

MINUTES
MOAPA VALLEY WATER DISTRICT
BOARD OF DIRECTORS MEETING
HELD
THURSDAY, MAY 19, 2016

PRESENT: Kenneth Staton
Jon Blackwell (absent)
Randy Tobler
Lindsey Dalley
Ryan Wheeler
Joe Davis
Lon Dalley
Susan Rose
Jeannie Poynor
Vernon Robison, Moapa Valley Progress

ORDER OF BUSINESS: At 4:02 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 April 14, 2016 (For Possible Action)

On motion of Randy Tobler and seconded by Lindsey Dalley, the Board voted 4-0 in favor to approve the minutes of the April 14, 2016 meeting.

3. Approval of the Final Budget for FY 2017 (For Possible Action)

Jeannie Poynor explained that Staff included in the Director's packets a copy of the tentative budget. Nothing has changed since the Board approved the tentative budget last month.

On motion of Lindsey Dalley and seconded by Randy Tobler, the Board voted 4-0 in favor to approve the final budget for FY17.

4. Discussion on a Rate Increase (For Discussion Only)

Joseph Davis explained that Jeannie had made up a spreadsheet that showed the rate increases from 5% - 10%. Randy had mentioned an 8% rate increase so this spreadsheet gives the Directors a chance to look at it. The bottom row shows how much each increase would affect the average bill which is 15,000 gallons.

Lindsey Dalley asked what the shortfall is percentage wise if we don't do a rate increase.

Jeannie said that right now we're only making it because we have the \$200,000 from SNWA and the ¼ cent sales tax. That's increasing our revenues right now. That money is actually slated for other things.

Randy Tobler reminded everyone that we're not setting money aside anymore for equipment and capital improvements. It also forgoes the two projects we had slated to do.

Jeannie said that if the Board wanted to do the 5% increase it would give us an income of \$386,455. That would actually still be a decrease if we took the \$500,000 out.

Lindsey said that we would need \$500,000 to be able to fund our capital improvement projects. He asked if the study we're going to have done will figure in the arsenic media and the resources and things like that or is only going to focus on capital improvements.

Joe explained that the plan is going to identify the things that we need to get done but the Board might have different ideas on what needs to be done. It wouldn't be prudent to have them trying to figure out the funding on all of the things we need done until we clearly define it so it's going to have to come back to the Board. At that time we'll have to decide which projects we're going to do.

Lindsey wanted to know what the percentage would be to stop the bleeding.

Joe said that it would be \$500,000.

Randy said that we've always tried to put money aside so it's there when we need it and we're not doing that. Infrastructure has always been a priority. Even if we don't know what we want to do this year we can still put money aside for it so when we do know we'll have the money to do it. That's his concern. There's operating stuff that we can't control like insurance. It is what it is. The Board has never wanted to raise rates but we need to do this to stay whole.

Lindsey said that the risk of small utilities is they don't address infrastructure and they don't realize that it has a life span. They keep pushing that stone down the road and 10, 15, or 20 years later they have to replace it. He said that the Board had the discussion about not letting ourselves get in that position. What he's hearing from Randy is that we need to make sure we're setting money aside and not looking to use debt to improve or maintain our infrastructure.

Ryan thinks Lindsey makes a good point that we need to maintain infrastructure but like Randy said earlier we don't have a full grasp of what those needs are. Why make an increase right now when we've already been in this method of operation and using the \$200,000 and the ¼ cent sales tax for operations? Why not use it until we have that clear picture? It might not be crystal clear but at least we'll have the infrastructure plan in place so we can make our decisions appropriately. He'd rather have the full picture in place. In last month's minutes it says that we would need to take \$76,000 out of savings to get us to that point and he's willing to do that.

Lindsey said that the picture looks pretty clear to him that we've got an operational deficit and that we don't need any more information. It's just about what number do we want to apply to that. We don't need to know the capital improvement analysis to know that we've got some financial issues on the operational side of things.

Randy said for him it's a question of our financial goals and the things that we've organized and if you're not funding what we want to do then you've changed your financial plan. We could take another two years to make the decision and he thinks it will be two more years before we get everything ready and are ready to go with it. He thinks it puts us too far behind.

Chairman Staton said that nobody wants to raise rates but the longer the Board puts it off the more nervous it makes him. He's worried that if we're scratching the surface now where are we going to be in six months or a year from now. We can pull some money out of the account we have but it makes him nervous that we don't have anything to put back in there. He doesn't like to operate that way.

Ryan asked if we save for these situations.

Chairman Staton said that we save for emergencies.

Randy said that he does emergencies and the only thing we're doing with this infrastructure is redefining where we want to spend the money. We had an infrastructure plan two years ago and now we're finding out that some of those priorities need to be different. He thinks we're redefining it. We've always spent money on it; that plan always been in place. Ryan came in here and got us better organized so we're getting our best value but the money's still needed. He doesn't feel like that's changed. He thinks we're still going to need it maybe even more. Randy's ready to act on it, He thinks a 6% increase is needed to make the operation side whole. He thinks we should have actually looked at it two years ago.

Randy said that we're working on the revenue side of things. Management has come up with some other options and if they pan out it could change the picture and this may be the only increase we would need. It's a "what if" situation and he doesn't want to wait around for it. If you look at the bank accounts you could say that but we're changing our financial plan. That's why we're going to have a discussion on bank account levels on the agenda and that's one reason why we have a difference of opinions. We might have a different idea on what we need for a 6 month operating reserves, a different idea on what we need for equipment, and from what he's hearing we have a different opinion on setting money aside every year to pay for equipment and infrastructure. It's a whole different shift and he's not comfortable with making that shift. He thinks setting money aside is prudent and will help you out in the long run. He doesn't like the shift we're doing. He doesn't like the shift that we're not doing two big projects. We've put that aside. He's not saying pick our projects and start them but at least we can put that money aside so it's there. He doesn't know if this is going to cover everything because you don't know what that increase will get us because of elasticity.

Lindsey said you might pick a 7% increase but you really only realize a 3% increase. We have enough information to know that we need to do something but what? So we figure out what we need to get and then we adjust as we move.

Ryan said that Lindsey's only looking at half the house which is operations with a question mark on the other side of that.

Lindsey said that's true but that other half of the house could sink us too.

Ryan asked if it could sink us in a year. We operate on roughly \$3M every year so we could theoretically stop charging rates for two years. He went back to the bank accounts. This projection showed some of the costs that we need is vehicle replacement. Each year the cost for replacing the vehicle or saving for it is on the spreadsheet. If you look at our bank account it has almost \$400,000 in it. Right now according to this projection we can purchase all the equipment up to 2022 but we're making a determination to raise rates because we're not comfortable using a little bit of that money.

Randy had two things to say to that. Ryan's assumptions are based on what a backhoe cost today. Just two years ago we bought a backhoe and the costs were quite a bit different. Look at the water tank. We were given a \$200,000 estimate 3 or 4 months before and the estimate we received when we were finally ready to do it was almost double. Randy doesn't see why it's going to hurt us. If Ryan wants to keep \$300,000 in the vehicle account he's ok with that. We can adjust that but Randy hasn't heard any ideas on bank accounts. If we want to lay a plan out he's comfortable with that but waiting for that infrastructure plan to be done and waiting for the Board to discuss what infrastructure we want to do is going to take too long. Meanwhile our operations don't get funded the way we've set it up. If we want to shift that around, that needs to be decided now. He hasn't heard any plans in place on that. He then asked Ryan what he wants to see in the equipment fund.

Ryan said that he doesn't know. If there's another plan he would like to hear it but it's like we were just approached with "our forecast isn't looking good and we need to raise rates". Are there other adjustments that we can make to help us make it through the next year so we can get the plan done as far as bank accounts and things like that go? We haven't been presented with anything. He said he could develop something like that if the rest of the Board wants him to.

Randy explained that when the Board first got put in they came up with what they wanted to see and they've always wanted to fund those accounts. If Ryan only wants to keep \$200,000 and everyone agrees, he's comfortable with that.

Chairman Staton reminded the Directors that the next agenda item is a discussion on bank accounts levels.

Randy asked Ryan if he wanted to talk about that now as a Board or does he want someone to come up with a plan.

Ryan said he would like to see if Staff has a different plan other than raising rates so we can make it the next year or so.

Joe explained to Ryan that five years ago the Board came up with a plan where we stripped out anything and everything that was fluff at the time. We've cut our expenses down over that five year period. Unfortunately, we've gotten to a point where we're taking money that was slated to do other things. Five years ago we planned on taking that \$200,000 and put it towards capital improvements so when we do a large capital improvement we would have \$2,000,000 in the account so that we can pay for the projects without having to bond. That's not happening right now. We were getting the ¼ cent sales tax to do small main replacements and that's not getting done either. The plan has been modified the last few years because the Board has asked for something different. Unfortunately every time we have modified the plan, something else comes up. We're constantly throwing darts at a moving target. At some point in time the Board needs to decide what they want to do and we'll do it. That's basically where we're at.

Ryan read a section out of a book called Big Guide for Small Systems for Board Members. It talks about financial duties and responsibilities. It says, "Full cost pricing means that your rates reflect the true cost of producing and selling water including all operating expenses, debt service, funding reserve accounts for equipment replacement and future improvements and expansions". Some of these things we've done in the past but there are some things we've sold down the road in order to cover other things.

Randy said that Ryan's talking about the current budget because we have been doing infrastructure. We've been following the plan we had in place,. Now with the plan these new infrastructures have changed. We got concerned so now we're getting a second opinion. We have been doing it; it hasn't been forgone. Why we're looking at a rate increase is because we're not doing them this year. The money's just not there. We're purchasing a generator, a chlorinator, a truck and doing the capital improvement plan.

Ryan said his point is that the rates reflect all of those things not just a portion of them. He wants to know what all of those things are so when we raise rates we are covering everything.

Joe said that our rates aren't covering all of those things because we're using the \$200,000 SNWA money and the \$300,000 from the ¼ sales tax. We're \$500,000 in a deficient because the \$500,000 is not part of the rates.

Ryan said that the principle is that the \$200,000 is for capital improvement projects but we're just saving that knowing that we have some but we don't know what the true needs are. That's what he's talking about.

Randy said that he feels like we're doing what we had in place to do. When Ryan raises the question that he wants to look at everything, he's open to that. It doesn't hurt us to look at everything but he doesn't have any ideas to throw down there. What the Board and Staff came up with is what he's really comfortable with and he's open to looking at different accounts. When Ryan said that we have a \$1,000,000 for infrastructure replacement, Randy really doesn't want to draw down on that. He feels like it's not going to be hard to spend that. When you talk about the \$400,000 in equipment, he still gets nervous because you don't know what's going to happen. If it gets too big down the road, we can reallocate the money and do something different.

Ryan doesn't remember when we separated these things out that there was a discussion on never letting infrastructure drop below a \$1,000,000 or never letting fixed assets drop below a certain amount. Maybe that would be a good discussion to have because his concern is why are we looking to raise rates when we have a substantial amount of funds in the bank. He recognizes that we need to raise rates. He's not saying that we shouldn't raise rates ever but he wants to know what we need to raise rates to.

Randy would like the rate increase to be between 6% and 8% and he also asked Staff to see if there's anything else they can cut or save money on.

Chairman Staton said that this has been beat to death and asked Staff to put this on next month's agenda as an action item saying that we're going to approve a rate increase between 6% and 8%.

5. Discussion on Bank Account Levels (For Discussion Only)

Joe said that it was discussed at last month's Board meeting that we needed to decide what we would be

comfortable with having our bank account levels at. Staff is looking for direction from the Board on what they would be comfortable having those levels at. Right now we have six months operating money in the bank. When looking at bonding the lenders are looking at three months in the bank. Staff is looking for direction from the Board on what they would be comfortable with.

Chairman Staton doesn't want to see them go down at all.

Randy agreed with Chairman Staton.

Ryan did not agree with Chairman Staton or Randy.

Randy said that Ryan's idea of doing the study is great because it's really putting our dollars to the best use. It will help focus us but he still doesn't see that we're not going to need that money.

Ryan said that he knows we're going to need the money. He wanted to talk about bank accounts. We have six months operating which is \$1.52M and bonding requires three months.

Joe explained that three months operating is a USDA requirement. If they were going to loan us any money they would require us to spend down to where we only had three months in the bank.

Ryan asked if it is a District policy to keep six months in the bank or did management receive Direction from the Board to bump that up to six months.

Joe said that the direction came from discussions with past Boards and past management.

Ryan explained that that was one of the items he wanted to talk about. He also had another item as well.

Bryan said that part of the six months operating is that it's really hard to float a bond or anything like that in three months. Six months is more realistic by the time you announce it and do the research. If you had to float a bond for an emergency or if you had to raise rates, three months would be pretty tight.

Randy doesn't want to float anymore bonds.

Ryan said that he didn't say he wanted to float a bond. What he's saying is that there's a minimum amount that most bond companies require and we've gone above and beyond that and we're tying up our cash. In doing that we could use a little cash right now.

Randy had two things he wanted to say. First, six months is what they usually suggest for personal families. He feels like being safer is always better. Second, he also doesn't look at other utilities to make a decision. It doesn't work.

Ryan doesn't have that same feeling so he said he would just let the other Board members go on. It is what it is. He said that if they were comfortable with four or five months that would buy us the time that we need even though we still need to raise rates. Ryan moved on to the general checking. Last month we talked about how it can't go below a certain amount or we start to pay fees.

Jeannie explained that we have to keep \$2.9M to \$3M in our general checking. That fluctuates every month.

Ryan wanted to go down thru the cash that we're never going to touch. Fixed asset replacement we're never going to touch because we need to raise rates to add more money so we're not comfortable were lowering that one. We're also not comfortable with lowering the six month operating.

Randy asked Ryan what he is comfortable with. Where does he want to see the cash balances at?

Ryan said he'd get to that in a minute. We're not going to touch arsenic media. Water resources are dedicated so we can't touch that, and the restricted accounts are for our bond payments. Basically we're not comfortable with touching any of our cash but then we have \$2.5M in our general checking for operating that we'll get a penalty on if we drop below a certain amount. Can we change our checking accounts so that we don't get a penalty? Why do we wrap ourselves up so we have this money in there that we can't touch?

Jeannie explained that it's not a penalty. It's called bank analysis and every time we run a check thru our scanner, every time we write a check, every time a check bounces, that goes into the analysis. They charge us transaction fees instead of doing the analysis for all of those things if we go below the amount we're supposed to have in the bank.

Ryan said he's trying to figure out how much available cash we have.

Randy said that we have the water resources account that has \$100,000 in it. We can't buy very many resources with it. Part of Randy's thinking is that some of these accounts with a large cushion is so that if something comes our way, they will be able to act on it.

Jeannie said that the \$76,000 is what's over and above everything that we're spending for operations and non-operations, that's what our cash will be drawn down. It won't necessarily come out of checking or savings, it's probably going to come out of the infrastructure account or the fixed assets.

Ryan said he knows it's not a voting item. If he could give direction which would probably be over ridden, he would think that knowing our situation and that our boat is off course, we could save for the next two years instead of six months operating, reduce it to down to four or five months operating and use those dollars to cover us until we know the whole picture. That's one option.

Chairman Staton said they can think about that option and next month when this is an action item, if anyone has changed their mind they'll apply it then.

6. **Manager's Reports**

Office Manager – 1) Jeannie said that cash is down a little bit right now. It hasn't got hot as quickly as we thought. As far as budget goes, we are probably going to come in a little bit under what was projected. Revenues are right on. The only thing that may show there is if we get the \$200,000 from SNWA. Expenses are at 56% so that's good. She thinks we'll be right on budget with expenses.

Assistant General Manager – 1) Production – Lon Dalley said that last month we had a spike in production. He thinks that was because of the Overton Tank issue. We had to drain it a couple of times plus flush the lines in Overton. Otherwise, we're back on track where we've been the last five years.

2) Arrow Canyon – We've only been using Arrow Canyon Well #1. In April we pumped 73,790,552 gallons.

3) Meter Installs – No meters were installed in April.

General Manager- 1) BLM RMP/ BLM Planning Document 2.0 – Joe has spent quite a lot of time lately dealing with BLM on a local and state level. Karen Budd Falen has been great to work with. We got a report back from BLM on the local RMP portion of it. They want to have a meeting on May 26th so Joe and Lon will be going into Vegas and sitting down with them. They'll be talking about some of the stuff that they have for the local RMP process. They've actually back off on a lot of the stuff. Joe's been reviewing those documents but the big one is on a federal level. BLM has a planning document 2.0. Basically a lot of the things we were able to catch BLM on technicalities thru NEPA in order for us to become a cooperating agency for this, they're trying to strip away and are redefining the goals of BLM and how they want to interact. Part of the problem is that if you want to be a cooperating agency you have to be on a list, you have to let them know you want to be notified on certain things and if they think that you might have some interest in something and want to make a comment about it then they'll engage you. If not, you're out in the dirt. The comment period ends on the 24th. Joe has those and they've been submitted.

2) FWS & Endangered Species– Karen also sent us two things that Joe had already heard about thru NV Rural Water Association. Basically they're trying to say that if there's an endangered species out there and we want to do a project, they can look at it and say that we can't do it because in 500 years in might be prime habitat in order to bring back the endangered species so they're going to have to protect that area. Both FWS and Noah Fisheries have support in that. They've issued an official opinion and it's starting to gain traction. We're going to have to keep an eye on it. If it's private land they can still tell you that you can't do anything on it. We got in on that one early. **3) EPA Attempted Take Over of State Water Law –** The EPA is trying to take over the water all over the United States. They're trying to say that any river, stream or anything that a pollutant can get into, you have to have a special permit. They're also saying that if you pump groundwater and it's going to affect a stream, you have to get a 404 permit. It gives them an opportunity to deny you. They're taking the power away from the states which allows them to be able to allocate your water resources to where it gives them the opportunity to force you to out. Lon said that BLM will trump the state. There are legislators right now that are fighting these types of changes. The problem is the EPA has grown so big they pretty much change rules and regulations between them and the president. There's a lot of backlash from the National Rural Water Association and the NV Rural

Water Association. There are a lot of Senators that back the fight but unfortunately when you have the EPA and a president that's willing to write things, it going to take a lot of support. **4) Karen Budd-Falen-** Joe can't thank Karen enough. She keeps her eye on the federal register. That's what her law firm does. She's been writing him memorandums on what's going on out there and she also sends them to the other small utilities she's been working with. **5) Tribe** – The tribe sent a letter to Joe and to Chairman Staton. Joe had a copy of that letter for each of the Directors. Joe said he will talk about it in closed-door session.

7. Public Comment (Maybe Limited to Five Minutes)

None

8. 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 Chairman Staton and seconded by Lindsey Dalley the Board voted 4-0 to call a closed-door session at 5:30 pm.

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

On motion of Chairman Staton and seconded by Ryan Wheeler the Board voted 4-0 to reconvene the open-door session at 6:07 pm.

9. Personnel (Closed Door Session)

None

10. Approval of the June 9, 2016 Board Meeting

The general consensus was to hold the next Board meeting on June 9, 2016 at 4 pm.

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

None

12. Adjournment

The meeting adjourned at 6:08 p.m.