

CARSON CITY UTILITY FINANCE OVERSIGHT COMMITTEE

Minutes of the January 13, 2020 Meeting

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A regular meeting of the Carson City Utility Finance Oversight Committee was scheduled for 1:00 p.m. on Monday, January 13, 2020 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bennett
Vice Chairperson Randy Bowling
Member Robert Johnston
Member Bruce Scott

STAFF: Darren Schulz, Public Works Department Director
Andy Hummel, Wastewater Utility Manager
Eddy Quaglieri, Water Utility Manager
Todd Reese, Deputy District Attorney
Danielle Howard, Public Meetings Clerk

NOTE: A recording of these proceedings, the commission's agenda materials, and any written comments or documentation provided to the recording secretary during the meeting are public record. These materials are on file in the Clerk-Recorder's Office, and available for review during regular business hours. An audio recording of this meeting is available on www.Carson.org/minutes.

CALL TO ORDER AND DETERMINATION OF A QUORUM

(1:01:23) – Chairperson Bennett called the meeting to order at 1:01 p.m. Roll was called, and a quorum was present. Member Maples was absent from the meeting.

PUBLIC COMMENT

(1:01:50) – Chairperson Bennett entertained public comments; however, none were forthcoming.

1. FOR POSSIBLE ACTION: APPROVAL OF THE MINUTES FROM THE NOVEMBER 4, 2019 MEETING.

(1:02:24) – Chairperson Bennett introduced the item and entertained corrections, changes, and/or a motion.

(1:02:46) – **MOTION: Member Scott moved to approve the November 4, 2019 meeting minutes. Vice Chairperson Bowling seconded the motion. Motion carried 4-0-0.**

2. PUBLIC MEETING ITEMS:

2.A FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO RECOMMEND ANNUAL WATER AND WASTEWATER RATE INCREASES TO THE BOARD OF SUPERVISORS.

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(1:03:13) – Chairperson Bennett introduced the item. Mr. Hummel presented the Staff Report, and Farr West Engineering Project Designer Alexa Kinsinger presented a Power Point Slideshow presentation on water and wastewater utility rates, both of which are incorporated into the record. She and Mr. Hummel also responded to clarifying questions.

(1:23:15) – Member Johnston inquired about the depreciable lives of the assets for Carson City Water, and Mr. Hummel responded that such assets as concrete and certain types of pipe that last a long time could have a depreciation period of 50 years, and the length of time depended on the asset. He also confirmed that the City revisits the infrastructure life at every financial audit.

(1:41:50) – Chairperson Bennett entertained Committee comments. Member Scott believed that a smaller increase on a program basis would make sense to give customers the best way to adjust to ongoing expenses and that if the Committee were to not recommend to the Board of Supervisors a progressive, gradual approach like the one proposed, then it would be a disservice for the utilities and rate payers in the long term. He was concerned with the three percent rate increase for the sewage fees and suggested a 3.5 percent increase, as he believed the role of the Committee is to recommend to the Board a sustainable approach. Member Scott proposed discussion on indexing the rates after 2025 or 2026 to eliminate going through refreshers of rates studies on an ongoing basis, and he suggest that it may be a way to help set the City up for a sustainable level of rates.

(1:46:44) – Member Johnston noted that he had the same thought about indexing, and he preferred not having to revisit the water and wastewater rates every year.

(1:47:35) – Chairperson Bennett clarified that the three percent rate increase would fit within the parameters of the water fund goals in regards to meeting the financial policies.

(1:48:07) – Mr. Schulz explained how the cost inputs and the updated capital improvement plan (CIP) inputted into the Financial Consulting Solutions (FCS) model used had calculated the proposed three percent rate increase.

(1:55:57) – Chairperson Bennett noted that the FCS model indicated a proposed 95 percent wastewater system reinvestment funding within the five-year phase-in, and he wished to achieve 100 percent wastewater system reinvestment. He also believed that indexing may lead to the Committee putting the “utility funds on autopilot” and did not believe that would be appropriate, and he wished to revisit the rate structure on a regular basis.

(1:58:40) – Member Scott encouraged investigating overhead and reducing costs associated with City salaries and, instead of hiring for new positions, potentially looking into part-time and temporary City positions. He believed that the rate payers were owed the on-going management of cost increases and, particularly, salary costs.

(2:00:36) – Chairperson Bennett entertained public comments and, when none were forthcoming, a motion.

(2:01:00) – MOTION: Member Scott moved to approve and recommend to the Board of

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Supervisors the Staff's recommendation with respect to the water system funding, and that Staff are asked to recalculate and slightly increase the wastewater funding to get to the point of reinvestment meeting 100 percent within the two-to-three-year period. Member Johnston seconded the motion.

(2:02:46) – Discussion ensued regarding the rate calculations, during which Ms. Kingsinger referenced the summary of the cash flows to explain how the sewer fund could be in a negative situation if they did the 100 percent wastewater system reinvestment in addition to raising the rates by 3 percent over the next five years without some sort of index or ordinance to keep rates increasing past 2025.

(2:09:06) – Member Scott noted that the difference between three percent and 3.5 percent is approximately \$00.25 a month with the 2021 rate of \$41.66 per single family resident, and he believed that the number would put the Committee where it needs to be in terms of the metrics.

(2:10:57) – Chairperson Bennett called for a vote. **Motion carried 4-0-0.**

2.B FOR POSSIBLE ACTION: DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS A STORMWATER RATE STRUCTURE AND RATE INCREASE THAT WILL GENERATE ADDITIONAL REVENUE, UP TO AN ADDITIONAL \$1.4 MILLION, TO SUPPORT AN IMPROVED CITY-WIDE STORMWATER PROGRAM.

(2:11:10) – Chairperson Bennett introduced the item. Mr. Hummel presented the Staff Report, which is incorporated into the record, and Brent Farr of Farr West Engineering presented a Power Point Slideshow presentation on the stormwater management program and responded to clarifying questions.

(2:36:11) – Vice Chairperson Bowling favored the grouped impervious surface area methodology because it incorporates impervious surface rather than just zoning or land use.

(2:38:54) – In response to Member Johnston's inquiry, Mr. Farr acknowledged that Reno adopted a method similar to the impervious area approach.

(2:41:03) – Chairperson Bennett entertained public comment. Mark Korinek introduced himself as the Carson City School District Director of Operations and stated that he appreciated the analysis of the item and was in favor of the grouped impervious approach. He wished for the Committee to be mindful that there is a collective river of water that pours through one of the Carson City School District's campuses that has flooded and destroyed part of the property several times.

(2:43:18) – Chairperson Bennett entertained further Committee discussion, and he inquired about whether the future rate structure anticipated a phase-in period. Mr. Farr confirmed that neither structure as presented takes into account a phase-in period and proposed calculating the numbers based off of the chosen approach to evaluate how each rate payer is affected and how that could potentially be phased-in over time.

(2:47:03) – Chairperson Bennett noted, in terms of the grouped impervious approach, the need to increase revenue in a stormwater fund and the goal of the Board of Supervisors to develop a more

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equitable stormwater rate structure even if more effort would be needed to manage the program. He recommended that the Committee take into account credits for reducing square-footage if they decide on a program that goes by a square-footage basis. He believed that the stormwater code has required that new developments manage their stormwater runoff, and there is a possibility that the large generators would look for credit, which would be impactful on the amount of revenue the Committee could raise. Chairperson Bennett stated that, based on his analysis, he supported the modified existing rate structure and pointed out the burden taken off of the residential rate by one percent more than the grouped impervious area approach. He noted that such approaches as the impervious area approach would begin to add administrative costs to an approach that already is not generating as much revenue to begin with. He also believed that such a dramatic rate structure increase warrants a phase-in.

(2:50:01) – Member Scott commented that he was leaning towards the [grouped] impervious area approach with some of the credits outlined in the presentation and did not believe that another Committee meeting was necessary if they could decide on an approach and recommendation to the Board of Supervisors for a phase-in period. Member Johnston was also in favor of the grouped impervious area approach because he believed it makes sense despite the setup costs.

(2:52:52) – Vice Chairperson Bowling stated that he tended to prefer the grouped impervious area approach because it is based on impervious surface area rather than zoning or land use and because he would like to see the full rate implemented for getting improvements done and curing a lot of the stormwater and flooding problems. He noted that people would still have to pay for the rate structure, and he was leaning towards staged implementation or phase-in with possibly the initial year being no more than 60 percent of the full rate. He commented that if a program does not have a mitigation credit included in it, he would still support it in reference to the last bullet of the “Mitigation Credit Concept” slide of the presentation.

(2:56:10) – Member Scott believed that some benefit such as a credit should be applied to properties that were required to build such features as a detention facility in order to get their building permit since these features benefit the City.

(2:57:51) – Chairperson Bennett pointed out that if the Committee is considering credits, they need to understand what that credit program would look like as well as what the level of impact is to the overall efficacy of the program to generate revenue, and he believed that there were too many factors involved for the Committee to make a recommendation at this time.

(2:59:50) – Chairperson Bennett entertained a motion.

(3:00:06) – MOTION: Member Scott moved to table Item 2.B for an upcoming meeting when the Committee can explore analyzing the grouped impervious method in more depth. Vice Chairperson Bowling seconded the motion. Motion carried 4-0-0.

2.C FOR INFORMATION ONLY: PRESENTATION AND DISCUSSION OF MANAGER'S REPORT ON PERSONNEL, PROJECTS AND PLANNING.

(3:00:18) – Chairperson Bennett introduced the item. Mr. Quaglieri presented his report, which included announcing the vacancy of a Senior Water Technician and Distribution position to fill and that

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Tom Grundy would be filling the Water Operations Supervisor position. He reported on the updates for CIPs including the completion of the East-West Transmission Main, which was in the testing and quality inspection phase, and the last phase will be the booster pump station that should be installed in February 2021. He mentioned the scheduled installation of the pump house and equipment for Well Three into the existing building for the summer, for which he affirmed it was in complete design. He also reported on the Prison Hill Booster Pump Station to serve Desert Mountain and Shadow Hills zones, which was also scheduled to be finished during the summer. He mentioned such miscellaneous projects as the completion of the Water Treatment Preliminary Engineering Report with the help of Farr-West Engineering, the Backflow [Prevention] Program with the backflow tracking having been completely transferred to a third-party, and the meter study on the commercial meters, which were found to be in decent shape.

(3:06:53) – Mr. Hummel reported on the staffing changes and the completion of phase two of the treatment plant in December 2019. He also announced that the Effluent Reuse Master Plan would be going to the Board of Supervisors Thursday, January 16, 2020.

3. FUTURE AGENDA ITEMS

(3:08:54) – Chairperson Bennett introduced the item and noted further discussion on the stormwater rate structure as a future agenda item.

(3:09:10) – Vice Chairperson Bowling requested agendaizing the process of how projects on the CIP are selected.

(3:10:34) – Mr. Schulz inquired about the future meeting date and time, and after some discussion, Chairperson Bennett and Mr. Schulz agreed to continue discussion over email regarding the next date and time for the March 2020 meeting.

4. PUBLIC COMMENTS

(3:10:24) – There were no public comments.

5. FOR POSSIBLE ACTION: ADJOURNMENT

(3:13:01) – Chairperson Bennett adjourned the meeting at 3:13 p.m.

The Minutes of the January 13, 2020 Carson City Utility Finance Oversight Committee meeting are so approved this 4th day of May 2020.