

Minutes
Indian Hills General Improvement District
Board of Trustees Meeting
District Office
3394 James Lee Park Rd. #A
Carson City, NV 89705
July 20, 2011
5:30 P.M.

Trustees Present: Chairman Denise Pierini, Vice Chairman Brian Patrick, Secretary/Treasurer Bill Eisele, Trustee Dianne Humble, Trustee Art Baer

Staff Present: General Manager John Lufrano, Administrative Assistant Karen Ziemer

Others Present: Attorney Scott Brook

1. Call to Order:

Chairman Pierini called the meeting to order at 5:30 P.M.

Secretary Treasurer Eisele motioned to move into a closed session. Vice Chairman Patrick seconded. Motion carried unanimously.

2. Closed Session

Discussion only regarding possible amendments to the Collective Bargaining Agreement with the International Union of Operating Engineers Stationary Local 39, AFL-CIO:

3. Adjourn Closed Session

Secretary Treasurer Eisele motioned to adjourn the closed session. Vice Chairman Patrick seconded. Motion carried unanimously.

The closed session adjourned at 5:59 P.M.

The public was invited into the meeting at 6:00 P.M.

Others Present: Engineer Tim Russell, Dale Morlan, Penni Eisele, Kathryn Clark-Ross, Gloria Lee, Lisa Garland, Marty Johnson, Deborah Neddenriep

4. Call to Order – Regular Meeting of the Board of Trustees:

Chairman Pierini called the regular meeting to order at 6:08 P.M.

5. Pledge of Allegiance: Led by Vice Chairman Patrick

Secretary/Treasurer Eisele disclosed that Sandi Eisele is his daughter-in-law and she is the Human Resources person for IHGID.

6. Approval of Agenda:

Vice Chairman Patrick motioned to remove Items 17, 18 and 19 from the Agenda. Secretary/Treasurer Eisele seconded. Motion carried 3-2, 3 ayes by Chairman Pierini, Vice Chairman Patrick, Secretary/Treasurer Eisele; 2 nays by Trustee Baer, Trustee Humble

Trustee Baer left the meeting at 6:10 P.M.
Trustee Humble left the meeting at 6:11 P.M.

7. Public Interest Comment:

Resident Gloria Lee thanked General Manager John Lufrano for everything he did regarding her water. Gloria asked if she could go through past Board meeting minutes to look for park vote information. General Manager John Lufrano will help Gloria request Board minute information.

Resident Dale Morlan asked why the Board does not want to discuss three agenda items that were taken off the Agenda. Vice Chairman Patrick replied that by law the Board cannot comment during the Public Interest Comment agenda item. Dale asked if IHGID owns property on Plymouth that is looking bad and has weeds. General Manager John Lufrano will contact Dale Morlan to answer questions on this subject.

8. Discussion and possible action to accept the USDA Rural Development Letter of Conditions for a sewer loan and to authorize the Board Chairman to sign the Letter of Intent, Request for Obligation of Funds, and other related loan documents:

Lisa Garland from USDA Rural Development reviewed the Letter of Conditions to finance Wastewater Improvements, Sludge De-watering and Treatment Plant Improvements with Solar Project (**Exhibit A**). The loan amount is \$1,512,000.00. The project cost is 1,764,000.00 for all of the components. For the loan there are several pages of the Letter of Conditions that Lisa can take up with staff. Lisa reviewed the project budget for estimated expenditures and the project funding plan with the Board.

Lisa noted that for funding, USDA Rural Development looked at the financial feasibility for repayment from the General Fund and the Enterprise Fund specifically for sewer and came up with the applicant contribution amount of \$102,000.00. There should be some rebates coming back to the District from NV Energy for solar power that will go towards the project to keep the cost down for users and the District. Interim financing will be attained before the loan is closed. If the District does not use all of the loan funds the loan amount will be less, which is similar to the water pipeline project.

If the Board decides to accept the Letter of Conditions and sign the loan obligation documents tonight, USDA will obligate this loan which is like locking an interest rate. The interest rate will be at 3.375% over a term of 40 years. If the District chooses to pay off the loan early, there is no penalty to do that. USDA has to take the loan out to 40 years because it is the least impact to users. The loan will be locked and funds obligated. At the time of the loan closing at the end of the project, the rate would not exceed the 3.375%, but if rates have gone down it would be the lower of the two rates.

USDA will require that reserves be set aside for the District's debt service. The requirement is 10 % of the annual payment be set aside every month until the reserves are fully funded for one annual payment. This is the District's money that is reserved in the event there is a need to utilize the money for a shortfall in a payment or for emergency repair to the system with USDA's permission. USDA requires a reserve be set aside for short lived assets so the sewer system remains sustainable since we know items will need to be replaced on a 5, 10 or 15 year schedule. Other requirements for federal funds include ADA compliance, Equal Opportunity Employment and that financials be open for inspection by USDA Rural Development. Lisa will go over other requirement items with staff.

Chairman Pierini brought to the Board's attention Page 11; Item 22 of the USDA Letter of Conditions regarding the Board's training responsibility. The Board must have training related to the technical, managerial and financial management of the District. Chairman Pierini asked if USDA could recommend training the Board could take specifically in these areas. Lisa Garland replied yes, USDA works specifically with Rural Community Assistance Corporation (RCAC) and NV Rural Water. If someone from IHGID will request Board training, USDA will direct these agencies to get in touch with someone at the District to get the training going for us. Chairman Pierini reported she has contacted Stevan Palmer with RCAC. Stevan Palmer recommended "Asset Management for Small Water and Wastewater Systems" might be appropriate for this Board. Lisa Garland agreed that this would be appropriate for the financial aspects that the Board deals with and this training would fulfill the Board's obligation. Chairman Pierini will ask the Board to discuss a training time later during this meeting.

Vice Chairman Patrick noted that if the Board goes forward with this, on Page 5, Item 9 regarding Income Available it states you must maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance, debt service, and reserves. Vice Chairman Patrick stated that the Board is charged with making sure that the sewage treatment plant is paying its bills adequately without going under and without undercutting its finances.

Lisa Garland stated that if the Board chooses to accept the Letter of Conditions, she has obligation documents here for signature. Rural Development is facing a cutoff time for their funding.

Public Comment: (none)

Vice Chairman Patrick motioned to accept the USDA Rural Development Letter of Conditions for a sewer loan and to authorize the Board Chairman to sign the Letter of Intent, Request for Obligation of Funds and other related loan documents. Secretary/Treasurer Eisele seconded. Motion carried unanimously. 3 ayes by Chairman Pierini, Vice Chairman Patrick, Secretary/Treasurer Eisele; 2 absent Trustee Baer, Trustee Humble

9. Discussion and possible action to approve Resolution 2011R-01 authorizing the issuance by Indian Hill General Improvement District, Nevada, of its Water Revenue Bond Series 2011, in the maximum aggregate principal amount of \$900,000; providing the form, terms and conditions thereof; and providing other matters relating thereto:

Marty Johnson from JNA Consulting explained that we are finally at the end of the process on the water project. This resolution wraps up all the financials on the project and allows us to enter into the final loan with USDA for \$900,000. A portion of the money will go to payoff the interim financing that is outstanding. We started all of this about 18 months ago. Marty expects the loan to close September 1, 2011 and the payments to start October 1, 2011.

Vice Chairman Patrick asked if this is the sum total of the expenses of the pipeline. Engineer Tim Russell replied that USDA requires you to expend your own funds first. Then you obligate your loan funds second. Once you reach the extent of your loan funds and if you have grant funds that have been obligated by USDA, then they start paying out the remaining funds of the project from the grant funds. What has happened here is we have

reached the extent of IHGID funds and loan funds so now we are expending grant funds on the remaining portions of the project. Lisa Garland of USDA Rural Development added that there have been some SRF (State Revolving Fund) and AB198 funds that have been expended on this project also.

Public Comment: (none)

Vice Chairman Patrick motioned to approve Resolution 2011R-01 authorizing the issuance by Indian Hill General Improvement District, Nevada, of its Water Revenue Bond Series 2011, in the maximum aggregate principal amount of \$900,000. Secretary/Treasurer Eisele seconded. Motion carried unanimously. 3 ayes by Chairman Pierini, Vice Chairman Patrick, Secretary/Treasurer Eisele; 2 absent Trustee Baer, Trustee Humble

10. Discussion and possible action to approve Resolution 2011R-02 concerning the issuance of securities; directing the secretary to notify the Douglas County Debt Management Commission of the District's proposal to issue securities for a sewer project; providing certain details in connection therewith; and providing the effective date hereof.

Marty Johnson from JNA Consulting distributed a Tentative Financing Schedule and Financing Summary for a sewer project (**Exhibit B**). Marty explained that for the sewer project the only source of money is a USDA loan. Interim financing will be needed. Any financing the District does as a GID must be approved by the Debt Management Commission (DMC). The resolution before the Board tonight directs staff to present a proposal to the DMC to approve interim financing as well as a USDA loan. The interim financing will take place in the next month or two. Then the USDA loan will be entered into when the project is complete. Marty reviewed the financing schedule for the revenue bond with the Board. A maximum of \$1,700,000.00 is used to set an upper limit for the DMC letter of authorization. Marty noted that the reserve the District needs to set aside is not incorporated in these numbers. Our existing rates, taking out the operational expenses that are cash and not including depreciation, are going to be sufficient as they are to cover the payments for all the bonds we have outstanding. This includes the pipeline plus this upcoming financing for the sewer project. There will need to be the reserve account funded with all of this. The rates are sufficient to cover the debt service which is what we need to show the DMC.

Vice Chairman Patrick commented that unfortunately, going into this we will have to have a rate increase for sewer. We have not had a rate increase for sewer in 4 years. We have to do a total rework of the headworks at the sewer treatment plant. We will bring in a machine that will suck sewage to take it somewhere else. The upper rate tier we are looking at is approximately \$4.00 per month increase. With that we should get to a point that we will be safe for several years before we see another rate increase for sewer. We are positioning for a solar power situation so we can shut electricity off and make our own. Between the expenses of building the solar treatment and shutting the power down, we should be able to conserve some money in the long haul.

General Manager John Lufrano commented that \$2.21 is the minimum required to cover the loan amount. John is looking at adding an additional amount to start reserve funds.

Vice Chairman Patrick motioned to approve Resolution 2011R-02 concerning the issuance of securities; directing the secretary to notify the Douglas County Debt Management Commission of the District's proposal to issue securities for a sewer project. Secretary/Treasurer Eisele seconded. Motion carried unanimously. 3 ayes by Chairman Pierini, Vice Chairman Patrick, Secretary/Treasurer Eisele; 2 absent Trustee Baer, Trustee Humble

Recess: 6:55 P.M.

Reconvene: 7:04 P.M.

11. Discussion only regarding the Regional Watershed Plan that Carson Water Subconservancy District is developing. Presentation by Deborah Neddenriep, Water Resource Specialist, CWSD:

Debbie Neddenriep of Carson Water Subconservancy District (CWSD) reviewed the Comprehensive Regional Water Management Plan (**Exhibit C**) with the Board. CWSD received a grant from the Bureau of Reclamation to evaluate future water supplies & demands. This is a two year project that will be completed next year. Part of the plan is residential water education and conservation. CWSD will provide IHGID with leaflets to extend to residents. CWSD is offering a residential irrigation survey to homeowners to receive guidance about efficient practices to help reduce water usage and expense. General Manager John Lufrano stated he will put information regarding water conservation in the next newsletter.

12. Reports to the Board:

a. General Manager Report (Exhibit D)

General Manager John Lufrano reviewed his report with the Board. John added that Accountant Stacie Cobb, Engineer Tim Russell and he have been working closely with Lisa Garland from USDA on the sewer project. Field staff is in maintenance mode this time of year. John is planning a Saturday Workshop for residents regarding how to conserve water. John is trying to get a speaker in for the workshop through Carson Water Subconservancy.

General Manager John Lufrano reported that the water filter tanks in the Water Department have been removed and the water project contractor will be selling them as part of their contract. Engineer Tim Russell added that as part of the project bid, contractors had to remove the water tanks. If the contractors found they could sell them, they could remove the amount of the sale from their bid. The District gets a benefit from the sale, but not directly.

b. District Analyst-Community & H.R. Report (Exhibit E)

Chairman Pierini thanked Attorney Scott Brooke and Engineer Tim Russell for supporting IHGID in the Summer Kick-Off.

c. District Accountant Report (Exhibit F)

d. Engineer Report

Engineer Tim Russell commented he has two agenda items tonight that will cover his report.

e. Attorney Report

Attorney Scott Brook reported he has been working on negotiations with the bargaining unit. Scott continues to work with staff on the pipeline project. There are no new matters to bring to the attention of the Board.

Public Comment: (none)

13. Discussion only regarding an update on the solar sludge project:

Engineer Tim Russell gave an overview of progress on the sludge project. Tonight the Board approved a letter of conditions with USDA which allows us to continue to work with USDA. USDA has agreed to let us phase the project so we can do the solar portion first, on an accelerated schedule, to insure we get it completed before the Thanksgiving deadline which is imposed by NV Energy to get a rebate. The solar portion of the project has to be completed, online and hooked into the power grid by Thanksgiving for us to get our rebate. We have been actively pursuing this portion of the project, trying to get designs completed to get a contractor working as soon as possible. We would anticipate that work to take place sometime in October. The second phase would be the headworks and sludge dewatering portion of the project on a slightly slower schedule. This portion will take a more intricate design. We anticipate the second phase to be completed by early to mid 2012. These are the general timeframes and schedule we are looking at.

Engineer Tim Russell noted there is a 30 kilowatt rebate available. We are putting in a 30 kilowatt system or as close to that as possible. There will probably be less than 50 solar panels installed, although Tim is not sure yet. The goal is to build the design of the solar panels so in the future we can expand. An electrical engineer is helping us work on the design and hopefully by the next Board meeting we'll have a design to show the Board. The panels will be located approximately 50 feet north of the treatment basins on the slope inside the fence, south facing up the hill.

Public Comment: Gloria Lee asked if the solar is going to power this building. Engineer Tim Russell replied that the solar panels are connected into the power grid with a net metering system. The power used at the Wastewater Treatment Plant will be subtracted from power generated from the solar panels. The net balance of power used is what the District is charged.

14. Discussion only regarding an update on the water pipeline project:

Engineer Tim Russell reported that Q&D Construction is a day or so away from finishing the pipeline on the other side of the river. Q&D still have to complete their County project that will connect IHGID into the County's water system. The main pipeline work should be completed by next week. Work outside the plant should be completed early next week as well. The major work inside the plant will start next week. Next week one of the existing pumps will be removed and the installation of a new pump will begin. While this is done one of the existing pumps will be left on and hopefully this won't hurt residents too much.

Engineer Tim Russell reported on three change orders approved last month. The first one for approximately \$4,000 was due to a valve that had to be added to the system because the existing valve was inadequate and wouldn't close. The second change order was for a small amount of additional pipe. The third change order, after talking to Douglas County, was to allow us to remove components from the system that weren't critical to the project. We were able to reduce the contract by approximately \$29,500. So far we are in the negative on change orders. There will probably be some changes orders on work at the water plant due to finding underground issues. Things have been going very well with the project. The only

thing the District will need to get Minden water is for Q&D to complete about 4,000 feet on the other side of the river on Heybourne Road to tie onto the County water system. Minden has been supplying water to Johnson Lane and Stephanie Way for about two years now. Q&D Construction will complete the 4,000 feet as soon as they can and will work out any contractual disputes they have with the County when the job is completed.

Public Comment: (none)

15. Discussion only regarding the procedure to follow for temporary water restrictions as stated in IHGID Water Use Restriction Ordinance No. 001:

General Manager John Lufrano reviewed a letter dated July 14, 2011 from Engineer Tim Russell regarding the schedule for upgrading the pumping system at the Hobo Treatment Plant as part of the pipeline project. We have two pumps now that send water through the system and we will be removing one of the existing pumps to install a new one. When that happens we will impact our delivery system as it is now by one half. The capacity of each pump is 700 gallons per minute and we only pump approximately 600 gallons per minute from each for a total of 1200 gallons per minute moving to the plant. There are other sources to move water into the plant. When we take the pump off line, Douglas County will give us some water to offset the loss somewhat. The estimate at this time is that we will be pumping between 900 and 1,000 gallons per minute into the system from all of our sources to keep our tanks full to disperse to the District. We are looking at a 10 day period of being on one pump until the second pump is online.

John's concern is what we do if we have a situation where we cannot deliver enough water to residents. Our current ordinance covers what the District and our Board can do to restrict water use. The biggest consumption of water in the District is watering of lawns by overhead sprinklers. If John, Engineer Tim Russell and Q&D Construction decide we can't keep up with demand they will need to come back to the Board with some type of restriction. We already have water restrictions in place in the ordinance. Water Restriction Ordinance No. 001, Page 2, Section 3 states that the Chairman and General Manager can canvass the Board by phone or have a special meeting to put in motion some type of water restrictions. In discussions with staff we have never had water restrictions before but have had to boil water. To get information to residents about the boil water order, staff walked to every residence and hung door hangers. This may be a method we will use for water restriction. John advised the Board he is comfortable that we can make the pump transition but if we have to do something drastic we do have an ordinance in place for any emergency that may happen.

Engineer Tim Russell added that this is a just in case scenario to make the Board aware of what may occur. Tim noted that one of the new pumps is installed. That one pump will be able to provide over what the two existing pumps provide. There will be two new pumps, one backup and one service.

Public Comment: (none)

16. Discussion only regarding resources for residents struggling to pay utility bills in IHGID:

General Manager John Lufrano stated that at last month's Board meeting he was asked to look into resources available to assist residents. Staff put together a list of agency resources for residents struggling to pay utility bills. The list will be available at the office front counter and can be used by anyone, not just District customers.

Public Comment: (none)

17. Discussion and possible action to cut Trustee compensation by 50% in light of present financial difficulties and union negotiations:

This Item was removed from the Agenda.

18. Discussion only regarding a short fall of funds for projects and infrastructure needs previously approved:

This Item was removed from the Agenda.

19. Discussion only regarding the financial situation in the 2011-2012 budget year and staffing levels:

This Item was removed from the Agenda.

20. Discussion and possible action to approve Draft Minutes for the June 15, 2011 Board Meeting:

Public Comment: (none)

Secretary/Treasurer Eisele motioned to approve the minutes for the June 15, 2011 Board Meeting. Vice Chairman Patrick seconded. Motion carried unanimously. 3 ayes by Chairman Pierini, Vice Chairman Patrick, Secretary/Treasurer Eisele; 2 absent Trustee Baer, Trustee Humble

21. Chairman and Trustees Reports, Correspondence:

Chairman Pierini commented that the summer kickoff slip-n-slide was popular and the young man standing in the sun most of the time was making sure the kids had a great time. General Manager John Lufrano stated that both seasonal employees worked at the event and Adam Houle was the worker at the slip-n-slide. Chairman Pierini thanked Kathryn Clark-Ross for her time as Bartender at the event. General Manager John Lufrano commented that Kathryn Clark-Ross gives a great deal of volunteer service to the District with events and the Dog Park.

Chairman Pierini brought back for discussion the scheduling of training with Stevan Palmer from RCAC entitled "Asset Management for Small Water and Wastewater Systems". The training will require one hour. The Board decided to have the training at 4:00 P.M. on August 17, 2011. Chairman Pierini requested that due to absence of two Board members that they are informed in writing that this is the date and time that has been set. It is important that all Board members make the training.

22. Adjourn Regular Meeting:

Vice Chairman Patrick motioned to adjourn the meeting. Secretary/Treasurer Eisele seconded. Motion carried unanimously. 3 ayes by Chairman Pierini, Vice Chairman Patrick, Secretary/Treasurer Eisele; 2 absent Trustee Baer, Trustee Humble

Meeting adjourned at 8:13 P.M.

FINAL APPROVED MINUTES AS PRESENTED

**Secretary/Treasurer
William Eisele**