

Minutes
Indian Hills General Improvement District
Board of Trustees Meeting
District Office
3394 James Lee Park Rd. #A
Carson City, NV 89705
December 14, 2011
6:00 P.M.

Trustees Present: Chairman Denise Pierini, Vice Chairman Brian Patrick, Trustee Art Baer, Trustee Dianne Humble.

Trustees Absent: Secretary/Treasurer Bill Eisele

Staff Present: General Manager John Lufrano, Customer Service Representative Brooke Thompson.

Others Present: Attorney Scott Brooke, Engineer Tim Russell, Auditor Jonathan Steele, Residents Dave Fournier and Dale Morlan.

1. Call to Order:
Chairman Pierini called the meeting to order at 6:01 P.M. Quorum that Secretary/Treasurer Eisele will not be attending this evening.

2. Pledge of Allegiance: Led by Trustee Baer

3. Approval of Agenda:

Trustee Baer motions to approve the agenda as is. Trustee Humble seconded. Motion carried unanimously.

4. Public Interest Comment:
No public comment.

5. Discussion and possible action to accept the annual audit for fiscal year ending June 30, 2011. Presentation by District audit firm Steele and Associates.

Jonathan Steele thanked the Board for obtaining his firm to conduct our audit. He stated that once again they were able to issue a favorable opinion on the audited financial statements. This year we have a second opinion which relates to the U.S. Office of Management and Budget Circular A-133 we also issued a favorable opinion. The A-133 relates to all the federal money that you received for the pipeline when you receive over \$500,000 of federal funds you are required to do an additional audit on just those funds. Jonathan highlighted some key changes from last year to this year. Your cash and cash equivalents went up by approximately \$600,000 but don't get too excited it is also due to the pipeline money which will be spent so it is not from savings or anything like that. Accounts receivable is much higher from grant money expected to come in. Your General fund owes the Enterprise fund about \$342,000 which relates partially to pipeline money and when the Enterprise fund pays something that relates to the General fund, they go back and forth and that is

where it ended up for the year. Accounts payable under liabilities jumped significantly but again that is due to the pipeline money, it is out of the ordinary from years past but due to that one project. One new thing under Liabilities is deferred grant revenue of about \$300,000 that is also due to money you have received but you don't get to recognize it as income until the pipeline is complete.

As for the balance sheet or Statement of Net Assets those are the key changes from last year to this year and it all really relates to the pipeline and timing because it crossed over fiscal years. Statement of Activities this is like your income statement for the year which has shown a lot of improvement over the years. Expenses for Governmental activities and Business type activities they are slightly lower this last year compared to the previous year, so your management team is doing a real good job of controlling costs and running things on a shoestring budget it's not going up which is what we see so much. The other thing is your revenues under Business type are up by just over \$160,000 so your rate increases have increased your Enterprise fund by \$160,000 which is really helping out with meeting your obligations on a day to day basis. I do want to point out that under Net revenue the Business fund is still losing \$234,000 that is basically your water and sewer business which you want it to break even or be profitable just like you would any other business. So although things are going good and revenues are up you still have a short fall of \$234,000 that you guys will have to address at some point. Under expenditures for both Government and Public works is the service and supplies line under Government the budgeted amount is off by \$48,000 and under Public works it is off \$90,000 so you transferred money back and forth between the two funds to meet your service and supplies.

Your overall Budget is favorable so on the year you came in under budget so you did better but unfortunately for these line items when you change them up and have that much of a difference you as a Board and management need to meet and reallocate the budget sometime in the year. Even though you approve the budget in April you can change it as things come up. The Enterprise fund under the liabilities you owe the IRS \$6,837 under the Build America Bond there is some credits or rebates on interest paid and unfortunately you submitted to much and got too much credit/ rebate back so we have to refund the IRS \$6,837 it's not a big deal it is just a little odd for a Government agency to owe the IRS so I just wanted to point that out. Income statement for the Enterprise fund even though your revenues were higher your salaries and employee benefits were slightly higher than last year but nothing that was significant. Services, supplies and depreciation were lower which goes back to maintaining the expenses so you have kept your staff and kept them happy but they have been able to find cuts in other areas which is really good. Notes to the Financial statement there are no significant changes from the prior years.

Trustee Baer asked about the retirement benefits he thought we had two and the audit shows one. Mr. Steele said no there is only one retired employee who you are paying benefits on.

A-133 which is the new section of the audit. Schedule of Expenditures of Federal Awards this shows that the District received a 1.5 million dollar award for the loan and that you received a grant for \$783,302. Once you receive more than \$500,000 you have to the A-133 audit. Report on Internal Control we had one finding which relates to accruing matters on a timely basis. The biggest issue that we found was that some of the pipeline expenses weren't accrued into the Financial statements that you were seeing. Independent Auditors Report and Compliance this relates back to the A-133 requirements and also the pipeline where we have

to hold another set of requirements going through testing and making sure that all the expenditures from the Federal reward are being used for the pipeline and making sure that the proper procedures for approval and payment go through. We did not find any deficiencies at all in how the District is spending the money.

That is the end of the Audit. The staff was a joy to work with and very helpful. There was no problem in obtaining information and they are always open for suggestions.

Trustee Baer asked what the last statement item 9 on page 38 means. Mr. Steele advised him that this also goes back to the new requirements under the A-133. When you are a first year A-133 recipient no matter what you are high risk. You guys could have the best controls in the world and we would still have to say that you are a high risk. Although we have to put it here there isn't anything more to read into it because you passed everything.

Trustee Humble asked is that because we are extended out so far financially. Mr. Steele advised her no it just means that this is the first year you have qualified under the A-133 requirements and that means you have to be high risk.

Trustee Baer asked if Mr. Steele has had a chance to go over new accounting procedures with our accountant? Mr. Steele stated that Stacie has attended a training earlier in the year and they will be meeting with her later in the week so yes.

Mr. Steele stated that the last several audit reports had several findings. The first year we did your audit we found eleven and this year we found one.

Public Comment: No public comment.

Trustee Humble motions to accept the annual audit for fiscal year ending June 30, 2011 as presented by the firm Steele and Associates. Vice Chairman Patrick seconded. Motion passed unanimously.

6. Reports to the Board:

a. General Manager Report (Exhibit A)

General Manager John Lufrano reviewed his report with the Board. Trustee Baer asked on the water quality report I see the arsenic has crept up a little bit it is getting close. They are no longer using oxygen out at the water plant are they packing up the ozone generator and sending it back to ozonia. General Manager John Lufrano stated that they are already out of here. Trustee Baer stated that two of the ozone generators we purchased and hopefully we are not just giving them back to them, the oxygen tanks I'm not sure about General Manager John Lufrano stated that we purchased the oxygen tanks and I will look into the generators, we have put the word out there for anyone looking for an ozone system.

Trustee Humble commented that she was so glad to see that we are able to tie into the web. Was this T. Michael Brown's doing or Steve Mokrohisky. General Manager John Lufrano stated he is not sure but it was presented to him by Steve Mokrohisky.

Trustee Baer asked if the Solar project is completed and hooked up. General Manager John Lufrano advised him no not yet, it was almost today. We are waiting on NV Energy they had a problem with a splice in some wires.

Chairman Pierini would like to discuss the skate park. I know at the last meeting we talked about using some type of anti graffiti product is that the plan? General Manager John Lufrano said he decided not to go that route because of the cost it is about \$135 for a five gallon pail so I have gone to a vocomp which is what Douglas County uses when they get graffiti they say it is easy to remove because it is already pre penetrated in the concrete so you can get in there with a pressure washer. The cost is about a \$60-\$70 difference in a five gallon bucket and we can do the work ourselves. They recommend that in our climate we reapply it annually but it will not help with chipping and cracking we will just have to go in and patch the concrete.

Public Comment: No public comment.

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

General Manager John Lufrano reviewed his report with the Board. The one thing I would like to highlight is this Saturday is our Christmas Celebration and we will be announcing and awarding prizes for the lighting contest.

Vice Chairman Patrick asked how many entries we have for the lighting contest. General Manager John Lufrano said four, he explained that he may change things a little next year and go out a week or so before and solicit more entries as we only have four. Trustee Humble commented that we use to drive the entire District for the lighting contest and it never took more than two hours. She commented that last year because there we so few people the prior GM did four honorable mentions even though they did not sign up for the lighting contest.

Public Comment: No public comment.

c. District Accountant Report (Exhibit C)

Trustee Baer commented that the depreciation is actually funded but he does not see it on the report and would like to see it added to the new report format which he really likes and appreciates the changes.

Trustee Humble would like to thank Stacie for the changes in her reports to the Board.

Public Comment: No public comment.

d. Engineer Report

District Engineer Tim Russell announced that the water pipeline is complete we are just finishing up some paperwork so USDA can sign off on the project. The solar project is essentially complete we are waiting on NV Energy to tie into that. Later in the meeting you will see that we have been working on equipment selections for the remaining portion of the Sludge project. Once we get those we will finish up our design so we can get the sludge taken care of. Another item John and I have been working on is coordinating with Douglas County and a number of other entities in

the County is the standard construction details and making some revisions. We also have worked on extending nine of the District's water rights. They had due dates for proof of beneficial use but since we are using all the water rights. Generally what we do is file an extension for a year and pay the fee. The state engineer does not have a problem with that because we are holding them in reserve for future growth. Other than that just little things here and there with John.

Trustee Baer asked since the pipeline is done does that mean the District gets the \$250,000. District Engineer Tim Russell replied no the District still has obligations to complete their joint funding for one project in Minden and the other two projects the District was coordinating with are essentially complete but I think the District is waiting on bills from Douglas County to cover their portion of the expenses.

Trustee Humble stated that ultimately the buck stops right here. If this whole thing falls apart they are going to look at the Board. She is asking for a summary of all bids but would also like to see the entire proposals even though they can be 50 pages or more. If you could do that it would make it a lot easier for me to understand.

Chairman Pierini stated that she took a drive out to the Sewer treatment plant to look at the solar panels and we are just so close. They look great there are 144 panels it will be interesting to see what the energy exchange is. General Manager John Lufrano advised Andy spoke to the electrician today and he thought that the panels would run up to 80% of the plant.

Public Comment: No public comment.

e. Attorney Report

District Attorney Scott Brook reported that the issue about the relationship between the County and the GID's continues on. General Manager's continue to meet with County staff. The Attorney's are kind of on a parallel course separately and there is some movement between the lead of this MGSD and the County in terms of trying to get a better handle on who is in charge of what. The County thinks they are in charge of everything and they don't recognize the extent of the power of the GID's. He thinks this is very positive and should be coming to fruition in the next six months or so. It will be good there will be standard designs for the Engineer's to use and some understanding about permitting and responsibility between the County and the GID's which has not existed in the past. It has been complicated by change of personnel on the County level but it is moving forward.

General Manager John Lufrano added that Tim Russell and himself have been meeting with the other Towns and GID's. The County has been extremely open to how the GID's and Town's would like to see things.

Public Comment: No public comment.

- 7. Discussion and possible action to approve, deny or approve with conditions the District Engineer's recommendation on the selection of sewer processing equipment for phase 2 of the Sludge Dewatering Project based on formal proposals submitted to the District Engineer. (District Engineer, Tim Russell)**

District Engineer Tim Russell explained as you know USDA is providing funding for the sewer project they have a number of different requirements regarding fair and open competition for contractors and equipment suppliers in some ways it is a good thing but in some ways it makes things difficult for us as far as designing and creating plans for a project. If we did not have USDA funding we could select the equipment we judge to be the best for the situation and specify the contractors purchase that. With USDA involved we could specify what we think is best but the contractor could propose to supply something different which would force us to redesign the project that has already been designed. In the interest of trying to minimize redesign and make things more efficient in coordination with USDA they allowed us to have an open proposal process with various equipment manufacturers for some of the major pieces that we are going to have to install. This basically allowed us to receive proposals based on a general specification to see what equipment pricing is to allow us to select not only on pricing but also the performance of the equipment. Once the equipment is selected then we can design the project and the contractors don't have any choice in what they supply they have to supply what we tell them to. This satisfies USDA's requirements for fair and open competition at least for the equipment portion of the project so what I've done is try to take to proposals I received and summarize the important information like pricing and general items that we are receiving proposals for. The important thing to know is that there is not a contract between the District and any of these equipment suppliers this is simply a step to satisfy USDA and allow the selection of the equipment to occur so we can move into the design process. You have before you the summary one of the difficult things with some of the proposal is that different manufacturers arrange their proposals in different ways so I had to shift money from one item to another in order to compare apples to apples. What I provided you was a breakdown of that summary so it is clear that what you are looking at is a comparison of similar products and the pricing. We had four separate requests for proposals that we put out there one for the Headwork's Screener, the second for the Headwork's Grit Classifier, the third was for the Headwork's Air Lift System and the fourth for the Sludge Dewatering equipment which accounts for a screw press and associated ancillary units, two pumps (one for backup), an in-line grinder and some other items. Out of all the Headwork's equipment typically the lowest price was provided by Westech in some cases it was very close with some of the other suppliers, however in general Westech was the lowest for all the equipment. Although with the Air lift system they were a little higher than Lakeside equipment but the Grit Classifier and the Air lift system work in conjunction with one another. Westech was the only one who supplied a price for both, their pricing was higher by \$109 not a significant amount so in that case I still recommend going with Westech due to the ability for them to supply compatible equipment from the same manufacturer.

For the major Sludge Dewatering system we received three quotes from FKC, PWT and Huber. The FKC and PWT quote were for a unit with hydraulic through put higher than the Huber one which allows Andy to run for a shorter period of time so he can run it for three days instead of five which has a benefit in power costs and operation time. So essentially we only looked at FKC and PWT equipment. The FKC quote was lower than the PWT quote for all the equipment in general which included not only the screw press but conveyor systems and some other pumps and grinders. However I would like to note that PWT has a local representative who is based out

of Carson City and he is actually in the audience tonight which shows you that he is here and available. I think Andy and John both have a very high level of comfort having him around. So with that in mind the Board needs to decide whether to select FKC or PWT either one is a good choice it's just a factor of availability of product representative PWT has installations in the area of similar equipment that Andy has seen and likes.

The final thing I would like to note is the budget for the whole project for construction is \$1,321,000 with an added contingency of \$108,000 when you subtract the solar panels from the base construction budget we are still left with slightly over \$1,000,000 plus the \$108,000. If the PWT equipment is selected we are still looking at, at least \$558,000 remaining to cover the cost for installation and other minor equipment that needs to be installed for the project. In discussing the project in general with a contractor who works on this type of project we are looking at \$400,000- \$500,000 for installation so we are right where we need to be as far as the project budget and we are not looking at having to spend the contingency funds. All that will come out when we pull the plans together and have a formal bid, but at this point it looks like we are right on budget.

Vice Chairman Patrick asked if we have any legal requirements that we have to go with the lowest bidder rather than what Tim is suggesting. District Engineer Tim Russell stated that in this situation these are simply proposals there is a lot of flexibility. I have spoken with the engineer at USDA and he indicated that as long as there is a valid reason for selecting a piece of equipment that is not the lowest, that satisfies the requirement. I asked him for instance in this case weather having a local representative with service on call is a valid reason and he indicated that yes it is a valid reason. Vice Chairman Patrick commented that the Board as a whole has had an extreme feeling for being able to hire local and that is very important to the Board. The other thing I find interesting is that rather than just going with the lowest bidder for piece A and lowest bidder for piece B we are buying them together to ensure that they will work together. So hopefully we will not have a lot of change orders to make the pieces of equipment work together and I like that.

Trustee Baer asked what is to stop the District from dealing directly with the equipment manufacturer and buying it? District Engineer Tim Russell explained that with the involvement of USDA as the funding agency the District is not paying directly for this equipment therefore USDA would have oversight on any contract. You would have to go through multiple contracts for USDA. From my discussions with them any contracts have to go back east to the home office for USDA to even get any kind of approval. Going through the request for proposal process was the less of the evils to allow us to move forward in a timely manner instead of waiting for something back east. Trustee Baer commented that the reason he is asking is because normally when you go to a contractor they are not tax exempt and would have to pay taxes on that equipment he is also going to put his mark up on the equipment and if that is not an incentive for USDA to grant us going out and purchasing the equipment that is a good incentive. District Engineer commented I agree however it is not as simple as that when you are dealing with the federal government. Trustee Baer also advised Tim that he has \$72,000 more than you think you have. District Engineer Tim Russell replied that he would be happy to go through that with him.

Trustee Humble confirmed that District Engineer said it is more difficult for the District to purchase the equipment when receiving loans through the Federal Government rather than through the State. District Engineer Tim Russell advised her that is correct. Trustee Humble asked if the equipment for the Headwork's is that coming from John Mere? District Engineer Tim Russell stated that he is recommending Westech for all the Headwork's equipment as they are providing two units that are compatible with one another. He stated that we are replacing everything that is out there now we are not putting anything different in. Trustee Humble also asked if once the sludge is dewatered does it get any drier than that and is there a market for that? District Engineer stated that the sludge is a waste there is no market for it unless it is composted we could take it to a landfill or Bentley but we would have to pay for it, it's not free. The prices that I have included in the summary show the best possible option for the District as far as stainless or additional material that is necessary to provide the best installation as possible.

Trustee Baer asked so we still have to find a general contractor that is going to put it all together and you feel there is enough funds left for that? District Engineer Tim Russell replied yes.

Trustee Baer motions to accept the District Engineer's recommendation on the selection of sewer processing equipment for phase 2 of the Sludge Dewatering Project based on formal proposals submitted to the District Engineer picking Westech for the Headwork's Screening, Headwork's Grit Classifier Westech, Headwork's Air lift system Westech and the Sludge Dewatering System PWT. Trustee Humble seconded. Motion carried unanimously.

Public Comment:

Kyle Menath with JBI Water and Wastewater equipment we represent approximately 40 different manufacturers of water and wastewater process equipment. I appreciate your decision and think PWT will be the most energy efficient equipment that was bid on. They are a very good manufacturer. The local areas that are using that equipment have not had any problems. Lockwood has been on it for three years now and has had no breakdowns, Churchill County has been on it for six years now and has had no breakdowns.

Tim Russell explained that pre selection of the equipment has to take place now so we can complete our design process if we don't do it now we have to pick one of these manufacturers out of the air, design all the piping, concrete slab, controlling systems everything based on something we pulled out of the air. When we bid the project based on USDA's requirements if the equipment is not pre selected we have to allow two or three like products into the bid process with the contractors and the contractors may or may not choose to bid the products we have selected out of the air. If they do that there is a very good chance whatever design we have done is thrown out the window and we would have to start over which is more time and money. We want to do it once with the right equipment. Now with the Board's approval of the equipment that I have recommended I will take that equipment and put it into the bid specifications and there is no option they have to purchase and install what we just approved tonight. It will also make the bidding process easier, the prices are pre determined.

8. Discussion and possible action on the status of all District wells and the abandonment of specific wells. (John Lufrano/Tim Russell)

General Manager John Lufrano explained that Tim, Dave and himself collaborated on deciding the fate of the wells. All the wells in the District are listed no matter the current status. We need to start closing out the wells properly.

Vice Chairman Patrick asked if the Old Canyon, 395 and Impala wells are currently plugged. General Manager John Lufrano stated yes. Vice Chairman Patrick asked if the Ball field, New Canyon, Opalite, Impala 1 and Ridgeview the nitrate well are ones that you have chosen you feel we need to abandon are you wanting to abandon all five? General Manager John Lufrano stated that we have budgeted to refurbish the Opalite Well this year for \$15,500. We are looking at instead of refurbishing the Opalite using the \$15,500 to start abandoning. Maybe we pick two this year and get on a program to do so many a year. Vice Chairman Patrick asked if the \$15,500 will cover the cost of abandoning them? General Manager John Lufrano stated that Dave is looking into that for us. Vice Chairman Patrick asked that until we have a hard figure do we need to make a motion on this item or do we need to have you come back with a hard figure. General Manager John Lufrano suggested that once we have hard figures bring it back to the agenda with specific wells to abandon that is the way I prefer to handle it. We are recommending that you keep Ridgeview 5, North School well and the South school well in the system as those are good producing wells and inject and blend that water into Minden water. There has been discussion about taking Ridgeview 4 the nitrate well and trying to pipe that into the park for irrigation. The problem we have is the infrastructure. It may just be better to abandon that well all together and take water from Ridgeview 5 the 100 gallons per minute and augment Minden's water with that for irrigation.

Chairman Pierini asked that if we plug a well can we reverse it down the road if needed? District Engineer Tim Russell stated yes we can always re drill a well if needed. Chairman Pierini asked if plugging any of these wells will affect our water rights. District Engineer Tim Russell stated that right now all of Indian Hills water rights are in there existing wells, in the next year we will transfer them to Minden for them to pump into Indian Hills. If we do abandon a well we would move the water rights to another well to make sure they are protected.

Trustee Baer motions that in principal we agree with abandoning wells as presented and once pricing is available we will deal with this issue then. Trustee Humble seconded. Motion carried unanimously.

Public Comment: No public comment.

9. Discussion and possible action to approve Draft Minutes for the November 16, 2011 Board Meeting.

Chairman Pierini asked that on page six I add Eisele after Secretary/ Treasurer.

Vice Chairman Patrick motioned to approve the Minutes for the November 16, 2011 Board Meeting as amended. Trustee Humble seconded. Motion carried unanimously.

Public Comment: No public comment.

10. Chairman and Trustees Reports, Correspondence:

Trustee Baer asked John to come up with \$250,000 for the streets they are getting to the point where something needs to be done. Chairman Pierini asked if anyone would like to volunteer to judge our Christmas lighting contest tomorrow evening.

Trustee Humble volunteered to judge the lighting contest with Dave Fournier and General Manager John Lufrano. Vice Chairman Patrick announced that he will be at the Christmas Celebration on December 17, 2011. Chairman Pierini announced that the next Board Meeting will be on January 18, 2012.

11. Adjournment

Trustee Humble motioned to adjourn the meeting. Vice Chairman Patrick seconded. Motion carried unanimously.

Meeting adjourned at 7:45 P.M.

FINAL APPROVED MINUTES AS PRESENTED

**Secretary/Treasurer
Brian Patrick**