



Board of Trustees
Minutes of Regular Meeting
Tuesday, January 5, 2016
6:00 P.M.
Board Room
Minden-Gardnerville Sanitation District
1790 Hwy. 395
Minden, Nevada

Board Members Present:

Raymond Wilson
Barbara Smallwood
Robert Allgeier
Michael King
Mark Dudley

Staff Members Present:

Frank Johnson
April Burchett
Brian Buffo
William Peterson
Bruce Scott

Others Present:

Richard Peters
Gordon Forrester

Board Members Absent :

None

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

Election of Board Officers for 2016 -- The Chairman opened the floor to nominations for Board officers.

Motion by Bob Allgeier to nominate Raymond Wilson for Chairman for 2016. Seconded by Barbara Smallwood. Mike felt that it would be healthy to rotate the positions, but he was not opposed to Ray Wilson continuing to serve as Chairman. Motion carried unanimously.

Motion by Mark Dudley to nominate Michael King for Vice Chairman for 2016. There was no second, and Mike deferred the position to Barbara. Motion died for lack of second. **Motion by Bob Allgeier to nominate Barbara Smallwood for Vice Chairman for 2016.** Seconded by Michael King. Motion carried.

Motion by Bob Allgeier to nominate Barbara Smallwood for Secretary for 2016. Seconded by Michael King. Discussion followed regarding Nevada Revised Statute language for positions of Secretary and Treasurer. Since no mention is made in NRS regarding Vice Chairman, it was determined that Barbara could serve in both positions. Motion carried unanimously.

Motion by Raymond Wilson to nominate Robert Allgeier for Treasurer for 2016. Seconded by Barbara Smallwood. Motion carried unanimously.

Public Comment – There was no public comment.

Chairman's Comment – Bob, Ray, Bill and Frank met a week ago regarding the GRGID negotiations. Ray announced that there would be a workshop after the meeting, and all Board members are invited.



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Discussion followed regarding whether the Board can meet for a workshop without noticing the meeting. Ray agreed to hold the discussion under the GRGID Item on the agenda (see Page 3 below for further discussion).

Ray asked and the Board concurred that the meeting proceed with the Washoe Tribe item, to be moved from Item No. 9 to Item No. 4a.

Washoe Tribe Casino Capacity Request – Represented by Gordon Forrester with Washoe Tribe. Mr. Forrester asked for a staff report, and Frank stated that he will get one to him. Frank expressed his frustration with the construction beginning before coming to MGSD for approval. He stated that a meeting was scheduled with the Tribe later in the week, to include Frank, Bruce Scott, Mark Gonzales from Gardnerville Water Company, all the contractors, and Mr. Forrester. He noted that he had experienced problems with getting a complete set of plans for calculating the needed capacity. Frank also mentioned that the casino capacity would increase the amount in the Letter of Credit, and all outstanding fees will need to be paid. The capacity and connection fee for the casino will be approximately \$160,000. Frank assured the Board that he would make sure that the fees are paid prior to connection into the MGSD system. Mr. Forrester stated that they are on a fast track, but they are not trying to hide anything from MGSD. Barbara expressed concern about a different tribe leasing the casino and the complexity in dealing with different entities. Mr. Forrester believed that the infrastructure would be in the ownership of the Washoe Tribe, and that the other tribe would only have a lease agreement for the casino building, but he will verify this with his legal counsel. Frank stated that Mr. Forrester was attending this meeting for the approval of 40 units, which is subject to change based on the final walkthrough. Bruce suggested that in considering the 40 units, they also speak to the two-year Letter of Credit agreement, make it a part of the motion so Frank and Bill can move forward without having to come back to the Board. **Motion by Barbara Smallwood to allocate 40 units of capacity to the Washoe Tribe Casino project located at 1003 Hwy. 395 in Gardnerville (APN 1220-11-002-009). All rules, regulations, and requirements of MGSD are to be met and all fees paid. Also, the amount in the Letter of Credit will be increased to include the EDU's for both the casino project and the convenience store per Section 1, Paragraph 4 of the Annexation Agreement.** Seconded by Mark Dudley. Motion carried.

Claims Review and Approval – Ray appreciated the highlighting of the co-gen expenses. Frank explained that the claims for both November and December need to be approved.

Motion by Michael King to approve the claims received for November, 2015 in the amount of \$48,740.78 plus miscellaneous expenses in the amount of \$490.18, and to approve the payroll-related expenses paid during November, 2015 in the amount of \$87,110.00. Seconded by Bob Allgeier. Motion carried.



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Motion by Mark Dudley to approve the claims received for December, 2015 in the amount of 110,401.91 plus miscellaneous expenses in the amount of \$1,061.62, and to approve the payroll-related expenses paid during December, 2015 in the amount of \$118,441.64. Seconded by Bob Allgeier. Motion carried.

Minutes of November 3, 2015 Regular Board Meeting – Barbara complimented staff on the minutes, and stated that it is beneficial to have more detail than what is required. Mike asked if the wording on Page 4, 7th line was the correct wording that Bill Peterson wished to convey. It was determined that since the wording was a direct quotation from Mike Rowe’s letter, there should be no change to the minutes.
Motion by Barbara Smallwood to approve the minutes of the November 3, 2015 Regular Board Meeting. Seconded by Mark Dudley. Motion carried.

GRGID Agreements: Bill stated that Mike Rowe wants to set up a meeting with both districts’ attorneys and managers, but before that meeting is scheduled Bill would like further discussion on where the savings are realized. He also has some questions for Richard. Bill believed that GRGID’s argument is that they entered into this agreement with MGSD to change the regime from GRGID paying a pro-rata share of fixed costs, and a fraction of variable costs, to be trued up at the end of the year. Since the co-gen is being accounted for in fixed and variable costs, they feel they are being double billed. Richard stated he would do further research into how the fixed and variable costs are billed in order to come up with an explanation to Bill’s question. Bill suggested that he meet with Richard Peters first to work this out. Bob thought he had an answer to Bill’s question and passed out calculations for electrical and gas savings, totaling \$152,549 annually ~~for GRGID~~. The savings were better than anticipated when the project was approved, and as the plant flow increases, GRGID is getting a better return on the grandfathered EDU’s based on the formulas outlined in the agreements. Frank stated that this year MGSD owes GRGID a refund for the variable costs from 2015. Bob pointed out that if the co-gen is not in operation, GRGID would owe MGSD. Bill stated that GRGID’s argument is that they paid their share through the fixed and variable costs. Bob replied that GRGID doesn’t pay a share of the capital costs. Mike quoted from Page 9, Section 5 from the 1974 Agreement, which makes GRGID’s responsibility clear:

MGSD, in its sole discretion, as its Board of Trustees determines, may make any necessary capital improvements for any purpose including, but not limited to, capital improvements required by law or regulation, to jointly used sewage treatment and disposal facilities. GRID shall pay an additional sum for joint use towards the cost of said capital improvements to said sewage treatment and disposal facilities so jointly used, except for capital improvements that increase treatment and disposal capacity for MGSD’s sole use. Said payments shall be made by GRID in cash upon receipt of notice from MGSD that it is necessary or required to do so.



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Mike asked if it would be possible to take this to the next level, to have a meeting which would include each board's treasurer and CPA's. Mark expressed concern that forcing GRGID to pay for a capital improvement would set precedence for GRGID's participation in future MGSD decisions on improvements, but Bill stated that the contract gives MGSD full authority to approve such improvements. Richard stated that the prior boards were concerned that involving GRGID in cost sharing might give them the ability to participate in MGSD's business and decisions. Bob stated that there hadn't been another large project since the agreement was signed that did not increase capacity, so this is the first time this issue has occurred. Ray suggested that if the meeting between the attorneys and the district managers doesn't come to a resolution, that one Board member from each district also meet with the attorneys and district managers to see if an agreement can be reached. The Board agreed not to charge any interest to GRGID for the amount owing, and directed Bill Peterson and Richard Peters meet to come up with recommendations.

Richard J. Peters, Jr. and Co. June 2015 Audit – Represented by Richard Peters. Richard Peters presented the financial statement dated June 30, 2015 and explained some the major differences from the previous year's statement. The restricted cash amounts were up, and there was a large charge in capital assets due to the County Road sewer replacement and reservoir repairs. The user fees were also higher than the prior year. Bob noted that the EDU's shown on page 6 did not include the grandfathered EDU's in GRGID, but since those EDU's are included in MGSD's total treatment numbers he requested that they be included. Richard agreed. Bob asked about whether there were accounts for Inventory In and Inventory Out. Richard explained that with the small amount of activity in inventory items, separate numbers are not necessary, and he will get with Frank to get more information to see if separate accounts are needed. Bob verified that the unrestricted cash was now \$2.2 million. Mike asked if the decrease in GRGID revenues be due to the savings from the co-gen. Richard stated that it was partially from the co-gen project and partially from the rate adjustment. Barbara asked that on Page 19, Note 9 that the date the loan was initiated be included in the note. Richard thought that was a good idea as well. Barbara asked if the amount shown on Page 16, Note 3 was a typo. Richard explained that it was not a typo, that the amount shown on that note was the amount the County had collected in tax revenue which had not yet been released to MGSD. **Motion by Bob Allgeier to approve the audit dated June 2015 as presented by Richard Peters.** Seconded by Mark Dudley. Motion carried.

Attorney-Client Conference: Bill Peterson reported on the following:

Southwest Gas – Bill is still coordinating with Bruce for a resolution.

Compensation for Board Members Receiving PERS – Bill reported that he has continued to look for options, but it appears that the best that can be done is to set up a trust. Mike King stated that he had spoken with Ted Rich at Wells Fargo regarding a SEP IRA and had sent an explanation to April. April



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reported that she had researched the terms of the SEP IRA, and found that federal regulations limit a SEP IRA to 25% of gross income, whereas PERS is currently set at 28% of gross income, so a SEP IRA isn't comparable to PERS. Mike stated that he would like to have this resolved for future Board members who receive PERS retirement, but he wasn't comfortable with spending a lot of money to get this accomplished. Barbara stated that the East Fork Fire District provides contributions to a 457 if this issue arises. April and Bill explained that because of the wording of NRS Chapter 318 regarding Board compensation, this option is not available to MGSD. Ray stated that if an equivalent can't be found, then the policy will need to be that Board members who are paid PERS retirement benefits will not receive a PERS contribution from MGSD. Bill will continue looking into alternatives, and asked that April get him the information regarding SEP IRA's.

Washoe Tribe Casino – Barbara passed out a newspaper article regarding closure of a casino in California and the problem with that casino's leasing tribe. Bruce stated that is why it makes sense for MGSD to only deal with the Washoe Tribe, as opposed to the tribe running the casino, and that a Letter of Credit be provided by the Washoe Tribe.

Pine View Estates – Ray stated that the Pine View issue was to be addressed in federal court, but he hadn't heard anything further. Bruce stated that there have been no new developments.

Insurance to cover Reservoir – Mark asked about the status of finding insurance to cover the reservoirs. Bill reported that he had checked with a couple of insurance companies, who stated that insurance carriers consider the reservoir to be land as opposed to a structure. The next step is to see if the current carrier will reclassify the reservoirs as structures. Bruce stated with regard to earthquake insurance on the sewer mains, it is very expensive and not worth the cost to MGSD.

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

Douglas County Sovereignty Agreement – Bruce reported that a couple of months ago, a problem occurred with the County on the Washoe Tribe Casino project, and reminded the Board that MGSD had signed the agreement for that specific project, and Erik Nilssen was told to let the project to go forward. The problem has now arisen on a different project. Bruce asked for Bill's input on whether MGSD can do just one blanket agreement each year. Bill stated that it seems the County needs an agreement on a project-by-project basis so they know who the engineer is. The District is shown as the responsible party for doing the inspection, and will work with RCI in case of problems.

Pretreatment Ordinance – Marvin Tebeau is continuing to work on the Pretreatment Ordinance. They will need to meet with Bill before bringing it back to the Board for approval.



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The Ranch at Gardnerville – Bruce reported that the undeveloped portion of The Ranch at Gardnerville is in foreclosure, but MGSD is in the process of reviewing the multi-family project in the area. The multi-family development will have individual laterals, so it is very straightforward from a sewer perspective.

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

Capacity – Six units of capacity were sold in December.

Washoe Tribe – Frank will be attending a meeting with the Washoe Tribe on Thursday. All outstanding requirements, fees, and the letter of credit will be discussed.

Mid-Year Financial Review – Frank reported that he reviewed the budget numbers for the first 6 months of the fiscal year, and due to the increased repairs needed in September, the October and November numbers were higher than typical, although still within budget. Frank passed out energy consumption graphs through mid-year, which included energy and gas consumption for the life of the co-gen system.

SCADA Upgrade – Frank stated that the trenches have been dug, and the electrical is about two-thirds completed. He anticipated having an upgrade schedule by the end of the week.

Reno Rendering – Frank reported that for the past 35 to 40 days, MGSD has been receiving night deliveries from Reno Rendering, which is a step towards working out an agreement on tipping fees.

Electric Gate – Discussion followed regarding the operation of the automatic gate. The Board was concerned that the gate appeared to stay open for a couple of hours. Frank reported that it's supposed to be open only for 20 seconds before it begins to close. He will check on it to make sure it's operating properly.

Accounting Software Upgrade – Ray reported that he received a copy of an email to S2 from Frank, regarding MGSD's unwillingness to send payment up front for the accounting software upgrade. Discussion followed regarding the delays in the upgrade.

Administrative Report by Staff – April reported that financial statements are due to the Secretary of State's office on January 15th. Discussion followed regarding whether the statements were due on the 8th or 15th, and April stated she would verify the date and email the Board members the next day.

Board Comment – Mark got a call from his brother-in-law who asked that Mark let the Board know that Frank was instrumental in getting the County issue resolved on the Washoe Tribe.



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Public Comment –There was no public comment.

Meeting adjourned at 8:30 pm.

Approved by the Board of Trustees with the noted corrections on:

February 2, 2016 _____
Date

By _____
Barbara S. Smallwood, District Secretary

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