

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra Winqest
District General Manager

FROM: Nathan Chorey
Engineering Manager

Paul Navazio
Director of Finance

SUBJECT: Review, discuss and provide direction regarding the proposed 2020/21 Utility Rate adjustment deferred by the Board of Trustees in April 2020.

STRATEGIC PLAN: Long Range Principle #2 – Finance

DATE: January 6, 2021

I. RECOMMENDATION

That the Board of Trustees review, discuss and provide direction to Staff regarding the proposed FY2020/21 utility rate (water and sewer) increase deferred by the Board of Trustees at their meeting of April 14, 2020.

II. DISTRICT STRATEGIC PLAN

The Utility Rate Study supports Long Range Principle #2, Finance; The District will ensure fiscal responsibility and sustainability of service capacities by maintaining effective financial policies for operating budgets, fund balances, capital improvement and debt management. Under Objectives for 2018-20, it specifically states, prepare a five-year projection of financial results for each audited fund for operations, capital improvement and debt service as a part of budget deliberations.

III. BACKGROUND

At their meeting of February 26, 2020, the Board of Trustees reviewed and discussed the District's 2020 Utility Rate Study (updated) and direction was given to proceed with a one-year 5.5% (average) utility rate increase for fiscal year

2020/21 and further approved a motion to set the required public hearing for April 14, 2020 (see Meeting Minutes excerpt from 2/26/20).

The public hearing was held, as scheduled, on April 14, 2020, and at the conclusion of the public hearing, the Board considered public testimony as well as the impacts of the emerging COVID-19 pandemic, as the Governor of the State of Nevada had issued a Declaration of Emergency on March 12, 2020. Following Board discussion, concern over the potential economic and operational impacts of the pandemic, the Board collectively decided to defer the proposed 2020/21 utility rate increase to a future date (see Meeting Minutes excerpt from 4/14/20).

As a result of the Board's decision regarding implementation of the 2020/21 utility rate increase, the District's Final Approved Budget for FY2020/21 adopted on May 27, 2020, reflected a reduction of utility rate revenues of \$670,178 relative to the revenue estimates included in the FY2020/21 Tentative Budget, as well as a corresponding reduction in FY2020/21 Utility Fund appropriations (Operations and Maintenance \$108,000 and deferral of \$600,000 in capital program expenditures).

At the request of the Trustee Dent, this agenda has been prepared to provide for Board discussion and direction on implementation of the District's next utility rate adjustment.

IV. FINANCIAL IMPACT AND BUDGET

No formal action is requested of the Board via this agenda item and as such there is no direct fiscal impact from the recommendation in this report.

The original 2020 Utility Rate study recommendation was to increase water rates by 4.2% and sewer rates by 6.4% resulting in an average utility rate increase of 5.5% for the average residential customer. Additionally, the 2020 Utility Rate Study included annual average utility rate increases of 4.2% for the next five years to meet the projected revenue requirements for the utility fund.

The proposed utility rate increase would have generated an estimated \$679,178 in increased annualized water and sewer rate revenues. As a result of the deferral of this rate increase, a FY2020/21 budget appropriations totaling \$708,000 were reduced from the FY2020/21 budget, including a reduction of \$108,000 in operating expenditures as well as a deferral of \$600,000 in capital program expenditures. The deferral of capital program expenditures from the original FY2020/21 capital program assumed that the rate increase would ultimately be implemented, albeit on a delayed time frame.

In addition to the deferral of the timing of the rate increase scheduled to take effect in May 2020, the Board also provided direction to undertake a comprehensive update of the District's Utility Rate Study, to include an analysis of appropriate fund balance(s) to better inform future rate increases.

V. BOARD OPTIONS

The following is a partial list of possible options for Board consideration relative to implementing utility rate increases to support ongoing operations and capital program requirements:

- 1) Resume process for implementing the originally proposed 2020/21 utility rate increase
 - a. Set date for new public hearing (January 27, 2021)
 - b. Conduct Public Hearing (March 24, 2021)
 - c. If approved, utility rate increase would be effective the month following the adoption of new utility rates (April 19, 2021)
 - d. Continue with project to update District's Utility Rate Study to inform 2021/22 rate adjustments (for either July 2021 or January 2022)

- 2) Do not proceed with 2020/21 utility rate increase
 - a. Defer action on rate increase(s) pending completion of Utility Rate Study (and Utility Operational/Asset Management review).
 - b. Consider utility rate increase(s) as part of the FY2021/22 budget process with a target implementation date to be determined and no earlier than July 1, 2021.

Staff advises that, absent significant modifications to operational and/or capital program funding requirements, deferral of rate adjustments may result in larger rate increase(s) in FY2021/22.

Attachments:

Background Information – Proposed 2020/21 Utility Rate Increase
Board Meeting Minutes – 2/26/20 and 4/14/20 Board meetings

Proposed Utility Rates – from 2020 Utility Rate Study

The following table compares the current and the proposed residential water rate. The rates below include a \$1.05 total defensible space charge to each user. The base rate for water is increasing by \$1.36 per month. The water consumption and tier rates have been thoroughly analyzed in previous years to confirm the cost basis for those rate components per thousand gallons of usage. Water consumption is the variable rate component. Public Service Recreation accounts are not subject to the excess water charges, tier rates 1 & 2, as defined in the Water Ordinance section 2.40.

Residential Water Rate Comparison

Current 2019 Rate Component	2019 Rate	Proposed 2020 Rate Component	2020 Rate	Change
Base Rate	\$ 11.97	Base Rate	\$ 12.50	\$0.53
Capital Improvements	\$ 15.10	Capital Improvements	\$ 15.75	\$0.65
Customer Account Fee	\$ 3.97	Customer Account Fee	\$ 4.15	\$0.18
Defensible Space	\$ 1.05	Defensible Space	\$ 1.05	-
Monthly Base Water Bill	\$ 32.09	Monthly Base Water Bill	\$ 33.45	\$1.36
Consumption	\$ 1.55	Consumption	\$ 1.62	\$0.07
1st Tier	\$ 0.93	1st Tier	\$ 1.00	\$0.07
2nd Tier	\$ 1.34	2nd Tier	\$ 1.40	\$0.06

The following table compares the current and the proposed residential sewer rate. The base rate for sewer is increasing by \$4.04 per month and the sewer use rate is increasing by \$0.15 per thousand gallons of water use. The sewer use is capped in the summer months for residential customers

Residential Sewer Rate Comparison

Current 2019 Rate Component	2019 Rate	Proposed 2020 Rate Component	2020 Rate	Change
Base Rate	\$ 19.54	Base Rate	\$ 21.35	\$ 1.81
Capital Improvements	\$ 31.45	Capital Improvements	\$ 33.50	\$ 2.05
Customer Account Fee	\$ 3.97	Customer Account Fee	\$ 4.15	\$ 0.18
Monthly Sewer Bill	\$ 54.96	Monthly Sewer Bill	\$ 59.00	\$ 4.04
Sewer Use Rate	\$ 3.20	Sewer Use Rate	\$ 3.35	\$ 0.15

Staff has investigated the equity of the water rate structure for the various customer classes utilizing financial, flow data and demand factors from 2018. Equity is calculated by determining the proportion of fixed and variable demand on the water (size of water meter, water consumption) by each customer class compared to the fixed and variable water revenue collected from each customer class. The current rate structure exhibits equity amongst the major user classes. The two tables below show the statistics for this analysis. The first table, Variable Water Revenue vs Water Use compares how much water consumption, Tier 1 and Tier 2 revenue was received from each customer class as a percent of the total compared to the percent of water measured through the water meter for 2018.

Variable Water Revenue versus Water Use

Customer Class	Variable Water Revenue (Consumption, Tier 1 & 2)	Water Use
Commercial	15%	13%
Residential	71%	69%
IVGID Facilities	14%	18%

The second table, below, Fixed Water Revenue versus Fixed Water Demand, compares the fixed revenue received from each customer class as percent of the total compared to the demand that customer class places on the water system as determined by the meter size. This is called equivalent dwelling units. The two tables shows that there is equity in the rate structure for variable and fixed rate components of the water rates.

Fixed Water Revenue versus Fixed Water Demand

Customer Class	Fixed Water Revenue (Revenue, Base, CIP, Admin, Def Space)	Fixed Water Demand (equivalent dwelling units)
Commercial	9.2%	9.5%
Residential	86.8%	86.2%
IVGID Facilities	4.0%	4.3%

HISTORICAL INFORMATION

Residential Utility Rate Summary

The following table provides the average monthly water and sewer utility bill for our average residential user (72,000 gallons water use per year) in the District's service area from 2015 to the proposed 2020 rates.

Year	Monthly Water Charge	Monthly Sewer Charge	Total Monthly Water and Sewer Charge
2015	\$36.15	\$57.96	\$94.11
2016	\$37.15	\$60.24	\$97.39
2017	\$38.47	\$62.22	\$100.69
2018	\$39.79	\$63.88	\$103.67
2019	\$41.35	\$66.44	\$107.78
Proposed 2020	\$43.06	\$70.67	\$113.74

The average residential rate has increased \$19.63 per month from \$94.11 in 2015 to the proposed \$113.74 in 2020. There has been an increase of \$6.50 per month to pay for capital improvements and \$13.13 to pay for operating cost increases which equals the total rate increase of \$19.63 per month over the last five years.

The applicable Nevada Revised Statute is as follows.

NRS 318.199 Rates, tolls and charges for sewerage or water services or products: Schedules; public hearings; adoption of resolution; action to set aside resolution.

1. The board of trustees of any district organized or reorganized under this chapter and authorized to furnish sanitary sewer facilities pursuant to NRS 318.140 or to furnish water facilities pursuant to NRS 318.144 shall establish schedules showing all rates, tolls or charges for services performed or products furnished.
2. Whenever the board of trustees proposes to change any individual or joint rate, toll, charge, service or product, or any individual or joint practice which will affect any rate, toll, charge, service or product, the board of trustees shall hold public hearings after 30 days' notice has been given to all users of the service or product within the district.
3. Notice shall be given by publication in a newspaper published in the county and if no such newspaper is published, then a newspaper published in this state which has a general circulation in the county. The notice shall not be placed in that portion of the newspaper where legal notices and classified advertisements appear and the type used in the headline of such notice shall not be smaller than 18 point.
4. All users of the service or product shall be afforded a reasonable opportunity to submit data, views or arguments orally or in writing at the place, date and time specified in the notice, or at any subsequent place or time to which the hearing may be adjourned.
5. If, after public hearing, the board of trustees determines that the proposed action is required, the board shall adopt a resolution establishing the new or changed rates, tolls, charges, services to be performed or products to be furnished.
6. Within 30 days immediately following the effective date of such resolution, any person who has protested it may commence an action in any court of competent jurisdiction to set aside the resolution.
7. Within 30 days after the effective date of the resolution, the secretary of the district shall file a copy of the new schedules in the office of the district. The schedules shall be made available to any user of the service or product.

complete, we will need the Board's direction on our next step(s) and he will go and create a new capital project for the pond lining.

Trustee Wong said if we are combining these two projects or creating two SOW's then does it make sense to set up a separate capital project. Interim District General Manager Winquest said it is just a way of accounting for the pond lining so that it doesn't get jumbled up with the larger project which he wants to avoid and keep it clean.

Chairman Callicrate asked Interim District General Manager Winquest if he has clear direction. Interim District General Manager Winquest said he is to set up a preliminary meeting with Staff and Trustees Dent and Wong to discuss the SOW. Staff will draft a SOW and then reconvene to fine tune it and then it will come back to the Board, from him, so that all the Board members can sign off on it and then Staff will go out to either RFP or RFQ and as the Board direction.

Chairman Callicrate asked District General Counsel Menchetti if he had any clarification on the process. District General Counsel Menchetti said that you may need to notice the meeting; no problem with what has been described.

Chairman Callicrate confirmed that the Interim District General Manager has clear direction.

G.3. Fiscal Year 2020 IVGID Utility Rate Study (Requesting Staff Member: Director of Public Works Joe Pomroy)

[INFORMATIONAL NOTATION: This is NOT the independent consultant presentation authorized by the Board of Trustees at their February 12, 2020 Board of Trustees meeting]

- a. **Review, discuss and take action to establish, the Fiscal Year 2020 IVGID Utility Rate Study, a one year average percent utility rate increase in the range of zero percent (0%) to fifteen percent (15%) of which the percentage in excess of five point five percent (5.5%) would go to the Unrestricted Net Position in the Utility Fund.**
- b. **Review, discuss and possibly set the date/time for April 14, 2020 at 6:00 p.m. for the public hearing on the proposed amendments to Sewer Ordinance #2 "An Ordinance Establishing Rates, Rules**

and Regulations for Sewer Service by the Incline Village General Improvement District” and Water Ordinance #4 “An Ordinance Establishing Rates, Rules and Regulations for Water Service by the Incline Village General Improvement District” that Includes the Utility Rate Increase and to publish the notice in accordance with the NRS 318.199.

**PUBLIC COMMENTS WILL BE TAKEN AFTER THIS AGENDA ITEM G.3.
Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and
limited to a maximum of three (3) minutes in duration**

Director of Public Works Pomroy gave an overview of the submitted materials.

Chairman Callicrate said that item b. is routine and that for a. we clearly recognize that our unrestricted net position is woefully below \$19.1 million and that he put this in here as the 5.5% would maintain our current operational standards and anything over and above is to get our reserves in order. He does understand that we are going out to a neutral third party for a reserve study. Our reserves have become woefully low and we need to put money in our reserves until we have an independent study. We need to get our reserves in order and this is why it is on because we need to build up our reserves. He does understand about the monies that are becoming available from USACE and that we have \$9.6 million for the pipeline and that we need much more than that; appreciates this being brought forward. Chairman Callicrate then asked the Trustees for their thoughts.

Trustee Schmitz said that she would like to listen in first.

Trustee Wong said that the logical starting point is the 5.5% and that she doesn't think going below that is reasonable. Agree that we need to start building up our reserves and until we get the study, we are picking an arbitrary number. She wants to be able to look someone in the eyes and say this is what we are targeting. She is hesitant to raise them at this time, before the reserve study, and until we have that recommendation as she thinks that is picking an arbitrary number out of the air.

Chairman Callicrate said that he appreciates those comments on an arbitrary number and said that \$19.1 million is about thirty to forty five days and that we need funds to be available for an emergency. We have somewhere between four and five million dollars in our reserves and that

anything about 5.5% goes to the reserve and that there is no way we are going to raise them by 50%.

Trustee Schmitz said instead of talking about raising the rates about 5.5%, could we implement a toll or a charge that is specific for replenishing our capital and turn it off when we reached our desired goal; can that be done.

Director of Public Works Pomroy said that the water and sewer rates are brought before the Board and you can make amendments and an example is the defensible space fee – you can remove that \$1 today and you can add to that fee as it can be modified on an annual basis; the defensible space fee was added ten years ago.

Trustee Schmitz said if we are trying to replenish then let's be transparent and add a line item that over time we would just eliminate because we have fulfilled the need.

Chairman Callicrate said that was something that he hadn't entertained and that it might be a cleaner way to address that in our own policies. If we were to decide on that type of fee, do we have to wait until our next meeting. People could see what it is going towards versus a percentage. That is a valid attempt at starting to address the reserves that we should have and don't have.

Trustee Wong said that the Board hasn't restricted the \$9.6 million so technically it meets policy. She recognizes if and when the Board fully restricts, our threshold will be below but technical we are in compliance and we are looking forward. How do we move forward with our rate payers?

Chairman Callicrate said that technically we may be in compliance and that he has had some spirited discussions with our former Director of Finance about collecting money for a specific project as there is an inference that it is going into a restricted fund and then folks found out it was being used in another way so we can split hairs on that. We should have over \$14 million because in good faith we understood what the money was being collected for and help in building our reserves is to show our community that the money was restricted so do we have to agendize it and that got lost in that conversation. With this particular General Business item, what do we want to do or how can we, within the constraints, achieve what we are trying to achieve.

Trustee Wong said that is another misconception about the \$2 million; the effluent pipeline is a project that we have been working on for a number of years and that sometimes we do spend money on the effluent pipeline. While some think it is \$14 million, there has been money spent on that project so that is a huge misconception that we need to start clarifying so that people know. Because these funds are in the Utility Fund and because the effluent pipeline is the largest project, it is restricted and this is the project we are going to work on. Do agree with restricting the funds in the future?

Chairman Callicrate said when we allocated the cost of the new building to house the rolling stock, what was the cost of that building. Director of Public Works Pomroy said he didn't recall the exact number but it was close to \$2 million. Chairman Callicrate said that money was taken as was the on-call quarters project money and that a lot of money has been spent on temporary fixes and blowouts, etc. and that while these were all projects that needed to be done, we are not trying to create strife. District General Counsel Menchetti counseled not to get too far off the agenda item.

Chairman Callicrate opened the matter for public comment.

Margaret Martini passed on her opportunity to speak.

Linda Newman said, for clarification, in 2011/2012 HDR determined that we would need \$23 million collected over ten years to fund the replacement of the pipeline in State Route 28 as a result of that advice, the Board determined that a collection would occur, with interest, to replace the six miles of failing pipeline. There was never any determination that the money would be used for any other projects thus the community was not mistaken and that she thinks it is our Board that is mistaken. By only raising the rates at 5.5% the Utility Fund has a \$600 million infrastructure and we will have less than nine hundred thousand dollars available for any emergencies. She doesn't want to see our rates go up but she doesn't want to see the District placed in terrible financial position and not be financially stable.

Frank Wright said for the last two years, in the Utility Department, every employee has gotten a nine percent raise, pay raise, and for the last five years, his utility bill has gone up every year. What Ms. Newman just spoke about is government fraud and it is illegal. You can't collect money for one purpose and use it for something else. Staff has repurposed bond money and collected it for the utility pipeline and that is malfeasance of public office and misappropriation of public funds or theft. To give anyone in the Utility

Department a raise is wrong. It is like having a basketball coach that never wins a game and that is what you have in the Public Works Department – they have failed us year after year. They have done nothing right and they are not capable of orchestrating a solution to the pipeline and so this Board is forced to get someone else to do what our Staff can't do. Why is our Staff still here? This is a person who hasn't been capable and yet you still have this project in the hands of an incompetent human being so take it out of his hands completely as you have people in this room who would do it for free.

Chairman Callicrate reminded everyone of the subject matter and to please keep their comments to this item.

Aaron Katz said since Trustee Wong brought up the subject of misconception, it is you. He knows what happened then as he was here and Mr. Wright was here and Trustee Wong wasn't. He heard everything that was represented and basically Staff has stolen \$5 million and they are the ones that got us into this mess. Staff told us there were two reserve funds – one at \$2 million a year and then another. That \$2 million was to be for Phase II of the effluent pipeline, not for repairs and not for a garage. By the way, that garage was supposed to be less than a million dollars and that what you may not know, and he tried to get to the bottom of this, was that it is his belief that the Director of Public Works got a ten thousand dollar bonus. We don't have the funds because Staff stole the money. You have a Board member who is lying to the public so we think we are incorrect – Staff did this and the Board members did this so he wants the blame to be where it should be. When he hears Trustee Morris speak about how great our Staff is, they got us into this mess and you have to fix it. Mr. Katz concluded by stating that he is against any rate increase.

Chairman Callicrate, hearing no further public comment, brought the matter back to the Board.

Trustee Schmitz asked if we have the ability to ask Staff to come back to the Board with a recommendation of how to bolster our unrestricted net position, which is short about a million dollars, and that while the rate study address items, it doesn't address the unrestricted net position. When it comes to the unrestricted net position, that seems pretty clear, so do we have the ability to ask Staff to come back.

Interim District General Manager Winquest said that the Board certainly has that ability and we are under the understanding that we are going to hire to

do someone to do a utility study and then they will tell us. If you don't want to do that, he can have Staff do that work.

Chairman Callicrate said we have been discussion the independent rate study and that he knows that the Audit Committee is working on that so he wants to bridge that gap.

Trustee Dent said if we were to raise the rates 15%, on agenda packet page 47, Staff has laid out how we get there. Trustee Schmitz said on increasing the rate, that she is more thinking about implementing a one line item on the bill just to replenish funds because increasing rates impacts operations other than unrestricted net position. Trustee Wong asked how it impacts operations. Trustee Schmitz said that a certain percent goes to operations and everything over 5.5% goes to unrestricted net position. Trustee Dent said that is correct. Trustee Wong said it says it right there. Trustee Dent said that we can move any of these rates around to add to the capital improvements.

Chairman Callicrate asked what is the pleasure of the Board and then went through a couple of different scenarios – raise rates and then at the next meeting restrict the money, establish that something is going to our reserves knowing that this is the first step and that it can be minimal.

Director of Public Works Pomroy said that Staff would like it to coincide with the budget process as delaying the rates would impact revenue on the budget.

Chairman Callicrate said that the Board can put on a fee with the rate study that is pending and then wait until then as a fee so as to not scare anyone.

Director of Public Works Pomroy said on agenda packet pages 40 and 41 are the components and that the Board can add a component. Staff would then prepare the rate sheets that the Board will consider at a future Board meeting as we are not raising the rates today and Staff will come back at a future meeting for a review; percent or dollar amount – Staff can add or we can add a line item that says “Unrestricted Net Position Charge” and then publish it and come back for the Board's review and approval.

Trustee Wong said that the 5.5% rate increase is appropriate and that she still doesn't feel a higher rate or another fee is right until we see the reserve study.

Trustee Schmitz said that she agrees with what the Interim District General Manager said about going out, hiring and doing the rate study and that we know we are short of the Board practice and that we are to be obligated with our Board practice so we should make some attempt to repair that inefficiency.

Trustee Morris said he had nothing more to add.

Trustee Dent said he would echo what Trustee Schmitz said and it seems like we are cancelling projects because we don't have the money or the bid comes in too high and that building up the reserves is the right thing to do. We were elected to watch the purse for the community and building up the reserves and adding to this is better than sitting on our hands and doing nothing. He does like having a separate line item and he doesn't like raising rates but it is something that we have been talking about for years and in this situation we can defer and continue to do nothing or actually tackle this from a leadership point and collect a little extra money and no, Staff is not going to spend but he doesn't know what that number is – is it \$2.50 or \$5 – he doesn't know and he doesn't know what the Board wants to do.

Chairman Callicrate said he would like to raise the rates by 5.5% and have the Director of Public Works have a line item for unrestricted net position at whatever we could agree upon and that would be sending a message to the community on the reserves we don't have. He respects Trustee Wong's statement about being without a reserve study. We are a million dollars short by the end of this year and that the reserve study will tell us what to do so he would like to see a placeholder as it is critically important.

Interim District General Manager Winquest said that 1% equates to roughly one hundred thousand dollars. Director of Public Works said one dollar and five cents per month is about one hundred thousand dollars so we would have to raise them up to fifteen percent; adding a flat fee – he doesn't know if you can do this.

District General Counsel Menchetti said that the Board has lost its way and read the agenda item aloud and stated that is where you are so focus on that so that we can get out of here before tomorrow.

Chairman Callicrate said we have established that 5.5% is the need and if we say 10% that would mean that 4.5% would equal \$450,000 and that

would go into the unrestricted net position which would be a good first step until we do our reserve study, etc.

Trustee Schmitz said that she feels that anything over the 5.5% she doesn't feel comfortable with. It is very difficult to get people to reduce rates so let's stick with the 5.5% until we have a rate study or have the ability to have a line item. Trustee Dent said that the line item equates to the percent and that the additional percent will be a line item. Trustee Schmitz asked how often do you see utility rates go down. She understands the net and to reverse that and go back is much easier; she is not comfortable with it. Chairman Callicrate said he is good with 5.5% and then at a future Board meeting, the Board can decide to add a line item of x dollars per parcel that goes into our unrestricted net position.

Trustee Morris asked if we are restricted on how often we can change the utility rates such that in August could we up them by five dollars as a line item. Director of Public Works Pomroy said that the restriction is about forty five days. The average is 5.5% and noted that there is not one customer who will see a 5.5% increase because it is all about the rate components. The rate table will have these components.

Trustee Wong made a motion to have a one year average percent utility rate increase of five point five percent (5.5%). Trustee Dent seconded the motion. Chairman Callicrate asked for any further Board comments; hearing none, he called the question – the motion was passed unanimously.

Trustee Wong made a motion to set the date/time of April 14, 2020 at 6:00 p.m. for a public hearing for the proposed amendments to IVGID Sewer Ordinance No. 2, entitled "An Ordinance Establishing Rates, Rules and Regulations for Sewer Service by the Incline Village General Improvement District" and IVGID Water Ordinance No. 4, entitled "An Ordinance Establishing Rates, Rules and Regulations for Water Service by the Incline Village General Improvement District" that includes the Utility Rate Increase and to publish the notice in accordance with the NRS 318.199. Trustee Dent seconded the motion. Chairman Callicrate asked for any further Board comments; hearing none, he called the question – the motion was passed unanimously.

At 9:19 p.m. Chairman Callicrate called for a break; the Board reconvened at 9:30 p.m.

G.4. Review, discuss, and possibly provide direction regarding the desired format for Staff presentations of the Draft 2020/2021 Venue Operating Budgets scheduled for March 11, 2020 (Requesting Staff Member: Interim District General Manager Indra Winquest)

Interim District General Manager Winquest gave an overview of the submitted materials.

Trustee Schmitz asked if there will be anything on opengov prior to March 6 or right around that time. Interim District General Manager Winquest said it will probably be around March 7 or 8. Trustee Schmitz asked that the Board be advised when it is out.

Trustee Morris said thank you for your attempt to keep with brevity and noted that it is very good to talk with the Director of Finance or heads of Departments to get a real feel and that he intends to do that again this year. As to having presentation, do you feel that there are significant items that need to be identified in the overall presentation in each and every venue as you have been working with Staff or are there a few big presentations such that we can get down on the time. Interim District General Manager Winquest said his preference would be to allow the Board to decide as we have run out of time and had no presentation from General Fund or Utilities because of the rate study. We also talk about beaches, Diamond Peak, parks and recreation and the golf courses but that he can't make that recommendation as he gets different answers. We know that the Board wants less PowerPoints and more give us the data and let us the questions. That is what we are here for and we will be prepared to answer questions on anything you want. When we have the presentations, we will get your feedback, and then we can do whatever needs to be done prior to the tentative budget.

Chairman Callicrate asked for executive summaries for each of the venue presentations and highlights and to have those ahead of time. For the presentations, they should be distilled down and help the Board focus on important aspects and then we, as a Board, can go further. We have asked for that for several years and brevity is critical as that will help a lot.

- H.1. Review, discuss and possibly approve the proposed schedule of services for Sewer Ordinance #2 “An Ordinance Establishing Rates, Rules and Regulations for Sewer Service by the Incline Village General Improvement District” and Review, discuss and possibly approve the proposed schedule of services for Water Ordinance #4 “An Ordinance Establishing Rates, Rules and Regulations for Water Service by the Incline Village General Improvement District” and Review, discuss and possibly approve the proposed Fee Schedule – Resolution 1877 (Requesting Staff Member: Director of Public Works Joe Pomroy)**

Chairman Callicrate asked for any Board member questions; Trustee Schmitz, referencing agenda packet page 36, Alternatives, read the alternative aloud and asked for a little bit of explanation on that item.

Director of Public Works Pomroy gave an overview of the submitted materials and explained that not having rate increases would mean looking at deferring capital projects, reducing Staff or other cost changes.

Chairman Callicrate said the concern that he has is that is what is going on with COVID-19 activity, that raising rates right now would not be the right thing to do even though it seems like a small amount per month, it is still an addition. He agrees with many comments that have been made and with the direction given to the Interim District General Manager, it is more prudent, at this time, to stay with current rates and wait for the reserve and rate studies that are coming in the next several months.

Trustee Morris said that he knows that it was prior to the COVID announcements and that he thought that the Board had a very robust discussion about this topic at a previous Board meeting and coincided with an acknowledgement that we will be short of our fund balance requirements. There was also the question of should we begin building our reserves now and we decided not to and now there is a suggestion that we don't do a rate increase. Our waste and our water is an essential service and more so now. For us to think about cutting service or deferring capital improvement projects would be very unwise. He understands that COVID is here but in terms of our essential services, there is nothing more essential to what we do than provide utilities. Knowing that we are going to increase them to increase our fund balance in the future is one thing but to delay the rate increase would be a really huge impact. Trustee Morris concluded by stating that he is favor of doing the rates as discussed and sticking to our plan.

Trustee Dent said that he is in favor, given the uncertain times, and that the Board should listen to public comment, of not doing a rate increase at this time. We could postpone it and do what others are doing. We need to look out for the people we work for, the people in the community, and defer those items we can defer and then reassess to see where we are. We are moving forward with a rate and reserve study and after that we can raise the rates later; he is all in favor of holding off on a rate increase.

Trustee Wong said that holding off on the rate increase is a really good idea. Our community has a lot of people on fixed incomes and maybe some of that fixed income isn't coming in. We should set a date to re-evaluate and to evaluate if that is the right time whatever that date would be and do the rate change based on needs. Trustee Wong said that she doesn't want to see the utility fund balance drop too low so we don't have the money for critical infrastructure.

Chairman Callicrate said he liked the suggestion of setting a date.

Trustee Schmitz said that she concurs and that Staff put her mind at ease when they said a short term deferment wouldn't have any impact. She also agrees to putting it on the calendar and suggested maybe October. She would like to have Staff identify some cost saving incentives and look at them holistically later in the year.

Trustee Morris said that he has been swayed by some of the arguments and that to Trustee Schmitz' point, if we review again in three months and if we want to raise rates at that time, we have to have another public hearing and go forward with that. If it is still up in the air, then we can defer it again. Trustee Morris concluded by stating that he would like to see the review happen in three months.

Chairman Callicrate said that he is fine with three or six months and whatever the Board would like to do.

Trustee Wong said that July would be appropriate and that we can assess to see if we are still being affected by the virus. If July is not right, we can push it out again.

Chairman Callicrate said that he is fine with the second meeting in July; Trustees Schmitz and Dent concurred with that schedule.

District General Counsel Velto confirmed that no motion is needed.

H.2. Award a Procurement Contract for the Purchase of Replacement Rental Shop Equipment – 2019/2020 Capital Improvement Project: Fund: Community Services; Division: Ski; Project # 3468RE0002, Vendor: Rossignol, Amount \$285,834.75 (Requesting Staff Member: General Manager Diamond Peak Ski Resort Mike Bandelin)

General Manager Diamond Peak Ski Resort Mike Bandelin gave an overview of the submitted materials.

Chairman Callicrate said if we were to perhaps put this off because of all of this COVID-19 or is it critical to do this tonight or can we push this out to after next season. Safety is important however is there a possibility to forego it without impact to next year's operations.

General Manager Diamond Peak Ski Resort Bandelin said we wouldn't be able to go on this in November because of vendor drop dead date. He stated in the alternative narrative, his feeling is that we could defer this project, as Staff did a condition assessment and identified one hundred and twenty skis, within the junior fleet, that have finished their five years because we deferred the replacement to competitively bid them together. It will be around sixteen thousand dollars to replace those skis that don't met the condition assessment. On the safety side, we have six years on the bindings so he has no problems or qualms on bindings indemnification within the next couple of years with that manufacturer.

Chairman Callicrate said that is what he wanted to hear from Staff.

Trustee Morris asked if there was a safety aspect with the bindings and can you please say if you are comfortable or concerned. General Manager Diamond Peak Ski Resort Bandelin said he has no concern with the manufacturer's indemnification on the bindings. Trustee Morris said that Staff has identified, with the children's skis, about sixteen thousand dollars, that need replacement. Has Staff audited the adult skis and boots? General Manager Diamond Peak Ski Resort Bandelin said if the Board does decide to defer, Staff would do maintenance on the fleet by replacing toe and heels of the boots and that Staff identified a preliminary cost of sixteen thousand