



Board of Trustees
Minutes of Regular Meeting
Thursday, January 3, 2013
6:00 P.M.
Board Room
Minden-Gardnerville Sanitation District
1790 Hwy. 395
Minden, Nevada

Board Members Present:

Robert Allgeier
Mark Dudley
Michael Henningsen
Barbara Smallwood
Raymond Wilson

Staff Members Present:

Frank Johnson
April Burchett
Brian Buffo
Bruce Scott

Others Present:

Jeremy Hutchings
Patty Clark
Greg Urrutia
Eleanor Urrutia

Board Members Absent:

None

Meeting called to order at 6:00 p.m. by Michael Henningsen, Vice Chairman

Election of Board Officers – Ray Wilson reiterated his suggestion from last year to rotate the Chairman position each year. Mark Dudley stated that Mike Henningsen is the senior trustee, so he felt that Mike should be the next chairman. Ray agreed. Mike felt it should also be predicated on whether someone wants to be chairman. If someone doesn't want to be chairman, he or she shouldn't be forced to. Barbara Smallwood felt that the board can consider the motion each year and either vote yea or nay. She also agreed that someone shouldn't be Chairman if they don't want to be. The Vice Chairman opened the floor to nominations for Board officers.

Motion by Raymond Wilson to nominate Michael Henningsen for Chairman. Seconded by Robert Allgeier. Motion carried unanimously.

Motion by Robert Allgeier to nominate Raymond Wilson for Vice Chairman. Seconded by Barbara Smallwood. Motion carried unanimously.

Motion by Raymond Wilson to nominate Robert Allgeier for Secretary-Treasurer. Seconded by Mark Dudley. Motion carried unanimously.

Claims Review and Approval -- Ray Wilson asked about why the SDP charge was double the usual amount. April Burchett explained it was a 2-month bill, and Frank Johnson explained that there were some additional incidental expenses, the battery was replaced and a new starter was put in. Frank stated that he has the cost information on the cogeneration project that Ray had previously asked for. Bob



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Allgeier requested that the cogeneration costs be highlighted on the claim sheet with an asterisk to make those charges more noticeable. April stated that she would have that available starting at the February regular meeting. **Motion by Barbara Smallwood to approve the claims received for December, 2012 in the amount of \$94,189.46, and to approve the claims paid during December, 2012 in the amount of \$84,540.30.** Seconded by Raymond Wilson. Motion carried unanimously.

Minutes of December 4, 2012 Regular Board Meeting – The minutes of December 4, 2012 were reviewed by the Board. **Motion by Mark Dudley to accept the minutes of December 4, 2012.** Motion seconded by Michael Henningsen. Motion carried, with Raymond Wilson abstaining.

Bob Allgeier asked for clarification of the motion regarding the salary adjustment under the District Manager's report on the December 4th minutes. Bob recalled that Frank submitted a scale to the board for those who may have earned additional licenses not required by MGSD, and other discussion occurred regarding adding a 10th step to the scale, but the motion did not include those discussion items. Mike Henningsen explained that the motion included a one-time 2½% increase effective January 1, 2013 for all employees except the District Manager, based on the efforts of the employees, followed by a 5% adjustment to the scale in July 2013. Mike explained that the 2½% increase was to be a one-time payment with the 5% scale adjustment in July based on the current scale prior to the 2½% increase. Bob asked if the 2½% increase ended in June with salaries reverting back to the current amount, and Mike explained it was supposed to be a one-time bonus payment with no adjustment to the salary scale. Frank Johnson stated that his intent was that all employees receive a half-step increase on January 1st, and the entire scale would be adjusted 5% from the post-2½% salary increase. Bob summarized that Frank's intent was to ask for a 7½% increase, but that did not appear to be Mike's intent. Frank stated that the intent was to adjust the scale based on Cost of Living increases. Mike reiterated his intent was to do an overall 5%. The 2½% was a one-time bonus with no adjustment to the scale, and the salary scale was to be reviewed in July for 5%. Frank stated that he misinterpreted the intent of the motion and presented it incorrectly to the employees. He asked if he could meet with the Chairman to go over the numbers. He reiterated that MGSD is out of line with other entities with respect to salaries. Bob did not agree with Frank's comparisons, and stated that MGSD is not in competition with the Tahoe-area plants, and MGSD's salaries appear to be in line with Indian Hills and Douglas County. Discussion followed regarding the employees lost to other plants, and the duties of MGSD's staff including more responsibilities than staff at other plants. Ray Wilson suggested that perhaps Frank can go back to the employees and tell them that there was a misunderstanding, there may still be a 5% increase in July, but it might affect something else down the road. Mike stated his concern was that a 7½% total increase seemed to be excessive in the current economy, so he thought a 2½% bonus with an adjustment to the salary scale in July would be appropriate. The Board directed the Chairman and one other board member to meet with Frank to discuss the issue. Barbara Smallwood asked if it was a one-time bonus, or a pay increase for each additional month. Mike stated it was supposed to be one-time bonus, not an increase over the next 6 months. Bob asked why the other discussion items were not included in the motion, and



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Frank stated that the additional discussions would be addressed at the budget hearings later in the spring. Ray suggested that Mike Henningsen, Bob Allgeier, and Brian Buffo meet with Frank in the next two weeks to resolve the misunderstanding. April Burchett asked about how to handle the changes in payroll, as a salary increase or as a bonus. The Chairman directed to leave it as a payroll increase until the confusion is resolved.

Public Comment – There was no public comment.

MGSD Heat Loop Project – Frank Johnson presented the contract received from West Coast Contractors, and noted that there will be a preconstruction meeting Tuesday or Wednesday of next week. Bruce Scott reviewed the contract and stated the contract contains standard language and he recommends MGSD sign the contract. Frank stated that MGSD has also received the performance bond. Frank explained the contract contains the Notice to Proceed date as January 17, with a substantial completion date of August 5. Frank did not anticipate that the project would go over the schedule.

Motion by Mark Dudley to authorize the Chairman to sign the contract between MGSD and West Coast Contractors in the amount of \$159,800.00 for the MGSD Heat Loop Extension Re-Issue Project and to direct MGSD Staff to prepare a Notice to Proceed. Seconded by Michael Henningsen.

Discussion of Motion: Barbara Smallwood asked if MGSD awards a bonus for early project completion or imposes a penalty for late completion. She has a concern that the schedule is for a year, since it is a small project. Bruce explained that MGSD does impose a penalty for being late, but there is no incentive for early completion. Bruce stated that the contract length for this project was predicated on the weather and seasons, and he also does not expect a problem with the contractor meeting the completion date. Bob Allgeier asked for further discussion on the economic feasibility of the project as it relates to the agreement with GRGID. He stated that the benefits of savings in MGSD's costs is not solely accrued by MGSD, but also by GRGID, approximately 60% savings for MGSD, and 40% for GRGID, but GRGID has had no role to play as far as the cost of a capital project. Discussion followed regarding the cost savings to MGSD and to GRGID. Bob felt that the payback cost of the project is poor, and that the cost savings would not offset the cost of the construction and maintenance. Mike felt that project paybacks are also based on alternatives, and the alternatives to solve the problem of the unheated buildings were to put in conventional natural gas heaters or to build the heat loop and utilize the excess methane currently available at the plant. Doing nothing is not an option, so the board felt the long-term solution would be to utilize the methane. Mike felt that the payback costs with either alternative would be bad, but the problem needed to be resolved. Bob suggested that the lower cost alternative would be to install a replacement space heater in the one building which has an existing heater, the cost of which would be shared with GRGID as a repair item, and to install a new heater in the unheated building which would be a capital improvement project, the cost of which MGSD would absorb. Frank stated that the cost of



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purchasing a new heater and the cost of buying natural gas for conventional heaters would equal the cost of the heat loop project. Bob replied that GRGID would pay a portion of the gas bill as well. Bob also expressed his concern about the lack of a contract with the grease supplier. Frank stated that a year-to-year contract has been given to the supplier. Bruce stated that MGSD currently receives grease from two suppliers, and the supplier who provides the most grease is unwilling to tie themselves down for longer than a one-year period. Bruce and Frank continue to prospect for additional suppliers. Bob asked if there was an engineering problem with putting space heaters into the building, and Bruce said there was not. Ray Wilson stated that the original project was going to be \$95,000 and an in-house project, and he felt that MGSD can look at ways to cut costs before raising rates or salaries. He expressed concern about the maintenance costs on the cogeneration equipment now and how that affects the operations costs. Mike asked Bruce for his thoughts on the feasibility and costs of the project. Bruce stated that MGSD doesn't have very many things going on in the plant that brings a return, and MGSD looks for a 20 to 25 year rate of return, with the plan to keep costs low over a much longer period of time. And although Bob has a good point with the increase to the cost of project as originally planned, Bruce felt the project is a good long-term investment because of the utilization of the available resources. The Chairman asked if the Board would like to continue the discussion to the February meeting or go ahead with the vote. Ray asked for Frank's feelings on the project, and Frank had no problem with either alternative. Bruce noted that the state regulators are really pleased with MGSD, the grease facility, and that MGSD is utilizing all the available resources, and they are looking forward to the next phase of the project, which is the heat loop project, and it may generate goodwill with the state if the District needs it for another project. Discussion followed regarding the reduction in the contract cost due to the removal of a planned door to one of the buildings.

Vote: Aye: Dudley, Smallwood, Wilson. Nay: Allgeier. Abstain: None. Motion carried.

Sierra Nevada SW Enterprises – Plan Review and Capacity Request for Proposed Gas Station and Convenience Store and Restaurant – Represented by Jeremy Hutchings. Bruce Scott reported that this project is a proposed gas station, convenience store, and Port-of-Subs located near the Walmart project on Highway 395. Frank Johnson reported that at this time the capacity has been calculated for the 7-11 portion of the project, but the Port-of-Subs portion is a shell permit only, for a total of 7.6 units at this time. Jeremy Hutchings concurred with the capacity calculation. Frank asked Jeremy why the plans show 2 separate grease traps, since MGSD standards would allow for the alternative of one grease trap. Jeremy stated that there are two grease traps at the developer's request. Bruce and Frank advised Jeremy that the developer has the alternative of revising the plans to one trap.

Motion by Raymond Wilson to approve the improvement plans prepared by RO Anderson Engineering, Inc. for the proposed Golden Gate Petroleum and Port of Subs project located at 1161 Hwy. 395 in Gardnerville (APN 1220-10-110-007), subject to the conditions outlined in the letter from Resource Concepts, Inc. to Dirk Goering of Douglas County Community Development, dated



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December 17, 2012, and to authorize the District Manager to sell up to 7.6 units of capacity. All rules, regulations and requirements of MGSD are to be met and all fees paid. Seconded by Robert Allgeier.

Discussion of Motion: Barbara Smallwood asked why MGSD accepts a project with so many conditions. She requested that the engineers and developers submit more complete plans. Bruce stated that he would like to see them as complete as possible and explained that MGSD looks at the standards of the sewer improvements and the appurtenances, and those standards are straightforward. His letter states that before MGSD will allow the project to move forward, the conditions of the letter will need to be met. If the engineer or developer cannot meet the engineering standards set by the District, then the project will be back to the board. Barbara requested clarification of who pays for the engineering review fee, and Bruce explained that those costs are passed through to the developer. Frank explained that there is also a plan review fee that is paid by the developer. Barbara was concerned that any additional capacity was not mentioned in the motion and was wondering if the developer understands that additional units will need to be purchased. April Burchett explained that additional capacity is not normally included in a motion, since the District Manager has the authority to approve up to 5 additional units. Frank explained that the review process includes detailed paperwork and involvement with the developer, and that the developer is aware at all times that additional capacity will be needed. Bruce also discussed the overall management process provided by the board, as opposed to the actual review and approval process provided by District staff, the goal being to allow the projects to continue moving forward and not being held up for a board meeting. Mike Henningsen explained that the board relies on Frank and Bruce and the staff to follow up on the conditions because of their technical nature. Mark asked about Condition 5 of the letter, regarding the concern about adequate cover on the proposed sewer line. Bruce explained he was concerned about the proximity of the line to a detention pond, and this condition was put in place to ensure the side of the detention pond doesn't get too close to the sewer line. Jeremy stated that it is a temporary detention pond. Bruce will continue to work with Jeremy on the item.

Vote: Motion carried unanimously.

Eagle SPE NVI LLC/New Beginnings Housing LLC – Plan Review and Capacity Request – Represented by Jeremy Hutchings and Greg Urrutia. Bruce Scott stated that the project consists of a preliminary plan for a sewer main extension, and recommends conditional approval of the sewer main extension.

In regards to the capacity fees, a memorandum from Bill Peterson, MGSD's legal counsel, was presented to the board. Jeremy Hutchings explained the history of the project proposed on the parcel. He noted that Crestmore Townhomes purchased 73.6 units of capacity for a townhome project, and the board had granted numerous extensions for use of the capacity before the capacity expired in 2011. The developer is requesting reinstatement or granting another extension of 30 of the units to serve the Parkway Vista



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complex. Greg Urrutia described the project as a subsidized/affordable housing project for seniors. There is a limited budget for the project, and most of that budget will go to extensive offsite improvements. He emphasized that he is only asking for extension of the 30 units, as opposed to the entire 73.6 units previously allocated. Barbara Smallwood asked when the property was purchased, and Greg responded 10 days ago, and he confirmed that he was aware that the units had expired. Barbara asked Greg about his plans for the additional expired capacity. Greg responded that he has no current plans for the additional parcel which will be created by the parcel map, so his priority is for the 30 units on the affordable housing parcel. Discussion followed regarding the cost of the units at the current rate. Frank Johnson explained that the extensions were first granted because the developer was caught between conflicting conditions placed on the project by Douglas County and the Town of Gardnerville. Jeremy concurred and noted that the project was started, and he questioned if the capacity was subject to forfeiture. Mike stated that the current project is similar to the previously approved project and that there has been no cost to MGSD to keep extending the capacity except in time, so he felt it would be reasonable to grant an extension for the capacity. Barbara asked how many properties exist in the District that have the same issue. April Burchett noted that there is one property with over 50 units on it, but those units were purchased prior to implementation of the forfeiture policy so were not subject to forfeiture. Barbara didn't feel that the Board can extend capacity that has already expired, and she was concerned about legal concerns based on arbitrary application of the law. Mike felt that a motion could be worded in such a way as to note the extenuating circumstances of this project that allow for extension, and that would not apply to other projects.

Motion by Robert Allgeier to conditionally approve the improvement plans by RO Anderson Engineering, Inc. for the proposed Parkway Vista Apartments located at 1331 Stodick Parkway in Gardnerville (APN 1220-03-202-001), subject to the conditions outlined in the letter from Resource Concepts, Inc. dated December 24, 2012. All rules, regulations, and requirements of MGSD are to be met and all fees paid. Seconded by Barbara Smallwood.

Discussion on the Motion: No discussion.

Vote: Motion carried unanimously.

Further discussion followed on MGSD's current capacity and connection rates.

Motion by Robert Allgeier to deny the applicant's request to waive capacity fees, and motion to allocate 30 units of capacity to the proposed Parkway Vista Apartments located at 1331 Stodick Parkway (APN 1220-03-202-001). All rules, regulations, and requirements of MGSD are to be met and all fees paid. Seconded by Barbara Smallwood.

Discussion on the Motion: Bruce felt that the intent of legal counsel's memorandum was that denying the reinstatement was not a good idea. Bob, Ray, and Barbara disagreed with Bruce's interpretation. Bruce



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pointed out that Bill Peterson notes that the MGSD Code has 3 provisions that mitigate the harsh terms of the policy: granting of one 6-month extension, allowing for a capacity refund, and granting exceptions or adjustments to the provisions of the Code where strict application of the rule would result in practical difficulties or unnecessary hardships. Ray Wilson stated that the board should look at changing the MGSD Code with respect to the provisions of forfeiture. Bruce suggested that a reasonable compromise would be to reinstate the 30 units as requested with the remaining 43.6 units being forfeited. Jeremy asked if there is a hardship to the District to grant the extension. Bob replied that the District enjoys a strong financial position due to the board's strict adherence to the policy. Barbara felt it is not the responsibility of the MGSD Board of Trustees to make development economically feasible, she noted that the property owner was aware the capacity was expired, she applauds him for doing the project, but she takes seriously legal counsel's cautioning about grounds for discriminatory application of the law, and she called for the question. Mark Dudley felt that the policy was put into place at a time when people tried to make things work out and the extensions were granted at a time when the board was trying to help the developer out of a tough situation, but at some point something needs to be put into place to stop things from getting out of control.

Vote: Motion carried unanimously.

Century 21 Clark Properties – Review of MGSD Policy regarding Transfer of Sewer Capacity –
Represented by Patty Clark. Patty reported that she has had problems getting buyers for the Minden Gateway property due to the cost of sewer and water fees, while other properties have excess capacity. It seemed to her that a solution would be to transfer the capacity from one property to another, since small tenants are incapable of paying sewer capacity fees. She would like to see more cooperation by various government entities to allow for development. Mark Dudley stated that it would be nice to offer this alternative, but the organization, monitoring, and maintenance of tracking capacity usage and allocation would be overwhelming to the District. Patty suggested that MGSD implement a transfer fee. Frank Johnson stated that if someone transfers property without going through MGSD, it would create problems for the District and developers. Patty stated that all capacity transfers would have to be approved by MGSD and would not happen by a simple piece of paper. Barbara Smallwood pointed out that there would be hard feelings from developers who have already paid fees applicable to their projects. The Chairman thanked Patty for coming before the board and bringing the concern to the board's attention. He pointed out that people pay attention whenever someone gets an exception and they want to jump on board. MGSD tries to work with the community to meet everyone's expectations and needs. Bruce Scott discussed the history of the capacity policy. The cost of capacity was determined to fund the plant and collection system improvements, and the capacity fees were made based on that review. Bruce pointed out that, other than the ARRA grant money for the cogeneration project, the District has not borrowed money since the completion of the Industrial Park, and the board is trying to maintain that fiscal position. Bruce also pointed out that the District is willing to work with any developer regarding the design of a project to keep the costs as low as possible. For example, the District pays a small amount for effluent



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reuse, saving the District millions of dollars in disposing of the effluent. He also noted that staffing is kept at a minimum to save on costs, plan reviews are processed efficiently to expedite the county's permitting process, but that MGSD is subject to state and federal regulations which causes fiscal impact. Patty appreciated that the board took the opportunity to listen to her and she thought the board is doing a great job.

Motion by Robert Allgeier that the request of Century 21 dated November 15, 2012 be denied and that MGSD Code 6.090(4) remain unmodified and enforced as written. Seconded by Raymond Wilson.

Discussion on the Motion: No discussion.

Vote: Motion carried unanimously.

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

Carson Valley Inn: Bruce referred to his letter to Manhard Consulting included in the board's packet, regarding submittal of the project to MGSD. He noted that this is an example of developers not bringing a project before MGSD at the appropriate time, giving the District the reputation of being a stumbling block. He noted that his letter was sent to the engineer in time for them to submit the annexation for the January meeting. He has spoken with the engineer, and he anticipates that an annexation will be submitted for the February meeting. Bruce discussed the annexation process and reported that for annexation has also not been submitted to the Town of Minden. Bruce felt that the County staff needs to be reminded from time to time to include MGSD in the review process. Bruce noted that the engineering review fees have been billed to the developer through MGSD, and April Burchett stated that the costs have been billed to the Carson Valley Inn.

RCI Rates: Bruce explained the engineering fees from RCI. The District's fees are billed at a reduced local government rate, while pass-through fees are billed at RCI's general rates. Bruce will bring a fee schedule to the next meeting.

Collection System Master Plan: Bruce will have the scope of work and estimated costs for the collection system master plan available at the February meeting. The plan is to place the system mapping of the collection system on a GIS base to allow for information and changes to be noted and updated on an ongoing basis, rather than on an annual basis.

Bob Allgeier asked for an explanation of the cost of raising manhole covers that was paid to NDOT. Bruce explained that for the past 40 years, NDOT has issued encroachment permits for utility lines. If NDOT does any work which impacts utility infrastructure too old to be included under an encroachment



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permit, then the utility is responsible for any work that needs to be done to the utilities as a result of NDOT's work. It's very expensive for the District to raise and lower manholes due to the amount of work involved, NDOT's hours of construction, and the traffic control issues involved on the highway, so it is more cost-effective to reimburse NDOT for those costs.

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

Walmart: Frank received the sewer easement deed from Walmart, with a provision that MGSD cannot perform any work on the line during the months of November and December due to Walmart's increased business during those times. Bruce pointed out that the District can declare any repair to be an emergency at any time and make the necessary repairs, so he did not feel that this item was a hardship to MGSD. Bruce recommended having either Frank or the Chairman sign the easement. The Board directed that the Chairman sign the easement.

Reservoir Repair: Frank spoke with Warren Reed Insurance today regarding the insurance claim for the reservoir repair, and they are monitoring the review of the insurance claim.

GRGID Connection Fee Increase: Frank spoke with Bob Spellberg regarding GRGID's proposed change to their connection fees. Bob explained to Frank that GRGID's annexation fee will be included in the new fee, so will not be collected separately, but MGSD will still receive the annexation fee due from GRGID. Discussion followed regarding monitoring of annexed parcels. April Burchett stated that an itemized list is currently received from GRGID each quarter, and can be reviewed in more detail to ensure all fees are collected from GRGID. The Board concurred that the list be monitored quarterly to identify potential annexations.

Secretary's Report – There was no Secretary's Report.

Public Comment – Ray Wilson welcomed Bob Allgeier and Barbara Smallwood to the board.

Board Comment – Ray Wilson commented that he believed that confusion about the motion from the December meeting regarding the salary scale was a result of the Board having never followed Robert's Rule of Order. He praised the Chairman for keeping this meeting organized.

Barbara Smallwood asked at what point MGSD allows the agenda to be revised to take items out of order. April Burchett explained that anyone can request a modification to the agenda at any time during the meeting.



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Bob Allgeier asked for copies of the MGSD Code, MGSD Personnel Policies and Procedures Manual, and Job Descriptions. April Burchett stated she would copy these items for him.

Barbara Smallwood asked about when salary increases are implemented for the District Manager. The Chairman noted that the District Manager has a different schedule for evaluation and salary increases. Frank Johnson emphasized that adequate staff compensation is more important to him than a salary increase for his position. Bob Allgeier asked if there was a formal review of the District Manager, and April Burchett stated the review is scheduled at the April board meeting each year. She also noted that the District Manager received a salary increase last year.

Ray Wilson requested for a plant tour for the board. The question was raised regarding whether or not the tour would have to be noticed. Frank Johnson stated that in the past tours have been scheduled in conjunction with regular or special board meetings. A plant tour will be scheduled in the spring when the weather is warmer.

Meeting adjourned at 8:50 pm

Approved _____ Date _____ By _____ District Secretary _____.

/ab