

**MINUTES
MOAPA VALLEY WATER DISTRICT
BOARD OF DIRECTORS MEETING
HELD
THURSDAY, FEBRUARY 11, 2016**

PRESENT: Kenneth Staton
Jon Blackwell
Randy Tobler

Joe Davis
Lon Dalley
Jeannie Poynor

Lindsey Dalley (Absent)
Ryan Wheeler

Susan Rose
Bryan Mortensen

ORDER OF BUSINESS: At 3:01 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 January 14, 2016 (For Possible Action)

On motion of Ryan Wheeler and seconded by Randy Tobler, the Board voted 3-0 in favor to approve the minutes of the January 14, 2016 meeting.

3. Award the Bid for the Baldwin Springs Pump Replacement (For Possible Action)

Joe Davis explained that we had the bid opening on February 3rd for this project. We only received one bid before the bid opening which was very strange because there were nine contractors at the mandatory walk thru. We received another bid 55 minutes after the bid opening. The contractor thought he was a day early. That bid was considered non-responsive. The only good bid we received was from Eagle View Contractors and it was for \$234,000. We budgeted \$150,000 for the project. The engineers thought that \$180,000 was more realistic but \$234,000 was mind boggling. Joe spoke with Don Whipple & Don thought he was pretty sharp on the pencil so the numbers are rock solid. Joe thinks we need to reject the one bid and explore some other options. Joe would recommend going back out for bid on the materials and do the work ourselves. He doesn't recommend going out for bid on the project. Whenever we've rebid a project the bids have always been higher than the first bids we received.

Ryan Wheeler said that the bid is 35%-40% above the engineers estimate and 55%-60% above Staffs estimate. He agrees that if we rebid it the same as we did the 1st time, it will probably come in higher.

On motion of Randy Tobler and seconded by Ryan Wheeler, the Board voted 3-0 in favor to reject the bid for the Baldwin Springs Pump Replacement received on February 3rd and instructed staff to explore other options available to the District.

Ryan said that it's always difficult to reject a bid because a lot of effort went into it by multiple contractors to do that work and he personally knows that. As we get prices on this he thinks that with the way staff is going about it we should save a decent amount of money so it's worth pursuing. If it was only \$30,000 or 10% - 15% more than staff's estimate then that would be different. He would recommend going with it. The more homework we can instruct the engineer to do in putting the estimate together or on our own the better information we will have.

Joe had contacted the other contractors and part of the reason they didn't bid was because by the time they paid for the pumps, the vfd's and the 15' of pipe that had to be installed there was no margin for profit. They were basing their profit of the pipe. They didn't think there was enough work to make any money on it.

Chairman Staton asked why it's pretty much the norm that the bids would come in higher the 2nd time around.

Joe explained that they've already seen what the low bid was. Both times we've rebid a project the bids were higher the 2nd time around.

Ryan said there is another aspect to that. It's geographic area. Companies coming out of Vegas know there are a couple of local companies and when they have to start putting in their travel time and how many days they're going to be out here vs. the locals, that in and of itself could ruin your margin. They usually just stick to their own area.

4. Review the FY17 Tentative Budget (For Possible Action)

Joe reminded the Directors that at the last Board meeting staff had given the Directors a copy of the 10 year capital improvement plan and other things that put everything in perspective. Unfortunately they don't give you the whole view. Jeannie and Joe sat down with all the new forms and they were able to put the numbers in the forms. He had the Directors go to the 4th page. Staff has always tried to do the worst case scenario on revenues. Those numbers are in column 2 on page 4. We've estimated what we're going to end with at the end of the fiscal year and that total is in column 2. Column 3 is the tentative approved. The water sales are about the same but the 340A Contract is not. For the estimated current year we're showing a \$400,000 payment from SNWA. Next year we'll only get a \$200,000 payment. The reason that happened is they cut that 1st check to us after we did the contract negotiations. Before June 30th we will get the next check which will be for the following year so we'll actually received \$400,000 this year and from now on it will be \$200,000. Wages and salaries have an escalator in them. It goes from 1.06% to 1.1%. Benefits are always a crap shoot. We never know what they're going to do. Joe and Jeannie came up with \$490,000. Resource and Development is sitting at \$110,000. On all the expenses they tried to do some type of calculated escalation. They tried to be pretty consistent with it.

The 2nd page is basically the flow of everything and the last page gives us more of a perspective into the negative aspect of the budget.

Ryan had a question on the assessed valuation on page 2. How is that developed?

Jeannie explained that the numbers in column 1 are actually supposed to be in the 2nd column. She has new numbers for column 1. Those numbers are given to us by the Department of Taxation from the Red Book.

Ryan asked about the population figure that's in the budget. It says that last year we had a population of 6851.

Joe thinks that it's just the lower valley. They don't realize that Moapa, the Reservation, Glendale and Warm Springs are part of our area.

Jeannie's going to ask the Dept. of Taxation about it.

Joe said that the net position is on page 3. It's \$29,500. In the past, we've come in with negative numbers. Randy has asked that we always make that number a positive number. We've done that but the problem is if we continue on the same path we're on right now, & do all of the capital improvements, purchases of fixed assets and everything else to where we'd be going \$1.1M in the hole. It's just not feasible. Joe & Lon sat down with Ryan last night and went over some of our capital improvement projects. Every year staff sits down and makes a list of the projects we're going to do. Then they try to figure out what they're going to cost. That's hard to do with the cost of everything's going up. The cost of everything has gone out of site. Joe, Lon & Ryan made a list of the District's critical needs. On that list are the production facilities, storage facilities, distribution and billing. When you look at the history of our capital improvements, we were spending between \$500,000 & \$800,000 a year on them. Now we're at \$1.4M. When you look at the previous capital improvement projects they never included tanks, Arrow Canyon well, & main lines. There were never any of the heavy duty things that are the backbone of the system that needed to be done. The capital improvement projections far exceed our funding capabilities so we need to look for ways to pay for them. We could increase water sales & usage, get matching funds grants, get a low interest loan or get a bond. The only way we'll be able to get a grant, low interest loan or bond is to have tons of engineering work done so we can get on the list. Staff did a good

job at figuring out what the most critical needs are out there. Some of them are not critical needs but it was a shortcoming we found when we had the flooding event but we could probably mitigate those off by doing certain things that are out there. We know we can't do \$1.4M in capital improvements this year so we're going to have to cut that back to a number we can live with. Anything moved from this list is going to be moved to 2018 or 2019. Joe would like to have a system wide flow model done so we can see what we really need to have done. We know that if we're going to try to get a grant, loan, or even bonding we're going to have to have preliminary engineering work already done. The capital plan will supply the fact that we have a preliminary capital improvement plan. Eight months ago Joe thought we had a good handle on things but now that he's educated himself he thinks we do need to get some outside help. He wants to come up with a scope on what the Board wants to get some answers on and then incorporate that into something we can make work for the District. No matter which way we go, we're still going to have to spend money.

Chairman Staton asked what the system wide flow model would entail, how much time it would take and what it would cost.

Joe explained that they would look at our service territory and see how much of it is developable. They would say we have this much undeveloped land on this side of the valley and we have a 24" main line. We're 26 miles long and we have two large water mains coming down thru the valley. What happens if we have a million gallon user that wants to develop here? By the time we hook him up, all the existing customers in the Logandale area could have lower pressure because all the water will be sucked away from them. They look at those kinds of things. They look at growth, they look at our storage tanks, they look existing pumping facilities, our line sizes, fire flows, etc. The model will tell us where our shortcomings are.

Ryan feels that staff has done a great job in identifying our critical needs even though some of them might be questionable. Staff presented it to the Board asking if the Board is ready to make decisions on whether or not we increase rates or if we should get a bond and are these really our critical needs? Ryan doesn't think this is the time to make those decisions. The water model needs to be done so we have an engineer's expert advice on what our critical needs are in addition to the valuable resources we have right here that say these are our critical needs. The Board can then decide how we spend the money.

Chairman Staton asked if we have anyone in mind to do the study.

Joe said that we have four engineering firms that we have prequalified to do work for us.

Chairman Staton asked what kind of time line we are looking at.

Joe would like to have the report back by November if possible. That way we can digest it and understand it. It will play into our future budget and our future capital improvement plan. It gives us a document that we're able to use to make educated choices. When people come in and ask why we raised rates we can show them that we have these critical things that need to be done and we can back it up. We know that any numbers we get today are going to be different in five years. We'll spend \$50,000 for the document and we will spend \$5,000 to update it in five years. We will be use it every year at budget time.

Randy wanted to talk about the budget. Everything keeps going up so we know we need some kind of rate increase. Randy wants staff to look at what we would need to just maintain that without looking at the capital improvements. There are a lot of question marks right now. We need to start working on it right now to see what kind of rate increase we could look at. It would be nice to see a best/worst case scenario. The Red Oak Study could be used as a guideline. It called for three or four rate increases after the Board stopped going by it. We should look at what they were suggesting. Randy also said that he is on the same page as Ryan on the capital improvements. He had a lot of questions on the water tanks. Do we meet the requirements for storage? We can manage risks endless but it also creates a cash flow problem. Hopefully the engineering will show some of that. He would like to see the cash flow go down to where we're not digging into savings. As the year goes on we should evaluate some of these capital improvements and then when we figure out what we actually need, we can sit down and explore options at that point. If we have what we need just to keep up with the rates as far as cost of goods, PERS and insurance, we could add this other into it and not do so many rate increases. So do we do it all at once and roll out these as the reasons and tie the rate increase to that or we do bonding at that point? That's what we need to figure out.

Ryan agrees with Randy that staff needs to adjust the budget back to the MO of the District as we move forward. It does push some of these back but let's take a year to do that and then when we do budget next year will have the study back and we can make the hard decisions at that time. Whether those hard decisions include bonding or rate increases we'll have all that information at that time. We will also be able to have this list of critical needs ranked on what really are staffs critical needs based on their plan today and the professionals plan on the water model. Some of these projects don't all need to end up in the budget. Take the tank. If it's not a need, then let's put that number in a column without a year of expenditure so it doesn't affect our 10 year capital improvement plan but it's out there. If there was such a user we might need to put it in the plan and have them help pay for it. We need better information before we make a decision. We should take a year and get that study back. We should also have staff look at the Red Oak Study. We'll have to make some tougher decisions next year.

Randy said that looking at today's capital improvement plan the biggest projects are the Yamashita 14" line and the meter replacement program.

Joe said there are only three things in there that he wants to address. Everything else in there he won't argue the point on. The three most critical items are the Genset, the Arrow Canyon Chlorinator, and the one that bothers him the most is the \$70,000 for Arrow Canyon Well #3 engineering.

The thing with the Genset is that all three of our head houses are fed by one power line. If that power line goes down, we can't pump with the 150 Genset that we have. It won't work so we have to have a backup generator. That's a State regulation and it has to happen. On the Arrow Canyon Chlorinator, we're dealing with the public health and so we have to keep the water chlorinated. Joe explained that we need to have redundancy at the Arrow Canyon well. The study is going to show that and it's also going to give us part of the engineering stuff. If we only rely on that in order to move forward, then the design work for Arrow Canyon is going to be pushed back another year. It takes forever to get the permitting process done. Arrow Canyon is our most critical well. We have to have it. Joe wants those three things to stay in the capital improvement plan for next fiscal year.

Randy asked what our potential risk is by not doing some of the other projects.

Joe said that we can live with every other risk that's in there.

Ryan thinks the Board should let staff revise the capital improvement list. He could assist with that if Staff wants him to so we can get to a point where we're not \$400,000 over budget. Ryan also thinks we need to add an item for \$50,000 - \$75,000 to have an engineer do the modeling so we can see what our critical needs are.

Randy had a question on the meter replacement. Is this money for meters that we can't get the data log to work on or is it for the bigger meters we're replacing?

Joe said that we're purchasing larger meters right now and gearing up to install them. They were never replaced to begin with. The meters that are on the capital improvement list are to replace every other meter in our system because we've had problems with them.

Randy wanted to know what kind of problems we've had with them.

Joe said that the meter quit broadcasting because the batteries were dying in them. It started out that they weren't data logging and then they stopped reading. Because they have a warranty on them, we were able to get parts for them but we had to go out and replace the broken part. We did 2,400 meters. The ones we replaced are now doing the same thing the first ones did.

Randy asked if that required the meter reader to go out and look at the meter.

Joe said that it does and it takes a lot of time.

Ryan asked about the accuracy of the meters

Joe said that is the second portion of it. After a 10 year period the meter starts to build up calcium inside it so they're less accurate. That's why we need to replace those large meters. Once they're replaced we'll be getting the revenue for what the customer's actually using. Jeannie and Joe sat down today to look at

the budget. They were trying to do it the way we did it 10 years ago. We paid up front and did every meter at once. Joe and Jeannie talked about breaking it out into several years. That way we spread out the cost. That's the way Van did it but it was a slow rotation. Brad wanted it done all at once. If we go back to the way Van did it, we would replace the meters as they stopped working. The new technology that we're looking at allows us to read the meter in real time. The customer can actually pull up the information on their meter on their computer.

Ryan thinks that staff should talk to USDA about getting a grant before we start spending money on replacing meters. We need to try to get some assistance first so we're not paying 100% of the costs. He would like to see the capital improvements sheet that staff presented this month at next month's meeting so the Board can see what changes have been made.

Randy would like to see the budget with a positive number and whatever we take off of the list he would like to have something explaining the risk we are taking by not doing the projects. He wants to see that at next month's meeting.

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

5. **Manager's Reports**

Office Manager – Jeannie included the financial dashboard with the changes Randy asked for. Randy asked why water resources were so high and Jeannie said there was an error made in the office. That has been corrected so next month it will show \$100,000 and infrastructure will go up to \$1.2M. Cash flows are down because it's still cold out. On this report we're at 50% of the budget and 59% on revenues.

Assistant General Manager – 1) Production - Lon said that groundwater production is a little bit lower than it was last few year but not much. **2) Small Main Replacement-** Gubler Ave@Yamashita/St. Joseph - Almost all of the pipe is in the ground. The project is moving along really well. It should be done by March 1st. **3) FY15/16 Capital Improvement Projects** – Yamashita Water Main Project – Staff is talking about the scope of work at this point and were waiting for direction today from the Directors on where we're going to go with this project.

General Manager- 1) Overton Tank – This project is moving along pretty good. Joe had pictures for the Directors of the inside of the tank. As soon as the water was drained out of it, the paint started falling off the walls. The pictures were of the two most critical areas. One is of the rafters and the other is the seam where you can see the staining coming down. The tank is designed so that it flexes so the roof will flex when it fills in. They're going to go in and put caulking in the areas that need it. The crew that is up there working has been working diligently with Glen Anderson who lives right next to the tank. Glen said that he hasn't even heard them working. The guys have been extremely cautious not to make a lot of noise. They're also really good about showing us what they're doing. **2) East Logandale Tank** – We had the diving company come down and inspect it so we can do a comparison on the interior coatings. Last time we had it done was in 2012. It's showing about a 45–50% increase in the failure since that last inspection. The diving company that came out can actually do the repairs under water. Joe's going to have some of the repairs taken care of in order to extend the life of the coating out 3 - 4 years. We'll be able to do a physical inspection when we drain it. Then we can actually see how that process worked and how well it held up. We were planning on recoating it in FY19. If we don't do the repair work we will probably be moving that up to next fiscal year. **3) Cathodic Protection** – The Overton tank is newer than the Logandale tank. The reason the Logandale tank lasted longer is it has a suspended Cathodic Protection system. It has holes in the roof and it has a sealed plate on it so the system is hanging in there. If you have a problem you undo it and you lift the rod up and you can look at it and do an inspection. You can actually hold it and touch it to see what's going on. The Overton tank has a buoy system in it. There's a floating ring in there that has things hanging from it. The buoys are just like any other buoys. After so long they corrode and the thing falls to the floor so instead of electrodes doing what they are supposed to be doing by sacrificing themselves, it electrifies the floors and the walls. That's what caused the coating to go. The company we used to do the inspection said the coating was ok but two months later the dive team comes in and the Cathodic protection is laying on the floor. Joe asked them how it could pass if it's lying on the floor. They said it must have been floating when they were there. Joe's looking at having another company give him a quote to replace the system that's hanging from the roof. The holes are already in the tank and he thinks the rectifier that's on the wall should still be good. We will be moving over to a suspension system. It's by far a better system and you can do maintenance to it without having to get into the tank to do it. **4) Ag User** – An agricultural user called Joe so we now have at least three people talking to us about getting large quantities of water. All three have been facilitated thru Mesquite Regional Business. When Joe first talked to the agricultural user he thought it was one of the two he'd already been talking to. When he realized it was someone else he told them it's

first come first serve. He explained to them that we have a block of water that we want to do something with and they will have to talk to the Board to have it approved. We haven't heard a single word from the people who wanted to do the data processing plant. Joe thinks it might have been Google and that they might be looking at Apex. Joe has also had a few people call him about subdividing their property.

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

None

7. Director's Preference

- **Review Monthly Expenditures**

Randy Tobler disclosed that he has an interest in a small business that is on the monthly expenditures list.

On motion of Ryan Wheeler and seconded by Jon Blackwell the Board voted 4-0 to call a closed-door session at 4:45 pm.

- **Litigation (Closed-Door Session)**

- **Water Rights Discussion (Closed-Door Session)**

On motion of Ryan Wheeler and seconded by Jon Blackwell the Board voted 4-0 to reconvene the open-door session at 5:17 pm.

8. Personnel (Closed Door Session)

None

9. Approval of the February 11, 2016 Board Meeting

The general consensus was to hold the next Board meeting on March 10, 2016 at 4 pm.

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

None

11. Adjournment

The meeting adjourned at 5:20 p.m.