



Board of Trustees
Minutes of Regular Meeting
Tuesday, November 3, 2015
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

Staff Members Present:

Frank Johnson
April Burchett
Brian Buffo
William Peterson
Bruce Scott

Others Present:

None

Board Members Absent :

Mark Dudley

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

Public Comment – There was no public comment.

Chairman's Comment – Ray asked Bob to bring the Board up to date on the GRGID co-gen issue. Bob presented a memo dated October 28, 2015, which he read and asked to be included in the minutes:

On Wednesday Oct 21 I talked with Bill Peterson re the Grid/Co-gen matter explaining that the pre-meeting agenda was quite sterile and included no reference to the GRID issue. I remembered that the Board at the previous meeting had suggested a meeting with the interested parties from GRID to discuss contract issues and financial benefits accruing to GRID.

Bill had received a letter from GRID that did not suggest meeting with them regarding the issue.

I suggested to Bill that since I had known Bob Spellberg, General Manager of GRID, for many years that perhaps I might call him and suggest we two get together and compare our calculations related to the financial benefits being realized thru co-gen system operations. These savings had never been discussed in detail with GRID.

Bill agreed that I could call Bob Spellberg and suggest the meeting between the two of us.

Thursday 10, 22 2015

I called Bob Spellberg at approx. 9:30 am suggesting the reason for my call. He told me that they were advised by their attorney Mike Rowe not to meet with or talk with MGSD people. I



Minutes

November 3, 2015

Page 2

suggested that he talk with Mike Rowe, describe the purpose of our get together, suggesting that the contract issues would not be discussed, and see if our meeting might be authorized. Bob said he could not reach their attorney prior to 10:30 am and that he would call me back.

Friday 10, 23 2015

No early morning communication from Bob so I placed a call to him in late morning. I was informed by Bob that Mike Rowe did not authorize our meeting and that any meeting must include all party members regardless of the matters being discussed.

Bob and I talked briefly about other matters of interest to us and reviewed the extent of possible future construction in GRID boundaries.

Prior to the close of our conversation I informed Bob that I calculated the financial benefit to GRID from the co-gen operations to be in the range of \$35,000 to \$45,000 annually.

We said our good byes.

Called Bill Peterson and was informed he was out of town. Asked that he call me on his return.

Tuesday 10, 27 2015

Called Bill Peterson. Discussed my conversation with Bob Spellberg. Advised him that GRID was not interested in paying \$350,000.

I suggested to Bill that it was my impression we may be at an impasse and that a more direct action might be called for.

The issue now seems to require our future action to move forward. I strongly suggest to the Board that we now include a request to GRID for payment of their share of the Hot Water Heating Loop System Project which had a total cost slightly exceeding \$216,000. Per our reading of the 1974 agreement GRID owes us approximately \$37,000 for their share of this project. Frank suggested at the time of project approval he estimated the annual utility cost savings to be in a range of \$10,000 - \$12,000. Based on this estimate, GRID realizes between \$4,000 - \$5,000 a year in operating cost savings.

Ray stated that they will discuss the matter further under the Legal portion of the meeting.



Minutes

November 3, 2015

Page 3

Claims Review and Approval – Mike asked which employees paid into Social Security, and April explained it was one part-time employee who was not eligible for PERS. **Motion by Bob Allgeier to approve the claims received for October, 2015 in the amount of \$21,716.37 and to approve the payroll-related expenses paid during October, 2015 in the amount of \$88,243.91.** Seconded by Mike King. Barbara asked if the approval of the \$853.08 in electronic expenses should be included. **Motion amended by Bob Allgeier to approve the claims received for October, 2015 in the amount of \$22,569.45, and to approve the payroll-related expenses paid during October, 2015 in the amount of \$88,243.91.** Seconded by Mike King. Motion carried.

Minutes of October 6, 2015 Regular Board Meeting – Bob stated that the sentence on page 3 under Board Benefits which reads, “Bob asked that the payoff terms be specifically outlined to eliminate a payout if a Board member decides to retire from the Board but then is re-elected at a later time” is incorrect. The sentence should be rewritten as follows: “Bob asked that the payoff terms be specifically outlined to state: if a Board member becomes vested in the 457 Plan and elects to retire after his or her second term, and elects to take a lump sum payout from the 457 Plan, and if that Board member later chooses to run for re-election to another term he or she cannot then participate in the 457 Plan.” Barbara asked whether there was more detailed discussion regarding the letter of commitment under Pine View Estates on page 4, but it was decided that the language in the minutes was adequate. Discussion followed regarding the terms of the service agreement with Pine View Estates, and language to address whether there will be capacity available in the future. Mike suggested that the second-to-last sentence under that item be revised to state, “The USDA would like a letter of commitment stating that MGSD has the capacity available *at this time* to serve the subdivision”. The Board concurred. Bob noted under the Board Comment item on page 5, the word *public* should be changed to *Board*. **Motion by Mike King to approve the minutes of the October 6, 2015 Regular Board Meeting with the noted corrections as discussed.** Seconded by Bob Allgeier. Motion carried.

Board Benefits: Bill reported that he and benefits experts at his firm had reviewed MGSD’s current 457 plan document, and it was determined that the plan document specifies that the contribution is made by the employee, not by the employer. This would result in one Board member receiving a lower salary amount, in violation of the NRS Chapter 318 statute with respect to compensation. They are researching other solutions. The perfect legal solution would involve creating a plan and trust document. The problem with this is finding a trustee, since the current plan trustee won’t do it. He and his colleagues are still reviewing it, and he hopes to have a firm alternative in place next meeting. Mike asked if MGSD could set up an investment account that MGSD has control for the benefit of the Board member. Bill stated that MGSD cannot be the trustee, but perhaps the bank would agree to be the trustee.

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



Minutes

November 3, 2015

Page 4

GRGID: Bill confirmed that Mike Rowe prohibited the meeting that Bob discussed in his memo, and Bill had received a letter from Mike Rowe which stated in part, "...while we recognize that the co-gen facility may increase MGSD's efficiency, the construction of it was not an improvement necessary to increase capacity, repair the facility to treat sewage, or to build a new facility for the treatment of sewage or the provision of additional capacity. Indeed, if the co-gen facility increases MGSD's efficiency, it would affect the variable costs of MGSD for which GRGID pays its share. According to the explanation of the facility provided to us, the co-gen facility reduces MGSD's variable costs, but GRGID has seen no commensurate reduction in what GRGID pays for variable costs. There is no benefit to GRGID as asserted in your letter since we have not seen a reduction in variable costs charged to MGSD." Bill stated that Mike Rowe's statement is not factually correct. Bill asked him for legal analysis, and Mike stated that there isn't one. If it increases capacity, then they pay for it. Bill stated that this does not increase capacity, so we are not receiving money from GRGID, and they need to pay for their share. Bill recommended mediation, and Mike Rowe also felt it was a good idea and he will approach the GRGID Board. Judge Gamble's name was suggested by both attorneys. Bill outlined the mediation process, and he highly recommended the mediation process as opposed to litigation in court. Barbara stated she agreed with mediation, but she preferred to see another attempt to resolve the issue with GRGID before going to mediation. Ray suggested a meeting with legal counsel, both district managers, and one Board member from each Board, then go to mediation if that meeting does not get resolution. Bob clarified that mediation is not binding. Bill pointed out the Board has an obligation to collect money that is legally owed to the District. Bill feels that we have a good case, but a judge may not think so, and the Board agreed that they would prefer not to go to court. Bob stated that the contract is clear that both parties are subject to the contract, and one party cannot arbitrarily decide that they will or won't do something that's required in the contract. Nor can they discharge or cancel the contract by themselves. MGSD can construct an artificial cost basis that would deny them the benefit of the cost reduction from the co-gen system, but he noted that the contract does not allow MGSD to do this. Bill suggested that MGSD apply the credit of a GRGID variable and fixed cost refund to GRGID's share of the cost of the co-gen, rather than issue a refund check to GRGID. It would force GRGID to either sue or pay MGSD, rather than MGSD suing GRGID. Mike and Ray felt that this is still in the bargaining stage, and Mike felt that Mike Rowe's letter was simply strategy. Bruce felt that it would be better to avoid legal action, due to the bad publicity. There would be the perception that public money is being used to try to get public money. The Board directed that another meeting be scheduled with GRGID.

Southwest Gas – Southwest Gas responded to the letter Bill sent to them about the line on Pinenut, which outlined the facts and stated that there had been a misunderstanding. Bruce felt that the problem was created by an unfortunate circumstance due to changes made between Anderson Engineering and the County. Southwest Gas obtained an easement from Peri on top of MGSD's easement that MGSD shares with Gardnerville Water, which put the gas main in the same easement with the sewer and water lines. Bruce stated that repairs can be made on the main if needed, but it would be more challenging. The gas main crosses the sewer main in two places in the new intersection, one of which is very close. There were



Minutes

November 3, 2015

Page 5

changes, and it was poorly organized and presented. Bruce didn't want them to tear up the new intersection if there wasn't a pressing need to resolve the conflict, so he felt if Southwest Gas would take responsibility for future repairs then it would solve the problem. He stated that he didn't think it was Southwest Gas's fault, and that they were directed by others. Bill stated that MGSD's easement right gives the District the opportunity to say no to a second easement, and that opportunity was not given. Bruce stated that there needs to be responsibility if there is a problem in the future, since if there is a problem, it will be expensive to fix in the ground. Barbara asked if Southwest Gas knew they should have come to MGSD for approval, and Bruce said they did know, and Southwest Gas and the County have apologized for the oversight. The Board asked that Bill send a response emphasizing Southwest Gas's responsibility.

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

Co-Gen Repairs: Bruce has been working with Frank and Brian regarding the intercooler on the co-gen system and he thinks there might be a fabricator in Carson City who may be able to fabricate a heliarc aluminum system. Bob asked if this would be covered under our agreement with SDP, and Frank stated that it is MGSD's responsibility.

Bently Heritage Project: Bently is working on demolition, and Bruce did not anticipate there would be much impact to sewer. He will require a new manhole at the bottom of their system, so there will be sampling capability, since there will be distilling activities.

Pretreatment Ordinance: Bruce reported that the pretreatment ordinance is moving forward. It's a good time to proceed with this since there are no new regulatory demands or industries coming into the area at this time. He anticipated having a draft of the ordinance available in the next few months. He felt it was time to take a closer look at Bently Science Park. MGSD hasn't had any problems with Bently since they have a closed system, but he thought it would be a good idea to take a look at their system and see how it works. Bently Heritage will need additional capacity and some pretreatment requirements, but they have been good to work with. Discussion followed regarding the status of their project. Mike asked if the reason MGSD doesn't currently have a pretreatment ordinance in place is because it hadn't been required before now. Bruce said it hadn't been required, but the EPA urged some systems to look into developing one. If MGSD doesn't have one, then we don't have the ability to regulate a discharger. MGSD needs to worry about its effluent and bio solids exceeding standards, and it would be MGSD's problem, not the discharger's, if there was a problem. Discussion followed regarding sampling locations and responsibility of the cost for sampling.

Pine View Estates: Barbara asked about the status of the Pine View Estates service letter. Bruce stated that they are in court regarding the ownership issue. Discussion followed regarding the service area boundary. Bruce reported that Pine View Estates is located outside MGSD's service area boundary. The



Minutes

November 3, 2015

Page 6

service area boundary has been adjusted in the past, by removing some land that was inside the boundary to allow for inclusion of new land. Bruce and Bill talked about whether a property located outside the service area boundary can be served under contract of service. Bill's concern was the Aervoe Pacific case in the 1990's, in which MGSD refused service based on their location outside the service area. Bill emphasized that the Board has to make sure that there is enough capacity to serve the properties inside the service boundary before they can allocate capacity to properties outside the boundary. Barbara asked if the Board has the authority to make the changes to the service area, and Bill stated that there isn't a specific statute, but the Board sets the service area boundary. Bruce noted that the density of development over the past 25 years has been less than the master plan anticipated, so MGSD has the ability to serve the project. It is under the Board's control about whether the district has enough capacity and the capability to serve the project. Bob felt it will take years to resolve the ownership issue, and Bruce agreed that it will take a federal agency to push it forward.

ARRA Repayment: Bob asked if Bill has heard a response from the State Treasurer's office, and Bill stated that he hadn't.

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

One unit of capacity was sold in October.

Mosquito Abatement: Frank presented a cost for aerial spraying. He provided it for the Board's information when they are ready to consider the item.

Washoe Tribe Casino Project: Frank is coordinating with the Tribe for the casino phase of the project. They have paid the capacity and connection for the gas station and convenience store portion of the project.

Operations: Frank reported that there has been a multitude of equipment problems during October, but there were no spills or violations. The operators did an excellent job of resolving the issues, even working through lunch as needed. He anticipated there will be additional expenses next month due to the repairs.

Saletti's: Frank stated that Saletti's is working on installing a new interceptor. They can't put it where their current grease trap is because of fall issues. The contractors called Frank, and he has let them know what plans he needs.

Vacation Schedule: Frank will be on vacation starting tomorrow and will be back later next week.



Minutes
November 3, 2015
Page 7

GRGID: Bob stated he spoke with Bob Spellberg and they are expecting 120 units in future development.

Discussion followed regarding the status of construction and connection permits at The Ranch at Gardnerville.

Administrative Report by Staff – Brian emphasized that the operators did a great job with the all the repairs that needed to be made.

Barbara stated that she signed the documents at Wells Fargo. Discussion followed regarding the status of the accounting software upgrade.

Board Comment – There was no Board comment.

Public Comment – There was no public comment.

Meeting adjourned at 7:40 pm.

Approved by the Board of Trustees as presented on:

January 5, 2016
Date

By _____
Barbara S. Smallwood, District Secretary

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