



Board of Trustees  
Minutes of Regular Meeting  
Tuesday, May 6, 2014  
6:00 P.M.  
Board Room  
Minden-Gardnerville Sanitation District  
1790 Hwy. 395  
Minden, Nevada

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Board Members Present:

Raymond Wilson  
Robert Allgeier  
Michael Henningsen  
Mark Dudley  
Barbara Smallwood

Staff Members Present:

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

Others Present:

Michael King  
Nate Kerr  
Richard Peters  
Bonnie Fetic  
Jim Davis  
Carol Davis  
Cliff Simpson  
Russell Lindell  
John Harris  
Peter Baratti  
Chris Barr  
Chris Baracosa  
Anthony LaRocca  
Bridget LaRocca  
Andrew Marshall

Board Members Absent :

None

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*Meeting called to order at 6:00 p.m. by Raymond Wilson, Chairman.*

Public Comment: - No public comment.

Claims Review and Approval – Claims were reviewed by the Board, and questions were answered by Frank Johnson. Ray asked why the power bill was up from this time last year, and Frank explained that the Co-gen was down for a couple of days. **Motion by Barbara Smallwood to approve the claims received for April, 2014 in the amount of \$34,633.06 and to approve the claims paid during April, 2014 in the amount of \$83,784.16.** Seconded by Mike Henningsen. Motion carried.

Minutes of April 1, 2014 Regular Board Meeting and April 10, 2014 Special Board Meeting – The minutes of April 1, 2014 were reviewed by the Board. **Motion by Bob Allgeier to approve the minutes of the April 1, 2014 Regular Board Meeting.** Seconded by Mark Dudley. Motion carried. Barbara asked about the handout provided at the budget hearing, whether the amount shown on operating activities should be a negative figure, and Frank verified that it should have been shown as a deficit. The backup document will be amended. **Motion by Barbara Smallwood to approve the minutes of the April 10, 2014 Special Board Meeting, subject to the correction of the handout for the Fiscal Year**



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**2014-2015 Budget Exhibit A “Operating Activities Cash Flows” corrected to a negative \$7,527.**  
Seconded by Mark Dudley. Motion carried.

**The Ranch at Gardnerville Phases IIC through IIE** – Bruce Scott noted that improvement plans were received for additional phases at the Ranch at Gardnerville. He presented a letter dated April 10, and recommended approval of the improvement plans subject to the conditions in the letter. Notably he is concerned about a storm drain that is too close to the sewer, and is asking for a relocation of one of the lines. Discussion followed regarding administrative approval of the revised plans. **Motion by Bob Allgeier to approve the plans for The Ranch at Gardnerville Phases IIC and IIE prepared by R.O. Anderson Engineering, subject to 7 conditions outlined in the letter from Resource Concepts, Inc., dated April 10, 2014. All rules, regulations, and requirements of MGSD are to be met and all fees paid.** Motion corrected to noted Phases IIC through IIE. Seconded by Barbara Smallwood. Motion carried.

**Health Insurance Benefits for Employees and Retirees** – Frank introduced MGSD’s employees and retirees, as well as Nate Kerr from L/P Insurance. Nate explained that L/P Insurance is the benefits consultant for the Nevada League of Cities. MGSD currently obtains their benefits through the Nevada League of Cities, The League is a large pool of employees and can leverage for more advantageous benefits and premiums. Due to the Federal Affordable Care Act (ACA) regulations, there will be some unavoidable changes to the plan. Nate reviewed the current health benefits for MGSD. Today the League offers 5 plans, of which each entity can choose to offer any combination of. All entities within the league currently have the same premiums for the 5 plans. MGSD offers 3 of the plans: The \$500 deductible PPO plan, The Beyond Plan which is a PPO with a \$3,000 deductible, and the HSA Plan. Nate discussed the differences between the 3 plans, and discussed the HSA plan. Currently MGSD contributes approximately \$3,000 per employee into the HSA account each year. Nate then presented changes to health benefits due to the ACA Law. The federal law impacted the League of Cities benefits program as of July 1, 2014. L/P Insurance recommended that the plan year be changed from July to December, to delay the effects for 5 months. St. Mary’s allowed the League’s current rates to remain in effect through November 30, 2014. Starting December 1, 2014, the current plans will not meet the ACA regulations and will no longer be available. Saint Mary’s is providing new plans with benefits that are the most comparable to the current plans. These are not the only plans available, and MGSD can opt to look at different plans offered by St. Mary’s or any other provider. There will be no change in cost to the Dental, Vision, or Life insurance at this time, and those plans will remain pooled through the League of Cities. Discussion followed regarding the sale of the insurance division of Saint Mary’s to a private insurance company. So far, there have been no changes to the company’s operations, and advance notice will be provided of any major changes. Nate anticipates that the most obvious changes will be to the preferred provider list, due to renegotiation of contracts with the providers, but so far that has not happened.



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Ray asked about the impact as a result of implementation of the ACA. Nate explained the timeline of various phases of the ACA. Most of the major provisions will occur by the end of 2015. MGSD's current plan is in compliance with ACA requirements. Nate explained the individual mandate; the health exchanges; federal subsidies for premiums; fees for group health care to fund state exchanges, which is one of the reasons the Saint Mary's premiums are increasing; pre-existing condition exclusions; and comprehensive benefits coverage, which impacts the small group rating rule. With the new regulations, the rates can only be based geographic location, age, and tobacco use.

Because of this, pooled groups such as the Nevada League of Cities do not meet the requirements of the Comprehensive Benefits Coverage provisions. The League looked at alternatives, including self-insurance and a pooled employer entity but it is not cost-effective for smaller entities. MGSD is now an individual entity and will no longer be a member of the League for the medical benefits. In December, the new cost increase, if enrollment remains the same, will be approximately 14%.

There are many ideas being kicked around by other entities about how to handle these issues. Some entities within the League have increases above 50%. Small employers do not have to offer health insurance, and it is expected that many small employers in the private sector will not provide health care coverage to employees. MGSD currently does a fixed-rate contribution, which he thinks works out well.

As a public entity there are statutes that apply to retirees. MGSD must offer the same plan to retirees, and must allow a qualified retiree to return to the plan during an even-numbered year. He would advise that before making any changes to retiree coverage to consult with legal counsel. Discussion followed regarding rates for those on Medicare. Nate cannot explain why the rates went up, but believes it's due to age of employees. MGSD is not being rated on tobacco usage at this time, and geographic numbers don't change much from county to county.

Barbara asked what he would need to go out to market, and Nate stated he would need a census of the current employees and retirees. Brian asked the likelihood of the League being allowed to pool for benefits again, and Nate responded that it would take an act of Congress to change the law. One of the services provided by the League is legislative lobbying.

Nate discussed the Cadillac Tax which goes into effect in 2018, and the proposed plans are coming close to the limits. Nate stated that the limit should trend up, but \$10,200 is the limit at this time.

Nate cautioned everyone to be critical of what they hear in the media. He advised that anyone looking at insurance options to ask how they use insurance.

Carol Davis asked about the new plan year, and Nate explained MGSD's new coverage year will run from December 2014 to November 2015 at this time, but it will need to be changed at some point. Nate stated



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the MGSD can look at other plans now, but a quote would only be good for 90 days, so he recommended waiting until September or October.

MGSD's new hire waiting period does not meet the regulations as of December 2015; it can't be longer than 90 days. MGSD currently has a waiting period of 1<sup>st</sup> of the month after 90 days.

Mike King asked about the staffing at L/P Insurance to handle all the changes. Nate explained that L/P Insurance is one of the largest benefits providers in Northern Nevada, specializing in large group public entities. New staff members have been hired to cover the growing accounts. Mike King noted that the staff and retirees are present to see if there is any impact to coverage and benefits, as well as whether they will need to pay for coverage. The Board is concerned about the cost to the District and he was wondering if this is a good plan for the money. Nate stated that it is his job to find the best coverage for the best rates. He believes that the rate fluctuations are due to the uncertainty in the market. He thinks costs will stabilize by the end of 2015. He doesn't believe that premiums will increase at such high rates each year. Compared to the other entities in the League MGSD's increase is much less, but it is up to the District to decide if 14% is too high of an increase. For some of the plans, the benefits are getting richer. He can look at other plans at Saint Mary's that offer slightly lower coverage, which would save in premiums. Open enrollment will still occur in July to satisfy the federal requirements. He will need to touch base again late June or early July to discuss MGSD's plans for medical coverage. Bill agrees with Nate, and we have plans for the next 6 months and nothing needs to change at this time.

Meeting adjourned at 8:05 p.m. for a break.

Meeting reconvened at 8:10 p.m.

**Employee Benefits** – Ray stated that with regard to the health benefits, the Board is up in the air, and another meeting with the staff and retirees will be needed before any decisions are made. Ray noted that it's incumbent on all the members of the Board to be responsible to the rate payers and to be good stewards to the rate payers. Mike asked if changes to the benefits are being proposed, or whether this agenda item is for informational purposes. Barbara noted that during the budget meeting, the benefits were noted to be 39% of the operations budget. Town of Minden's salaries and benefits is 32% of the overall budget and Town of Gardnerville's is 25%. She reported that there are number of citizen groups that are monitoring boards for fiscal responsibility. In addition, the Board is concerned that there is a proposed increase to the benefits budget, and the accountant has noted an unfunded liability on the sick and vacation leave. Barbara stated the question was what can be done about the unfunded liability and the increased cost of the benefits. Ray felt the past Board was not fiscally responsible, and Mike disagreed with that. Mike felt the past Boards were responsible based on the numbers and economy at the time. Barbara asked Bill Peterson to look into what legally can and can't be done in adjusting the benefits.



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Brian asked if there will be a motion tonight to change benefits, and Ray stated that he doesn't know, but he would prefer to meet with staff to come up with some ideas and suggestions to mitigate some of the impacts to the District. Sarah and Frank suggested creating a restricted fund to cover the unfunded liabilities and medical insurance.

Jim Davis stated that the prior Board was the most fiscally responsible group he worked for, and it was a pleasure to work for them. If there is any growth, there won't be any plant expansions, which means there won't be any expenses going out for that either. In the past when an improvement needed to be done, there was money to pay for it. MGSD employees didn't have a union, and the employees negotiated with the Board for the benefits, and the Board treated them fairly. He agreed with Sarah to set up a plan now to take care of the unfunded liability. Ray stated he couldn't disagree with anything Jim said.

Barbara asked what the current benefits are. Frank went through the benefits listed in the board packet, including vacation accumulation, and sick leave accumulation. Frank also outlined the current sick leave payout policy which is 35% after 10 years and 1% for each year after that up to 30 years, which would be about a 50% payout. Barbara asked if that can be changed to a use-it-or-lose-it plan, and Bill concurred. Barbara then asked if that can be changed for new employees only, and Bill stated that changes can be implemented. Discussion followed regarding non-choice agencies and choice agencies in PERS, and April Burchett noted that MGSD is a non-choice agency and cannot change to a choice agency by state law. Frank noted that the maximum sick leave that can be accumulated is 240 hours. Other benefits include accident and health plans, dental, vision, and life plans. Barbara asked if the life insurance is included in the budget, and Frank stated that it is.

With the new increase, the budget allows for an increase in the amount MGSD covers for each employee for health insurance. Bob stated that since 2011 until the projection for the next fiscal year, the employee benefit package has increased 65% in four years. Frank asked if it included the new employees, and if that would skew the numbers. Bob stated he was looking at the total budget. Bob noted that there are 4 retirees that are currently collecting a health benefit. He noted that a court case decided that health care is not required to be provided to retirees. Other entities in the area don't provide health coverage for retirees. Projecting health costs out 20 years, it will cost the district about a quarter of a million dollars. He has some potential solutions, but he doesn't think retiree health care coverage can continue to be offered. Bill noted that most entities require that their retirees enroll in Medicare Part B, and they help the retiree pay for Part B. Mike King stated he is retired military, and when he turned 60 he started getting his retirement and the system automatically enrolled him in Tricare, but the way Congress set it up, when he turns 65 then he is required to enroll in Medicare Part B. Then the government funds the Part B and pays the Part D.

Bob asked about the agenda language on the benefits, and April explained it was worded to give the public an idea of what topics would be discussed.



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Brian felt that the direction the Board was going was a bad move. It would cost the district in the loss of good employees. Seven operators currently run the district, and we can't afford to lose any of them. Losing one or two employees would be 20% of the work force, and it would cost the district in training. It's even more important to not lose our top employees, and it would take 2 new employees to replace 1 top employee. Top employees are more efficient in repairing equipment and in a safer manner. The construction trade is picking up and we could potentially lose employees back to the trades. He also wondered if changes to the benefits would push some employees to seek litigation and union representation. Barbara asked if Brian heard what the Chairman said at the beginning about recalling boards, and she didn't appreciate being threatened.

Sarah pointed out that the percentages and increases to the salaries and benefits include the increases to the Board salaries and benefits.

Peter Baratti commented on the Board's comparison with the County and other entities. MGSD is critical to the community. Pete asked if the Board had assessed the user rates against the federal recommendations put out by the EPA. He asked the Board to consider that the rates would be raised as a benefit to the community. Pete asked if the rates had been looked at in conjunction with the average household, and compared to the national average. Ray said he couldn't disagree with what Pete was saying, but we compare with local entities.

Brian noted that the major changes are scary to the employees. Mark explained that some of the numbers haven't been brought up before. He stated that the employees work really, really hard. But there are things that have been brought up that need to be discussed, and there wouldn't be any changes made right now. Frank pointed out that the final budget hearing is next week. Since it did not appear that there were going to be any changes proposed prior to the budget hearing, Frank requested that this item be continued to a special meeting in the future to allow more time for solutions to be researched and proposed. Ray said additional meetings will be held earlier in the day to allow for everyone to attend. April stated that she appreciated that the Board is willing to hear any suggestions the employees have to alleviate some of the concerns.

**Designation of Board of Trustees Compensation** – Bill Peterson presented a memorandum regarding PERS contributions for the Board. Bob felt that the concerns noted at the last meeting have been resolved. Bob asked Mike King to confirm that he spoke to a PERS staff member regarding the impact of his PERS pension by serving on the Board. Bob called PERS and was referred to the PERS Manual, specifically Page 12 Subsection 5 of the 2011 PERS Manual, "If a retired employee is chosen by election or appointment to fill an elective public office, the retired employee is entitled to the same allowances as a retired employee who has no employment, unless the retired employee is serving the same office in which the retired employee served and for which the retired employee received service credit as a





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member.” Bob asked that a formal complaint be made to PERS about the information that was given out by Mr. Zeron. Mark asked Mike King if that was the actual information given to him. Mike King stated that Mr. Zeron asked why MGSD cannot maintain the status quo, and Mike thought he may have caught Mr. Zeron off guard. Bill noted that perhaps Mr. Zeron could state that he didn’t have all the facts. Bill stated that MGSD is walking on thin ice with PERS, and now is probably not the time to raise the issue. Mark agreed with that assessment. Bob doesn’t think any action is needed by the Board, and the Board decision from March 2013 regarding salaries and PERS contributions would stand. The Board concurred.

#### *Attorney-Client Conference*

Attorney Fees: Bill Peterson noted that the legal fees deviate each month and year, but averages approximately \$18,000 annually. He thinks the amount MGSD is currently paying for legal services is fair to both parties. He doesn’t prefer a fixed fee contract, since there is the potential to delegate the work to someone else. Barbara concurred. Bill stated he would be willing to do a fixed fee contract for \$20,000, not including litigation. Discussion followed regarding whether that fee would include meeting attendance, since the Board requested that Bill begin attending the Board meetings. Bill asked the Board if he can analyze the numbers further to cover meeting attendance. The Board continued this item to the June 3, 2014 meeting in order for Bill to present a final fixed-fee amount.

Employee Benefits: MGSD should conduct wage and benefits comparisons with other entities. If MGSD’s wages and benefits are comparable, and there still isn’t money to cover them, then it is fair to raise the user rates.

Engineer’s Report – Bruce reported that the agreement with V&C Construction was signed by the Chairman. Construction will begin right after the start of the new fiscal year, and he doesn’t anticipate any significant costs in the remainder of the current fiscal year. Bob asked what services MGSD has paid for to date under the project, and Bruce noted that it is engineering, surveying, and bid costs. Bob asked if the \$550,000 is still the anticipated contract amount, and Bruce verified that it was. Bob directed Frank to subtract the money that has been spent this fiscal year from the \$550,000 budget for the next fiscal year. Frank stated he preferred to keep the amount higher for next fiscal year, since there may be change orders. Discussion followed regarding how to handle change orders. Bruce will give a monthly report and try to note any anticipated change orders that may be coming up so the change orders can be addressed in a timely manner. Frank is worried about stopping the job, and Bruce stated any emergency work needing a change order can be authorized and then the change order can be brought to the Board for approval. Ray asked if MGSD will notify the residents again before the project starts, and Brian stated yes.



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

**EDU Allocations:** 3.0 EDU's of capacity were sold during March.

**Employee Benefits:** Frank noted that he was not given any information about the Board's concern with the benefits. Rather than pass along misinformation, he invited the staff and retirees to attend the meeting.

**Hwy 395 Manholes:** There are chunks of concrete in Hwy 395 due to the manhole collars deteriorating. These were replaced by NDOT during their repaving project a couple of years ago, and NDOT will replace them again.

**Mosquito Abatement:** The spraying will begin as soon as the area dries out and conditions allow.

**FY 2014-2015 Budget Hearing:** The budget hearing is Friday the 16<sup>th</sup> at noon.

**Vacation:** He will be going on vacation in June for 3 weeks.

**Secretary's Report** – April Burchett reported that she made an error in the final rating calculation for the District Manager's Annual Review at the April 1<sup>st</sup> meeting. The average rating stated at the meeting was 3.575, but the actual average was slightly higher at 3.61.

**Public Comment** – Mike King stated that it was a productive meeting.

**Board Comment** – Ray won't be here next month, so Mark will need to chair the meeting. He thanked Sarah and April for sending out the income report and expenses summaries and requested that they continue to send them to all the Board members.

***Meeting adjourned at 10:30 pm.***

Approved \_\_\_\_\_ By \_\_\_\_\_  
Date District Secretary

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