



Board of Trustees
Minutes of Regular Meeting
Tuesday, November 1, 2016
6:00 P.M.
Board Room
Minden-Gardnerville Sanitation District
1790 Hwy. 395
Minden, Nevada

Board Members Present:

Raymond Wilson
Barbara Smallwood
Michael King
Mark Dudley
Robert Allgeier

Staff Members Present:

Frank Johnson
April Burchett
Brian Buffo
Bruce Scott
William Peterson

Others Present:

Craig Wilcox
Tim Bunting
Chuck Zumpft
Cameron McKay
Bob Spellberg
Greg Ferraro
Nicole Willis-Grimes

Board Members Absent:

None

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

Public Comment: Ray asked for introductions from General Improvement District representatives who were present including: Chuck Zumpft, counsel to and Kingsbury GID (KGID) and Indian Hills GID (IHGID); Cameron McKay, Manager of KGID; and Bob Spellberg, Manager of Gardnerville Ranchos GID (GRGID).

Motion by Bob Allgeier to move Item 9 on the Agenda to a position before Item 3 on the Agenda. Seconded by Barbara Smallwood. Motion carried [Vote: 5 ayes, 0 nays, 0 abstain, 0 absent].

Ferraro Group: Represented by Greg Ferraro, founder of the Ferraro Group, and Nicole Willis-Grimes, Ferraro Group's Director of Public Policy and the leader of the legislative team in Carson City. Bill Peterson discussed the publication from the County Commissioners of a long-term plan to take over general improvement districts and utilities in Douglas County, and the districts' concerns regarding the recent discussion and actions by the County. He also discussed the language in NRS Chapter 318 regarding protection for entities that provide water, sewer, and trash service, and changing the NRS language to extend that protection to all GID's. He felt that the best way to accomplish that change was to hire a lobbyist.

Greg Ferraro gave his personal and professional background, reporting that he was born in Nevada and had been a lobbyist for 30 years. He founded the Ferraro Group 12 years ago, providing public relations and public affairs services. They have offices in Reno, Las Vegas and Phoenix, as well as a temporary office in Carson City during the legislative session. They employ about 18 employees, evenly divided



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between public relations and public affair services. He mentioned other clients he represents in the legislature, including NV Energy, Apple, Nevada Resort Association, Cox Communications, Waste Management, and JP Morgan Chase. His firm has been involved in almost every type of issue debated at the legislature, and they have a good relationship with many legislators. He discussed the possibility of changes in the legislature with the upcoming election. The legislature is currently controlled by Republicans in both houses, but there is a good chance the Assembly will be majority Democrat, and possibly the Senate as well. The Governor will still be there and will provide a steadying force for the new legislature.

Greg reported that he had preliminary conversations with Senator Settlemeyer and Representative Wheeler about the issue, but not in any detail. He stated that the Legislative Interim Committee for TRPA Oversight and the Marlette Lake Water System is scheduled to have a hearing on Friday which will discuss the proposal to restructure Douglas County Sewer Improvement District No. 1 (DCSID) into a Chapter 318 district. Greg would like to be at that meeting on Friday morning and would like to talk to committee members about including the language changes the districts would like to be made.

Greg gave an overview of the bill process in the legislature. The legislature goes into session in February, and the Bill Draft Requests (BDR) go out over next 6 to 8 weeks. By April, most of the bills are introduced and the legislature is scheduled to adjourn in June. The proposed bill will probably go to the government affairs committee in each house, and the leadership for those committees is up for grabs. Representative Wheeler is currently on the Assembly Government Affairs Committee, and if he stays on, it will be an advantage for the districts. Whether Senator Settlemeyer is on the Senate Government Affairs Committee remains to be seen. Greg did not foresee any objections from Clark County legislators over the language change, as long as the local representatives are in support. He stated that he will not speak to any other legislators specifically until authorized by the districts.

Ray referred to the cost estimate from Greg. Discussion followed regarding the interim committee meeting on Friday and the possibility of attaching language to another bill dealing with the same statute, such as the DCSID bill. Ray asked if the County could block the bill if they did not like the language change requested by the districts. Greg said that the County could block it, and explained that ideally a coalition of support including the public and politicians would be built to overcome the County's dispute. Mike expressed concern about a public agency spending public money on a lobbyist, since the other companies Greg represented are for-profit private corporations. Greg stated that Ferraro Group also represents other public agencies, such as City of Las Vegas, the Truckee River Flood Management Control Authority, and the Nevada Contractors Board. He noted that it is not unusual for a public entity to have representation at the legislature for a pertinent issue. All cities and counties have representation at the legislature, either private or internal representatives. The Ferraro Group will have to sign a form indicating that they will be representing a district and are being paid by a district, for transparency purposes, although the terms of payment will not be disclosed at that time. Mike stated that he had sticker shock, since the cost discussed at a prior meeting was about \$20,000, which would be divided between



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several agencies. Chuck Zumpft noted that other GIDs having an interest will not be able to meet before Friday to decide whether to join in the representation. Greg stated that if approval is made tonight, discussions can begin on Friday, and as far as when the clock starts for billing, that is negotiable. Chuck felt that the districts don't want to lose an opportunity with Friday's committee meeting. Cam McKay asked about changing DCSID from a 309 District to a 318 District and if that would help in regards to having a bill to attach additional language change. Greg said the committee will probably draft legislation changing the status of DCSID, and they could possibly include the districts' request if they are aware of it beforehand and are in agreement with that. It would then be sent to the Legislative Counsel Bureau for BDR. That is the most seamless way to move forward. Greg noted that by law, he cannot price his agreement contingent upon success or failure of legislation.

Cam agreed with Mike regarding the sticker shock, but felt that if the districts don't put up the fight then it would cost the districts more. He will take it to the KGID board on November 15th. He believed that the County will attempt takeover of the smaller utilities at some point and he felt it was worthwhile to retain the Ferraro Group. Greg's proposal included a non-session fee and an in-session fee. Barbara stated she was troubled by the utility district concept paper, and fully agreed with Mr. Ferraro and his plan because now is the time to get this done. She had read the committee meeting agenda and the notes, and felt that they are going to do away with DCSID as a 309 district and make it a 318 district, and wondered what the down side was to attempting to get the language changed.

Bob asked Bill about the process if the County decides that they are going to dissolve a district or take other action concerning a district. Bill explained the County passes an ordinance to dissolve a district, and then it is incumbent on the district to get a majority of the residents to show up at a meeting to protest the County's motion. If a majority does not protest, the County can vote to take over a district. There is no vote put to the public, they have to sign a protest and the protest is then presented at the Commissioners meeting. The risk is that the protest would have to be put together in a short period of time. Greg noted a political risk that if the districts are unsuccessful, relations with the County may be hurt. Mike felt that the public may feel alienated and upset because of the perception of a misuse of money, and some people do not have a favorable view of lobbyists. Mark noted that this is his last 2 years anyway, but if a district had to take the chance with arranging a protest by the voters that would be tough to make happen, so he was in favor of hiring a lobbyist. Bob thought that the lobbyist for the County would be at the committee meeting, and asked Greg what he thought the County's reaction would be if this gets proposed. Greg said that this language would not see the light of day at the meeting. He anticipated talking to Representative Wheeler, Senator Settelmeyer and Senator Kieckhefer, the Chairman of the Interim Committee, after the meeting to see if they would be receptive to accept the addition of the language to a bill. If there isn't any support at that time, then the districts would know not to move forward. Ray noted that it is a lot of money, but if the county takes MGSD over, the County would get \$7 million. He said that if the other boards don't want to move forward, then MGSD will want to move forward on its own.



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Ray polled the board to give Greg direction for Friday's committee meeting. Barbara said her understanding was that this is an easy fix if the ball can get rolling at this time. She noted that a large number of people are being served by the various boards, and they understand that the government closest to them is best, and having Greg pursue it now is worthwhile. Bob stated that the alternative is not worth pursuing, since trying to get enough people together in a short period would not be feasible. Bill read the statute which stated a written protest by a majority of the owners of the property within the district must file a petition, and he noted that GRGID is not in the district. Bob asked about a cancellation clause in the contract with Ferraro Group. Greg said the cancellation clause does not have a fee associated with it, just a notification period. Mike felt that it would be doable to get more than 50% of the owners to sign a petition, but he had an open mind. Bill noted that it is the property owners' signatures that are required, not residents or voters. Mark asked if both alternatives could be done, hire a lobbyist and approach the people to sign a petition. Bill didn't think a blanket protest in advance would work. Greg thought that getting the public's view beforehand would not be a bad idea to show resistance to a future County proposal to take over a GID. Bill thought that a district would have to wait for the county to take action before a petition could be distributed. Mark supported Greg's proposal. Ray noted that the board must protect the ratepayers and tax payers in the district and stated that MGSD hasn't raised taxes since the mid 1990's. He would like to negotiate with the Ferraro Group. The board directed the Ferraro Group to approach the three legislators on Friday to get a feel for making the change. Greg said that in order for this to go forward, those three legislators have to be okay with it. If they aren't in agreement, then this won't go anywhere. If they say yes, he will then get back to MGSD with a green light. Mike asked about the fee for Friday, and Greg said that Friday's meeting is a good faith gesture.

Bruce noted that the GID's that are in attendance are actively representing their people at a closer level than the county. It's known that there will be changes at the County Commissioners, resulting in a change in the predictability of the County as a whole. The County relationship has been rocky, but the County has never made an active effort to do anything because they know that GID's have a value. But because the County has stirred up the 309 district issue, this could be a good time to reaffirm 318 districts while the County is focused more on the governing situation at DCSID. So this might not be a bad time to move this process forward. The people who are here are well respected by their residents, and Greg noted that the area's legislators are also well respected their constituents.

Cam clarified that the statute states property owners, not voters. KGID has a problem with that, since about 30-40% of their residences are second homes. He noted that the board was elected to take a leadership role, and he would recommend to his board to approve the contract with Ferraro Group. He stated that one agency would have to take the lead, and felt that it may be best for MGSD to take the lead to work with Ferraro Group, and other agencies would have a memorandum of understanding with MGSD. Ray agreed and stated that the participating agencies would receive information on the status of the bill. Greg said they provide a weekly summary of where the bill is and what upcoming action is going to be taken and noted that GID leadership will need to be present at the legislature for any hearings. Bob Spellberg stated that GRGID is having their regular meeting tomorrow night but they will need to wait



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until next month for approval. Chuck asked who would be Ferraro Group's client, and Greg said it's up to the districts. Ray felt it was negotiable with the other GID's. Mike stated for the record that he is in favor of proceeding with hiring a lobbyist. Greg felt that he is comfortable enough with GID representation tonight to approach Representative Wheeler and Senator Settlemeyer. Mike referred to earlier email from Bill Peterson, and Bill said that email was his first take without more detail from Greg. Greg said this is just a first step. There will be changes to the language as a bill draft request moves forward. The districts will get to decide if they are okay with the changes each step of the way. Bruce noted that the GID's represent about 80% of the voters in the County, and the County's pressure needs to be taken with a measure of care on the part of the legislators. Greg said it won't be lost on Representative Wheeler and Senator Settlemeyer. Cam thanked the board and Frank for having Mr. Ferraro come tonight and inviting the other districts. Discussion followed regarding scheduling a special meeting, and the timing with other GID meetings. Bob Spellberg said that GRGID can't make a decision until their December meeting, and Chuck noted that IHGID meets on the 16th. Greg was directed to communicate with Bill after the meeting on Friday. Greg said he will need a contact person since things develop quickly towards the end of the legislature, and Ray thought that Bill would be the best person for that. Chuck thanked the board for hearing this item earlier on the agenda.

Claims Review and Approval: Frank pointed out that the NV Energy bill is still low. The co-gen hasn't been in service since July, and typically the bills should be \$16,000 - \$17,000. He thought there might be something wrong with the meter or that it was being misread, so the bill may go up at some point. Bob asked about the Smart Cover invoice, and Frank noted that it is for monitoring of a flow meter. Discussion followed regarding the monitoring agreement and how the information is given to MGSD. **Motion by Mike King to approve the claims received for October, 2016 in the amount of \$140,430.40 plus miscellaneous expenses in the amount of \$190.45, and to approve the payroll-related expenses paid during October, 2016 in the amount of \$92,010.88.** Seconded by Mark Dudley. Motion carried (5 ayes, 0 nays, 0 abstain, 0 absent).

Minutes of October 4, 2016 Regular Board Meeting: Barbara asked for more detail on Page 6 under Board Comment where "April mentioned a few problems that were occurring with MGSD." April stated the sentence was kept deliberately vague, since she had spoken in error. Barbara requested that the sentence be struck from the minutes. Barbara asked that on Page 3 Line 8 the double letter "bBoard" be corrected to "Board". Barbara asked that on Page 2 third line up from the bottom, to change the sentence from "Barbara expressed concern about businesses being allowed to operate in Douglas County without a business license and the problems of tracking them, and Marvin agreed that the database and the permits would need to be updated each year" to "Barbara agreed with the permit process by MGSD since businesses in Douglas County are allowed to operate without a business license, which is a good thing, but it's a problem tracking the uses in a business. Marvin agreed that the database and the permits would need to be updated each year for this reason." **Motion by Barbara Smallwood to approve the minutes**



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of the October 4, 2016 Regular Board Meeting with the noted corrections. Seconded by Mark Dudley. Motion carried [4 ayes, 0 nays, 1 abstain (Allgeier), 0 absent].

Pine View Estates Proposed Sewer Main Extension: Ray reported that they asked to be continued since they had nothing new to report this month. He asked April to schedule them on the December agenda. Barbara noted that there will be a meeting with the homeowners on November 5th and a court hearing in December.

Resolution to Create and Designate Funds for Emergency Repair Fund: Bill presented resolution language to the board, which was suggested by Richard Peters. Richard recommended that a fund be set up, call it Emergency Repair Fund, and the board will allocate a certain amount of money into the fund each year at the time it sets the budget. The fund will only be for the purposes identified in the resolution, which is an uninsured or underinsured casualty loss, that MGSD has the money available, and the money in the fund is not to be invaded until such time as the board, by majority, approves the invasion of the fund for the purposes mentioned. From time to time, if necessary, the board can invade the fund for other purposes, but only on a majority vote. The fund is to be segregated and dedicated only for the purposes identified. The board can also put money into the fund at other times during the year if it wants to. Richard Peters has said he will take care of the accounting and reporting of the fund to the state, and he had spoken to the state and they approved establishing the fund in this manner. This will allow the fund to accumulate money over time. Ray asked if Richard had given an amount to place into the fund. Bob had talked to Richard, who recommended \$500,000. Discussion followed regarding adding funds during the year with a budget amendment. Bill felt that the important issues were outlined on the second page of the Resolution where the terms were outlined. Barbara noted that the Resolution calls for Reserve Fund, and Bill said it should be Emergency Repair Fund on Page 1, and under Number 1 on Page 2. Mike noted that if anyone comments on excess money, we can show it's in a designated fund for emergency repairs. **Motion by Bob Allgeier that the Board of Trustees establish an emergency reserve fund for the purpose of covering certain unanticipated expenses dealing with plant or services that may be partially insured or uninsured. The board moves the transfer of \$500,000 into the emergency fund from the undistributed reserve of MGSD.** Seconded by Mike King. Barbara asked about the name, Repair Fund or Reserve Fund, and Bill said it was up to the board. Motion carried [Vote: 5 ayes, 0 nays, 0 abstain, 0 absent]. Mark thought it was a good idea to set up the fund.

GRGID Agreements: Bill noted that this item had been on the agenda for a number of months and the board was aware of the correspondence between MGSD and GRGID. He noted that there is a basic dispute on whether or not money is owed by GRGID to MGSD. The last letter from Mike Rowe stated that a board decision would be on GRGID's meeting agenda for November 2nd. Bob Spellberg did not have anything to add. Bill highlighted that GRGID's position was that the fees have been paid by



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GRGID through the moneys collected under the terms of the agreements. Bob Allgeier felt that the board should make a decision on this, since it had been 2 years since the discussions began and alternatives that were previously presented to GRGID to resolve the matter had been rejected. He noted that there is also a statute of limitations issue, possibly going into effect in March or April. **Motion by Bob Allgeier to direct legal counsel, Bill Peterson, to immediately file a civil complaint against the Gardnerville Ranchos General Improvement District for noncompliance with the specific terms specified in the 1974 and 1990 agreements executed by MGSD and GRGID. We refer specifically to Section 5 Page 9 of the 1974 agreement and ask for payment of \$350,758.00 for the co-gen system project and \$38,588.00 for the heat loop project. All other offers made by the MGSD Board for remediation are hereby withdrawn.** Seconded by Barbara Smallwood. Barbara asked if the GRGID board had discussed this in a public meeting. Bob Spellberg said yes, the letters were discussed, and the board had given direction to legal counsel. The GRGID Board did not feel they should be paying any more than they already have. Like any other rate payer in MGSD, GRGID pays under the terms in the 1974 contract for fixed and variable costs. In addition, GRGID pays same price for capacity as developers. There were no special assessments on other rate payers for plant construction, and GRGID would have been expected to be included in that special assessment. Bob Spellberg stated that it was GRGID's position that everything was paid for from monies paid by developers to MGSD for EDU's, which is the same amount GRGID pays MGSD for EDU's. Bob Spellberg also noted that under the terms of the 1990 agreement, GRGID pays quarterly rates to MGSD as well as an in-lieu-of tax to make up for the property tax that MGSD charges its ratepayers. It is GRGID's position that they have paid for the expansion in 2 different ways under 2 different contracts. GRGID believes that the contracts say that GRGID will pay, but GRGID has paid for the expansion through fixed costs, variable costs, purchase of EDU's, and capacity and connection fees. They feel they should be treated as any other customer. Bob Spellberg reported that the most recent letter from MGSD is on GRGID's agenda for the next night, and the board will give staff direction. GRGID understands that they have been getting a cost savings, but they feel that it is money that could have gone back into a sewer fund that they could use to upgrade their system. Bob Spellberg felt that the repayment plan was a good one if GRGID agreed that they had owed money. Mike asked for clarification on the next step. Bill said it would be per the terms of the contract, which calls for arbitration. He had in mind a declaratory relief action, in other words, we say this, they say that, and the judge would decide, but either side can ask for a jury. Mike asked if Bob Spellberg thought the MGSD Board should hold off making a decision tonight. Bob said the GRGID board could go against staff and counsel recommendation and offer a settlement. He thought perhaps nonbinding mediation would be a better way to go, so the legal costs would be split, and it would give the boards an idea of how the courts would look at it. Motion carried [Vote: 5 Ayes, 0 Nays, 0 Abstain, 0 Absent].

Attorney-Client Conference: Bill had nothing further to discuss.

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

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775-782-3546 / 775-782-4915 (fax)



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Frank had received a request from an appraiser representing NDOT to acquire land for a permanent easement. They were also requesting a temporary easement to access the Martin Slough across MGSD property. Frank and Bruce will meet with the appraiser and report back to the board.

Bruce read the draft MGSD–Cost Narrative memo and the board asked that it be attached to the minutes. Ray thanked Bruce and complimented him on the letter. Ray asked if the board would like to sign the letter. Barbara wondered if all board members should sign it, or just the Chairman. Frank noted that the figures were different than what he previously gave to the board, since the County raised their rates again. MGSD fees started in 1965 at \$4.50, so fees have gone up \$9.50 in approximately 55 years. Ray thanked April for names and addresses of the County Commissioners and Chamber of Commerce board. Barbara stated that she had a conversation with Bill Chernock at the Chamber of Commerce, and he asked that we get him a copy and he will distribute it to the Chamber. Bill Chernock told Barbara that he agreed there was misinformation coming from the Chamber, and lately, probably because of Frank’s conversations with the County, he has been defending us. Ray asked that the letter be sent to the Chairman of the State Board of Realtors and ask that it be distributed to their members. He asked that it be sent before the December meeting. Frank asked about the timing of the letter with respect to the earlier conversation with Greg Ferraro. Barbara thought that Frank had a valid point. Ray didn’t think the letter would interfere with what Greg’s working on. Frank said he was concerned about the perception by the County.

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

No capacity was sold in October.

Things were not moving as fast as he had hoped on Digester 3. The scaffolding is up, and the T-Lock material and concrete is coming out in chunks. The winter weather has delayed it further. The Traveler’s Insurance representative was onsite Thursday and took pictures, and has requested more information. He is also aware that the T-Lock material needs to be further removed before we know the extent of the damage. It appears to be more severe than we had originally anticipated.

Frank reported that he will be attending a pre-app meeting tomorrow for 1645 County Rd. for a parcel map for 4 units.

Frank spoke with Krista Jenkins from the Mosquito District, who reported that it was a strange season and they only needed to treat twice. So money budgeted for mosquito control hasn’t been needed yet, but it may be needed next spring.

Barbara had been campaigning over in Westwood and received complaints of odor from the plant. Bob noted that there was an odor problem when the digester was being cleaned.



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Administrative Report by Staff: April reported on the status of past due accounts. As of last week, 22 accounts are past due for a total amount \$15,067.00. Half of that amount was for the Historian Inn. April discussed the process for past due accounts, including the lien fee of \$40.00, and the finance charge of 1.5%. Ray asked for a report each month of the past due amounts. Bob asked if more commercial people were not paying than in the past, and April stated more residential accounts were past due, coming in waves of foreclosures and deaths. As the properties are in transition after an owner dies, payments can lapse a bit while the heirs settle the estate.

Board Comment: Barbara reported that she went to a meeting on the Master Plan Transportation Presentation. She heard that the Tahoe Douglas District was asking the County to become a full 318 district, and the commissioners put them off because they knew the legislature would be acting on DCSID.

Bill confirmed that all trustees can be present at the Interim Committee meeting on Friday as long as they don't discuss anything; it is not in violation of open meeting law. Ray reported that the meeting is at 9:00 am at the Legislature Building in Room 4100.

Bob asked Frank about the current flow rate, and Frank stated it was roughly 1.6, so it hasn't changed dramatically. Bob reported that he spoke with the County about the North Valley treatment plant and the expansion and how that was being done. He did not know if the public was aware that 5 years ago the State gave the County ~~permission to serve from the top of the hill down to the Heybourne plant~~ **the permit to run the sewer collection line from the commercial area east of Highway 395 at the top of the hill down under the Carson River to the Heybourne Plant.** The sewage from a number of properties west of Highway 395 is currently going to Carson City for treatment. He asked Carl Ruschmeyer about this, and Carl said there are about 1600 edu's being processed by Carson City in the commercial areas. The Redevelopment Agency has given to the County approximately \$4.5 million to help pay for the expansion at the sewer plant. The plant is planned to be expanded by 2,000 edu's. When this is all done the County Commissioners expect that the sewage will go to Heybourne instead of to Carson City. This would not leave any additional capacity in the plant, and they will have to consider enlarging the plant soon after this one is completed. They are talking about the fee going up to \$7,000 or even higher. Frank said it's close to that already.

Chairman's Comment: Ray addressed Craig Wilcox about his campaign claims in the Record Courier and felt they weren't factual. Ray defended the pay increases, noting that pay increases cannot go into effect immediately per NRS, and that money was found through the increase in GRGID's taxes. He noted that the PERS contribution was required by NRS. In regards to increased legal fees, the board wanted



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legal counsel to be present at each meeting. The recent issues with the County have necessitated correspondence from legal counsel. Discussion followed regarding cutting retiree benefits. Mike excused himself from the meeting. Ray asked Craig where his information came from. Frank reported that Craig made a public records request, and staff provided requested information to him as required under NRS. Craig stated that he obtained information from the administrative staff.

Public Comment: There was no public comment.

Meeting adjourned 8:40 p.m.

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

_____ Dec. 6, 2016 _____
Date By Barbara S. Smallwood, District Secretary

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Attachment: MGSD-Cost Narrative