MINUTES OF THE REGULAR MEETING OF
THE BOARD OF TRUSTEES OF
DOUGLAS COUNTY LAKE TAHOE SEWER AUTHORITY
February 21, 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, February 21, 2018 at the Wastewater Treatment Plant, Stateline, Douglas County, Nevada.

ROLL CALL:

Present were Trustees Nancy McDermid, Wes Rice, Darya Vogt and Grant Thompson. Trustee Bradford was not in attendance. In the absence of Trustee Bradford, it was agreed that Trustee McDermid would act as Chairman of the meeting.

RECOGNITION OF OTHERS IN ATTENDANCE:

In attendance were Authority Manager Rob Hopkins, Authority Controller Paula East-Janicki, Authority Engineer Rob Anderson Engineering, the Authority's attorney, James Cavilia, and Bob Cook. Representatives of Round Hill General Improvement District (RHGID) and Tahoe Douglas District (TDD) in addition to members of the public were also in attendance.

PUBLIC COMMENT:

None.

Presentation to Board of Trustees by Samuel McMullen at Strategic Research Associates regarding his contract to obtain grant funding for District Development Plan projects

The Authority's legal counsel, Jim Cavilia, indicated that Mr. McMullen was unable to attend the meeting and would plan to attend the Board's next meeting in March. Acting Chairman McDermid recommended that this matter be continued to the March meeting and she opened the floor to public comment.

Steve Teshara, a long-time Lake Tahoe business advocate and leader, indicated that he had recently provided the Authority with a summary of the Lake Tahoe Restoration Act (LTRA) and the prioritized list of Tahoe projects to be funded. Mr. Teshara also indicated that he planned to communicate with Mr. McMullen about his efforts to obtain funding for the Authority and how that might work with ongoing efforts and the LTRA. Following a brief discussion among the

Trustees and Mr. Teshara regarding federal funding generally, **it was moved by Acting Chairman McDermid, seconded by Trustee Vogt and carried, 4-0, that this matter be continued to the Board's meeting in March.**

APPROVAL OF AGENDA:

It was moved by Trustee Rice, seconded by Trustee Thompson and carried, 4-0, that the agenda as noticed be approved and adopted.

MINUTES OF PRIOR MEETING:

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

Consideration and possible approval of Amendment #1 to State Revolving Loan Fund Contract CS32-0502, providing for the abolishment of the Douglas County Sewer Improvement District No. 1 and the assumption of its debts, obligations, liabilities and assets by the Douglas County Lake Tahoe Sewer Authority in Loan Contract CS-32-0502; confirming that all other sections, conditions and covenants are to remain unchanged; authorizing the execution of Amendment #1 to Loan Contract CS-32-0502; and providing other related matters

Consideration and possible approval of Amendment #1 to State Revolving Loan Fund Contract CS32-0711, providing for the abolishment of the Douglas County Sewer Improvement District No. 1 and the assumption of its debts, obligations, liabilities and assets by the Douglas County Lake Tahoe Sewer Authority in Loan Contract CS-32-0711; confirming that all other sections, conditions and covenants are to remain unchanged; authorizing the execution of Amendment #1 to Loan Contract CS-32-0711; and providing other related matters

Consideration and possible approval of Revised form of the Douglas County Sewer Improvement District No. 1, Nevada Sewer Revenue Bond, Series 2006; providing for the abolishment of the Douglas County Sewer Improvement District No. 1 and the assumption of its debts, obligations, liabilities and assets by the Douglas County Lake Tahoe Sewer Authority, including the bond; authorizing the execution of the revised form of the bond; and providing other related matters

Consideration and possible approval of Revised form of the Douglas County Sewer Improvement District No. 1, Nevada Sewer Revenue Bond, Series 2007; providing for the abolishment of the Douglas County Sewer Improvement District No. 1 and the assumption of its debts, obligations, liabilities and assets by the Douglas County Lake Tahoe Sewer

Authority, including the bond; authorizing the execution of the revised form of the bond; and providing other related matters

District Controller, Paula East-Janicki, explained that these four agenda items involved simply updating the name of the Authority on its contracts with the State Revolving Loan Fund based upon the 2017 legislation creating the Authority and its assumption of all debts, obligations, liabilities and assets of the Douglas County Sewer Improvement District No. 1. Following a brief discussion among the Directors it was agreed that the four agenda items would be acted on together. **It was moved by Director Rice and seconded by Director Vogt that the proposed amendments to the State Revolving Loan Fund Contracts CS32-0502 and CS32-0711 and Nevada Sewer Revenue Bond, Series 2006 and Series 2007 be approved as presented.** Acting Chairman McDermid opened the floor to public comment. There was no public comment. **The motion was carried, 4-0.**

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 the export pipeline isolation valves located at the plant will be replaced at the time that the effluent export main is offline for the Muller Lane realignment work to be completed.

Mr. Hopkins indicated that the Authority supplier of sodium hypochlorite notified staff that prices would be increasing by 14%. Through some price comparisons, Mr. Hopkins has located a new supplier that will result in an annual savings of $5,300.

Mr. Hopkins reported that staff has recently been experiencing problems at the plant related to dissolved grease in the treatment process. Mr. Hopkins explained that the problem, which has been experienced in the past, is likely the result of products used by food establishments to clean grease traps. Mr. Hopkins indicated that pursuant to the Authority's ordinance, all commercial food service establishments will be notified that it is unlawful to treat grease interceptors. Mr. Hopkins also indicated that he was working with other treatment entities, like Incline Village General Improvement District, that are experiencing similar issues.

With regard to the Plant Automation Project, Mr. Hopkins indicated that only minor punch-list items remain to be completed. Finally, Mr. Hopkins indicated that he would be attending a meeting with representatives of the Nevada Division of Environmental Protection (NDEP) with regard to the effluent force main failure that occurred in September 2017.

ENGINEER'S REPORT:

A. General Projects Status Report

In addition to his participation in the Manager's Report, the Authority Engineer, Rob Anderson presented correspondence dated February 20, 2018 summarizing four issues that R.O. Anderson Engineering has been involved with on behalf of the Authority. The four issues are 1) Authority Engineering Services; 2) Main Pump Station Storage Capacity Improvements; 3) DCSID/STPUD Intertie; and 4) Muller Lane Force Main Realignment. The February 20, 2018 correspondence is incorporated in these minutes by this reference.

Mr. Anderson indicated that he and Jonathan Lesperance of his office would be attending the upcoming meeting with NDEP officials regarding the export force main failure. Mr. Anderson reported that NDEP officials have been very cooperative and complimentary in regard the Authority's response to the line failure.

Mr. Anderson reported that his staff was continuing its work with Authority staff to correlate RHGID flow meter data. Mr. Anderson reported that recoating of the plant effluent tanks has been completed. Mr. Anderson also stated that the annual NDEP discharge monitoring report was recently completed and that his staff worked with Authority staff on the annual bio-solids report.

Mr. Anderson indicated that the STPUD intertie was now complete. With regard to the Muller Lane force main realignment, Mr. Anderson reported that cold temperatures have delayed the project because it needs to be warm enough to dispose of the effluent on the nearby agricultural fields.

In response to a question from Trustee Vogt regarding additional billings to KGID, Ms. East-Janicki explained that the additional billings were the result of the actual flow calculation showing that the flows from KGID were actually greater than estimated. Mr. Anderson indicated that some of the increased flows are likely the result of storm water runoff infiltration into the sewage collection system. Mr. Hopkins added that precipitation has a significant effect on flows because of infiltration to the collection system. Mr. Anderson said that although reducing infiltration can be costly, at some point it may be necessary to undertake some improvements in this regard.

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

ATTORNEY'S REPORT:

A. General Status Report

Other that what he had contributed earlier in the meeting, the Authority's Attorney, Jim Cavilia had nothing additional to report. Acting Chairman McDermid 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 the initial mediation session with the contractor and manufacturer took place on January 31, 2018 and the parties are scheduled to continue discussions on March 30, 2018. Acting Chairman McDermid 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 presented the board with a spreadsheet showing actual expenses compared to budget for the current fiscal year. Ms. East-Janicki reported that operating expenses are approximately 2.28% over budget. Ms. East-Janicki also reported that Tahoe Basin Container, the hauler of biosolids for the Authority, indicated that prices will be increasing in April 2019 as the price will be the same ($364) whether one bin or two are being hauled. This could result in increased costs of as much as $20,000 per year. Ms. East-Janicki indicated that she would look into other options, but that it would likely be necessary to enter into a one-year extension with Tahoe Basin Container. In response to a question from Trustee Rice, Mr. Hopkins indicated that he would likely only call for removal when two bins are full in order to keep costs down.

Ms. East-Janicki explained that under the legislation establishing the Authority, Douglas County is no longer required to do the Authority's in-district billing with the County's property tax billings. Ms. East-Janicki indicated that she is having accounts receivable software installed to do these billings and that it will increase the Authority's costs in having to deal with the billings and payments. During a general discussion of billing and collections, Ms. East-Janicki confirmed that the County had billed for Authority services through June 30, 2018 and that the number of "in-authority" users total approximately 780 residential properties and 50 commercial users.

Ms. East-Janicki reported that she planned to have the proposed budget ready to be reviewed at the Board's next monthly meeting and that the Board's May meeting should be scheduled for May 23rd in order to adopt the budget at that time.

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

B. Discussion, report of funds transferred and possible action to transfer additional money from the General Fund to the Construction Fund for payments toward ongoing District Development Plan projects

Ms. East-Janicki provided the Board with a written summary of amounts in each of the funds and the anticipated needs related to ongoing projects. Based upon current and upcoming construction expenses, Ms. East-Janicki recommended that up to $300,000 be authorized for transfer, as necessary, from the General Fund to the Construction Fund. Acting Chairman McDermid opened the floor to public comment regarding the matter. There was no public comment. Following a brief discussion among the Trustees, **it was moved by Acting Chairman McDermid, seconded by Trustee Vogt and carried, 4-0, that up to $300,000, as needed, be transferred from the Authority General Fund to the Construction Fund.**

C. Designation of Auditor for Current Year's Financial Audit

Ms. East Janicki recommended that Grant Thornton be designated to conduct the Authority's financial audit for the current year at the cost of $47,250, which is an increase of 5% over last year. Acting Chairman McDermid opened the floor to public comment regarding the matter. There was no public comment. Following a brief discussion about considering different auditors in the futures, **it was moved by Acting Chairman McDermid, seconded by Trustee Thompson and carried, 4-0, that Grant Thornton be designated to complete the Authority's financial audit for the price of $47,250.**

D. Investment Report

Ms. East-Janicki presented the Board with a summary of the District's investments, totaling approximately $9 million.

Acting Chairman McDermid 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. Acting Chairman McDermid opened the floor to public comment regarding the matter. There was no public comment. It **was moved by Trustee Vogt, seconded by Trustee Rice carried, 4-0, that the claims be approved as presented.**

PUBLIC COMMENT:

None

ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:15a.m.

APPROVED

4811-1184-9055, v. 1

DOUGLAS COUNTY LAKE TAHOE SEWER AUTHORITY
Staff Report

Subject / Title:

District Manager's Monthly Report – FEBRUARY, 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. The Annual Discharge Monitoring Report, Biosolids Report and Flow Report have been generated by Authority Engineer R.O. Anderson staff and submitted to the Nevada Division of Environmental Protection and to the EPA.

2. The Temporary Discharge Monitoring Report for December 2017 for the Muller Force Main Relocation Project has been submitted to the NDEP.

3. Tie-in of the new section of force main at Muller Lane is expected to take place the week of February 26th, 2018. Details may be provided in the Authority Engineer's report. Photo attached.

4. Authority staff is preparing to replace aging and difficult to operate Export Pump isolation valves in the Effluent Export building during the period in which the Effluent Export Force Main is off-line during to accomplish the Muller Lane Force Main tie-in work. This project will replace valves that are over 50 years old and past their reliable useful life.

5. Thatcher Chemical, provider of 12.5% Sodium Hypochlorite solution to the Authority, notified staff of a 14% price increase in product for 2018. The price increase moved the cost per gallon from $1.09 to $1.24. Authority staff researched other large scale chemical providers in the area and requested price quotes on Sodium Hypochlorite. Olin Chemical offered the Authority the lowest price of $0.95 per gallon delivered. Changing vendors from Thatcher to Olin is estimated to save the Authority about $5,300.00 annually based on 2017's consumption numbers.

6. The Authority Wastewater Reclamation Plant has begun seeing a sharp increase in dissolved colloidal grease in the plant influent flows. This problem is the same one we had last year around the Holidays in 2016, when we believed that an unknown bacteriological or enzymatic kitchen degreasing product was the most likely culprit. Unfortunately, the problem is more severe than the year previous. Authority staff has been conducting inspections of area Food Service Providers to pass on our concerns.

   The issue is urgent and presents a threat to permit compliance, and therefore the Authority has issued formal notice under Ordinance 2003-1 Subsection 5.02 to prohibit

pre-treatment of grease interceptors with any product designed to break down fats, oils and greases. Staff has been discussing possible technical solutions with Incline Village G.I.D., which has been having similar problems with fine colloidal grease recently as well.

7. Minor punch-list items related to the Plant Automation project are being worked out, and the project is near completion.

8. Authority and R.O. Anderson staff will be attending a Show Cause meeting with the Nevada Division of Environmental Protection on February 28th, 2018. This fact-finding meeting is related to the Export Force Main failure that occurred after repeated power failures in September, 2018. It is the Authority's position that the proximate cause of the failure was the poor power quality coming in to the Plant after NV Energy's substation suffered a catastrophic fire the week prior to the failure. Authority personnel have since put measures in place to assure full shut-down of the Export Pumps upon loss of quality line power, and we will be installing pressure transducers that will detect and send alarms to staff if the Export Force Main loses pressure. This work will be completed coincident with the Muller Lane Force Main Relocation project.



R O Anderson

February 20, 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 – February 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 January 17, 2018. During this period, we participated with Authority personnel in the following areas:

1) Authority General Engineering Services
2) Main Pump Station Storage Capacity Improvement Project
3) DCSID/STPUD Intertie
4) Muller Lane Force Main Realignment

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

Authority 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 actively participated in the following specific tasks:

- Export Force Main Breach: NDEP recently issued a Finding of Alleged Violation (FOAV) and Order regarding the rupture of the Effluent Force Main (EFM) in September. The Order required specific detailed responses to each of six items. We provided our recommended response for each item to DCLTSA for review and approval. Upon finalization of the FOAV response we submitted the report to NDEP and coordinated with DCLTSA staff, legal counsel, and NDEP for scheduling the required Show Cause meeting for February 28.
- RHGID Flow Meter data review: We assisted DCLTSA retrieve, review, and prepare the RHGID meter data for the remainder of 2017 so that it could be included in the upcoming flow report. This data continues to be of good and consistent quality and it is our recommendation that DCLTSA continue to retrieve and review this data and, ultimately, rely on it for billing purposes. In

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advancement of this effort, we coordinated with Authority staff to provide a list of data and examples of metering information to Tesco for incorporation into DCLTSA's SCADA system.

- Effluent Tank Re-coating: The Contractor (Farr Construction dba Resource Development Company) has satisfactorily completed all work and contract closeout paperwork. We have just processed the Contractor's request for final payment and have recommended to DCLTSA to make final payment including the release of the 10% retention.

  The project's final financial status is now:

Original Contract Price	$ 287,000.00
Net Change by Change Orders	$ 0.00 (0%)
Current Contract Price	$ 287,000.00
Work Completed and Stored to Date	$ 287,000.00 (100%)
Remaining Work to be Completed	$ 0.00

  The 11-month warranty inspection of Tank 1 will be scheduled to be completed in advance of November 16, 2018 and will likely be performed by Bay Area Coatings Consultants, the specialized coating inspection company that has performed the past inspections, along with Authority staff and ROA representatives. Following any corrections required by the inspection Tank 1 will be placed back into operation and the cathodic protection system will then be energized.

- Annual Monitoring Reports: The annual NDEP Discharge Monitoring Report (DMR) for DCLTSA and Park Ranch as an effluent user were completed and submitted in advance of the January 28 NDEP deadline. We also completed, with assistance from DCLTSA staff, the online submittal process for the annual bio-solids report due to EPA on February 19.

- Annual Flow Report: We have initiated the data requests for information needed to complete the 2017 analysis and report. The bulk of the work for this task will be completed in the upcoming two weeks.

Pump Station Storage Capacity Project: Since the last Board meeting, we assisted the Authority's District Manager and Counsel prepare for the mediation meeting. I was also present during the mediation. Given the nature of this item, I will defer any further discussion of that meeting to Authority's Counsel, Mr. Cavilia.

R O Anderson

DCSID/STPUD Intertie: We issued our construction completion letter to Douglas County. This project is now closed out.

Muller Lane Effluent Force Main Relocation: During this period, we have obtained NDOT approvals for various extended work times requested by the Contractor (White Rock Construction), performed site visits to observe construction, reviewed and responded to Requests for Information (RFIs), and reviewed Certified Payroll. We also worked with the Contractor to make a field change to address a conflict with actual utility locations as found during construction. The bore work (Contract A) was completed on February 5th with the successful completion of the required pressure test. The connection work (Contract B) is currently ongoing. The export force main shut down and physical connections to the existing pipe is scheduled for February 26th and will last approximately five (5) days. Coordination with representatives of NDEP and NDOT has been ongoing throughout both contracts.

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, P.E., W.R.S., CFM
Principal Engineer

Attachments

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

GENERAL STATUS REPORT – February 21, 2018

General Status Report

I have given you a Budget to Actual spreadsheet which shows that we finished December 2.28% or $38,600 over budget. Since we expended almost $55,000 in emergency repairs for the effluent line breaks, we're on track with the rest of the budget .

Per Board approval last month, I prepared and submitted the State Revolving Loan Fund Pre-Application for the Aeration Basin project.

I was contacted by Terry Trease, the Controller at Tahoe Basin Container a couple weeks ago. Our contract with them expires on April 1, and they wish to renew it on a yearly basis. They have been charging $176 .50 per bin since 2012. Their new rate, upon renewal, will be $182 per bin, however effective in April 2019 they will begin charging the same for one bin as two, or $364 per trip. This would increase our biosolids hauling costs by approximately $20,000 per year. Next month, I will request that we renew the contract for one year. We have always considered them a sole-source provider, but we are now considering some other alternatives for the following year.

The Douglas County Treasurer, Kathy Lewis, has informed me that the County will no longer be doing our billing as part of the property tax assessment. NRS 309 required that they do it, but our new formation at DCLTSA does not require it. I asked if they would consider doing it on a contract basis and was told they would not. Therefore, I have installed the Accounts Receivable

module to our software accounting package and am going through the tutorials on how to set it up. Besides taking a significant amount of staff time, this change will also increase postage, banking and supply costs for the coming year. Instead of processing 12 checks yearly from the County, we will be processing approximately 3,300 payments. It is critical that it all be in place prior to June 30, to ensure cash flow requirements.

Next month, I will be submitting the tentative budget for Board approval. The final budget will need to be approved sometime between May 21 and May 31st, per Department of Taxation regulations. Therefore I would suggest Wednesday May 23 at that month's meeting.

Designation of Auditor:

Kara Griffin from Grant Thornton has given me a proposal to do the audit for the current year for $47,250. That is a 5% increase over last year. I requested one, two and three year pricing but she was only firm on the one year. If there are no objections, I would request a motion to approve Grant Thornton as the designated auditing firm and I will notify the Department of Taxation.

Claims:

I sent you copies of the check register and wires sheet for the period of December to mid-January. If there are no questions about those, I would ask that the Treasurer sign them and return them to me for my records.

Transfer of Funds from the General Fund to the Construction Fund

I sent out the Construction Fund Inflows and Expenses spreadsheet with the Board packet. We paid almost $90,000 in construction fund expenses since the last board meeting. I have not yet transferred the $175,000 previously authorized but depending on the timing of the Muller Lane Pipe Laying, there could be almost $617,500 due before the next meeting. Therefore, I would request that the Board authorize me to transfer an additional $300,000 from the general fund to the Construction Fund in order to meet those expenses. That should be the end of the transfers for the fiscal year. We will have $250,000 in construction fund special assessments coming in over the next couple months, and the planned projects are just about completed.

Investment Report:

$8,900,000.