



Board of Trustees
Minutes of Regular Meeting
Tuesday, April 3, 2012
6:00 P.M.
Board Room
Minden-Gardnerville Sanitation District
1790 Hwy. 395
Minden, Nevada

Board Members Present:

O.P. Brown, Jr.
Michael Henningsen
Ronald Wilcks
Mark Dudley
Raymond Wilson

Staff Members Present:

Frank Johnson
April Burchett
Sarah King
Brian Buffo
Bruce Scott
Bill Peterson

Others Present:

Barbara Smallwood
Bob Allgeier
Jerry Smith
Beverly Giannopoulos
Kim Ovard
Bruce Palmer
Bob Spellberg

Board Members Absent:

None

Meeting called to order at 6:00 p.m.

Claims Review and Approval -- The claims were reviewed by the Board and questions were answered by Frank Johnson. **Motion by Ray Wilson to approve the claims for March, 2012 in the amount of \$68,723.47, and to approve the claims paid during March, 2012 in the amount of \$74,125.83.** Seconded by Ron Wilcks. Motion carried unanimously.

Minutes of March 6, 2012 – The minutes of March 6, 2012 were reviewed by the Board. **Motion by Mike Henningsen to accept the minutes of March 6, 2012.** Motion seconded by Ray Wilson. Motion carried unanimously.

Public Comment – There was no public comment.

MGSD Fees – The Chairman announced the public hearing for the user fee increase. Frank Johnson reported to the Board that the proposed sewer user fee increase of \$0.06 per day per unit had been properly noticed and that it was in order for the Board to take action. Frank gave a presentation explaining the decrease in revenue and increase in operations costs to justify the rate increase. Frank pointed out that there is a typographical error in the letter that was sent out to the businesses stating an increase of \$0.46 per day instead of an increase to \$0.46 per day. Bill Peterson felt that the error was



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minor and the letter did not need to be re-sent. Frank stated that staff has received no comment from the businesses.

Public Comments and Questions: The Chairman asked for public comments and questions about the fee increase.

Bruce Palmer expressed concern with the high percentage of the increase. He felt it would be better if a smaller percentage was implemented, for example 1% each year as opposed to 15% after such a long time. He is president of an association and they will experience a considerable increase in fees. Ray Wilson stated that until MGSD experienced the significant decrease in interest and tax revenue, MGSD did not need to request an increase in fees. Frank Johnson felt that smaller increases more often will not make enough of an impact to mitigate expenses. This increase of 15% will generate only \$160,000 in revenue.

Beverly Giannopoulos asked how many customers MGSD has, and Frank replied 3,025 accounts. He explained the difference between accounts and EDU's billed. Ms. Giannopoulos then asked why MGSD hired a staff member in the past when the budget was lower. Frank responded that an employee retirement and plant expansion projects resulted in additional personnel requirements. Discussion also followed regarding current staffing needs, due to a vacancy in the lead operator position and an anticipated retirement in 2013.

Ms. Giannopoulos also wondered why MGSD was justifying the rate increase with the need for maintaining and possible replacement of aging equipment, and why those costs weren't included in the capital budget. Frank explained that MGSD includes anticipated replacement costs in the capital budget, but any unanticipated costs are paid through the operations funds. Ms. Giannopoulos asked for clarification on which equipment, and Frank explained all equipment owned by the District, including plant equipment, vehicles, and office equipment. Mike Henningsen explained that connection and capacity fees pay for plant expansion, but user fees pay for the operations. The Board has been able to keep the user fees low for users in the District by ensuring that developers pay for new expansion. The past couple of years, MGSD had to use cash reserves to pay for operations. There also does not appear to be a major increase in construction-related revenue in the next few years, so the Board is trying to stay ahead of the curve by increasing cash reserves at this time.

Kim Ovard asked for clarification on when the lead operator vacancy occurred and the negative implications of not replacing that staff member. He felt that MGSD was using additional staff needs as justification for the rate increase. Frank mentioned that the lead operator left in December, and that a Grade III operator has filled the position, but an entry- to mid-level staff person is needed to insure adequate maintenance of the plant. Frank also mentioned that line televising will also start soon, requiring two operators in the field away from the plant, so making sure the plant is adequately staffed will be critical. Bruce Scott explained that simply replacing one staff member is not the justification the



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Board is using for the rate increase. It is the additional cost to the overall operations budget, which includes staffing needs.

Bruce Scott explained that in the 1980's MGSD was under a moratorium for connections, and the Board at that time took action to make sure MGSD was not in that situation again. Those actions resulted in making sure that expansion took place prior to construction needs, while insuring user fees stayed low by having developers pay for expansions. MGSD was able to pay off all debts and has paid for further capital and operational needs in cash. Recently the user fees have not generated enough money to cover the loss in ad valorem and interest revenues. The operational costs have not been met by revenues, and the current cash reserves are not available for plant operations.

Bob Allgeier asked if GRGID's fees are included in the total projected revenue fees. Frank replied that the GRGID amounts are included in the total projected fees.

Bruce Palmer asked why there is a rate increase each quarter and would it continue to increase next year. April Burchett explained that MGSD has purchased new accounting software that does not allow a flat monthly rate. The user fee is generated at a daily rate, resulting in different amounts each quarter. The first quarter has 90 days, the second quarter has 91 days, and the third and fourth quarters each have 92 days. So the first quarter rate will apply to the January 2013 billing.

Bruce Palmer encouraged the Board to reject the increase due to the high percentage. He felt the Board failed to enact rate increases over time to account for increases in expenses. He would like to see the Board implement a different strategy to consider rate increases. Bruce Scott pointed out that if the rates were increased annually, then the resulting user fee would be higher than what is currently being proposed.

The Chairman pointed out that MGSD's equipment is expensive and the cost to replace equipment is very high. The available funding is very limited. Frank stated that if a piece of equipment breaks, MGSD cannot wait for funding to be available to repair or replace it. Frank pointed out that MGSD also has the option of changing the tax rate, which has not been changed since 1990, but feels it is easier on the sewer users in the District to absorb a small rate increase. Bruce Scott stated that MGSD has implemented a maintenance plan to save on staffing requirements. Although the plant operates 24/7 the staffing only occurs during the day.

Beverly Giannopoulos agreed with Bruce Palmer about rejecting the high increase. She felt that an increase of \$1.50 per month would have less impact on customers.

Kim Ovard asked the current percentage of revenue versus operating costs. Frank responded it is currently about even.



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Bob Allgeier asked for a total of current EDU's including GRGID. Frank replied about 9,000. The plant is permitted for 2.5 million gallons per day, and is currently operating at 1.7 mgd. Bruce reported that in an emergency the plant can process 5 mgd. Bob noted that it should not be necessary to do a major expansion in the near future and Bruce Scott concurred. Bruce Scott also noted that MGSD performs inspections of the sewer mains, but identification and repair of leaks need to be addressed to help cut collection system maintenance costs. The Chairman also noted that the District is self-sufficient, and very little work is contracted to perform these tasks.

Barbara Smallwood felt that the Board is doing a good job and that the current policies and fiscal management should remain in place.

Ray Wilson noted that both the MGSD and Town of Minden Boards operate under the same philosophy of making developers pay for expansion needs, keeping costs low to the customers, and paying for expenses in cash without having to issue bonds. He is proud to have been and be a part of both Boards. He understood the concerns of the guests but he felt that the MGSD Board has practiced good fiscal management.

Motion by Michael Henningsen to approve a sewer user rate increase from \$12.00 per month or \$0.40 per day per unit to \$0.46 per day per unit resulting in quarterly user charges as follows:

First Quarter \$41.40 per unit
Second Quarter: \$41.86 per unit
Third Quarter: \$42.32 per unit
Fourth Quarter: \$42.32 per unit
Annual Total: \$167.90 per unit

effective July 1, 2012 and to adopt Ordinance No. 12-001 implementing the user fee increase under MGSD Code 6.010. Seconded by Ronald Wilcks. The chairman called for public comment. There was no further public comment. Vote: 3 ayes (Henningsen, Dudley, Wilcks); 1 Nay (Wilson). Motion carried.

MGSD Budget-Review and Approval of Tentative Budget for FY 2012-2013 – Frank presented the tentative budget for fiscal year 2012-2013. The operating expenses are projected to be lower, and with the approved rate increase the cash flow will increase. Health insurance premiums are increasing by 10%. Capital improvement projects include \$150,000 to complete the heat loop project, \$10,000 for a new computer server, and the ARRA repayment of \$77,167 each year. Frank stated that the tentative budget also includes a 5% salary increase for staff, with no COLA. He felt the staff has performed very well with the recent position vacancies, and he appreciated that the staff accepted the lower increase last year. He would like the Board to address the salary scale next year. He also noted to the Board and guests that pay increases are based on merit, they are not automatic. The total proposed budget is \$1,747, 935. Discussion followed regarding the benefits and expenses of the power cogeneration equipment. **Motion**



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by **Ronald Wilcks to approve the tentative budget for Fiscal Year 2012-2013.** Seconded by Mark Dudley. Motion carried unanimously.

Engineer's Report – Bruce reported on the following projects:

Maverik Station: A gas station is proposed at the old Minden Gateway Center property at Hwy. 395 and Hwy. 88. There is capacity available on the property, so it will probably not need to come before the Board, unless the developer feels the need to appeal a condition. Bruce will work with the developer's engineer regarding sewer line televising and pressure testing.

CVI: The Carson Valley Inn is expanding their parking lot but there will be no sewer involved. He will monitor the construction.

Gas Line installation on Hwy. 395 south: Bill Peterson is preparing a letter to Southwest Gas giving them 10 days to provide information of the gas line location to MGSD. After the plans are reviewed, the magnitude of the conflict with the sewer main can then be determined as well as any remedies that will be needed. Discussion followed regarding the implications of hitting a gas main if sewer main repairs are conducted. Bill stated that if they do not show us the line location, MGSD can pursue litigation or file a complaint with PUCN, since SWG is regulated by PUCN.

Reservoir Repair: It is anticipated that repairs of the reservoir will take place in the next couple of weeks. Discussion followed regarding the plan of repair, future testing, and observation of future leaks.

District Manager's Report – Frank reported on the following items:

EDU Allocations: 0 EDU's were allocated during the month of March.

Plan Review Fees: The proposed plan review fees were not published in the Record Courier, so they will be considered at the May meeting.

MGSD Master Plan: MGSD has reviewed the draft master plan and comments have been sent to HDR Engineering.

McDonald's Grease Interceptor: Plans have been submitted for the grease interceptor at McDonald's. Frank did not see anything of concern. Bruce will review them as well.



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Secretary's Report – No Secretary's Report

Human Resources – Annual Performance Evaluation of the District Manager – April presented a handout outlining the District Manager's current salary and benefits, and discussed the salaries of similar positions on the internet, which ranged from \$98,000 to \$118,000. Frank has previously, at his request, foregone pay increases, with his last salary increase being in July 2010, and she recommended a salary increase. Discussion followed regarding the increase in responsibilities due to plant expansion and power cogeneration equipment, as well as good employee morale. Frank expressed his appreciation to the staff and noted that MGSD's staff allows him to perform better. Frank also told the Board he appreciates how the Board members have allowed him to manage the plant. The Board also discussed the cleanliness of the plant as well as the lack of odor. April let the Board know that the District Manager also has the added responsibility to the EPA and NDEP with respect to discharges and public health. Mike Henningsen proposed a 3% salary increase for Frank Johnson. The Board concurred.

Public Comment – Jerry Smith stated he felt Board has done well in the past and that the Board did a good job making a difficult decision in regards to the rate increase.

Board Comment – Ray Wilson asked Bill Peterson if he had a response from Douglas County regarding the letter outlining MGSD's authority. Bill said he did not get a response. Bruce Scott stated that since the new county manager arrived, County staff, including the DA's staff, have been easier to work with.

Meeting adjourned at 8:20 pm.

Approved _____ By _____
Date