

**MINUTES
MOAPA VALLEY WATER DISTRICT
BOARD OF DIRECTORS MEETING
HELD
THURSDAY, NOVEMBER 8, 2018**

PRESENT: Kenneth Staton
Jon Blackwell
Randy Tobler

Joe Davis
Lon Dalley
Bryan Mortensen

Byron Mills

Chad Atkinson, Hinton Burdick

Lindsey Dalley
Ryan Wheeler
Lon Dalley

Susan Rose
Jeannie Poynor

Scot Carson

ORDER OF BUSINESS: At 4:04 p.m., Chairman Ken Staton called to order the regular meeting of the Moapa Valley Water District Board of Directors. The agenda items were addressed in the following order:

1. Public Comment (May be limited to five minutes)

None

2. Approval of the Minutes of the previous meeting held October 9, 2018 (For Possible Action)

On motion of Lindsey Dalley and seconded by Ryan Wheeler, the Board voted 4-0 in favor to approve the minutes of the October 9, 2018 meeting.

3. Presentation and approval of the FY18 Audit (For Possible Action)

Jon Blackwell came in at 4:02 p.m.

Chad Atkinson was at the meeting to present the FY18 audit.

He said explained that there were a couple of things in the financial statements that were unique to this year.

The District refunded some loans during FY18. That was a good economic decision for the district. There were gains realized from that. There's a note on that. It's note 3D (bottom of page 21). There's a brief summary on the loan that was paid off and the new loan.

The other note was note 1 on page 18. There's a restatement of beginning net position. There was a new statement. The way the new accounting standard works is they issue a statement. After that they have 3-4 correcting statements that to cleanup some issues. There's also another statement that was issued about Gasby #82 that caused the district to do a little bit of a restatement of net position. All this did was adjust the liability and decreased our net position by \$192,000. The auditors had put a large estimated liability on there and this is just an adjustment to that. It's not a huge issue.

The clean opinion on the financial statements is on page 1. On page 37 & 39 are other reports that the auditors issue. Page 37 has the report on compliance and internal control. Chad was happy to report that there were no internal control or compliance findings for FY18.

As a follow up to that, the auditors had to do some state compliance work where they look at the district's compliance with the NRS. That's on page 39. In the prior year, there was a finding issue where the district had gone over its budget and that was resolved in FY18. That was the only finding with the NRS compliance.

Operating revenues increased by \$296,000 (page 12). That was related to rate increase of 8%. There's a

slight decrease in the SNWA funding of \$52,000 from a previous year but overall it was up \$296,000. On the operating expenses side there was a slight increase of \$43,000 from the prior year. Jeannie said it didn't actually decrease, she just moved it from operating to non-operating so the \$52,000 doesn't show up in operating anymore.

Chad said that salaries and wages and employee benefits are a little bit different from the previous year. There are some pretty big swings there. That has to do with the Gasby 82 statement that we just implemented.

The non-operating items went from \$198,000 to \$244,000. The main swing here was that the interest expense went down due to the refunding of the loans. That's a positive result for the district.

Overall the change in net position was \$639,000 which was up from the previous year by \$298,000.

The designated amount has gone down just a little bit. The designated amounts are for arsenic replacement, capital asset replacement, infrastructure replacement and water resources. They were down just a little because some of that capital asset reserve was used.

Restricted went down. It went from \$650,000 down to \$394,000. The reason for that was the district paid off some bonds so that released the reserves we had for making debt payments. The money that is still restricted is for the Nevada Capital Improvement grant reserve that's still required because of grant refunding the district received in the past. That will continue to be added to each year.

The unrestricted is up \$361,000 and it's trending up again so that's a good thing.

The overall cash position for the district is good. Total cash in all areas was up \$160,000 from the previous year. Unrestricted cash and investments increased by \$514. The designated cash was down a little bit because of spending on capital assets.

On motion of Jon Blackwell and seconded by Randy Tobler, the Board voted 5-0 in favor to accept the FY18 audit report.

4. Health Insurance Cost Review (For Possible Action)

Scott Carson was at the meeting to talk about the district's health insurance renewal.

Joe explained that we just received our renewal for our health insurance and we were definitely going to have a increase if we stayed with our current plan. Scott looked for some other options for us. He came back with a couple of options for us. The renewal is December 1st so we need to move pretty quick on this.

Scott explained that because of the Affordable Care Act, it gets tighter every year by design. Right now in Clark County we have United Health Care which owns HealthLine NV and Sierra Services. There is also Anthem Blue Cross. There's one other carrier that's a PPO. United Health Care also allows us to go out of the system.

Anthem is leaner than what we have and the rates were in the same ballpark as what we currently have. The doctors and hospitals are a little different then what have now.

Scott went over the plans with the directors. The rates will stay the same for two years.

There was quite a lot of discussion on the different plans and Joe asked Scott to come and explain the new plan to the employees.

On motion of Lindsey Dalley and seconded by Randy Tobler, the Board voted 5-0 in favor to go with the Boulder City Chamber of Commerce plan as suggested. The directors requested that the employees come back in November 2019 with future health plan options.

5. Rate Increase Analysis Review (For Discussion Only)

Joe called JP from WaterWorth so he could answer any questions staff might not be able to answer. Joe had Jeannie create a spreadsheet of what our rate increases have been the last few years and what those actually netted the district after a full year of those being in effect so we could find out what the elasticity was.

As staffed looked at that spreadsheet, they went into WaterWorth and put the numbers in it, readjusted it and took out the stuff that was in there and figured out where we need to go there.

Joe reminded the directors that the items left in there that are of any significance is the Arrow Canyon well drilling, the Warm Springs tank and the Narrows tank. Staff had three scenarios. One was what would happen if we don't move forward with Arrow Canyon and what would happen if you do move forward with it. The other factor that fine tuned it was the fact that Wes Smith at VVH2O came up with a number for when you have conservation, new faucets, new washing machines, and everything else they figured that a ¼% decrease in use each year is probably what we are going to save. Staff went ahead and plugged that into the WaterWorth program. It makes a huge difference.

Joe said that if the board could decide if there is going to be a rate increase and what it would be, that could be put into the WaterWorth program. Unfortunately, any rate increase we do is going to be eaten up paying for professionals and legal stuff to protect our water.

Jeannie had the WaterWorth program pulled up on the screen for everyone to see. The 1st screen had the base scenario on it. She explained that the base scenario is for 2019. It shows us carrying on with Arrow Canyon well #3. We would need to use that money. The scenario also includes the financing for it.

Randy said that the transaction is in 2021 or 2022 and our cash is decreasing in 2020. Why are we decreasing? What's reflected in that?

Joe said that there is a sheet in there that shows all of our capital improvements on it.

Jeannie explained that staff tried to enter in everything that we had in our five year capital plan plus anything extra that we could think of. In 2020 we have \$355,000 in water main replacement and \$200,000 meter replacement. Valve replacement, Arrow Canyon, SCADA upgrades, and PRV upgrades all go on for awhile.

Joe explained that some of the things we can control our destiny is the valve replacement program, water main replacement, and the Arrow Canyon program. Those are some of the of the things we can adjust up and down when we find out what we have to do and can afford to do.

Randy wanted to make sure as we're looking at this that everyone's assuming the same thing. We've talked about capital expenditures and we thought that Arrow Canyon was a necessity. Randy's a little uncomfortable with showing that if it's not a necessity. He's also not comfortable with having to recoat those tanks.

Joe said that our mindset has to change on tanks because if you're stuck with the resources you have now, the only way that we can make it is with more storage. We have to shift from a bigger well to more tanks in the same token you don't go with steel tanks, you go with concrete tanks. There's a slightly higher cost up front but they require little maintenance to keep them running. It's a crap shoot right now because we don't know about Arrow Canyon. If everything is shut off, we wouldn't have to drill another well. If Arrow Canyon goes down we can still get 1,200 gpm out of there or if they took it all away, we're not pumping it all. They haven't given us the interim order because they didn't make the timeline. We know we're going to have a hard decision on the fact that things are going to have to be moved and it's going to be all guess work. We had a semi clear direction last year but that totally changed because of the State Engineer's office. We know that when we didn't have a rate increase, we took steps back.

Jeannie had another sheet that showed our cash position target. It's where we want to be so we don't have to do financing. She explained what they were looking at. The dark line is our actual cash position. There were a few questions from the directors on this sheet. The sheet also showed potential rate increases and there was some discussion on that. How much money do we want to have in the bank and what do we want to try to put in there? This is assuming we want to do the \$355,000 in water main replacements.

Ryan said the high dollar items are kind of an unknown right now and we don't know what the draft order is going to do right now either. We are going to have to raise rates. He doesn't think we should do an 8% this year. He thinks we should raise rates somewhere between 4% - 6% this next year. We shouldn't go below

4%. If our cash flows drop, then we will have to bond. He doesn't think we should pay for everything with cash by raising rates and frontloading that at 8% for 8 -10 years to make up for the years we didn't raise rates. Hopefully we will have more customers to help with that burden.

Jeannie reminded the directors that our professional services and legal fees have more than doubled what we've paid in the past. It will even be more than that next year.

Randy said we could use the \$100,000 that we have for water resources. That's what it's for.

Joe explained that Ryan is right. Mesquite got into that page before. We don't have the growth that they have. We will have to do bonding. We do need to have an understanding of what we think that we want to do for a rate increase and 8% is unsustainable.

Lindsey thinks that one of the ways we could mitigate the rate increases and the unfortunate position we've been put in, he would like to see a discussion on the tank and professional services for the draft order on the bills as a line item. He thinks it would be good for people to see how much we're spending on these things.

Jeannie explained that people already have a problem understanding their bill. If we start putting that kind of stuff on the bill, it's really going to get convoluted. Maybe we could put something in the note section.

Lindsey said that he would leave that to staff to figure out.

Jeannie thinks the press has done a good job letting the community know what's going on.

Joe said that the decisions we are making this year are different from last year because the landscape has completely changed. We have to figure out what direction we're going to go. Joe would like the board to put some thought into the stuff that's in the capital plan knowing that the Meadow Valley Wash is going to shift. Also, if there is going to be a rate increase, we can put it in the paper and we can also explain the rationale of why we're doing it. We might actually get some people to show up.

Joe asked the directors to think about this the next couple of weeks.

6. **Manager's Reports**

Office Manager

Assistant General Manager

General Manager

Office Manager – Jeannie Poyner had the financial dashboard, the budget report and the revenues put in their packets. Revenues are up \$47,000 compared to last year. That is only in water sales.

One thing that Jeannie mentioned was that she has not taken from the restricted accounts all of the money from the USDA bonds. She will do that for the next meeting.

Assistant General Manager – 1) Production - Lon Dalley explained that production is where it should be. We pumped 43,830,720 gallons out of Arrow Canyon #1, 6,416,652 out of Arrow Canyon #2 & 22,243,120 out of Baldwin for a total of 72,700,492 gallons. Lon had to estimate the last few days but we're where we should be. **2) Arrow Canyon Well #1 Well Level** – Arrow Canyon well #1 level was at 925 gpm in October. **3) Meter Installs** – We installed nine meters last month which makes 37 meters so far this year. We have three more to install which are not in Valley Heights. **4) Upcoming Line extensions** – We had a few people that had to do line extensions in order to get water to their parcels. There are two small line extensions that have been paid for and are scheduled to be installed. **5) NDOT Paving** – We were finally able to complete the paving along the Blvd at three locations. One was at, Whipple/Blvd, Logandale PO, and Rice/Blvd. **6) Baldwin Springs Pump Upgrade** – The pumps/vfds have been assembled and they should be shipped soon.

General Manager – 1) Leak Detection – Joe attached some pictures of the leak detection equipment. We found our 1st leak with the equipment. It wasn't a real big leak but it was still a leak. Joe said the equipment works really well. **2) – Job Recruitment** – Michael Palmer took a position at the LVVWD. He'll be working in their treatment facility and he's pretty excited about it. We do have an ad in the paper for either a serviceman or a maintenance worker. The last day we will be taking applications will be November 16th. **3) State Engineer's Meeting** – Joe did get a little workup of what went on in the meeting. Joe had some stuff for the directors to talk about during closed-door session. There are two reports for the directors to look at. It's an overall preview of the groundwater plan that is up in Diamond Valley. It's the only one in the whole state. Ours will be something similar to it. Their plan is 300 pages long. Joe went thru and pick out the stuff he thought would be extremely prudent. He told the directors that they could call him if they have any questions on it.

7. Public Comment (May be limited to five minutes)

8. Director's Preference

- Review Monthly Expenditures
- Litigation (Closed-Door Session)

On motion of Chairman Staton and seconded by John Blackwell the Board voted 4-0 to call a closed-door session at 6:15 p.m.

On motion of Jon Blackwell and seconded by Chairman Staton the Board voted 4-0 to reconvene the open-door session at 6:33 p.m.

9. Personnel (Closed-Door Session)

10. Approval of the December 7, 2018 Board Meeting

The general consensus was to hold the next Board meeting on December 7, 2018 at 4 p.m.

11. Public Comment (May be limited to five minutes)

None

12. Adjournment

The meeting adjourned at 6:35 pm.