MINUTES OF THE REGULAR MEETING OF
BOARD OF DIRECTORS OF
DOUGLAS COUNTY SEWER IMPROVEMENT DISTRICT NO. 1
August 16, 2017

CALL TO ORDER:

The Regular Meeting of the Board of Directors of the Douglas County Sewer Improvement District No. 1 duly convened at 9:30 a.m. on Wednesday, August 16, 2017 at the Wastewater Treatment Plant, Stateline, Douglas County, Nevada.

ROLL CALL:

Present was Director Mike Bradford. Director Steve Johnson was present via telephone connection by which he could hear everyone at the meeting and everyone could hear him.

RECOGNITION OF OTHERS IN ATTENDANCE:

In attendance were District Manager Rob Hopkins, District Controller Paula East-Janicki, District Engineer, Rob Anderson and the District's attorney, James Cavilia. Representatives of Kingsbury General Improvement District (KGID), 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.

APPROVAL OF AGENDA:

It was moved by Chairman Bradford, seconded by Director Johnson and carried 2-0 that the agenda as noticed be approved and adopted.

MINUTES OF PRIOR MEETING:

It was moved by Chairman Bradford, seconded by Director Johnson and carried 2-0 that the minutes of the Regular Meeting of July 19, 2017 be approved as presented.

A short recess was taken.

Discussion and possible action regarding 2017 Nevada legislature and legislation related to governance of Douglas County Sewer Improvement District No. 1 and NRS Chapter 309, including next steps to ensure a smooth transition from Douglas County Sewer Improvement District No. 1 to new entity, Douglas County Lake Tahoe Sewer Authority by October 1, 2017.

The District's legal counsel, Jim Cavilia, provided the Board with a summary of recent activities related to the transition to the Douglas County Lake Tahoe Sewer Authority (DCLTSA), indicating that the Douglas County Board of Commissioners had appointed Nancy McDermid to the Board of Trustees of DCLTSA. Additionally, Mr. Cavilia notified the Board that the Internal Revenue Service (IRS) had recently acknowledged the transition to the DCLTSA and formally changed the name of the entity in the IRS records.

A brief general discussion took place about the organization of the Board of Trustees of DCLTSA and the appropriate date for the first meeting of that board. Mr. Cavilia explained that it was not required that the meeting take place on the third Wednesday of the month as regular meetings of DCSID have been established. Based upon the comments of those in attendance, including three of the new Trustees, it was tentatively agreed that the first meeting of the DCLTSA Board of Trustees would be scheduled for October 11, 2017.

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

Discussion of bids received for construction of Automated Sampling Project and possible award of contract to K.G. Walters Construction in the amount of $444,000.

Mr. Hopkins reported that two bids were received for the Plant Automated Sampling Project that will allow the plant to be operated without 24-hour staffing. Mr. Hopkins indicated that the low bid was $444,000 from K.G. Walters and that he was recommending that the contract be awarded based upon the District's previous experience with the contractor. Director Johnson expressed his support for awarding the project based upon experience with K.G. Walters. Chairman Bradford agreed and described how accommodating K.G. Walters was in completing the work related to the Main Pump Station and the problems with the pump manufacturer.

During the discussion of this matter, Director Koster arrived at the meeting.

Following comments from the Directors, **it was moved by Director Johnson and seconded by Chairman Bradford to award the contract to K.G. Walters as recommended by Mr. Hopkins.** Chairman Bradford opened the floor to public comment regarding the matter. Janet Murphy of TDD and Cam McKay of KGID each indicated that they have had good experiences in working with K.G. Walters. **The motion was approved unanimously.**

DISTRICT MANAGER'S REPORT:

A. General Status Report

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

Mr. Hopkins reported that the four initial Trustees of DCLTSA had now been appointed and that tours for two of the four had been scheduled. Mr. Hopkins explained that the tours would include a description of the District's treatment process from inflow through treatment and export. Mr. Hopkins also indicated that he was preparing a summary of ongoing and planned projects for the new trustees.

Mr. Hopkins stated that he had recently conducted a tour of the District's treatment facility for residents of Lake Village. Mr. Hopkins indicated that the tour was successful and that he spent some time explaining the actions the District takes to control odors from the plant.

Mr. Hopkins indicated that he had recently met with personnel of R.O. Anderson Engineering regarding the relocation of a portion of the effluent export force main in the Carson Valley and the inclusion of an isolation valve as part of that project.

With regard to the proposed Sierra Colina project, Mr. Hopkins reported that design changes have been made that will allow the District to accept the sewer improvements if constructed as designed. Mr. Hopkins explained that the design now meets modern, accepted standards.

Mr. Hopkins reported that he and Rob Anderson recently participated in an inspection of the Underground Emergency Storage facility together with representatives of the contractor and its insurance carrier.

With regard to the South Tahoe Public Utility District (STPUD) Intertie Project, Mr. Hopkins reported that he participated in a conference call to discuss completion of the project. Mr. Hopkins explained that final completion has been delayed some because of STPUD staffing issues, but that generally the project has gone very well.

Finally, Mr. Hopkins reported that the District's discharge reports had recently been submitted to the Nevada Division of Environmental Protection (NDEP).

Chairman Bradford opened the floor to public comment regarding the matter. Cam McKay of KGID indicated that he understood that there had recently been additional revisions to the Sierra Colina utility plans, but he was not aware if the changes included modifications of the sewer plans. There was no additional public comment.

ENGINEER'S REPORT:

A. General Projects Status Report

In addition to his participation in the District Manager's Report, District Engineer, Rob Anderson presented correspondence dated August 15, 2017 summarizing three issues that R.O. Anderson Engineering has been involved with on behalf of the District. The three issues are 1) District Engineering Services; 2) DCSID/STPUD Intertie; and 3) Muller Lane Force Main Realignment. The August 15, 2017 correspondence is incorporated in these minutes by this reference.
Mr. Anderson indicated that the improvements related to the Edgewood Lodge project were being inspected and were very close to being finally accepted. Re-coating of the second effluent storage tank at the plant is scheduled to begin after Labor Day. With regard to the STPUD Intertie Project, Mr. Anderson reported that the project was 95% complete with only some controls to be completed.

Mr. Anderson indicated that easement work necessary for force main realignment at Muller Lane was nearly complete. In response to an inquiry from Chairman Bradford, Mr. Anderson indicated that the monitoring equipment for the Bently Reservoir would be installed in November when the reservoir is drained. Mr. Hopkins indicated that he was considering various options for the storage of effluent at the time.

Chairman Bradford opened the floor to public comment regarding the District Engineer's general report. There was no public comment.

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

Mr. Anderson provided the Board with correspondence summarizing the District's claim based on the failure of the underground storage tanks. Mr. Anderson explained that additional deflection and leaks were discovered in the most recent inspection of the tanks. Following that inspection, correspondence was received from the contractor's insurance carrier indicating that the carrier's belief is that the failure is a design issue and not the responsibility of the contractor. Mr. Anderson provided the Board with a detailed explanation of the failure and its cause. In response to some questions from the Directors, Mr. Anderson indicated that information from the product manufacturer and all other available information indicated that the product was appropriate for this use. Mr. Anderson also expressed his opinion that the modifications undertaken by the contractor without the District's approval likely contributed to the failure.

Finally, Mr. Anderson indicated that the construction contract provides for the project engineer (Anderson) to be the initial arbiter of claims under the contract. Mr. Anderson indicated that he would complete his review in accordance with the contract, despite a request from the contractor's counsel that he not be involved because of his participation in the design. Mr. Anderson explained that his decision would be finalized in September.

Following a brief discussion of the mediation/arbitration process, Chairman Bradford opened the floor to public comment. Cam McKay of KGID had a question about the arbitration process. Darya Vogt of KGID asked about the District's history of disputes with contractors. Natalie Yanish of KGID asked a question about the contract and insurance coverage. There was no further public comment.

ATTORNEY'S REPORT:

A. General Status Report

Other that what he had contributed earlier in the meeting, the District's Attorney, Jim Cavilia had nothing additional to report. Chairman Bradford opened the floor to public comment regarding the matter. There was no public comment.

DISTRICT CONTROLLER'S REPORT:

A. General Status Report

District Controller Paula East-Janicki presented the board with a spreadsheet showing actual expenses compared to budget for the last fiscal year. Ms. East-Janicki explained that expenses were $118,700 or 4.7% over budget with $91,000 of that amount being legal fees as the result of the actions of Douglas County and the legislative process. Ms. East-Janicki indicated that the District's annual audit was set to begin on September 5th.

Chairman Bradford thanked Ms. East-Janicki for the information and opened the floor to public comment. 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 the South Tahoe Public Utility District Intertie project.

Ms. East-Janicki explained that the District's Construction Fund balance is currently $398,000 with anticipated expenses of approximately $300,000 for the STPUD Intertie Project. Based upon the current balance and anticipated expenses, Ms. East-Janicki indicated that it was not necessary to transfer any funds at this time.

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

Investment Report

Ms. East-Janicki presented the Board with a summary of the District's investments, totaling approximately $9,264,000 in Certificates of Deposit and savings. Ms. East-Janicki indicated that the average CD interest rate was currently 1.51%.

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

APPROVAL OF CLAIMS:

The claims presented were reviewed and approved by Director Koster on behalf of the Board.

PUBLIC COMMENT:

None

ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:05 a.m.

John Koster, Member

APPROVED

Steve Johnson, Member

4811-5668-8463, v. 1

DOUGLAS COUNTY SEWER IMPROVEMENT DISTRICT #1
Staff Report

Subject / Title:

District Manager's Monthly Report – August, 2017
A. General Status Report

Staff Recommendation:

None. This is an informational item only.

Discussion/Report:

This item is regularly agendized to afford the District Manager the opportunity to update the DCSID Board of Directors on select activities over the previous month.

1. On July 20th, 2017, District Manager Hopkins and DCSID Special Projects Coordinator Bob Cook attended the Douglas County Board of County Commissioners meeting in order to greet and welcome Nancy McDermid as the Douglas County representative appointed to the new Douglas County Lake Tahoe Sewer Authority. The DCLT Sewer Authority Board now consists of: Wes Rice representing Round Hill GID, Grant Thompson, representing Tahoe-Douglas District, Darya Vogt as the appointed representative for Kingsbury GID, and Nancy McDermid will represent Douglas County. Welcome aboard!

2. Familiarization tours of the Wastewater Treatment Plant and major pumping stations have been coordinated for Directors Rice and McDermid. Tour times for Directors Thompson and Vogt are still pending at the time of this writing.

3. District Manager Hopkins and DCSID Lead Operator Fred Howard conducted a tour of the Wastewater Treatment Plant for three residents of the Lake Village HOA. This tour was offered to these residents after DCSID received an odor complaint from one Lake Village resident. This tour was intended to serve as an opportunity to educate local residents about how the Treatment Plant functions and the challenges we face, dealing with everything from maintaining water quality to odor control. The tour was very well received.

4. District staff and personnel from District Engineer R.O. Anderson met to discuss construction plans and timing related to the upcoming relocation of the Effluent Export Force Main at Brockliss Slough and Muller Lane in the Carson Valley. Work is anticipated in October and November, 2017. Further details contained in the Engineers Report.

5. DCSID staff met with District Engineer R.O. Anderson personnel to discuss final design changes needed to the Sierra Colina project sewer collection system plan

sets. All changes requested by DCSID / R.O. Anderson have been made and plan approval has been issued for the subject project.

6. District staff coordinated and attended another entry and inspection of the leaking Underground Emergency Storage Tank system located on Elks Point road. This inspection was scheduled at the request of staff from Travelers Insurance. Staff from Aspen Developers, DCSID, Travelers Insurance and District Engineer R.O. Anderson all participated in the entry and inspection of the tank system. Further details contained in the District Engineers report.

7. A conference call / meeting between District staff, District Engineer R.O. Anderson personnel, Tesco Controls and staff from the South Tahoe Public Utility District was held August 8th. The primary focus of the meeting was to coordinate the SCADA and Telemetry portion of the work needed to complete the DCSID / STPUD Sewer Intertie Project. This work is primarily centered on valve controls and alarm system protocols. A status update on this project is covered in the Engineers Report.

8. The Wastewater Treatment Plant 2nd Quarter 2107 Discharge Monitoring Report has been submitted to the Nevada Division of Environmental Protection.

R|O|Anderson

July 17, 2017

Via E-mail

Board of Directors
DOUGLAS COUNTY SEWER IMPROVEMENT DISTRICT NO. 1
P.O. Box 578
Zephyr Cove, NV 89448

District Engineer's Monthly Report – July 2017

Dear Members of the Board:

The following report presents a summary of activities undertaken on behalf of the District since our last meeting on June 21, 2017. During this period, we participated with District personnel in the following areas:

1) District Engineering Services
2) MPS Storage Capacity Improvement Project
3) DCSID/STPUD Intertie
4) Tahoe Beach Club
5) Muller Lane Force Main Realignment

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

District Engineering Services: R.O. Anderson Engineering, Inc. (ROA) assisted and participated with District personnel on various engineering-related assignments including: participation in project coordination meetings and phone calls with District 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:

- Sierra Colina Plan Review: Upon receipt of the Board's determination to require the proposed sub-standard sewer lines to be privately maintained, the Owner/Design Engineer decided to redesign their sewer collection system to a more standard design. Since the Board's meeting, the District has received and we have reviewed and commented on two additional plan submittals from the Design Engineer. Presuming the Design Engineer (ultimately) complies with District's comments, and the pipelines are constructed in accordance with the design drawings, we expect that the District will be able to accept the expanded collection system for maintenance.

- Plant Reservoir Accumulated Run-off: We have been assisting the District Manager with NDEP communications in response to DCSID's request to discharge (empty) the accumulated run-off into the downstream channel to reclaim capacity for emergency effluent storage. Based on these efforts, it is probably infeasible to meet NDEP's requirements for proceeding in that manner; however, we are still pursuing one last line

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of questioning. In the meantime, DCSID has begun to bring this water to the plant for processing to free up storage capacity for this purpose. I expect Mr. Hopkins will update the Board on their progress in these efforts.

MPS Storage Capacity: The District issued its claim substantiation letter on June 26, 2017. The contractor has been notified that they have 30 days to respond (on or before July 26, 2017).

Last week we received a telephone call from the Contractor's insurance company, Travelers, indicating that the claim has been submitted to them and that they wish to conduct their own engineering investigation. Late last week I received an e-mail from their adjuster who has requested a conference call at a mutually convenient time next week for the purpose of establishing a date for the requested inspection by their engineer. Mr. Hopkins and I have coordinated our respective schedules and we are now awaiting them to select the preferred date and time of this proposed call.

DCSID/STPUD Intertie: We are very pleased with the work and cooperation of the Contractor, White Rock Construction (WRC). Thus far they have been diligent, cooperative, and fair throughout the course of construction, with respect to both the work in the original contract and with resolving field conflicts as they arose. The contract is now about 95% complete. All underground work has been successfully completed and the contractor has demobilized. There is still an electrical component to the project that must be completed; however, the Contractor cannot proceed until the Tesco communication work is complete, which is being performed directly for DCSID (not in WRC's contract). We expect Tesco will be finished in mid to late August at which time the Contractor will complete the remaining items.

One additional change order (#2) has been formally processed in an amount of $83,697 for impacts to the Contractor resulting from field conflicts and most significantly, additional dewatering costs ($73,200). The additional dewatering cost was calculated in accordance with the lineal foot unit cost as agreed to in the contract.

The second Application for Payment has been received and processed. The project's current financial status is:

Original Contract Price	$ 915,600.00	
Net Change by Change Orders	$ 89,082.00	(9.7%)
Current Contract Price	$ 1,004,682.00	
Work Completed and Stored to Date	$ 949,782.00	(95%)
Remaining Work to be Completed	$ 54,900.00	

This project was approximately 95% complete as of the date of the last application for payment. As allowed by the contract, the District has retained 5% or $47,489.10 from the payments to the Contractor.

In addition to administering this contract, we have also expended efforts coordinating with both NV and CA power companies regarding overhead pole protection, the geotechnical engineer for field testing, and Tesco, the controls integrator. We also continue to perform as necessary, coordination with STPUD, site visits and certified payroll review in both NV and CA

Tahoe Beach Club: Since the Board's formal decision regarding this matter, we have not heard any additional feedback from the representatives of the Tahoe Beach Club. I suspect Mr. Hopkins will update the Board about the progress and status of their dewatering efforts.

Muller Lane Effluent Force Main Relocation: We are just about finished with revising the contract documents to accompany the revised drawings for the two contracts: boring and general construction. We will be following up with Mrs. Gail Teig regarding approval of the easement, as well as initiating work on the construction permit applications. Following discussion with NDEP regarding emptying as much effluent as possible from the pipeline onto the Park Ranch fields to facilitate construction, we completed a temporary discharge application. We are hopeful that representatives of NDEP will approve a one-time land application of effluent outside of the standard irrigation season to allow a more advantageous timeframe for the construction in late fall.

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 – August 16, 2017

- **General Status Report**

  I have given you a Budget to Actual spreadsheet which shows that, we finished the last fiscal year approximately 3.7% over budget, or $118,700. Of that overage, $91,000 was legal fees incurred due to the County's actions and subsequent legislature.

  The fiscal year audit begins on September 5, and is expected to last for 4 days.

- **Transfer of Funds From the General Fund to the Construction Fund**

  At the current time, the Construction Fund has a balance of approximately $398,000. Expenses between now and the next Board meeting are expected to be approximately $300,000 for the final payment on the Intertie, the Auto Sampling project and engineering fees on the Underground Storage Leak and Muller Export Line relocation. Therefore, I don't anticipate needing to transfer additional funds between now and September 20.

  Investment Report

  The District's investments still total a little more than $9,264,000. As I indicated before, those investments are spread out over investment accounts in LGIP and Wells Fargo, and laddered CD's.

Three CD's matured since the last meeting. They were previously invested at 1%, 1.1%, and 1.2%. I was able to reinvest them at 1.85% for one and 1.9% for the other two. That brings the average interest on the CD's to 1.51%.

There is a list of the current CD's and a ledger sheet on the table indicating the spread of investments.