

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

August 7, 2017, 10:00 a.m.

Laughlin Regional Government Center
101 Civic Way, Laughlin, Nevada

Committee Members Present:	Deborah Murray	Kathy Ochs
	Fred Doten	Bruce Henry
	Pamela Tyler	Danny Laughlin
	Frank Pilj	Carrie Larson
	Sean Hammond	

Committee Members Absent: None

Staff Present:	Brian Thomas	Kevin Fisher
	Chaunsey Chau-Duong	

Others Present: Lewis Michaelson, Guy Hobbs

PUBLIC COMMENT

There were no persons wishing to speak.

SUMMARY OF ACTIVITIES

The Big Bend Water District (BBWD) Citizens Advisory Committee met on Monday, August 7, 2017. The meeting began at 10:05 a.m.

Facilitator, Lewis Michaelson, opened the meeting with a brief recap of the first two meetings and asked if there were any corrections or comments to the July 25 meeting summary. Fred Doten made a motion to approve the minutes. The minutes were unanimously approved.

Brian Thomas, Chief Financial Officer, began the presentation by discussing the sources and uses of funds related to BBWD operations. The sources of funds for BBWD for fiscal year 2016-17 included Water Charges, Interest Income, System Development Charges and Sales Tax Proceeds.

Uses of funds for Fiscal Year 2016-17 included Energy, Payroll & Related, Operating Expenses, Capital Expenditures and Debt Service. Brian added that BBWD ended the fiscal year with a net surplus of approximately \$80,000.

Brian then discussed the sources and uses of funds budgeted for Fiscal Year 2017-18. The budget projects a small increase in water sales and sales tax proceeds and a decrease in interest income and system development charges.

Brian highlighted a one-time increase of approximately \$500,000 to Payroll & Related in Fiscal Year 2017-18. This is due to additional staff that will be needed to update BBWD's billing system and perform additional maintenance work that is not anticipated to last more than a year. For those same reasons, operating expenses reflect a similar increase that year. Brian also highlighted an increase in Capital Expenditures for Fiscal Year 2018-19, which reflect the implementation of the capital improvements that have been discussed by the committee. He noted that a deficit is projected for the system in each of the next two fiscal years.

Kathy Ochs asked why system development charges are projected to fall from \$358,000 in Fiscal Year 2016-17 to \$129,000 in 2017-18, and then to \$45,000 in 2018-19. Brian responded that forecasting development is difficult and that the 2017-2018 amount is reflective of development that is happening. He added that the \$45,000 in 2017-18 is a conservative estimate.

Fred Doten asked how the water charges are projected to increase if system development charges are projected to decrease. Brian responded that the committee may need to consider whether connection fees should be increased to help bridge the funding gap, although it is not something staff has suggested.

Carrie Larson added that developer DR Horton is expected to complete construction in six to eight months and only minimal development activity will remain in the community. She asked that an increase to connection fees not be considered.

Sean Hammond asked what happens when there is a budget surplus in any given year. Brian responded that it rolls over and stays with BBWD, emphasizing that BBWD is its own financial entity.

Going into more detail on the budgeted uses for Payroll & Related, Brian reminded the committee that BBWD funds approximately 11.75 full time equivalent (FTE) positions. Seven of those positions are dedicated to the operating system and include two customer service representatives, two treatment operators, one senior operator, one mechanical systems technician and one production operations supervisor. The other 4.75 FTEs that support the BBWD system on an as-needed basis include IT Support, Distribution staff, System Engineers, Fleet Support and Water Treatment staff. Brian added that BBWD receives the benefit of having Las Vegas Valley Water District (LVVWD) staff resources available on an as-needed basis without being charged for full-time positions. In total, 77 staff members are projected to support and expend labor to the BBWD system this year.

Fred asked how the cost of the seven designated BBWD employees compares to the other 4.75 FTEs. Brian estimated the amount by dividing the total amount of Payroll & Related by the 11.75 FTEs, which equals approximately \$160,000 per FTE, which includes salary and benefits. He added that BBWD and LVVWD have the same salary scale.

Deborah Murray asked how hours dedicated to BBWD by LVVWD staff are billed and accounted for. Brian responded that work orders and project numbers are established for individuals to charge their time. These are specific to work only being done for BBWD.

Fred asked when staff begins charging to BBWD in relation to receiving a work order. Kevin Fisher, Director of Water Quality and Treatment, responded that staff begins billing time when they depart for

Laughlin. He added that work is based on priority and when possible, is grouped together to minimize the cost of travel time.

Brian then provided additional information on BBWD's operating expenses, which include the materials and supplies needed to maintain and operate the water system. He added that the Administrative & General category includes staff that supports BBWD activities, but does not directly charge time to BBWD.

Brian then reviewed the Purchased Services expenditures, which includes contractors for emergency on-call services, a proportional share of SNWA costs, water quality and lab fees, SCADA maintenance upgrade, customer care and field services and resources/facilities.

Sean asked what the "Professional & Technical Services" category includes. Kevin responded that it includes specialized professional services, such as programmers for specific software or for laboratory work that requires technical equipment.

Regarding the "Proportional Share of SNWA Costs" category, Deborah asked for clarification on what LVVWD does for Laughlin in comparison to what SNWA does. Brian clarified that LVVWD operates the water system, while the SNWA is the regional wholesaler responsible for managing the water supply for its member agencies, including BBWD. The amount billed to BBWD is calculated by dividing the total amount of BBWD Colorado River diversions by the total amount of water distributed by SNWA.

Fred asked what portion of BBWD's annual 15,000-acre-foot allotment comes through SNWA. Brian responded that it all comes through SNWA. SNWA's member agencies include, LVVWD, City of Las Vegas, City of Henderson, City of North Las Vegas, Boulder City, Big Bend Water District and Clark County Water Reclamation District. Any member agency's unused allotment remains in Lake Mead for the benefit of all the member agencies and the river system.

Kathy expressed her concern regarding FTE salaries and benefits and asked if \$160,000 is a standard cost for FTEs. Brian responded he was unsure of the average cost per FTE is for LVVWD, but added that those salaries and benefits have been negotiated and implemented. Sean asked how many Collective Bargaining Agreements the LVVWD has in place. Brian responded that there are four bargaining units.

Carrie Larson requested to see the actual operating expenses from prior years to compare to current and future budgets. Brian committed to providing those at a future meeting.

Brian then reviewed the BBWD rate structure. The rate structure is comprised of service charges, which help cover account servicing and maintenance costs; thresholds, which determine the amount of water sold at each price level; and tiers, which determine the cost for different amounts of water used. He mentioned that BBWD single-family residential customers are charged a \$7.10 monthly service charge, and noted that other utilities charge their customers a daily service charge rather than a monthly service charge. In those cases, customers are charged for precisely the amount of days in a certain billing cycle. Brian said that this was something the CAC could consider changing if it desired.

Brian explained how the service charge changes based on meter size and how rate tiers vary between single-family residential and non-single-family residential customers.

Sean asked what the service charge pays for. Lewis clarified by asking if there are certain line items that are paid for by the service charge. Brian responded that there are not, and that all revenue derived from rates pay for BBWD system costs. He added that BBWD's service charge has not been changed for more than a decade and is something that the committee can consider changing. Lewis added that re-allocating the service charge and tiered rates is also something the committee can consider.

Brian discussed other water rates that can be found on some BBWD water bills, such as fireline rates and backflow service charges. He said that staff is not proposing that those be changed at this time.

Brian then introduced the sample customer bills that will be used throughout the process. The sample customers represented include a single family residential, multi-family residential, elementary school, shopping center, restaurant, non-profit organization, gaming resort, public building, park and small business. He also discussed what each customer's current 30-day water bill is, based on average monthly consumption.

Brian introduced the rate model and reviewed the projected expenditures over the next 10 years, which include capital costs, operating and maintenance, debt service and funding reserves.

Bruce Henry asked why staff is using a 10-year planning horizon. Brian responded that staff generally looks at a 10-year time frame in planning, but that it can be made longer or shorter. Lewis asked what the significance of a five-year plan would be. Bruce responded that he prefers looking at a realistic outlook over making long-term projections. Brian responded that a shorter forecast could be discussed. Lewis noted that a 10-year planning horizon can be beneficial because it allows water rates to smooth out over a longer period of time.

Kathy asked if there is an annual review process for the budget and if additional information such as grants and construction progress can be provided at Laughlin's monthly Town Advisory Board meetings. Chaunsey Chau-Duong, BBWD liaison, committed to providing that information in future reports. Brian also stated that the BBWD Board of Trustees adopts a budget on an annual basis and that information is available to the public.

Deborah added that with the amount of time that it can take to apply for and receive grant funding and political bodies that come and go, it can be difficult to get anything done with only five years of planning. Lewis added that regardless of what the planning horizon is, mid-course corrections can be made.

Carrie Larson asked if there was a scheduled rate increase that had not taken place since the last rate increase 10 years ago. Brian responded that four years of planned rate increases were implemented between 2003 and 2006 to fund the BBWD capital program. When LVVWD assumed operations of the system in 2008, the decision was made to use existing reserves from those rate increases for capital expenditures rather than raising rates.

Danny asked what interest rate the BBWD is paying on existing debt. Brian responded that the current interest rate is about 2.5 percent.

Brian discussed other assumptions considered within the rate model, including:

- \$9.2 million of capital needs over 10 years, with 2.2% annual inflation
- Payroll and related increasing 3.5% annually
- 0.8% account growth for both tiered consumption and service charge
- \$45,000 in annual system development charges
- -0.34 coefficient for price elasticity
- O&M increasing 2.2% annually
- A reserve target of 25% of annual O&M costs in 10 years
- 2.2% increase in sales tax annually
- Projected interest income of 0.7% annually

Brian then introduced two potential rate scenarios for consideration, the main difference between the two being the amount of additional funding received from grants, principal forgiveness loans, the Fort Mohave Development Fund or other sources. Scenario 1 reflected \$800,000 in additional funding and Scenario 2 reflected \$5.8 million in additional funding. Each scenario includes a four-year phase-in and CPI-indexed rates thereafter.

The scenarios also considered pay-as-you-go funding versus issuing debt to fund the capital program. Brian explained that pay-as-you go means that capital funding is derived directly from water rates.

Brian then explained the following four scenarios, their different variables and the percentage increase that would result from each:

<u>Scenario 1A</u> <ul style="list-style-type: none"> – Pay-as-you-go funding – \$800,000 in other funding sources – 15.2% annual rate increase for first 4 years – CPI-indexed rates after first 4 years 	<u>Scenario 2A</u> <ul style="list-style-type: none"> – Pay-as-you-go funding – \$800,000 in other funding sources – \$5 million in Fort Mohave Funds – 9.2% annual rate increase for first 4 years – CPI-indexed rates after first 4 years
<u>Scenario 1B</u> <ul style="list-style-type: none"> – Issue debt for full program – \$800,000 in other funding sources – 9.4% annual rate increase for first 4 years – CPI-indexed rates after first 4 years 	<u>Scenario 2B</u> <ul style="list-style-type: none"> – Issue debt for remainder of program – \$800,000 in other funding sources – \$5 million in Fort Mohave Funds – 5.7% annual rate increase for first 4 years – CPI-indexed rates after first 4 years

Kathy asked if these increases are applied to only consumption rates or also to the service charge. Brian responded that they are applied to the service charge and the consumption rates.

Danny asked how Laughlin’s water rates compare with rates in Las Vegas and other jurisdictions. Brian responded that Laughlin’s water rates are lower than rates in Las Vegas.

Brian asked the committee to consider whether four years is the right amount of time over which to spread the rates and if the rates should be spread out evenly each year. He also asked the committee to consider what types of mechanisms should be put in place moving forward to monitor how the rates are working.

Lewis asked the committee for some feedback on the rate scenarios presented.

Fred said that Laughlin has a lot of part-time residents and suggested a greater increase to the service charge so that those residents contribute more when they are not using water since they benefit from the infrastructure maintenance and improvements, regardless of how much water they use.

Carrie asked where BBWD would issue debt and how that would be done. She also asked how changes in interest rates would be mitigated. Brian responded that BBWD would go to the State Revolving Fund (SRF) for loans. SRF rates are fixed and come at a discount to the market. He added that future interest rate increases would have an impact on borrowing costs. The current rate model assumption is that rates do rise over time but not dramatically. He also said that loans would be taken out in increments over the next 10 years instead of all at once. Carrie expressed her concern that debt financing the capital program seems risky because of the possibility of interest rates increasing significantly.

Deborah suggested looking at the law governing the Fort Mohave Development Fund to see if money can be borrowed from it. Brian responded that it is something staff is examining.

Sean asked if staff looks for grants that would specifically benefit Laughlin or if Laughlin just gets a portion of general grants for which SNWA applies. Brian responded that staff is pursuing grant funding specifically for capital projects in Laughlin.

Carrie asked staff to provide the cost of adding fluoride to Laughlin's water. Kevin committed to providing that information.

Brian said that topics for the next meeting would include new rate scenarios for discussion based on committee feedback.

Kathy asked staff to provide a comparison of BBWD water rates to other communities. Brian committed to providing that information at the next meeting.

PUBLIC COMMENT

There were no persons wishing to speak.

ADJOURNMENT

The meeting concluded at approximately 11:50 a.m. The next meeting is scheduled for Tuesday, August 29 at 9:00 a.m.

DATE: August 7, 2017

Big Bend Water District

Citizens Advisory Committee

Sign-in Sheet

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