



Board of Trustees
Minutes of Regular Meeting
Tuesday, April 7, 2015
6:00 P.M.
Board Room
Minden-Gardnerville Sanitation District
1790 Hwy. 395
Minden, Nevada

Board Members Present:

Raymond Wilson
Barbara Smallwood
Mark Dudley
Michael King
Robert Allgeier

Staff Members Present:

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

Others Present:

Keith Webb
Patrick Sergott
Chad Walling
Jeremy Hutchings

Board Members Absent :

None

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

Public Comment: - There was no public comment.

Claims Review and Approval—Motion by Mark Dudley to approve the claims received for March, 2015 in the amount of \$91,870.62 and to approve the payroll-related expenses paid during March, 2015 in the amount of \$82,655.54. Seconded by Bob Allgeier. There was no further discussion on the motion. Motion carried.

Bob questioned Frank about the Tribe annexation fees on the cash flow statement which did not show up in the month of March. Frank explained that it was paid in April.

Minutes of March 3, 2015 Regular Board Meeting—Motion by Michael King to approve the minutes of the March 3, 2015 Regular Board Meeting with the noted corrections. Seconded by Mark Dudley. There was no further discussion on the motion. Motion carried.

Tesco Controls—Represented by Keith Webb. Keith introduced himself and explained that he was not a sales person but has had a relationship with MGSD servicing the SCADA (Supervisory Control and Data Acquisition) system for the last twenty-five years. The current system that is currently being used by MGSD has not been upgraded since 2005. Based on Homeland Security, computers controlling waste water treatment plants connected to the internet need a lot more security. With a power point presentation, Keith explained the system and what it does. Currently, Windows XP is the operating system and since this has been discontinued by Microsoft it does not get any patches or upgrades. The



Minutes
April 7, 2015
Page 2

software is twelve years old and also needs to be upgraded as it will not run with the new operating systems. Frank explained that the recent failure in the system was because of the old software. The new software would replace this old software at a cost of about \$45,000. Mark wanted to know if the life of the new software would also be 10 years and was informed that as cyber security becomes more of an issue Homeland Security would require upgrades on a regular basis. At the present time Homeland Security would have a problem with the way the computers are kept on the floor, locked at night, but still available to anyone during the day. Set points could be changed and also the alarm points. So both cyber security and the physical side could be affected. Tesco is proposing to rack mount the computers moving them to a secure area to where the other servers are kept and upgrade to the latest version of WonderWare. All unnecessary services and functions will be taken off the computer to reduce the risk of cyber vulnerability. This would reduce the exposure to risk. Another reason to do this upgrade is to prevent a system failure in the future and being without the SCADA system for a while while it is being dealt with. There was a question about the second computer and what it was for. The second one is a historian which records flow and levels of pressures etc. for the Department of Health. The controllers have a life of 20 to 25 years and they are covered by a yearly service contract which extends their warranty. Upgrades have been done, but there has not been a controller failure. However, Keith pointed out that the computer talks to all the controllers in the field through a two wire paired copper wiring system. This is an older style of communication system. He suggested getting fiber optic line for the plant in place of the copper wire. Since there is no comprehensive drawing of the conduits he suggested getting Placer Electric or another company to come out and trace all the conduits and give a proposal to put in fiber optic line. Fiber is immune to any surges, unlike copper. Also, water gets into the boxes and rusts the wire. Radio telemetry is another option but the cost would be higher. Placer Electric, which is based in Reno, has given a quote of \$3000 to do a fiber conduit schedule with two men for three days. Tesco works with them on a regular basis. This survey is required to see the status of the conduits. Frank also stated that to have a conduit evaluation would be beneficial for MGSD in the future. Radio telemetry is a more expensive system and since radio communication is transmitted, Homeland Security would prefer fiber as it is harder to break into. However it may not be possible to have fiber go everywhere and there could be a hybrid system with both fiber and radio. This whole upgrade can be done in phases but it needs to be done. Keith responded to a question about the life expectancy if the upgrade was done and stated that it was recommending a continuous upgrade process with a yearly fee, so there would be software upgrades as needed. New licensing can be requested for free. The hardware has a life of seven years but is not as expensive as the software. Responding to a question on safeguards against a disgruntled employee, Keith stated that most intrusions happen from disgruntled employees and so with the new system everything is locked down and passwords would be stronger, changed constantly, and the new system would record by password anything that is done. Discussion followed. There was a question about the high speed remote access. This would be an access separate from the business network with which it is currently entwined and would be managed by Tesco. It would give the operators remote access to the plant and also Tesco could access remotely if there is a problem. Keith estimated that the whole upgrade would cost about \$100,000 and Frank explained that he had put this amount in the budget for the budget hearing. It was decided to put this item on the next month's Board meeting for action. However,



Minutes
April 7, 2015
Page 3

it was decided to have Placer Electric come out and do conduit evaluation to see what needs to be done and to see if fiber is even feasible and to have a recommendation for the next meeting.

Washoe Tribe—Presented by Chad Walling. This is going to be a convenience store which requires 13.6 EDUs which would cost \$55,980 with the plan review fee. Barbara questioned why the Letter of Credit was not yet in place since capacity was being sold. Bill explained that the capacity would be paid for in cash, and before the final sign off, the letter of credit would be required. He also stated that the amount for the letter of credit could not be determined until the capacity was determined. The letter of credit is for the sewer fees and the billing of the capacity would be done similar to how it is done for every other applicant. However, Barbara wanted the applicant to know that there was a time line. Discussion followed about when the letter of credit would be issued. Jeremy Hutchings questioned Barbara's concern as they were only getting approval for capacity and the letter of credit would be done before the connection. He stated that he would remind Lynelle Hartway, attorney for the Washoe Tribe, about the letter of credit. **Motion by Bob Allgeier to sell 13.6 units of capacity to Washoe Tribe of California and Nevada for a proposed convenience store located at 950 Hwy. 395 (APN 1220-11-002-009). All rules, regulations, and requirements of MGSD are to be met and all fees paid.** Seconded by Michael King.

Bill stated that the capacity has been allocated and needs to be paid for within nine months, and if it is not used within two years, then it would be forfeited. There was no further discussion. Motion carried.

Park Ranch Holdings, LLC – Represented by Patrick Sergott. Pat thanked the Board and Frank, April, Bill, and Bruce for working with him to get this item on the agenda and clear any questions from the last Board meeting. He wanted to go on formal record that Park Ranch would be removing 267.81 acres but would still be above the minimum of 1030. The agreement would not need to be amended as the acreage is in excess of the minimum. He walked the Board through the exhibits in the package. Bill explained the logic of the agreement was that as long as the minimum of 1030 acres was maintained it would not be reasonable for MGSD to not agree. However, they still need MGSD's consent to withdraw. Ray had concerns about a wet winter and asked Bruce's opinion. He was comfortable that there is plenty of coverage and in the intention of the contract it would be fine. There were questions about nitrogen buildup but Bruce did not think this would be an issue. Barbara asked about giving approval for the acreage to be removed and Bill explained that it would be on the next agenda for the exact property to be removed and all costs would be paid by Park including Bill's costs. Barbara had concerns that if the proposal did not take place then every right of use could happen there. This meant that they could use that piece of property for another use if the solar farm did not go in. Ray suggested having certain language in the motion to condition the consent. Discussion followed about what could take place. It was suggested that Bill come up with language for the motion. Mike felt that Barbara's concern was



Minutes
April 7, 2015
Page 4

justified and wondered if there were any other concerns to be addressed. Bill stated he would look into it and felt it could go through at the next meeting.

Chairman adjourned the meeting for a break at 7:30.

Meeting called back to order at 7:35 by the Chairman.

District Manager Annual Review – April explained that there were concerns that the review process took a long time the previous year and suggested getting an overall review from each Board member for each section. Ray disagreed as this would not give the overall picture. Michael King felt that he should abstain since Sarah King is his wife and is a subordinate of Frank. He came to this conclusion on reviewing the material but he wanted to give Frank the highest marks as the operation of the Plant is fantastic. Mark felt that there was no need to go through each item, because if there had been any issues the Board would have heard about it. He stated that he had given Frank a 4 for the overall review. He felt confident with Frank and staff. Ray did not agree with Mark's assessment as he felt that everyone can improve. Mark agreed to do whatever was decided. Barbara stated that she had asked legal counsel for a guideline for Mike King but had not yet received one. Mike reminded the Board that Pool Pact had done an ethics training for the Board and he had addressed this question. Pool Pact was of the opinion that when the employees were classed as a group it would not be an ethics problem. However if it pertained to Sarah King's benefits then he would have to recuse himself. He felt that it would be the conservative approach to bow out of Frank's review process. This is the fourth time that this issue has been brought up. He felt he was perfectly capable of being able to figure out what was a conflict of issue and did not need a list. Ray felt it was a unique situation to have a Board member with a staff member as a spouse; however, other Boards have faced this issue.

The Board went through the appraisal report item by item.

Bob commended Frank's presentation at the Kiwanis. He felt the operation of the physical plant is Frank's strongest suit. He has good public relations and no disgruntled staff.

Ray felt that this plant is the best ever seen in cleanliness and smell.

Barbara stated that Frank does an outstanding job. However she wanted Frank to give the Board his future goals. Frank stated his main goal was to keep the plant running. Barbara explained that she would like some forward thinking to see what the Plant would require in the future.

Mark gave a 4 for overall performance, Ray gave 3.75, Bob gave a commendable and Barbara a 3.5.



Minutes
April 7, 2015
Page 5

Ray was concerned that Frank would be gone in five years, and someday Bruce would also be gone and he wanted the two of them to work together to see where the Plant would be in 5 - 15 years in the future so that provision could be made for maintenance and money could be set aside starting now.

On compensation for Frank, Mike asked if there was a measuring device to see how his pay scale compares to other plants with a comparable position. He thought that if there was a bonus it should be proportional to the salary level. Bob suggested that the salary schedule would be decided at the tentative budget hearing and to defer the salary schedule discussion for Frank for that meeting.

April calculated the review numbers and stated that the overall review was 3.875 for Frank. Frank wanted to also get a review from the staff to see how he could improve. April has an employee evaluation form for that purpose.

Attorney-Client Conference: Bill reported on the following: Bill referred to his memo regarding the repurchase of the Series 2009 Revenue Bond issued on October 27, 2009 and explained it. He spoke of his analysis on the Bond. He explained that he looked at the policies and looked into the terms and the redemption rights. He also looked at the statutes and then in terms of the amount, he did his own analysis on a fair discount rate on a similar investment. He put these values in his memo. He checked with an analyst but had not yet gotten an answer due to the spring break. However, he did find out that his calculations were not accurate as the principal is being amortized and the interest stays the same; so about \$100,000 or \$150,000 would be a break-even point for the State. Bill suggested waiting for the number and then set up a meeting to get on their agenda. Bob is still in favor of buying the note and making an offer. He felt for \$150,000 the Board should withdraw the action but it would be okay for \$300,000 as it would reduce the indebtedness. Mike felt that at some point it might be worth buying the Bond back. He felt the charts Bill had presented were enlightening and the closest one matching the \$818,000 is the 2% rate. He had asked April to research 10 year treasury rates of return. The handout to the Board was an eleven year treasury rate of return and showed 3.01%. The historical data from Bill shows the amount of \$693,424 which is significantly less than the amount of \$818,000. He did not think this took into consideration free money and the effects of inflation in a few years. He reminded the Board that last summer Chairman Wilson had expressed concern about the fact that MGSD needs money for emergencies and it was believed that MGSD would be fall below the \$5,000,000 mark and projections from the State demographer showed slow growth. Fortunately MGSD is above \$5,000,000 but the concept that the Chairman had brought up is still valid. A month ago he did not know about a SCADA proposal which is going to cost \$100,000. MGSD is one pump away from a big expenditure, there are capital expenditures, five year plans, and also, this is an earthquake zone with an increase in earthquakes due to fracking and so he did not see the incentive to give away free money to someone else's bank versus MGSD's bank. Ray thanked Mike. *(A motion was made on this item later on under the Engineer's Report).*



Minutes
April 7, 2015
Page 6

Ray referred to Bill's letter to Mike Rowe and stated that it was a very well written letter. Bill mentioned that he had not heard back from Mike Rowe as Mike was seriously ill and is being treated in San Diego, but should be back in a couple of weeks. Mike Rowe would like to stay involved in the process. Ray wondered if Mike had a backup but Bill was not sure.

Engineer's Report: Bruce Scott referred to the handouts that he had given the Board. The first was a memo with attachments. This was put together after the last meeting for the emergency pond repairs. He has given a verbal authorization for the Contractor to proceed. Frank, Alton Anker and Michelle Gamble of RCI, had met on the site to talk about the process about the actual improvements on the embankments for as early as next week and decide on the method to work out a little more efficiency to get more value for the money.

The second handout, with the green map, is a status report on the collection system master plan and provides a synopsis. Table 3 is the identification of critical issues in the next twenty years to thirty years. System repairs is the rehabilitation program and this would show future costs. In the capacity & connection fees there is an increment for rehabilitation. In the formal plan there would be a recommendation to the Board to establish a priority system and an investment level so that they can begin to zero in on repairs. With televising, more areas may come up for rehabilitation. However most of the District has been televised. Bruce explained the system map which will be interactive. It would be input into a GIS base. All field work would be put into the system so it can be accessed anywhere. Data would be collected over time. A fair amount of surveying has been accumulated. Going forward, anytime there is an as-built submitted, it would be co-related to everything in the system. Right now there are no major interceptor problems but this would have to be addressed in the future. Eventually they could be replaced with more modern equipment. Ray thought it was a great handout. Mark wondered if this needed to be done soon. Bruce explained that these things that had been identified are top priority. The Board could set a budget to do some rehabilitation as there is income of sale of capacity, and so in this way the reserves won't get used up. Discussion followed about putting money aside for different projects. Mark brought up the repayment of the ARRA bond and that since there are all these projects that are going to cost MGSD, maybe it is not a good time to pay off the loan. Ray asked what Bob and Barbara thought as the money is going to be needed for all these projects that are coming up. Barbara stated that she would still like to send the letter since it was voted on. Ray thought the State would refuse it but MGSD should try anyway and follow through with the motion. Bob stated that if the loan was paid off then there would not be \$77,000 paid out each year. Bob asked Bill if an action could be taken under the attorney client report since an amount had not been decided on. Bill agreed that it could be done. **Motion by Bob to send a letter to the state of Nevada through proper channels to purchase the outstanding note that is owed to them relating to the Sewer Series Revenue Bond 2009 issued on October 27, 2015 be redeemed for \$300000 less than the outstanding amount due at the time of redemption.** Seconded by Barbara. Vote: Ayes – Allgeier, Dudley and Smallwood. Nay from King. Motion carried.



Minutes
April 7, 2015
Page 7

Pine View Estates: The US Department of Agriculture is interested in trying to find funding, subject to getting the land issues solved. They want to run a line to MGSD and buy capacity. The potential financiers are leaning to this option once the ownership is decided. Frank thought it would be approximately 200 EDUs and would run about \$800,000 in connection fees.

Sonic has pulled their permit and paid MGSD.

Bruce asked the Board if there was any way he could improve.

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

EDU Allocations: 14.84 were sold in March. Sonic had purchased 5.8 for the April.

GRGID Tax Assessment: GRGID has been notified and Bob Spellberg had responded.

Tentative Budget: Hearing scheduled for the 9th at noon.

Washoe Tribe: Acreage fee has been paid.

Reservoir Repair: Covered by Bruce. He spoke to Alan Reed about the insurance coverage for the reservoir and was informed that the reservoirs were not listed. They had been overlooked. This has happened before to another entity and the entity prevailed.

The line going to Bently had an underground leak. Pumping was stopped for a week and a half. Almost had to get in NV Energy at about \$4000 a day to move power lines, but it was avoided, and the line is now repaired. Pumping has resumed.

SCADA: Covered by Keith Webb from Tesco. This is a necessary item.

Pool Investments: More information is needed. The bank has not got back to MGSD about both the investment and the FDIC insurance. Richard, the accountant, recommended moving money to the Pool Account. The rates at the Pool have gone up and should have a better return. Merrill Lynch called at Richard's request and would be getting back to us with options.

Personnel: There were fifteen applicants. Interviews were conducted with eight and a selection has been made. He will start on April 20th at entry level OIT. He has experience with heavy equipment and has worked on sewer projects.



Minutes
April 7, 2015
Page 8

Frank thanked the Board for their confidence in him. He thanked both Bruce and Bill and the staff for all their support.

Bob asked about DCSID and wanted to know if they are a GID. They are a special 309 district created with a special statute. Barbara spoke about Transparent NV and the Agenda site being very interesting.

Mike spoke about the relationship with City National Bank. The sales presentation of the Brokerage people and their cancellation leads him to believe that MGSD does not want to deal with them. There is a total of \$3,000,000 with City National and they have assured MGSD that it is all insured as it is a municipality. However the Bank has been unable to provide anything to prove this. In the past Bonnie Feticc would manage the funds and diversify the funds, as it would give her the ability to shop around and get the insurance. He felt something should be done. Barbara recalled seeing in the past minutes that the money used to be with Wells Fargo Bank. Sarah explained that the Pool had a substantial amount of money before the construction. Bonnie moved it back and forth as needed. Currently, with a reorganization of their portfolio the return is better and Richard recommended moving money to the Pool Account. The Board authorized Sarah to move the money.

Administrative Report by Staff – April spoke about the two handouts and thought the Board would find them interesting.

Board Comment – Barbara said her questions had been answered, about the wind damage and the laddering of CDs.

Ray mentioned that April had been given a handout to read and pass out to the other staff regarding pension.

Public Comment –There was no public comment.

Meeting adjourned at 9:40 pm.

Approved _____ Date _____ By _____ District Secretary _____.

:/smk