

Minutes
Indian Hills General Improvement District
Board of Trustees Meeting
District Office
3394 James Lee Park Rd. #A
Carson City, NV 89705
March 17, 2021
Regular Board Meeting 6:00 P.M.

Trustees Present: Secretary/Treasurer Bill Eisele.

Trustees Present via Zoom Meeting: Chairman Garcia, Vice Chairman Clark-Ross, Trustee Gray and Trustee Dunham.

Trustees Absent: none

Staff Present: General Manager John Lufrano and Administrative Services Supervisor/Human Resources Brooke Thompson.

Staff Present via Zoom Meeting: none.

Others Present: none

Others Present via Zoom Meeting: District Counsel Chuck Zumpft, District Engineer Tim Russell, and Resident Melissa Oswald.

6:00P.M. - Regular Meeting

1. Call to Order

Request that Cell Phones and Pagers be turned off for recording purposes.
Vice Chairman Garcia called the meeting to order at 6:08PM.

2. Pledge of Allegiance: Led by Chairman Garcia.

- 3. Public Interest Comment:** Melissa Oswald stated she is a resident here, lives on Smoketree, 3409 Smoketree. Melissa stated Happy Saint Patrick's Day. Melissa stated that this is the first time she has attended a meeting, she has lived in Sunridge for over 15 years, and she would like to know why she is the only person to have to move the trailer out of her driveway. Trustee Dunham stated you are not the only person. Resident Melissa stated oh really. Trustee Dunham stated no he has been told twice.
- Chairman Garcia stated if he may just say, this is a public interest and no action item, so the board does not have any ability to act on this and address it. Robert stated that he recommends Melissa call John Lufrano directly and have your questions answered specifically to your situation because they do not know the background and they cannot get into it at the board meeting if it is not on the agenda. Robert stated that he appreciates that Melissa came to the meeting and voiced her concerns. He wants to make sure she understands that they are bound by open meeting laws. It is best if she calls John directly.

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Resident Melissa Oswald asked who she is speaking with, Robert stated this is Robert Garcia, there is a full panel of Board members here and he just happens to be the selected Chairman. General Manager John Lufrano stated that it is much more involved so if she would like to speak to him directly, she can call the office tomorrow. Chairman Garcia stated that is John Lufrano the General Manager and he is responsible for the day-to-day operations of the District. He will have direct and specific information on your case.

4. Approval of Agenda

Chairman Garcia motioned to approve the agenda. Secretary/Treasurer Eisele seconded. Motion carried unanimously.

5. Discussion only regarding the District's water rates.

General Manager John Lufrano stated what you have, starting on page two, is the history of the District's water rates that go back to 2004. John stated what he is trying to do with this discussion only agenda item is to start to plant the seed and have the discussion regarding our water rates. He is trying to stay ahead of the potential problems when it comes to operating costs. In 2014 we started a five-year rate increase, when this rate increase was planned what we did not plan for was the thought that the rate increase would go 100 percent to infrastructure costs. By doing that it did not allow any of that costs to go into operations, operations are where we see the majority of this revenue that we get from our rates. Stacie and he were following the cost to do business and it is climbing but our revenue stream was flat lined, because the five-year rate increase went strictly into the infrastructure fund, which was sorely needed, we needed to start putting money away for infrastructure costs. That allowed us to take care of in-house business without having to get loans all the time. We did not see a nice rate increase or an incremental rate increase since 2004 which is what should have happened. John stated on page 2 the third line, when we had to qualify for the USDA loan to go on the regional water system, our rates went up from \$6.39 to \$24.16. In his opinion if the prior boards and managers were trying to move rates along at a decent pace, maybe that increase would have only been \$3.00 or a more reasonable increase to hit residents with than saying hey guess what in order for us to do this we had to do the \$18.00 a month increase. What he is getting at with this is let's make sure we do not put ourselves or future boards and managers in that position. Let's start to think about and consider incremental increases along the way, so that one it is easier to digest for our residents and all of us and two, so we follow our operational costs, so if that climbs our rates need to climb with it so we are not operating at ant kind of a deficit. John stated that he can honestly tell the board that he and Stacie have been tracking this for two or three years now, where our revenue stream for operational costs was flat lined, but our costs are still climbing. It is the same thing at home, but you may only have one revenue stream. The difference here is the board controls that and makes that decision as to yes, we want to incrementally move a rate accordingly to our costs or not. With that infrastructure rate increase it was a great thing but that is not what he was expecting when he brought forth the increase, whether it was 20% that went to operational costs and 80% went into the infrastructure fund, however that would have played out. When it was designated by the board for all of it to go straight into the infrastructure fund it put him in the position where we still had to figure out how we were going to incrementally start keeping up with our rate increase. So, what you see here in the

breakdown on page 2 is exactly what that history is, the consumption rate has not moved since 2004, that is the \$1.95 per 1,000 gallons of water. There was not an adjustment on that, the adjustment was made only to the basic service fee. There was a reason for that when his predecessor Jim Taylor went to the Board one, to qualify for the USDA loan in order to get on the regional water system and two, that rate increase only went to the base fee because it is a stable fund, guaranteed money. Meaning if you increase the water usage, consumption fee, you could potentially start running into people using less water. It was not a stable fund. John stated he would imagine in the conversations that Jim had with USDA it was a safer bet to move the base rate as opposed to the consumption fee. Here we are many years later and that consumption rate has not moved. He wants to start thinking about it, it might not happen for a year, but we have to pay close attention to this. There are some things we are trying to do in office to help alleviate this, we have a \$103,000 loan that we are paying down on, it is paid off in 2023 we petitioned to the State to see if we can pay off that loan early. That is \$44,000 a year, we could take the money from our money market account and he would bring that back to the board. That would free up that \$44,000 a year and we could inject it into the operating costs. The State has to approve that, we cannot just pay it off as the state relies on this revenue from these loans, they kind of frown upon people paying off loans whenever they want. Of course, every year we scrimp where we can to get through the year, the beautiful thing in the water and sewer funds is what we do not spend goes into the money market fund. We can move that stuff around from line item to line item. The issue is costs are climbing but revenue is flat lined. He just wants to make sure we are on the same page, if something comes back to the board in the future this is the reason for it, that is to never hit rate payers with a large increase again like in 2009. We should not continue operating in that fashion, we need to do a better job and do small increments for rate increases. John stated on page 3 are other entities rates to show where we are in relation to others, the Ranchos GID is a much larger population so it is harder to compare to us. On page 4 we included three different rate streams, first based on 4,000 gallons which is a winter average, then a 14,000 gallons usage which is a spring/fall average and then the summer is 38,000 gallons. Attached to that is the what the rate increase change will do to the monthly bills based on those averages, informational for the board only. Some other things he has had Stacie do some research on and Brooke today, what is our monthly income. In the month of February for water usage we brought in \$16,000 and for the base fee we brought in \$75,000. Something to consider and keep in mind, our hard costs going off the top of these revenue streams, first is our water cost which is about \$220,000 annually, the loans that we have out there we are looking about \$200,000-\$300,000 a year that goes out, so off the top \$500,000. He wanted to make sure the board is aware of that. Water is never going away loans will eventually go away in 10-15 years. The big take away for the board is to not let this get to a point where we have to raise rates \$3.00, \$4.00, \$5.00 or \$6.00 again, lets do it incrementally. Whether it is a five-year rate structure, every other year, something that is a softer blow to the residents would be advised and suggested that we stay ahead of. That infrastructure costs, there is nothing that says the board instead of raising rates now, because we are three years off a five-year rate increase, put a percentage of that money to operating costs and the rest into infrastructure. These are options the board has instead of a rate increase. Whatever it is just start thinking about staying on top of this. Chairman Garcia stated to clarify, the rate increase of almost \$18.00 in 2009 was specifically a result of the feds lowering the tolerable arsenic levels, so our wells did not

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meet the new guidelines and we were forced to tie into the water line at a considerable cost to us, so we really did not have a choice. Robert stated he agrees just like many things, deferred maintenance on the roads that we are trying to catch up on, there was never any forethought for that deferred maintenance and it has been difficult for previous board members and John, they have been cut down to bare bones as far as headcount, this is a lean machine that John is running and very efficient. There is no extra money and there is not money being thrown around. We operate at a very efficient, tight budget. He just wanted to say that for new board members to understand, historically what happened to get us where we are at now. It is important for us to consider what happened historically, so we do not repeat those mistakes.

Secretary/Treasurer Eisele stated that he was been on the board when we did this before, it is something he knows we need to look at and we need to do it. He is glad John brought this up, so we have time to look at it carefully, he has nothing else to comment on. He needs to think about it. He likes what John put together and knows that we have to do something.

Vice Chairman Clark-Ross stated that she agrees with John and Bill. In 2009 there was almost a resolution, people go nuts when you raise the bill that high. She does not want to go through that again. Kathryn stated that she appreciates this we need to get a game plan, it will be easier to swallow a small increase.

Chairman Garcia stated it is prudent and it is common sense if our costs are going up, we have to pass it on. As John said cost of living is going up, everything is going up, we are paying more for everything, services, building materials, everything starts to increase with inflation. If we are not following that inflation line, we will get caught like we did in 2009 and really upset our customer base. If we can tie any future discussions or increases directly to the costs, the direct cost that we pay for water, it is very simple to explain to our constituents, we are paying more for this and we are just passing it on. Those are his thoughts for the moment.

Trustee Gray stated she thinks how John put it, as our fees have not gone up in decades basically, everything costs more to produce and maintain. Teri stated she thinks the citizens in the community will understand the increase, it will be a gradual increase, not like the increase in 2009 and it will be more acceptable than a large jump. She believes the way it has been explained and how we are going to go about it is the right way to do it.

Trustee Dunham stated that he agrees with what has been said by John, the one thing he questions is taking \$44,000 to pay off the loan, what is the interest we are making off the money and is there an early payoff fee. General Manager John Lufrano stated that we do not have an early payoff penalty, the only thing is that the state does not appreciate people paying those loans off early. Because our balance is so low, it is better. It still has to go through the process at the state level. The interest rate is not very high because we are at the tail end of that loan we are paying less on the interest.

Trustee Dunham stated that he understands that thought process with the early payoff it does free up some cash. He is following John's ball game.

General Manager John Lufrano stated that he does not want to be the one to take the lead on this, Robert actually asked us to look into this several months ago to just see if this is something we want to bring back to the board. It took us to get some of this other stuff done. He will bring the early payoff back to the board if and when he gets approval from the state giving us the ok.

Trustee Dunham stated then kudos to Robert for getting the ball rolling. It makes sense.

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Chairman Garcia stated John when you do bring that back if you could also provide the interest that we are getting on money market verse the interest we are paying so that they can see that, he thinks that is important for the board to see.

General Manager John Lufrano asked what the feelings are regarding changing the rate structure, the increase that is all going to infrastructure and maybe having a portion of that into operating cost. Again, it might be an interim fix until we decide down the road to do a rate increase, it would be just that in interim step that would allow us the ability to do that. We have been putting this money away for five years and are starting to see a little nest egg in that infrastructure fund. He would have not brought this up five years ago but now it is an option for the board.

Secretary/Treasurer Eisele stated that he remembers when Jim did this, it is time to change that back now and use those funds for operations.

Chairman Garcia stated for him the jury is out still, if you are pulling from infrastructure for operations you are basically robbing from peter to pay paul, until you get to a point you are behind the eight ball. He has no problem with sharing the burden by taking some to operations but not to the point where it is aggressive. That is the right thing to do, share the burden, take a little bit but he would not want to get in a position where we are taking from it heavily and end up in another position that we are hurting. So, share the burden to delay an increase he is ok with, it will help soften the blow. He would like to see some recommendations, on options where we can share the burden. Maybe a small increase and take some from infrastructure, we still need to tie a rate increase to the cost of our increases even if it is projected, so it is easily explained, it is tied to the cost of the water specifically.

Trustee Dunham stated following a different thought process day to day operations can use some funds to get more of the maintenance problems, streets that are littered, lawns will need fertilizing all that stuff. Walking the street with John it is a terrible burden to keep chasing peter to pay paul, it is something they will really have to chew on.

Trustee Gray stated the fact that we will take money from somewhere else to apply to another account or issue she does not think that is a good idea, but she does not see a way around it. She thinks it would be a little more accepted if we did it that way.

Secretary/Treasurer Eisele excused himself from the meeting at 6:47PM.

Vice Chairman Clark-Ross stated that she has nothing to say.

Public comment: none

Board of Trustees further discussion/comment: Trustee Dunham stated if you can pay something off without a penalty that is a good thing.

Chairman Garcia stated John Lufrano thank you for putting this together, he thinks it is important for them to understand the situation, he appreciates John's and staff efforts.

6. Presentation regarding District services and responsibilities.

General Manager John Lufrano stated that this was something that he knows three of the five Board members have seen. We made some minor changes, it is more of an informational thing. These are open public meetings so the public can see this if they desire. It is more cannon fodder for the new board members, in terms of what do we manage and maintain, it opens the door for the board to talk to him about what we offer so they can convey and answer questions they may be asked. John stated if needed reach out to him for a better understanding, with regards to operationally speaking what we have out there.

Hopefully, the board can convey and articulate things to our residents and to get the word out to the residents. This is an attempt to get you the information of what our District does and maintains, like water, look at infrastructure in water and sewer, we maintain a lot. Residents do not have a great understating of it all. This your bible as to what the District is and does. Please reach out to him with any questions. It is strictly informational and a good review, we are pretty unique here in Indian Hills, hopefully you get something out of this, and it prompts questions or comments to him or staff.

Chairman Garcia stated thanks for putting this together, it is a good playbook for all the board members. A lot of the things are unseen like water and sewer, he appreciates it.

Trustee Gray stated what John put together is very informative and really good for referral if needed. It is a really good informational piece.

Chairman Garcia stated if you have not really had time to review it and questions come up later that is what John is saying, review it and please approach him with any questions.

Trustee Dunham stated a lot of people do not know about what happens when the water shuts off to a major water line and same thing with sewage, he had his arms in sewage several times in RV parks and all over. They do not think about it and they do not think about paying attention to the board meetings, if they want to find something, he has a package that shows last month's meeting minutes. They complain but will not step up and help with the solutions. This is a good thing, he is still learning.

Vice Chairman Clark-Ross stated when she first started on the board, she did a tour of the District and she highly recommends it, it was fascinating to see. She had no idea how complicated things are.

Chairman Garcia stated he agrees he also went on the tour and it is very informative.

Public comment: none

Board of Trustees further discussion/comment: Trustee Dunham stated that is makes him feel good to learn more about where he has been living for 30 plus years. He hopes others wake up earlier than he did. Thank you, John, for pushing him. Kathryn thank you for the personal tour of her park.

Chairman Garcia stated John please comment on enterprise funds and how that works, there was some mention about moving funds from operations, talking about water, sewer and he thinks it is important for John to speak of why that may not be the case.

General Manager John Lufrano stated as the formation of District and creation of the enterprise funds understand that we cannot use those funds, enterprise funds, so water and sewer in our case, cannot be used for things that are managed through ad valorem, ad valorem funds are property tax-based funding. We cannot and he agreed to long ago. Some have said oh you can borrow money, but you have to pay it back, no we just need to change the way we are managing things, so we never have to do that. That is what we have done in the last 10 years. It should never be an option. When we talk about ad valorem we are talking about our parks, street, open space, those things admin that have to be covered with our property tax dollars. They say you can use water funds for sewer and vice versa because those are both enterprise funds but again, a practice he has never once considered, and highly recommends that we do not ever consider that. We need to stay the course with budgeting appropriately and managing within that budget because that is an approved document that we have to adhere by. There is a big misconception out there and he understands it, but people do not understand it. We have limited dollars for streets. It has been successful for the last 12 years and he certainly hopes it is for 30 more.

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Chairman Garcia stated that he was in the same boat and did not understand it. If anyone has any questions about enterprise funds, John is available to talk with at your leisure.

7. Reports to the Board:

- a. General Manager Report** General Manager John Lufrano reviewed reports with the Board. John stated that he would like to add some new developments that are more recent, The Cottages has come in and made one connection fee payment, they talked about a total of seven. The outfit that has purchase the property intend on coming in and within two years be done building out all 48 homes. This is at the corner of Mica and Vista Grande. The other on is Valley Vista 7, they are moving residents into the homes now. The first lot of 12 homes have been built out and now they are working on the second 12 which will start soon. John stated that the reason he brings this up is because they will also help with funding in water, sewer, and ad valorem from property taxes. While we do not have a huge amount of build out happening, we at least have something that is coming in which is also going to be a little more revenue. When you start putting all the pieces together, he is thankful that we at least have that coming.

 - 1. Administrative** General Manager John Lufrano reviewed the report with the Board.
 - 2. Water** General Manager John Lufrano reviewed the report with the Board. Chairman Garcia asked what the cold patch storage is. General Manager John Lufrano stated at the water plant we had a pad that was part of the old ozone system, the guys wanted to turn that into a storage area for our cold patch which is used when the water guys need to tear up the street and then they will use the cold patch. It was stored in the dirt so now that is in a clean storage environment.
Chairman Garcia asked cold patch as in asphalt compared to a hot. General Manager John Lufrano stated correct and is it used more for exactly that just patching areas, a temporary fix. Chairman Garcia stated that he is glad John, you are finding these things to improve on, it should have been done a long time ago. General Manager John Lufrano stated that one was our water operators. Chairman Garcia stated then kudos to them, please pass it along.
 - 3. Wastewater** General Manager John Lufrano reviewed the report with the Board.
- b. District Accountant Report** General Manager John Lufrano reviewed the report with the Board. John stated if there are any questions please let him know and he will get answers from Stacie, he does not want to lie and say he understands everything Stacie works on because he sits in Stacie's office and no joke that lady is amazing in his opinion. Chairman Garcia stated he agrees we are lucky to have her.
- c. Engineer Report** District Engineer Tim Russell stated that he has been working with John over the past month on smaller projects, the end of Princeton drainage issue, the yard behind the office and helping with the

budgeting other than that nothing major to report.

Chairman Garcia asked about the County work on Plymouth it has stopped. District Engineer Tim Russell stated the contractor with the County basically with the weather coming in they could not get the asphalt they needed so they pulled off. Right now, they are getting closer to coming back and paving. One of the properties along Plymouth is trying to subdivide so they are looking at extending the water line down there and the county is trying to accommodate and work with them to a certain degree to see if they can get that water line in before they have to come back and pave. We have gotten plans for that water line extension which he reviewed and gave some comments on, so they are waiting on getting revised plans back to see if they are still pushing for that waterline connection. Chairman Garcia stated so maybe this spring. District Engineer Tim Russell stated yes, he would anticipate probably April or May. Chairman Garcia asked if they are putting any sidewalk in there after our street. District Engineer Tim Russell stated no just curb and gutter the County did not intend to put any sidewalk in.

- d. **Attorney Report** District Counsel Chuck Zumpft stated the affairs of the District are in order, it is all good news. Still looking at a permit issue other than that nothing to report.

Public comment: none

Board of Trustees further discussion/comment: Vice Chairman Clark-Ross stated that she gave out 60 hot corned beef and cabbage meals today to the seniors, Happy Saint Patty's day to everyone. Chairman Garcia stated good job and Happy Saint Patty's day.

Vice Chairman Clark-Ross stated she was happy. General Manager John Lufrano stated it was good.

Chairman Garcia stated that he did not know this before but the previous meals since covid have all been frozen, today was the first hot meal. Vice Chairman Clark-Ross stated today is the year anniversary from closing down.

Trustee Gray stated Chevron has been torn down, what is going on with that.

General Manager John Lufrano stated they are remodeling the gas pumps and the pump cover, they are also doing some remodel on the store itself, some freezers went out. It should be four to eight weeks. Trustee Gray stated so we are not losing it they are just remodeling.

Chairman Garcia stated that he was at the light today when it came crashing down, he thought there was an earthquake, he saw guys running around, he would like to know if there were any issues.

General Manager John Lufrano stated it has impacted our operations in a way because that is where we would go to get gas, now we have to go into Carson or Minden to get gas. Hopefully, they get it back up and running soon.

8. Discussion and possible action to approve Draft Minutes from the February 17, 2021 Board Meeting.

Chairman Garcia motioned to approve Draft Minutes from the February 17, 2021 Board Meeting. Vice Chairman Clark-Ross Eisele seconded. Motion carried 4-0, Secretary/Treasurer Eisele was absent, he excused himself from the meeting at 6:47PM.

9. Chairman and Trustees Reports, Correspondence

Under this item the Board Members will briefly identify relevant communications received by them before the meeting, or meetings attended, or potential business of the District. No action will be taken on any of these items, but a member may request such item or topic be placed on a future agenda.

Chairman Garcia stated good job Kathryn. Thank you, guys, for being involved and asking questions, he thinks it is important to have good discussion so we can have better decision making. He looks forward to John bringing back to the board the water suggestions for adjustments. It is important to know that we will be getting Valley Vista coming online soon and it is important to see the projections of what impact that will have on the rates before deciding on an adjustment.

General Manager John Lufrano stated of course he always brags up our staff he thinks they are phenomenal human beings and have a tremendous set of core values that have taken this District to the next level. With that said Brooke has been just an amazing coworker, he cannot say enough about how much she cares tremendously about this District. We have had some issues in the office with her coworker who has been out with some health issues and Brooke has taken up a lot of slack, so he just wants to throw that out there, you know please give the thanks for what she has done to hold the fort down. Of course, we all know what Stacie does, we are extremely fortunate with employees here. Enough about our employees, we need to think long and hard about what Chuck and Tim bring to this agency. Those are two individuals who care tremendously he does not think it is about dollars and cents it is about having the opportunity to be here at a time when he thinks this agency was reinventing itself and coming out of that dire straits. He has been very fortunate to have them on his team, in his back pocket. He has nothing but the greatest appreciation and admiration from him in regard to their professionalism and how much they care. He does not get these opportunities often so when they come, he has to take it, and this is one of them. He does not think he does it enough and wants to make sure the board really understands the importance of the team we have, both the professionals and staff. Thank you to everybody.

District Counsel Chuck Zumpft stated does the District run well, of course it does. That is what good leaders do they surround themselves with confident people and that is what John has managed to pull off here. Kudos to John, thanks for all the good thought but take some credit man.

Chairman Garcia stated John has done a great job and they acknowledge him and also acknowledge the contribution that Tim, Chuck Stacie, and Brooke as of late covering double duties we are very spoiled, and we all appreciated it and applaud you all.

District Engineer Tim Russell stated he will echo Chucks comments, he works with a lot of different District's and agencies and John is one of the best.

10. Adjournment

Chairman Garcia motioned to adjourn the meeting. Trustee Gray seconded. Motion carried unanimously 4-0, Secretary/ Treasurer Eisele was absent.

Meeting adjourned at 7:21P.M.

FINAL APPROVED MINUTES AS PRESENTED

**Secretary/Treasurer
Bill Eisele**