroll and related is for people that work solely in Laughlin or if it pays other people as well. Brian responded that there are seven budgeted employees that work full-time in Laughlin. In addition to that, other employees come from Las Vegas to work on the BBWD system that charge portions of their time to BBWD. The total number of full-time equivalents (FTEs) is between 11 and 12 people each year, but can vary based on the amount and type work required. Lewis clarified that the 12 budgeted FTEs does not represent the seven full-time employees in Laughlin plus five other people—it represents the seven employees in Laughlin plus portions of time from many employees that equates to about 12 people.

Kathy asked for more detailed breakdowns for operating expenses and payroll can be provided at a future meeting. Brian committed to providing this information.

Fred asked who actually manages the BBWD. Kevin responded that the Las Vegas Valley Water District (LVVWD) is the operating contractor of BBWD and he is the director over BBWD system operations. Brian further explained that, as the operating agent of BBWD, LVVWD has both an operating responsibility and a fiduciary responsibility to operate the system appropriately. Requests for additional resources to be included in the BBWD budget come from staff and are reviewed by Kevin, a deputy general manager, the general manager and ultimately the County Commission serving as the BBWD Board of Trustees.

Kathy added that, dating back to when Clark County first assumed operations of BBWD, there has been a negative perception regarding costs, especially as they pertain to payroll. She acknowledged that, while

it may be inaccurate, the perception could be that from the \$1.9 million in payroll costs, \$60,000 to \$80,000 goes to the FTEs and the rest is taken by LVVWD. That perception is something that staff and the committee are going to have to deal with moving forward.

Lewis asked Kevin and Brian roughly how many small systems LVVWD operates and if any of those customers did not share the same concerns that Kathy mentioned. They responded that LVVWD operates six small systems and that it is a common perception among many of those customers. Lewis also clarified that the goal of these water systems is just to recover costs and nothing more. Kathy agreed.

Brian went on to explain different ways to fund the revenue gap, which include grants, state funding, bond issuance, low interest loans, service charges and water rates. Over the past several years, more than \$1 million in grant funding has been received for various projects throughout the water system, including \$300,000 that has already been awarded to support installation of the emergency well.

Bruce asked what the timeline is for applying for and receiving grant funding. Brian responded that there is no definitive time frame, but it can take anywhere between three months and two years.

Brian discussed past grant funding for the installation of AMI technology in rural communities. When funding is available, staff will prepare a grant application for AMI installation in Laughlin.

Brian also discussed Nevada's Principal Forgiveness Loan program, through which qualifying communities can receive principal forgiveness loans not exceeding \$500,000. BBWD's emergency well project has been added to the priority list and funding is anticipated later this year.

Brian then turned the time over to Jeff Share, Clark County Budget Director, and Chris Wardlaw, Clark County Financial Analyst, to provide background on the Fort Mohave Land Development Fund and discuss its potential use as a funding source.

Jeff explained that the Fort Mohave Land Development Fund was established in 1959 and per Nevada Statute, may be used to:

- Purchase and acquire lands
- Develop the Fort Mohave Valley or any general improvement district, special district, town or city whose territory contains land in the Fort Mohave Valley.

Development as defined in the statute includes planning, design, and construction of capital improvements which develop the land in the Fort Mohave Valley. Use of the fund, which is administered by Clark County, requires Clark County Commission approval.

The original amount in the fund was \$9,250,545. The fund receives revenue from the following sources:

- Right of Way for AT&T: \$24,390 / year since 2008
- Land Lease – Parcel A: \$560,000 / year since FY 2016
- Land Lease – Parcel B: \$370,650 / year since FY 2016
- Interest Earnings

Each of the land leases is for three years, after which there is an option for a 20-year agreement on each parcel.

To date, the fund has been primarily used for design and engineering of the new bridge in Laughlin, for which approximately \$5.2 million was approved. Current cash available in the fund is approximately \$8.4 million.

Deborah Murray said since Clark County has administered the fund, there has been a priority list developed by the Laughlin Town Advisory Board (LTAB) for its use. She emphasized that Clark County has the final say as to what the funds will be used for. Bruce added that the LTAB does indeed have a prioritized list for potential uses of money from the fund.

Lewis then turned the time over to community member Bob Bilbray for additional discussion on uses of the Fort Mohave Land Development Fund. Bob reiterated that the LTAB has always had a priority list for use of the Fort Mohave Land Development Fund and that water rate subsidization was never on that list. While it is something that Laughlin residents may favor, he said it could lead to a slippery slope moving forward. He suggested that subsidizing rates was not its intended purpose when legislation for the fund was passed in 1962. He also said that usage of the fund should be restricted to the Fort Mohave development area, which is not the entire township of Laughlin.

Bob also discussed the lack of connection and system development charges in Laughlin over the past few decades. He said that required water and sewer hook-up fees often cost more than entire development projects. He emphasized the difficulties that Clark County's Title 30 have placed on site development in Laughlin.

Lewis summarized that there is a lot of work to be done for the BBWD and that there are various ways to pay for it. The purpose of this process is to figure out what makes the most sense for the Laughlin community. He suggested that BBWD staff is impartial as to how future capital improvements are funded, as long as sufficient money is generated to meet the community's needs. Brian and Kevin both agreed. Lewis said that the committee will be presented with different funding scenarios and options and will have the opportunity to discuss what works best for the community.

PUBLIC COMMENT

There were no persons wishing to speak.

ADJOURNMENT

The meeting concluded at approximately 11:00 am.

The next meeting is scheduled for Monday, August 7 at 10 am.

DATE: July 25, 2017

Big Bend Water District

Citizens Advisory Committee

Sign-in Sheet

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