



Board of Trustees
Minutes of Regular Meeting
Tuesday, July 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:

Carl Ruschmeyer
Lyn Heislein
Patrick Foley
Ron Roman
Jeri Johnson
Ursula Prebezac
Lori Haney
Kurt Hildebrand

Board Members Absent :

None

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

The Chairman stated that Item 18 on the agenda will be covered under Board comments.

Chairman's Comment – Ray thanked Bill and Bruce for the work they provide to the District. The current Board is a proactive Board, and the staff seems to be getting used to that. According to the Library of Congress, MGSD has the lowest rates in Nevada, California, Oregon and Arizona, and the reason why is because the founding fathers ran the District like a business, and he is trying to run it as a business as well. The plant today is permitted for a capacity of 2.8 million gallons daily and processes 1.7 million gallons. So the plant does not need to be expanded for about 30 years. He would like the rates to be reduced in the future, and he will prepare a proposal to that effect. MGSD has good employees, and the plant operates with a small staff. From 2012 to 2014, operations revenue has increased substantially, so the Board is also doing a good job.

Bob Allgeier stated that he is proud at what has been accomplished at MGSD, and felt it was important that the organizational structure be understood for lines of authority and communication. The Board under state law is responsible for approval of budgets, expenditures, salaries, and policies. He thought the Board has done a good job on this. There is a lot of past Board experience, approximately 50 years, among the three members that have served on other Boards besides MGSD.

Public Comment – There was no public comment.



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Claims Review and Approval – Questions were asked by the Board regarding various claims and answered by Frank, Bruce, April, and Sarah. Discussion followed regarding the cost of surety bonds. Bob Allgeier discussed this with Alan Reed, who stated the cost is not listed separately but is included in the insurance package. Bill Peterson prepared a memo in the past stating a \$50,000 bond was required per NRS. The current blanket bond covers all the employees and all members of the Board, and Alan Reed advised Bob that the additional Treasurer’s bond is not needed. Bob requested that staff make a claim to the insurance company for cancellation and reimbursement of the Treasurer’s bond. **Motion by Barbara Smallwood to approve the claims received for June, 2015 in the amount of \$103,936.00 and to approve the payroll-related expenses paid during June, 2015 in the amount of \$74,311.64.** Seconded by Mark Dudley. There was no further discussion on the motion. Motion carried.

Minutes of June 2, 2015 Regular Board Meeting – Bob requested a change on Page 5 indicating under the Attorney Conference that the meeting scheduled with GRGID was to discuss the heat loop and the Co-gen projects. The first sentence of the second paragraph under Attorney-Client Conference should read: “A meeting has been scheduled with GRGID regarding the heat loop and Co-gen projects and the capital cost for putting in both systems.” **Motion by Bob Allgeier to approve the minutes of the June 2, 2015 Regular Board Meeting with the noted corrections.** Seconded by Mike King. Motion carried.

City National Bank – Represented by Lori Haney, Jeri Johnson, and Ursula Prebezac of City National Bank. Lori thanked the Board for allowing them to make a presentation. The current accounts held by the District include checking, payroll, and money market banking accounts, treasury management services, and other services, such as check viewing and electronic deposit. She explained about how the account analysis process and earnings credit work. The costs associated with services a client uses are charged to the client based on the volume used for each service. At the same time, the bank recognizes that money is earned from the deposits. So an earnings credit rate is applied to offset the fees. The earnings credit rate is based on the federal fund rate. With the earnings credit being so low the past several years, the result has been excess fees charged to MGSD. She reported that any balance held by MGSD over \$250,000 is collateralized to 102%. She asked that the letter included the meeting packet be disregarded, and she presented a revised proposal. The revised proposal included an earnings credit increase from .20 to .50, and adjusted some of the fees for services MGSD currently utilizes. Lori also discussed other changes to the proposal including reductions to charges associated with the account maintenance, incoming ACH credits, ACH module, and E-deposit. The new proposal also includes fraud filter, since staff expressed interest in this service. City National Bank is prepared to implement the new fees upon Board approval. She thanked the Board for its business in the past. Bob asked if they had seen the Wells Fargo proposal. Lori said no, they had heard the earning credit rate was high. Ray pointed out that the reason for all this was that there was a lack of response from City National Bank regarding whether the MGSD’s total balances were insured. Lori apologized for the oversight.



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Wells Fargo Bank – Represented by Lynn Heislein and Patrick Foley. Patrick emphasized that he works for the government services division of Wells Fargo Bank, and they specialize in handling government accounts. They have met with MGSD’s staff to revise their proposal to more accurately reflect the services currently utilized by MGSD. Discussion followed regarding fraud protection. He noted that some banks are required to have a 10% reserve, but Wells Fargo does not have that requirement. Wells Fargo also has the advantage for investment needs to make sure all investment funds meet regulatory requirements. He noted that it appears MGSD has sufficient money to offset most of the fees, and transferring additional money from the LGIP would offset the all the fees. Lynn reported that the balances would need to have \$642,000 to offset the service charges. Patrick reported that the LGIP is going up in rates, but is still lower than the earnings credit rate. Earnings credit is a soft dollar amount which would offset the service charges, as opposed to hard dollar earnings in the LGIP, but the dollars are working harder for the District by offsetting the fees. Bob asked about getting credit for the carrying excess balances. Patrick stated that they would offer a semi-annual review so months that have excess earnings credit would carry over to offset fees for months with lower balances. However, those credits have to settle out annually. Discussion followed regarding the process and time period to change banks, including outstanding checks that have been issued, notification regarding receivables. Patrick recommended 90 days to complete the conversion. Wells Fargo would provide the necessary specifications to make sure that the transfer goes smoothly. Discussion followed regarding electronic equipment needs, and costs associated with transferring fees. Patrick stated that the electronic check scanner, stamp and checks would be provided at no cost by Wells Fargo. Discussion followed regarding proposed upgrades to the office computer system. Frank stated that there are no proposed changes to the office computers, and he will clarify this further with Keith at Tesco to clarify the computer upgrades. Ray asked for verification regarding the fees incurred so far this year. April explained that those fees include credit card fees. April passed out a table of the annual analysis fee charges from 2009 through 2015, and stated that the quarterly analysis fees are the fees being discussed. Patrick stated that the previous proposal included costs for credit card fees. Ray asked for clarification of all the fees, and Lynn and Patrick stated the fees would be approximately \$5800 for merchant services, and \$0 for banking services. Patrick mentioned equipment needs to meet new regulations and PCI compliance standards, and stated that MGSD staff is prepared for the new regulations and PCI standards. Mike stated that he can see merit in transferring funds with Wells Fargo, but both banks are top quality. He asked legal counsel if there could be a rebuttal from City National Bank, and Bill Peterson responded that a rebuttal would be allowed.

Resolution by Bob Allgeier:

Whereas, Minden Gardnerville Sanitation District (MGSD) is a General Improvement District duly organized and existing under and pursuant to NRS Chapter 318 et seq.



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Whereas, the Board of Trustees (Board) of MGSD has the duty, right and power to manage, control, and supervise all the business and affairs of the district, including the right and power to open, maintain, establish and change accounts for the transaction of financial business with financial institutions as the Board deems necessary and appropriate to conduct the business affairs of MGSD.

Whereas, the Board has determined that it in the best interest of the District to open bank accounts with Wells Fargo Bank, N.A. as a depository of funds, and for purposes of conducting the financial business of the District and for financial services, and that it is in the best interest of the District to close corresponding accounts at City National Bank and contracts or arrangements for financial services;

NOW THEREFORE;

On motion duly made and seconded, IT IS UNANIMOUSLY RESOLVED,

- 1. That all accounts currently maintained for and on behalf of Minden Gardnerville Sanitation District at City National Bank be closed and terminated**
- 2. That new corresponding accounts be opened and maintained at Wells Fargo Bank, N.A., for an on behalf of the District and that said banks provide corresponding financial services for the District**
- 3. That management be authorized and directed to undertake any and all actions reasonable or necessary to execute and implement the intent of this resolution.**

Dated this 7th day of July, 2015.

Resolution seconded by Barbara Smallwood.

Mark asked for input from staff. April discussed the costs associated with transferring banks, as well as the impact to customers and staff, including manually inputting recurring bill pay information, the process and timing for the online payment portion of MGSD's website, direct deposit, as well as having consultants come in to effect the changes. April also pointed out that although Wells Fargo does not have the 10% FDIC withholding, it charges a higher recoupment fee. April pointed out that there is nothing prohibiting the Board investing in other banks. Staff recommended that to eliminate the impact to customers, to leave the banking accounts with City National Bank. April also pointed out that Elavon has already lowered the merchant services fees. Barbara stated that she didn't see a significant impact to customers, since we would have to update our website and equipment anyway. She stated a change was made 10 years ago, which did not impact customers. April stated that MGSD did not have direct deposit



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and recurring credit card payments at that time. Mike King felt that banking is a complex issue, and didn't think that a decision needed to be made right away. He felt that minds were already made up, and that the discussions were irrelevant to some Board members. He had hoped that the accountant could also be involved. Mark asked if it had to be voted on tonight, and Ray felt that it did. He thought the Wells Fargo proposal was less expensive for the rate payers. Mark felt that City National came for a different reason than Wells Fargo came for. Discussion followed regarding presentation for banking services as opposed to investment presentation. April stated that without reviewing City National's proposal, it isn't known which proposal will save the District more money. There was no further discussion. Vote: 2 ayes (Allgeier, Smallwood); 2 nays (Dudley, King). Chairman voted aye. Motion carried. Ray directed staff to take as much time as needed to complete the transfer, even if it takes longer than 90 days to complete.

Gardnerville Ranchos General Improvement District – Frank stated that a request was made by GRGID to purchase capacity, and typically GRGID buys capacity in blocks of 20 units and use the capacity within the required time frame. **Motion by Barbara Smallwood to sell 20.0 units of capacity to the Gardnerville Ranchos General Improvement District under the terms of the Supplement to the 1974 Agreement between GRGID and MGSD to be used within the Gardnerville Ranchos General Improvement District Boundary.** Seconded by Bob Allgeier. Motion carried.

Douglas County Public Works – Represented by Carl Ruschmeyer, Nick Charles, Ron Roman. Carl stated that the County is working on a capacity study for the North Valley Treatment Plant, since they are currently at 85% of their permit treatment amount. They are looking at several options, including plant expansions and consolidation or regionalization of sewage treatment. Carl presented a service area map for Douglas County Utilities, and discussed current and future service areas. He also noted the current contract for sewage treatment of the North Valley areas with Carson City and plans to redirect sewage treatment for some of those areas to the North Valley plant. Carl presented a fact sheet for the County system and discussed the treatment process and effluent reuse programs. He noted that the County currently has 13 lift stations, 1,081 manholes within the collection system, 47.6 miles of gravity lines, and 14.7 miles of force main, as well as 1,776 accounts and 2,524 edu's. Barbara asked what occurred at the County's Commissioners meeting on June 18th. Carl stated that they were directed to present alternatives, and those alternatives are scheduled to be presented at a work session with the Commissioners on July 16th, and the preferred alternative decided by the Commissioners in September. Carl stated that informal discussions came up at the County regarding an alternative for regionalization of sewer treatment. Carl did not anticipate coming away tonight with a formal agreement, he was trying to gauge MGSD's willingness to look into it. Mike stated he is open to working with the County, but he is interested in the District's engineer's and legal counsel's comments and concerns. Discussion followed regarding the projected flows at the North Valley plant, and Bruce explained that the state requires that they start looking at alternatives when they get to 85% of capacity. Bob asked how long the 15% reserve would last in years, and Carl replied that he anticipates having an alternative completed by 2018. Discussion



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followed regarding forcing those on septic to hook into the municipal system, bonding for plant improvements, and monthly user fees. Carl stated that he is looking more closely at 2 onsite options and 1 offsite option, which would be to bring flows to MGSD. Discussion followed regarding the complications of treating wastewater regionally. Ray stated that he would not be in favor of it. Bruce stated that there one alternative could be to provide treatment to the County, similar to the agreement MGSD has with GRGID. The County would maintain their system and billings, with MGSD providing the treatment. Ray thought he might be in favor of looking at that, since his concern is with maintaining the current user fees for MGSD's customers. Mike stated he would like to keep an open mind, but any agreement with the County would have to be methodically thought out by staff, legal counsel, and the District's engineer, and there would need to be locked-in protections for MGSD's current customers. Discussion followed regarding establishing GID's and the impact to the County's tax rate. The Board thanked Carl for making the presentation.

Purchase of Trailer and Rammer with Shoe – Frank stated that the excavator has been delivered and has been put to use, but it will be necessary to have the capability to get it offsite. Therefore, Frank is requesting purchase of the trailer and rammer. Mike asked if there are additional uses for the trailer besides transporting the excavator. Frank stated that it could be used for the transport of the excavator, transport of safety signs, and transport of the skip loader, as well as construction material and possibly trucks in case of a breakdown. **Motion by Mike King to approve the purchase of a Zieman Trailer and Multiquip Rammer with 11” Shoe from Sonsray Machinery in an amount of \$10,170.00.** Seconded by Mark Dudley. Vote: 3 ayes (Allgeier, Dudley, King); 1 nay (Smallwood). Motion carried.

Electric Gate Installation – April pointed out that the gate named under the agenda item was incorrect. It should state the west Ironwood gate, rather than the east Ironwood gate. Barbara asked if it was okay to continue with this item since there was a mistake on the agenda. Bill Peterson stated that the public would understand the intent of the agenda item, so it would be acceptable to proceed. Discussion followed the main gate on Ironwood being left open, and Frank reported he would look into it. Mike clarified that the presented cost estimate was for installation and testing. Frank stated that it included everything. He also noted that there would be a code required for entry. Discussion followed regarding those needing access besides MGSD staff. **Motion by Bob Allgeier to approve the installation of an electric gate at the west entrance on Ironwood Drive for an amount not to exceed \$12,500.00.** Seconded by Mike King. Motion carried.

Resource Concepts, Inc. 2015 Schedule of Rates for Special Districts and Pass-Through Projects – Bruce presented a revised rate schedule for engineering services. He has eliminated the per-meeting charge that was shown on the preliminary proposal presented at the June meeting. Bob asked about any impact to the collection system master plan contract amount. Bruce agreed that the collection system



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master plan contract has a not-to-exceed amount, so the new rates would not increase the previously approved amount. Discussion followed regarding the status of the master plan, and Bruce stated it should be completed by the end of the year. **Motion by Bob Allgeier to approve the 2015 Schedule of Rates for Special Districts and Pass-Through Projects as presented by Resource Concepts, Inc. for engineering services.** Seconded by Mark Dudley. Motion carried.

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

Claim for Reservoir Repair: Bill reported that he reviewed the plant insurance policy at the request of the Board, and he confirmed that the policy specifically excludes coverage for the reservoir. He reviewed the endorsements for other agencies outlined in the policy, and he recommended that Frank contact Alan Reed to get an endorsement to cover the reservoirs and compare the premium with what is available by other providers. He spoke with another insurance company, but they will need additional information from Frank to provide a premium. The Board directed that Alan be contacted. In addition, Bill reported on a conflict in the policy regarding whether flood damage was covered or excluded. The distribution system is not covered, because property is only covered for a specific location or within 1000 feet of the specific location. Bob suggested MGSD could partner with the Town of Minden to cover the distribution system. Bob asked about coverage for wind damage. Bill stated that everything is covered except for the exclusions, and wind is not an excluded peril. However, the exclusion for flood includes water pushed by wind. Ray directed Bill call Alan Reed. Mike requested 2 or 3 quotes be obtained to know if the District is getting the best rate.

Surety Bond for the Treasurer: After reviewing the bonding required by NRS, an additional treasurer's bond doesn't seem necessary. Bob noted that state law says the Board all has to be bonded for the same amount as the treasurer since they all sign checks.

GRGID on Cost Sharing: Mike Rowe has responded to Bill in regards to the heat loop and Co-gen projects, and Mike asked why these improvements are not covered under the monthly fee. Bill wrote a letter to him explaining that they are improvements that do not increase the plant capacity, so are not covered under the fees, as stated in the 1974 agreement. Barbara pointed out the rate increase notice that GRGID had placed in the Record Courier. The final cost analyses for the Co-gen and heat loop systems were provided to Bill. Frank also gave Bill a copy of the utility cost breakdown.

Regional Wastewater Treatment Plant: Bill cautioned the Board against giving the impression of being uncooperative, since the County could take over the District. Discussion followed regarding the requirements of a county takeover. Bruce felt that approaching MGSD is just one of several alternatives the County is exploring. He thought that although MGSD could treat the capacity more cost effectively than the County, the County would have to buy capacity from MGSD which would be costly. On the other hand, like GRGID, the County would cover additional operating expenses for MGSD, which would



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allow MGSD to lock in lower user rates for its customers over the long term. The additional effluent could have a different value than the current effluent, and there may be other potential irrigation customers who would be willing to pay more for the effluent than Park and Galeppi currently pay. Discussion followed regarding the cost to build a plant versus pumping sewage to MGSD's plant for treatment. MGSD can also build capacity at a lower cost than the County. MGSD has idle capacity, and from a community perspective, it would be good to make that available to the wider community. Bruce felt that MGSD would have to get enough money from the County to add the capacity that is needed, so the existing customers are not impacted. Ray pointed out that the Town of Minden is having trouble dealing with the County regarding water agreements.

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

Sonic: Sonic construction is continuing, and they are putting up a sign soon.

Vacation Schedule: Bruce will be on vacation part of the time from now until the next meeting. He will be at the next meeting, but his monthly report may not be ready for the packet.

Park Cattle Company Solar Farm: Barbara noted that the proposed solar farm was denied by the County Commissioners, but she didn't know how long the Parks have to consider the option to file a lawsuit. Bruce noted that there was some misinformation that MGSD's effluent did not meet standards, but that statement was not true. He understood that it was a misstatement of the use of the effluent not the quality of the effluent.

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

Capacity: No capacity was sold in June, but 20 units were allocated to GRGID earlier in the meeting.

SCADA System: Frank discussed an earlier misunderstanding by the Board regarding the upgrade of the computers. The computers in the operations area that deal with the SCADA system will need to be upgraded, and the SCADA system needs to be separated from the office computers. But the office computers do not need to be upgraded. He received another bid on the fiber, and Frank will meet with Keith from Tesco on Tuesday and will clarify items noted in the bid. The fiber bids ranged from \$13,000 to \$23,500.

Reallocation of Operations Funds: Frank presented fund reallocations for the FY2014-2015 operations and capital funds, which include all the claims paid through June 30, 2015. He explained that funds were reallocated to eliminate 6 negative fund amounts, and \$2600 was transferred to capital from operations. Because the total operations budget was not exceeded, a budget augmentation was not required by the State.



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Barbara asked about the purchase of capacity for the Monterra subdivision, and Frank noted that the capacity was purchased some time ago.

Ray asked about the formation of the monthly meeting agenda, and Frank and April explained that items were placed on the agenda based on state regulations, having out-of-area presenters scheduled earlier, and the order in which the request was made. Ray asked that the agenda be sent to him prior to posting to eliminate any surprises, since he was unable to answer any questions regarding the County's item. April said she would do that.

Administrative Report by Staff – April reported that she was unable to complete the legislative summary, and that it will be available at next month's meeting.

Board Comment –

Ray stated that upon advice from legal counsel, Item 18 on the agenda would be taken under this item. Ray felt that there has been arrogance and disrespect from the staff to the Board in the past, and he felt that Frank should have better control of the staff. He read in the minutes about the staff getting frustrated at the last meeting. Frank stated that the staff also sometimes felt disrespected by the Board, and that he unfortunately is unable to control what staff can say in a public meeting. Frank requested that the Board discuss items with him prior to the meeting, so he and the staff can be better prepared. Mike stated that everyone has to work together and it's all about teamwork, and he felt that the employees deserve the opportunity to express themselves.

Bob discussed the amount of EDU's that have been sold in the past and future EDU projections. Bob thought it is important for the Board to look long range when making financial decisions. He discussed the current number of EDU's currently processed by MGSD. He stated that the issues faced by past Boards are different than what the current Board is looking at. For example, the current Board needs to look at replacing equipment, rather than plant expansions. Bob requested that an item be placed on the August agenda regarding an in-depth discussion of MGSD's finances and sources of funds and what they can be used for.

Barbara heard from Mimi Moss that 164 building permits were issued by the County in the last fiscal year, and there were 74 permits issued six years ago. She wanted to Board to be aware of this information.

Barbara asked about a church changing use in the Ranchos. Frank responded that GRGID would address that. Typically GRGID follows MGSD's policies with regard to capacity and fees, but he will check with Bob Spellberg and verify this.



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Barbara asked if MGSD issued a will serve letter for Park Cattle for a Master Plan Amendment. Frank stated that MGSD has not. Barbara reported that Park is proposing to change 280 acres from A-19 to high density development in the Minden-Gardnerville Plan area. Bruce stated that he has heard something about it, but MGSD would look at whether they are in the service area boundary before issuing a will serve letter. Barbara asked to see the revised will serve language.

Ray and Barbara were concerned that Mike may be getting information from Sarah that the rest of the Board is not getting.

Bill Peterson suggested that Ray and Frank get together to put together the agenda. He felt that some of the communications problems would be resolved if they were able to get together once a month.

Mike noted that it's healthy that the Board can talk and disagree, and that it was important that grievances are worked out before they go home tonight. A husband and wife cannot completely separate their lives, and he and Sarah make an effort to not talk about MGSD at home. He stated that he makes an effort to communicate with the staff, and encouraged all the Board members to come in on their own time and talk to Frank. Ray stated that when he walks out of this meeting tonight, disagreements are forgotten.

Barbara expressed displeasure about receiving handouts at the Board meeting. Discussion followed regarding when items are ready for the Board packet. April stated she would review MGSD's policy and NRS to research when supporting material is needed to be submitted.

Private Consultation with Legal Counsel – covered under board comment.

Public Comment –There was no public comment.

Meeting adjourned at 9:25 pm.

Approved by the Board of Trustees as presented on:

August 5, 2015
Date

By _____
Barbara S. Smallwood, District Secretary

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