BIG BEND WATER DISTRICT
CITIZEN ADVISORY COMMITTEE
MEETING SUMMARY

August 29, 2017, 9:00 a.m.

Laughlin Regional Government Center
101 Civic Way, Laughlin, Nevada

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

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 9:10 a.m.

Fred Doten made a motion to approve the August 7, 2017 meeting summary. The summary was unanimously approved.

Lewis Michaelson began the meeting by discussing the meeting's agenda, which included a review of information requested by the committee and a discussion of various rate scenarios.

Lewis turned the time over to Brian Thomas, Las Vegas Valley Water District (LVVWD) Chief Financial Officer, to review committee requests for information from the previous meeting. He referenced two handouts depicting BBWD operating expenses and sources and uses of funds over the past five fiscal years. The handouts were included in each committee member's binder.

Brian also informed the committee that staff had received an opinion from the Clark County District Attorney that loans cannot be issued from the Fort Mohave Land Development Fund.

Kevin Fisher, Director of Water Quality and Treatment, then discussed costs associated with fluoridation. Over an initial five-year period, the cost of fluoridation is approximately $70,000. This includes the purchase and installation of necessary infrastructure as well as purchase of the fluoride itself. Once the equipment is paid off after the first five years, annual costs would decrease. He added that fluoride generally only benefits young children whose teeth are still developing. To add fluoridation to the water system, it must be voted on by the public.

Brian then presented the following general comparison of BBWD water bills to other service areas:

Service Area	Single Family Residential (7,000 gallons monthly use)	Elementary School (636,000 gallons monthly use)
BBWD	$26.00	$1,498.20
LVVWD	$35.74	$2,319.46
Bullhead City	$28.32	$1,920.68
Searchlight	$18.99	$1,971.47
City of Henderson	$38.79	$1,939.03
Kyle Canyon	$81.30	$2,927.04

Brian emphasized that each service area is unique, with varying customer bases, economies of scale and capital needs.

Brian then addressed a question about the impact that volatile interest rates can have on capital costs and customer water rates. He noted that a percentage change in interest rates does not equate to a similar increase to water rates. He explained that for every percentage point increase to interest rates, water rates would increase by about two-tenths of a percent. He also noted that the State Revolving Fund (SRF) loans that BBWD would pursue currently have an interest rate between 2 and 2.5 percent. Carrie Larson asked what the term is on SRF loans. Brian responded that they are 20-year loans. Lewis then clarified that any change in interest rates would have a minimal impact on projected capital costs and water rates.

Brian then reviewed the variables within the rate model, including:
- Method of capital funding (pay-as-you-go versus issuing debt)
- Rate implementation timeframe
- Increasing the share of the service charge
- Amount of other funding received.

He emphasized that overall rate increases would be discussed during the meeting, but that the impacts to the sample customers were included in the backup information.

Brian then discussed the various rate scenarios with the committee (displayed in the next table).

During the discussion, Fred asked how the increase in purchased services over the next year would impact water rates. Brian responded that the increase in purchased services reflects a one-time increase associated with implementing a new billing system for BBWD. Brian also reviewed the costs that BBWD makes to the Southern Nevada Water Authority (SNWA) and LVVWD.

Kathy Ochs noted that several rate scenarios assume additional funding sources. She asked if there is anything precluding BBWD from doing a grant review to evaluate the availability of other funding sources on an annual basis. Brian responded that staff is continually searching for grant funding. Lewis added that staff will be pursuing grant funding, in addition to any recommendations made by the committee.

Brian then discussed the impact that different amounts of additional funding would have on water rates. Rate impacts are reduced by approximately one-half to 1 percent for every $1 million of additional funding.

In response to Fred's suggestion of increasing the service charge at the previous meeting, Brian explained the rate impacts that would result from allocating a certain amount of the rate increase to the service charge as opposed to increasing the service charge and tiered rates equally. Those impacts are reflected in scenarios 5A, 5B, 6A and 6B below. The result of doing this would be that customers that use less water will still see a higher percentage increase in their water bill because the fixed service charge will increase.

Rate Scenarios for CAC Consideration

Scenario	Financing	Implementation	Addl. Funding Sources	Annual Rate Increase
1A	Pay-Go	4 years + CPI	$0.8 million	15.2%
1B	Issue Debt	4 years + CPI	$0.8 million	9.4%
2A	Pay-Go	4 years + CPI	$5.8 million	9.2%
2B	Issue Debt	4 years + CPI	$5.8 million	5.7%
3A	Pay-Go	10 years	$0.8 million	10.2%
3B	Issue Debt	10 years	$0.8 million	6.8%
4A	Pay-Go	10 years	$5.8 million	6.6%
4B	Issue Debt	10 years	$5.8 million	4.4%
5A	Pay-Go	4 years + CPI	$0.8 million	Overall: 9.4% Tier: 6.1% Svc Chg: 33.9%
5B	Issue Debt	10 years	$0.8 million	Overall: 6.8% Tier: 5.9% Svc Chg: 13.9%
6A	Pay-Go	4 years + CPI	$5.8 million	Overall: 5.7% Tier: 4.4% Svc Chg: 17.3%
6B	Issue Debt	10 years	$5.8 million	Overall: 4.4% Tier: 4.0% Svc Chg: 8.0%
7A	Pay-Go	4 years + CPI	$3.8 million	11.6%
7B	Issue Debt	4 years + CPI	$3.8 million	7.1%
8A	Pay-Go	10 years	$3.8 million	8.1%
8B	Issue Debt	10 years	$3.8 million	5.3%

Sean Hammond asked how much growth is considered in the rate models. Brian responded that approximately 1 percent annual growth is assumed in the rate model, but it is offset by price elasticity. Lewis clarified that if growth were to exceed the 1 percent assumption, costs are spread out over more customers.

After Brian explained the rate scenarios, Lewis solicited feedback from the committee about their opinions on the rate scenarios presented thus far.

Kathy expressed her preference for a rate scenario that is stable over time, such as scenario 1B. She noted that she is not a proponent of issuing debt, but would favor it in this case because of the stability it offers.

Lewis asked Brian if, from a reserves standpoint, there is an advantage of issuing debt versus pay-as-you-go. Brian responded that by issuing debt, BBWD's reserves will not draw down as quickly.

Fred agreed with Kathy that a stable rate structure moving forward is preferable. He added that certain projects in BBWD's capital program are for system improvements and others are for water quality. He expressed his opinion that water quality projects, such as tank rehabilitation, should be paid for through the tiered water rate. Projects that improve system operation, such as software upgrades, should be paid for through the service charge.

Fred also asked what benefit BBWD receives for the charges it incurs from SNWA and LVVWD. Specifically, he asked Brian if he charges time directly to BBWD. Brian responded that he does not charge time directly and that a formula is used to allocate costs among all seven SNWA member agencies. He added that BBWD's SNWA-related costs are significantly lower than other member agencies' costs because BBWD does not use as much SNWA infrastructure as others do. He added that what BBWD pays for is SNWA's efforts to protect BBWD's Colorado River water resources.

Sean Hammond also expressed his preference for a stable water rate moving forward. He asked if the Fort Mohave Fund could be used to match grant funding. Brian responded that he thought the Fort Mohave Fund could be used as a local match for a federal grant, in some cases.

Carrie asked when the current annual debt service of $517,000 retires. Matt Chorpening, LVVWD Assistant CFO, responded that it retires in Fiscal Year 2024-25. Carrie observed that about $675,000 in new annual debt service would be required for the capital program, and that would be in addition to the $517,000 annual debt service that retires in five years. She asked how BBWD would pay for that with only $700,000 in debt service budgeted moving forward. Brian responded that BBWD won't start paying for the new capital program costs until all of the money has been borrowed. He added that BBWD issues debt every couple of years as opposed to taking the money all at once.

Lewis then asked Carrie for feedback on the rate scenarios. She expressed reservations about using money from the Fort Mohave Fund.

Frank Pilj added his opinion that the Fort Mohave Fund is for development projects and should not be used. He acknowledged that rates need to be raised, but added that staff should pursue as much grant funding as possible.

Bruce expressed his interest in raising the service charge so that part-time residents provide more financial support for the water system. He then asked Kathy and Sean how a rate increase would be passed on to their customers. Kathy responded that she favors a rate that provides stability and quickly builds up cashflow. She added that the community has enjoyed many years of not having a rate increase, and that it needs to be educated on why one is now necessary.

Lewis then directed the committee's attention to scenario 5A as an example of a water rate scenario with an increased service charge.

Sean added that, while it is a good business practice to budget for any increases to operating costs, a water rate increase in and of itself won't necessarily have a significant impact on the bottom line of a resort such as the Aquarius.

Danny Laughlin indicated his preference of a leveled-out rate increase that would come by issuing debt. He then asked how Laughlin's service charge compares with other municipalities. Brian responded that service charges vary greatly by community, but that Laughlin's service charge is generally low. Lewis added that an advantage of a higher service charge from a utility's standpoint is that it provides more revenue stability.

Pam Tyler said that residents need to be considered in this process, and that much of the Laughlin community is retired and on a fixed income. With that in mind, she said that a more stable rate increase would be preferred. She added that a 33 percent service charge increase won't have a huge impact on a resort budget, but could be very difficult for a fixed-income customer to pay. She expressed her preference for a rate in which debt is issued and the service charge is not the overriding factor.

Carrie asked what kind of programs are in place to assist customers that have difficulty paying their water bill. Brian responded that he was unsure what types of programs are in place but committed to finding out.

Lewis then asked Brian which of the sample rate scenarios most closely reflect the preferences that had been voiced by the committee. Brian responded that he heard a few people specifically mention scenario 1B. He also observed that some members preferred a scenario that increases the service charge slightly more than the tiered water rate.

The committee then compared scenario 1B to 5A. Each scenario assumes issuing debt, four years of consecutive rate increases followed by CPI-based increases thereafter and $800,000 in additional funding. The difference between the two scenarios is that 1B reflects a 9.4 percent increase to both the service charge and tiered rate, while 5A reflects a 33.9 percent increase to the service charge and a 6.1 percent increase to the tiered rate. Pam pointed out that under scenario 1B, the 2021water rate for a single family residential customer with 7,000 gallons of monthly usage would be $37.25. That same customer would have a bill of $46.78 under scenario 5A.

Lewis surmised that increasing the service charge will impact all single-family residential customers—not just the part-time residents. Brian agreed, but added that a single-family residential customer with high water usage may actually prefer a higher service charge because they purchase more water. He also emphasized that each scenario results in the same amount of revenue for BBWD.

Carrie asked if it made sense to allocate more of the rate increase to entities, such as resorts, that have the ability to increase their revenue. Lewis responded that would indicate a preference to not increase the service charge.

Carrie added that people currently moving into the community have a lower income level than people moving into the community a decade ago. She said that those types of customers may not be able to afford such a jump in water rates. Lewis asked Carrie for her opinion on scenario 1B. Carrie responded that was her preference.

Carrie then asked how BBWD would be cutting its budget to make water rates less expensive. Brian responded that over the past few meetings, BBWD's efforts to work efficiently and cost-effectively have been discussed. He added that keeping costs as low as possible is in BBWD's best interest. Carrie questioned some of BBWD's pipeline replacement work and pipeline materials, asking why copper pipes are being used as opposed to cheaper polyethylene piping. Kevin responded that various pipeline materials were tested in Laughlin, adding that chlorine makes polyethylene brittle and the piping doesn't last. He said that various communities have recently drawn away from using polyethylene piping for that very reason. Copper-coated piping is now used in Laughlin because of its ability to withstand the aggressive soil that causes other materials to corrode and leak.

Lewis recognized that staff had received good direction from the committee can now come back with some updated recommendations. He suggested that the pay-as-you-go scenarios don't need to be considered anymore and that some scenarios reflecting a smaller service charge increase would be useful. Lewis and Brian also reiterated that staff is going to continue pursuing additional funding regardless of what the final recommendation is, because lower rates are in the best interest of the community and BBWD. Brian also discussed the need for a process to adjust rates in the event that additional outside funding is received.

PUBLIC COMMENT

Jim Maniaci asked when the next meeting is scheduled. Lewis responded that it is scheduled for Thursday, September 14 at 1:00 p.m.

Bobbi Bowlen asked for additional explanation of the Fort Mohave Fund. Kathy explained that it was established be used for the future development of Laughlin, and that it has been discussed as a potential source of additional funds for BBWD's capital program.

Ms. Bowlen also asked if a study had been done to know how much money BBWD needs for the capital program. She also asked if the Indian reservations are part of this discussion. Lewis responded that a study has been done to determine capital needs and Kathy responded that the reservations have their own water resources.

Lisa Garcia said that one of the first things people that want to move to Laughlin look at is what the utility rates are. She said that increasing the service charge by 33 percent for part-time residents will be a hard pill to swallow. Lewis clarified that any change to the service charge will impact all customers, regardless of how much time they actually spend in Laughlin.

ADJOURNMENT

The meeting concluded at approximately 11:05 a.m. The next meeting is scheduled for Thursday, September 14 at 1:00 p.m.

DATE: August 29, 2017

Big Bend Water District

Citizens Advisory Committee

Sign-in Sheet

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