MINUTES OF A SPECIAL MEETING OF
THE BOARD OF TRUSTEES OF
DOUGLAS COUNTY LAKE TAHOE SEWER AUTHORITY
November 28, 2018

CALL TO ORDER:

A Meeting of the Board of Trustees of the Douglas County Lake Tahoe Sewer Authority (DCLTSA) duly convened at 9:30 a.m. on Wednesday, November 28, 2018 at the Wastewater Treatment Plant, Stateline, Douglas County, Nevada.

ROLL CALL:

Present were Trustees Mike Bradford, Nancy McDermid, Grant Thompson and Darya Vogt. Trustee Wes Rice was absent.

RECOGNITION OF OTHERS IN ATTENDANCE:

In attendance were Authority Manager Rob Hopkins, Authority Controller Paula East-Janicki, Authority Engineer, Rob Anderson, the Authority's attorney, James Cavilia, and Bob Cook. Also in attendance were Andrew Hickman of Round Hill General Improvement District (RHGID) and Art Warrell of Lake Village Homeowners Association.

PUBLIC COMMENT:

None.

APPROVAL OF AGENDA:

It was moved by Trustee McDermid, seconded by Trustee Thompson and carried unanimously (4-0) that the agenda be approved and adopted as presented.

MINUTES OF PRIOR MEETING:

It was moved by Trustee McDermid, seconded by Trustee Vogt and carried unanimously (4-0) that the minutes of the Meeting of the Board of Trustees of DCLTSA, dated October 17, 2018, be approved as presented.

MANAGER'S REPORT:

A. General Status Report

Authority Manager, Rob Hopkins presented the Board with a written summary of various general matters related to the Authority and briefly summarized each item in the written report.

Mr. Hopkins reported that inspection of the recoated Effluent Tank #1 was recently completed and that both tanks are now back in operation. Mr. Hopkins provided the Board with a brief summary of the warranty issue and recoating of the effluent tanks.

The authority's third quarter Discharge Monitoring Reports have recently been submitted to and accepted by the Nevada Division of Environmental Protection (NDEP) and the Environmental Protection Agency (EPA).

Mr. Hopkins indicated that some of the Authority maintenance staff recently toured the Incline Village General Improvement District (IVGID) wastewater treatment facility as well as IVGID's major sewer lift stations which had recently undergone major upgrades. Mr. Hopkins expressed his gratitude to IVGID's staff for the opportunity.

With regard to the Tahoe Beach Club, Mr. Hopkins reported that an agreement was reached with the developer to provide for relocation of the Authority's sewer main and allow construction of the Beach Club's improvements to proceed.

Mr. Hopkins also stated that he and Chairman Bradford attended a court hearing in Minden with regard to the Authority's pending case regarding the emergency underground storage project. Mr. Hopkins indicated that the case was proceeding, as the judge denied the defendants' motions to dismiss the matter.

Finally, Mr. Hopkins indicated that Authority staff had drained and cleaned Aeration Basin #5 as part of ongoing inspection and maintenance work.

In response to a question from Chairman Bradford regarding odor control, Mr. Hopkins explained the process of controlling odor in collection systems and wet wells. Mr. Hopkins indicated that such odor control may make sense in the future at the Beach Pump Station because the odor control may also increase the useful life of concrete facilities. Mr. Hopkins also stated that he has been conducting a cost benefit analysis with regard to secondary odor control at the plant and that the aeration basin retrofit work being planned in the next couple of years will also reduce odors at the plant. Chairman Bradford thanked Mr. Hopkins and encouraged him to continue to consider additional actions to reduce odor.

Chairman Bradford opened the floor to public comment regarding the matter. Art Warrell of the Lake Village Homeowners Association expressed his appreciation for the Authority efforts to reduce odors and stated that some owners at Lake Village do complain about the odor at times. In response to an offer from Mr. Hopkins, Mr. Warrell indicated that he would like to tour the plant with other Lake Village owners. There was no further public comment.

ENGINEER'S REPORT:

A. General Projects Status Report

In addition to his participation in the Manager's Report, Rob Anderson presented correspondence dated November 26, 2018 briefly summarizing four issues that R.O. Anderson Engineering has been involved with on behalf of the Authority. The four issues are 1) General Engineering Services; 2) Tahoe Beach Club; 3) Muller Lane Effluent Force Main Relocation; and 4) Authority Metering. The November 26, 2018 correspondence is incorporated in these minutes by this reference.

Mr. Anderson provided a summary of the written correspondence and commented that the results of the inspection of the effluent tank re-coating were very good. Mr. Anderson added that his analysis of various biosolids disposal options was continuing. Mr. Hopkins added that he was also looking into the long-term options with regard to biosolids, including the possibility of the Authority doing its own trucking of the material. A general discussion ensued about the use of the biosolids and Chairman Bradford encouraged Mr. Hopkins to consider the economics of the Authority doing its own trucking.

Mr. Anderson indicated that the Muller Lane Force Main Realignment Project was in the process of being closed out.

With regard to the ongoing metering analysis, Mr. Anderson reported that some discrepancy in RHGID's laser flow meter is being resolved and that the test meters are being reviewed on a weekly basis. Mr. Anderson indicated that various issues are being addressed as data is continuing to be collected.

Chairman Bradford opened the floor to public comment regarding the matter. Andrew Hickman of RHGID indicated that he would like to explore the possibility of isolating RHGID's flows at some time in the future in order to accurately calculate the flow. A general discussion ensued about how flows from the contributing districts have historically been calculated and estimated. There was no further public comment on this matter.

ATTORNEY'S REPORT:

A. General Status Report

Jim Cavilia indicated that he had worked with Mr. Hopkins to complete the agreement with Tahoe Beach Club that was discussed earlier. Mr. Cavilia had nothing additional to report. Chairman Bradford opened the floor to public comment regarding the matter. There was no public comment.

B. Discussion and possible action regarding leak/warranty issue with the Underground Emergency Storage Tanks

Mr. Cavilia indicated that following a hearing in the District Court on November 13th, Judge Young denied the defendants' motions to dismiss and that the case would now proceed. Chairman Bradford opened the floor to public comment regarding the matter. There was no public comment.

AUTHORITY CONTROLLER'S REPORT:

A. General Status Report

Ms. East-Janicki provided the trustees with a spreadsheet showing current expenses and she reported that operating expenses are just under budget through the end of September.

In response to a question from Trustee McDermid, Mr. Hopkins indicated that repairs to the plant entry road were budgeted and planned for next year's construction season.

With regard to the billing of in-Authority customers. Ms. East-Janicki reported that a total of 1.4% of collections remain outstanding for the first two quarters.

Chairman Bradford opened the floor to public comment regarding the matter. There was no public comment.

B. Presentation and possible adoption of audited financial statements prepared by Grant Thornton for Fiscal Year 2017-2018

Ms. East- Janicki announced that the annual audit had been completed and she presented copies of the audited financial statements to the Trustees. Ms. East-Janicki reported that the audit found no problems and that she was recommending adoption of the financial statements as presented. Ms. East-Janicki also mentioned that Grant-Thornton, who has conducted the Authority's audit

for many years, had recently been acquired by Eide Bailley, a large, national accounting firm. Ms. East-Janicki suggested that other auditors be consider for next year's audit.

Following a brief discussion regarding the cost of the audit, Ms. East-Janicki provided a summary of the audit report, including a description of the flow/cost reconciliations that provide for the allocation of costs among the contributing districts.

Chairman Bradford opened the floor to public comment regarding the matter. Bob Cook mentioned that the audit report included a very good explanation of the newly created authority. There was no further public comment.

Following a brief discussion among the Trustees, **it was moved by Trustee McDermid, seconded by Trustee Vogt and carried unanimously (4-0) that the audited financial statements as presented be approved and adopted.**

C. Investment Report

Ms. East-Janicki presented the Board with a summary of the Authority's investments showing a total of slightly less than $9 million and indicated that a copy of the general ledger was available for review. Ms. East-Janicki also described recently acquired Certificates of Deposit as part of the Authority's investments.

Chairman Bradford opened the floor to public comment regarding the matter. There was no public comment.

APPROVAL OF CLAIMS:

The claims along with the Authority's check register were provided to the Board treasurer and were approved.

PUBLIC COMMENT:

Chairman Bradford expressed his appreciation for everyone who assisted in the transition from the previous sewer district to the Authority. Chairman Bradford emphasized how the Authority was of benefit to the ratepayers in the long-run. Mr. Hopkins expressed his appreciation for Ms. East-Janicki's work on the annual audit. There was no further public comment

ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:20 a.m.

APPROVED

Michael W. Bradford

4831-7821-6324, v. 1

Meeting Date: November 28th, 2018

DOUGLAS COUNTY LAKE TAHOE SEWER AUTHORITY
Staff Report

Subject / Title:

Authority Manager's Monthly Report – November 28th, 2018
A. General Status Report

Staff Recommendation:

None. This is an informational item only.

Discussion/Report:

This item is regularly agendized to afford the Authority General Manager the opportunity to update the DCLTSA Board of Trustees on select activities over the previous month.

1. Warranty inspection on the recoating work that was performed on DCLTSA Export Effluent Tank #1 in 2017 was completed in the month of October, 2018. The recoating work has successfully passed inspection by Authority Engineer R.O. Anderson staff, and by Bay Area Coating Consultants. Bay Area Coating Consultants also performed warranty inspections on Export Effluent Tank #2 for the Authority in 2017. Further details related to the successful completion of this warranty project may be covered under the Authority engineers report.

2. The 3rd Quarter 2018 Discharge Monitoring Reports have been submitted by the Authority and accepted by the Nevada Division of Environmental Protection and the EPA.

3. Authority Maintenance personnel were taken on a tour of the Incline Village General Improvement District's (IVGID) wastewater treatment plant. Staff also visited one of IVGID's major sewer lift stations which had just undergone a major capital upgrade, which consisted of installing state-of-the-art masticating / grinding sewer pumps and self-contained odor scrubbers for odor control. The Authority wishes to offer thanks to IVGID's staff for the opportunity and the hospitality.

4. A legal agreement was reached between the Authority and representatives of the Tahoe Beach Club (TBC) which will allow TBC to move forward with construction of the TBC Clubhouse, while assuring that TBC will complete relocation of the Authority's 24 inch gravity sewer main no later than September 30, 2019. Further details may be contained in the Authority Legal Counsel's report.

5. Authority representatives attended a hearing at the Ninth Judicial District Court in Minden regarding a Motion to Dismiss the Authority's warranty claims against Aspen Developers Corp., and Contech Engineered Solutions for the failed Emergency Underground Storage Tank system. The Motion to Dismiss was denied. Further detail may be provided by Authority Counsel, Jim Cavilia.

6. Authority personnel drained and cleaned Aeration Basin #5 this past month. This work is routine inspection and maintenance of the Aeration System. (photo attached)



R|O|Anderson

November 26, 2018

Via E-mail

Board of Directors
DOUGLAS COUNTY LAKE TAHOE SEWER AUTHORITY
P.O. Box 578
Zephyr Cove, NV 89448

Authority Engineer's Monthly Report – November 2018

Dear Members of the Board:

The following report presents a summary of activities undertaken on behalf of the Authority since our last meeting together on October 17, 2018. During this period, we participated with Authority personnel in the following areas:

1) General Engineering Services
2) Tahoe Beach Club
3) Muller Lane Effluent Force Main Relocation
4) Authority Metering

The following paragraphs provide a brief description of these efforts and progress related to each of these specific assignments.

General Engineering Services: R.O. Anderson Engineering, Inc. (ROA) assisted and participated with Authority personnel on various engineering-related assignments including: participation in project coordination meetings and phone calls with Authority staff, legal counsel, and Board members on an as-requested basis. In addition to these activities, we have participated in the following specific tasks:

- Effluent Tanks Re-coating – Tank 1 warranty inspection: The Tank 1 interior warranty inspection took place on October 16, 2018 with ROA, Authority staff, the contractor Resource Development Company (RDC), and the specialized coating inspection company (Bay Area Coatings Consultants). The inspector told us on site, and in the subsequent report, that the coating was in very good condition. As with all warranty inspections, there were a number of small spots needing repair that were immediately addressed by RDC. The cathodic protection system has been adjusted and energized. This project is now complete.
- Biosolids alternative disposal option: DCLTSA staff have indicated that the modified and reduced operating hours of Bently Ranch (formerly Bently Agrowdynamics) are impacting the transport of the biosolids from the plant to the composting disposal location. Our initial investigation into the Carson City landfill determined this facility

Physical
1603 Esmeralda Avenue
Minden, Nevada 89423
775.782.2322

Mailing
P.O. Box 2229
Minden, Nevada 89423
775.782.2322

OFFICES
Minden, Nevada
Reno, Nevada

was not willing to accept regular disposal of DCLTSA biosolids. We are currently compiling information regarding alternative landfill and composting options.

- RHGID Flow Meter data review: We continue to download current data from the physical RHGID meter and the data continues to be complete and of good quality. We have prepared updated flow reports for data collected in September and October including total daily flows and diurnal graphs. When the last round of flow data was collected from this meter, an excessively large volume was noted when compared to other flow data collected during the period. We are evaluating the data and will report our findings in the coming weeks.
- Tahoe Beach Club: During the period, we provided further and additional engineering support to DCLTSA's legal counsel while the Agreement was prepared. As discussed during the last Board meeting, to protect the existing sewer pipe, helical piles were determined to be a suitable solution for transferring the loads of the building away from the DCLTSA pipe. The Agreement also requires TBC to construct the previously designed pipe relocation prior to June 2019. Since the Board's last meeting, the Agreement has been executed and the helical piles have been placed.

Muller Lane Effluent Force Main Relocation: The project's final closeout with Douglas County, NDOT, and Division of State Lands is underway but still ongoing.

Authority Metering: Four of the five meters were deployed on October 31st. The fifth meter was not deployed then due to repairs needed to address field damage that occurred while it was deployed previously. The last meter was were deployed on November 9th.

Since November 9th, we have been collecting and observing flow data weekly to confirm the veracity of the data collected. During a recent check of the data at the manhole where combined flows from TDD and RHGID is measured, we found some instances where flow depth was less than 1-inch and relatively high velocities (>7 fps). Fortunately, the meter at this location measures the same flows that are measured and recorded at RHGID's laser flow meter. As a result, for those periods when low flow depths (<1") are observed, we can compare the data to the flow results from the laser flow meter to confirm the veracity of the measured flow volumes.

During a recent check of the data being collected at the TDD metering location, we observed some discrepancies within the flow conditions. After reviewing the data with TDD's Operator, we learned that the level in the wet well was being allowed to rise to a depth where the meter location on the influent line was partially submerged. This was

due to a level transducer and pump setting, which have since been adjusted to avoid this condition.

Because of these interim findings, we have adjusted the starting date for the 30-day test to November 20th. Assuming there are no further data discrepancies, we intend to capture and collect flow data through December 20th. Concluding the data collection process then will give us time to evaluate the data and be prepared to present the results, findings and recommendations in advance of the Board's January (2019) Board meeting.

I will be present at the Board meeting and available then to review this information in greater detail, as well as address any specific questions or concerns Board members might have relative to these subjects. Thank you for your continued confidence.

Yours faithfully,

R.O. ANDERSON ENGINEERING, INC.

Robert O. Anderson, PE, WRS, CFM
Principal Engineer

cc: Jim Cavilia, Esq.
Paula East-Janicki
Rob Hopkins

GENERAL STATUS REPORT – November 28, 2018

General Status Report

I've given you a spreadsheet that shows at the end of September our operating expenses were a tiny bit under budget : 3/10%. Some of the expenses, especially audit and permit fees are paid in the beginning of the year and those line items will smooth. Hopefully utility bills and biosolids hauling will also smooth as they relate to July and August, the highest flow periods of the year.

Status of Billing and Issues Encountered

Regarding sewer billings, of the $1,149,295 billed in the first two quarters, only $16,439 is outstanding, or 1.4%. 66 of our 568 customers have outstanding balances, with 36 of those owing for both quarters. Ying sent out late notices on November 14. 10 people have paid since that time. The next step will be to confirm that the people owing for both quarters still own the property. That will be done through the assessor's website. I was surprised to see how often property turns over up here, at least one property per week. Not all of the title companies have been good about checking with us first. They get confused by the sheer number of little districts up here.

Presentation of Audited Financial Statements

Glory Hallelujah, the audit is finally over. I apologize for not getting the reports to you earlier, but I got them myself moments before sending them to you. I understand that you have not had time to really look at them, so I'll give you the highlights. I have also given you today the 2018 Audit Wrap Up Presentation and Discussion issued by Grant Thornton. It's fairly vague but it does say on Page 2 that they did not detect material misstatement in the financial statements and that

annual assessments appear to have been properly calculated and recorded. The Summary of Misstatements on Page 3 sounds ominous but is not. These used to be called PAJE or Passed on Adjusting Journal Entries. The first 2 under uncorrected misstatements have been mentioned every year for many years. The first one relates to prior to 2005, and the one regarding County Receivables from prior to 2014. The remaining one calls out $5,000 for a VFD at the Main Pump Station. The actual price was $13,820 and insurance reimbursed us for $8,820. The $5,000 was our deductible. However I recorded it, it must have been incorrect, though the auditors couldn't figure it out either, so they've brought it to light here. Because the presentation was vague and I'm squeamish about PAJE's I asked Carly, the primary auditor, in plain English if there were recommendations or weaknesses noted in internal controls. Her reply was that accounting jargon was becoming as bad as legal jargon, but there are no recommendations or weaknesses to communicate to the Board.

Regarding the financials themselves, the most notable things are:

- While we augmented the budget for operating expenses at the June meeting, we actually came in approximately $162,000 under the original budget, $282,000 under the augmented budget.
- The Authority's proportionate share to the statewide PERS net liability decreased by $346,000 or 12.3%
- However, that was more than offset by the Authority's adopting GASB 75, which required us to declare on the face of our financials the entirety of an amount actuarily determined to be our OPEB – Other Post Employment Benefits or retiree health costs. Previously, under GASB 45, we had only accrued that liability since 2012, but GASB 75 requires it accrued all the way

back. That adoption added more than $791,000 to the OPEB Liability.

- We also adopted GASB 82 this year, which re-designates half of the employer made PERS contributions as Employee Contributions. There was no fiscal impact from that adoption.
- $170,000 in Other Revenue came from TBC's dewatering.
- In the last fiscal year, approximately $1,677,000 was spent on capital projects, including the Inter-tie, the Auto-Sampler, and the Muller Line Relocation projects.
- At the end of each fiscal year, the actual operating expenses attributable to each participating district are adjusted against the estimated and budgeted amounts. While operating expenses were lower than budgeted, the flow percentages attributable to each district were significantly higher or lower than estimated, resulting in refunds for 2 districts and an amount owed by 1.
- Kingsbury GID's flows were estimated at 25.2% and their actual in 2017 was 22.7%. Coupled with lower expenses, they will be getting a refund in the amount of $108,800.
- Round Hill's flows were estimated at 8.5%, and at year end were re-estimated at 8.25%. They will be getting a refund of $17,590.
- Tahoe Douglas Districts flows were estimated at 19.5% and their actual flows in 2017 were 20.84%. TDD will owe an additional $22,045 toward last year's expenses.
- Overall, the adjustments applied resulted in a 5% average rate decrease for the districts.

- The fact that these refunds and the amount owed by TDD is based on flow percentages underscores the importance of getting the metering issues taken care of.

- As an aside, the Reno office of Grant Thornton has been sold to Eide Bailley, another large accounting firm. Grant Thornton has requested our permission to transfer past year's audit files to the new company. If we refuse they will be transferred to some other Grant Thornton office.

Investment Report:

We still have a little less than $9 million spread out between liquid investment accounts with Wells Fargo and the State Revolving Fund and longer term laddered CD's with Wells Fargo. There is a general ledger sheet on the table showing the breakdown. In the past month, we've had two CD's mature, one at 1.4% and one at 1.7%. I was able to replace them with a one-year CD at 2.65%, and a three-year one at 3.25%. There is a list of the current CD's on the table.

Claims:

I forgot to put copies of the check register and wires sheet for the period from October 17 to November 27, 2018, but I've given you each a copy today. If there are no questions about those, I would ask that the Treasurer sign them and return them to me for my records.