

BOARD OF PUBLIC UTILITIES

May 6, 2014

The regular meeting of the Board of Public Utilities held on the 6th day of May, 2014, was called to order at 4:00 p.m. with CHAIRMAN POCOCK presiding and the following COMMISSIONERS present:

COMMISSIONERS MOFFITT, SHAVER, SHAW AND SCHNEIDER

Also Present: SECRETARY SALLIS, CITY MANAGER DANIELS, ASST CITY MANAGER BROWNLEE AND OTHER KEY STAFF

APPROVAL COMMISSIONER SHAW MOVED, SECONDED BY COMMISSIONER
AGENDA MOFFITT, to approve the agenda. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS MOFFITT,
SHAVER, SHAW AND SCHNEIDER

NOES: NONE

ABSENT: COMMISSIONER SULLIVAN

APR MINS: COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER
SCHNEIDER, to approve the minutes of the regular meeting held April 15, 2014.
Apr 15, '14 Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS MOFFITT,
SHAVER, SHAW AND SCHNEIDER

NOES: NONE

ABSENT: COMMISSIONER SULLIVAN

CORSPNDN: None

PBLC APRN: None

UNF BUSNS: Sylvia Miledi, finance director, reviewed the spreadsheet submitted in the Board packet for the \$808,000 due to the city from the Needles Public Utility Authority (NPUA) as noted in the audited financial statement for the year ended June 30, 2013. City Manager Daniels noted that he met with COMMISSIONER SCHNEIDER and reviewed the variance in the due to/due from since 2005.
\$808,000
DUE TO
CITY FROM
NPUA

COMMISSIONER SULLIVAN entered the meeting at 4:03 p.m.

COMMISSIONER MOFFITT questioned why the Board is not advised when the utilities are overspent on the budget so that changes can be made to the rates. He felt that the Board needs to know before the due to gets so high. COMMISSIONER SHAVER agreed that a better practice would be adjust the rates at the time and not wait, and COMMISSIONER SULLIVAN felt that review should be

more often than annually to which COMMISSIONER MOFFITT responded at least quarterly.

COMMISSIONER SHAVER spoke on the creation of the NPUA (he was mayor at the time) and the upfront funds made available to the city with the bond proceeds.

CHAIRMAN POCOCK expressed his concern with the substantial change from last year to this year as last year was basically even. Now we pull out obligations back to 2005 and he questioned how we went from almost even to owing the city \$800,000 in one accounting period. He felt we need to look at the total depository transfers in addition to the revenues and expenses. Finance Director Miledi explained that the due to/due from is carried forward each year and never paid off. The totals are cumulative.

An extended discussion was held on the due to/due from between the two agencies and how we got to where we are now with the NPUA owing \$808,000 to the city. City Manager Daniels confirmed that the Board wants to know what happened this year to change the balance owed by the utilities from \$10,000 to \$808,000 and agreed that staff would provide that detailed information.

Asst City Manager Brownlee spoke on the need for a rate study in both water and wastewater as both departments have lost money after depreciation. Discussion followed on the finances of the three utilities both on the city side as contract operator and NPUA side as owner and whether water and wastewater are truly losing money. CHAIRMAN POCOCK does not believe that the utilities are operating at a loss and referred to page 21 of the 2013 audit. He wants to know the reasons causing the \$808,000 due to change as the audits do not reflect it.

COMMISSIONER SULLIVAN requested a current due to/due from year-to-date to see if some of the \$808,000 has been absorbed. Finance Director Miledi will provide.

NEW BUSN: City Manager Daniels explained that the February 2014 financial reports are included in the Board packet. Staff would like to know if there is other information the Board would like to see included and/or would be useful. The intent is to design the reporting to meet the needs of the Board Members.

UTLY RPTS
TO BRD &
POSSIBLE
CHANGES

COMMISSIONER SCHNEIDER suggested looking at the NPUA revenue, city by divisions, and compare it to city expense.

Review continued of the information provided to the Board and if such information is adequate.

COMMISSIONER SULLIVAN would like to see year-to-date totals at the bottom and then each month for revenues and expenses; show net profit and loss, revenue minus expenses, to show new gain or loss; and if water and wastewater asset replacement fund is shown as revenue but not expense, include that quarterly.

Finance Director Miledi pointed out that water and wastewater asset replacement is only transferred once a year. She has a revised report that she'll be providing. COMMISSIONER SULLIVAN questioned the accumulation of the asset replacement fee and if the numbers include the per unit collection as actually being billed or the per account which was the intent. He felt the water and wastewater asset replacement funds should be adjusted to be more accurate as to what is actually being collected.

CHAIRMAN POCOCK explained that when we get a new computer system, he hopes we can get a standard income and expense report so we may not need all of these other reports currently being provided. Finance Director Miledi explained that she's drafted a profit and loss report that she will be getting to the Board once we get through the 2015 budget process.

UTLTY A/R
AGING
REPORT

Asst City Manager Brownlee explained that staff is trying to make sure the Board has as much information as needed to make informed decisions. The demographics indicate that our utility customers are socio-economic and move around a lot. We do have write-offs that are turned over to a collection agency. COMMISSIONER SCHNEIDER noted that the \$262,574 in electric write-offs is an expense not captured in the rates. CHAIRMAN POCOCK felt that there should be a reasonable estimate of write-offs and if we end up collecting on those, it would be excess revenues. The write-offs should be anticipated in the budget and reconciled at year end close because if they are not counted, that affects the accuracy of the rates. Kim Mitchell, business office supervisor, explained that now that the write-offs are caught up, they will be dealt with in June of each year and sent to collections.

Asst City Manager Brownlee explained that the write-offs were done as of ten days or so ago so we will see smaller amounts in April. Discussion followed on the write-offs and collections up to December 2013. Supervisor Mitchell explained that we have been sending only final accounts to collection as they come up after a certain period of time. Active accounts have to make payment arrangements or other arrangements to keep service current.

CHAIRMAN POCOCK suggested that those customers that require a higher deposit amount put up the regular deposit and then make a payment arrangement on the balance of the higher deposit amount. After further discussion on utility deposits, staff was requested to develop a deposit policy and bring back for Board consideration within the next 30 days.

DRAW FRM
WTR QULTY
TRUST FND
AT ZIONS

CHAIRMAN POCOCK questioned the legality of taking funds from the water quality trust fund at Zions National Bank. Asst City Manager Brownlee responded that the caveat is that it must be for a capital project. He spoke briefly on the history of the construction of the Lower Colorado Water Supply Project ("All American Canal") and the establishment of the trust fund of which \$354,000 are our funds.

COMMISSIONER SCHNEIDER MOVED, SECONDED BY COMMISSIONER SHAVER, to approve the drawdown of \$91,250, representing two each quarterly payments of \$45,625, to Superior Tank Solutions, Inc. from the Water Quality Trust Fund at Zions National Bank. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS MOFFITT, SHAVER, SHAW AND SCHNEIDER
NOES: COMMISSIONER SULLIVAN
ABSENT: NONE

LOCUS
TECH TO
PERFORM
AB32 GRN
HSE GAS
VERIFY
SERVICES

COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER SULLIVAN, to approve the selection of Locus Technologies to perform AB 32 greenhouse gas verification services at a cost of \$3,780. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN, MOFFITT, SHAVER, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: NONE

PURCH 1.5
MIL GAL
WTR TANK
FROM
GATEWAY
PAC CONT

Jerry Porter, water department manager, spoke on the 1.5 million gallon bolted steel water reservoir that is available for purchase at \$150,000. The estimated cost to bring it to Needles and install is \$310,000 but the issue is where to install the tank where there is adequate elevation for flow. Until we get an engineering firm to determine the highest peak in the area of Gates Subdivision, if the city purchased the tank, he proposed to store it on the current site until a decision is made as to location.

An extended discussion was held on the Boyle Engineering report provided to the Board as justification for the need for additional capacity; corrections and improvements that need to be made to the water system to accommodate that additional storage; location of a new water reservoir; storage of the tank until construction at some future date; potential cost to erect; and risks of storing without use.

COMMISSIONER SCHNEIDER questioned the durability of 1/8" steel tank when we're having issues with shooting at the 1/4" tank we now have. He felt that 1/8" wouldn't withstand it. He also suggested that instead of buying cargo containers to store the tank, we might consider building a steel shed at the well field by the bridge.

COMMISSIONER SULLIVAN asked where the funds for this purchase were coming from to which Finance Director Miledi responded asset replacement, however, \$100,000 in water asset replacement will not be available until June 30, 2014.

CHAIRMAN POCOCK expressed his concern with purchasing the tank and not using it and then the possibility of \$500,000 to erect and piping. There could be

better use of the \$200,000, maybe fixing the bottleneck at Parkway and Lily Hill and make sure the Lily Hill booster pump is always working.

COMMISSIONER SCHNEIDER MOVED, SECONDED BY COMMISSIONER SHAW, to approve the purchase of a 1.5 million gallon bolted steel tank for use as a water reservoir from Gateway Pacific Contractors, Inc. and to suggest that the funds be taken out of the recently seeded water asset replacement fund.

COMMISSIONER SCHNEIDER suggested that staff bring back recommendations on the use of the funds in Zions National Bank as there are capital projects that need to be done. Manager Porter agreed to put together a plan of priorities - water line bottleneck, install tank, booster pumps, etc.

After further discussion on where the funds would come from for the purchase of the tank, the Board Members generally agreed that the electric asset replacement fund could loan water any shortage for this purchase until water asset replacement funds become available on June 30, 2014 (CD matures) at which time electric would be repaid.

Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAVER, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: NONE

UTILITIES
RATE
STUDIES

COMMISSIONER SCHNEIDER explained he does not understand how the Board can be told that water and wastewater are losing money when the water dept manager has noted that the budget has \$100,000 in projects that may not be done. That's \$100,000 in revenue that will not be spent so he does not understand how they can be losing money.

COMMISSIONER MOFFITT agreed with doing rate studies for water, wastewater and electric. COMMISSIONER SULLIVAN felt that before doing rate studies, all customers should be billed correctly including city accounts. If there is a shortfall, billing correctly would give a true accounting of where we really are. CHAIRMAN POCOCK pointed out that we are billing correctly according to current rates but questioned if we're billing fairly. Asst City Manager Brownlee explained that rates have to be consistent with Prop 218 which are fair and equitable to all customers. COMMISSIONER SCHNEIDER agreed with doing a study on water and wastewater but electric, with the proper and correct numbers, can be figured on a spreadsheet.

City Manager Daniels informed the Board that the city council is looking for rate studies for all three utilities to quantify what the rates should be. Discussion followed on the EES study prepared in 2006 and whether rates can be calculated in-house. COMMISSIONER MOFFITT felt that proper studies should be available to back up the rates.

COMMISSIONER SCHNEIDER questioned why depreciation and amortization are booked as operating expenses. Asst City Manager Brownlee responded that it is generally accepted accounting procedures. A brief review was made of the NPUA audit as of June 30, 2013 and the expenses associated with the utilities.

CHAIRMAN POCOCK explained that it is important that the numbers used in the rate studies be accurate in order to get accurate rates. He would like to get the equivalent dwelling unit (EDU) study done and see what rates we end up with that and then consider additional rate studies if needed. City Manager Daniels reiterated his direction to get rate studies done for the utilities. COMMISSIONER SULLIVAN pointed out that the city has to pay its fair share and they must know that upfront.

COMMISSIONER SCHNEIDER MOVED, SECONDED BY COMMISSIONER MOFFITT, to request staff get proposals for all three utility rate studies. Motion carried by the following vote:

AYES: COMMISSIONERS MOFFITT, SHAVER, SHAW AND SCHNEIDER
NOES: CHAIRMAN POCOCK AND COMMISSIONER SULLIVAN
ABSENT: NONE

City Manager Daniels explained that COMMISSIONER SCHNEIDER brought up at the last meeting a cover at the well. We've commissioned to cover the well and will do it out of this year's funds.

BRD ROSTS: COMMISSIONER SCHNEIDER explained that with all the talk about the utilities losing money, we need to come up with a policy to tie the rate stabilization fund into the power cost adjustment so we can float the rate stabilization and avoid the due to/due from. He asked that use of the rate stabilization fund be placed on the next agenda.

RATE
STABLZN

ADJOURN: COMMISSIONER SULLIVAN MOVED, SECONDED BY COMMISSIONER MOFFITT, to adjourn. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN, MOFFITT, SHAVER, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: NONE

CHAIRMAN POCOCK declared the regular meeting of the Board of Public Utilities held on the 6th day of May, 2014, adjourned at 7:12 p.m.

ATTEST: _____
Chairman

Secretary