



**SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT (STMGID)
LOCAL MANAGING BOARD**

Local Managing Board

Steve Cohen, Chairman
Gerald Schumacher, Vice Chairman
E. Sue Saunders, Secretary
Ellen Allman, Member
Gary Tavernetti, Member

Board of Trustees

Bob Larkin, Chairman
Bonnie Weber, Vice Chairman
David Humke, Member
Kitty Jung, Member
John Breternitz, Member

Minutes of the special bi-monthly meeting of the South Truckee Meadows General Improvement District, Local District Managing Board, held, December 6, 2012, at the Commission Chambers, 1001 East 9th Street, Reno, Nevada

STMGID Local Managing Board members present:

Steve Cohen
Gerald Schumacher
E. Sue Saunders
Ellen Allman, Late
Gary Tavernetti

6:30 p.m. Monthly Meeting

- 1. Determination of quorum. (non-action)** – We do have a quorum – 6:30 p.m.
- 2. Approve Agenda for the LMB meeting of December 6, 2012. (for possible action)**
Secretary Saunders moved to approve the agenda for December 6, 2012, Vice Chairman Schumacher second with the recommendation of tabling item 10 and Secretary Saunders approved the table. The motion carried unanimously.
- 3. Approve minutes for the LMB meeting of November 1, 2012. (for possible action)**
Secretary Saunders moved to approve the minutes from the LMB meeting of November 1, 2012. Vice Chairman Schumacher seconds the motion. The motion carries unanimously.
- 4. Public Comment. Comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the LMB agenda. The LMB will also hear public comment during individual action items, with comment limited to three minutes per person. Comments are to be made to the LMB as a whole. (non-action)**

There was no answer to Chairman Cohen's call for general public comment

- 5. Discussion, direction to staff, and possible recommendation to the STMGID Board of Trustees regarding**
Dale and Jacque C Lowery Trustees well mitigation claim in the amount of \$11,000.00 – 12520 Westridge Drive APN 162-043-21 (for possible action)

Mr. Dwayne Smith, DWR – You have a staff report provided and cannot add any other information beyond the report and Mr. Lowery is in the audience tonight and may want to speak.

Mr. Dale Lowery – You have a statement of requests of \$11,670.57 and under the Mt. Rose-Galena Fan Mitigation Program allows for wells deepening up to 150 feet a compensation to property owners of \$9,961.00. This has already been laid out for that program. Although our property is not within the boundaries of the Mt. Rose-Galena Fan project we feel we have been unreasonably and adversely impacted by municipal pumping from both Well #1, which is first and Well 11 which was constructed after our subdivision. Once our well went dry, our neighbors went dry as well. The static water has been lowered by 39'. Since we are in the same area, we feel we deserve equal treatment.

Vice Chairman Schumacher – In your fee documentation, you list TMWA engineering and resources receipt. Was this an estimate for hoop up?

Mr. Dale Lowery - It would take approximately \$50,000 to hook up and now they just repave my street so it would be higher to hook up. Estimate \$60,000 - \$80,000 to get water to my property now.

Member Allman – How does this compare to mitigations we have done in the past? This is the first one that has not had a professional opinion from what was the well mitigation board. Has anyone in the group look at the well pumping vs drought vs normal age of well.

Mr. Dwayne Smith, DWR – No we did not look at those variables as it pertains to this particular request. We facilitate the request tonight there may be some further requests that could be done.

Chairman Cohen – I see that there is a reimbursement request for a hotel. We have not paid for hotel in the past.

Mr. Dwayne Smith, DWR – Since I have been involved in STMGID for the last 3 ½ years, we have not reimbursed for a hotel that I can recall.

Secretary Saunders – My time sitting on the well mitigation board we never did reimburse for a hotel in my recollection.

Public Comment

Mr. Dale Lowery – As far as the cost concerns, they total \$11,670.57 dollars and we are only asking for \$9,961.

Member Tavernetti – In the past we had a policy that it was a percentage of the costs. Are we opening a can of worms because they are outside the mitigation area?

Chairman Cohen – In the past we have relied on the well mitigation board. We are talking with the homes in the Callahan Ranch area and we are talking about whole different area. There are many well mitigations taking place all over the area.

Member Allman move to approve the mitigation amount of \$9,961 as requested by the customer, Vice Chairman Schumacher second. All in Favor, The motion carries unanimously.

6. Discussion and possible approval of a refund to C.B. Maddox for water connection privilege fees as a result of the reversion to acreage of the Wedge Meadows Unit 6 and Unit 7 residential development projects in the South Truckee Meadows (for possible action)

Mr. Dwayne Smith, DWR – Initially we looked at this because they paid both sewer and water fees. So we have looked at it from the Washoe County side for the sewer fees and evaluating that. The request to you tonight is for the water fees. Units 6 and 7 paid for water fees in 2006 and 2007 and there has been no improvement to the property and nothing developed on the property. CB Maddox has transferred the property to acreage thus cancelling the project. No treatment plant was constructed, no water pipes were built and no new wells constructed etc. The discussion within the county regarding the refund for the sewer system is still being worked on and I do not know the status. Pursuant to STMGID rates, tolls, charges, a refund in water service connection fees can be contemplated under Article 3.16 – Special Conditions.

Chairman Cohen – There have been no improvements made to the system and to provide water to the STMGID system. The county is still in discussion of refund for the sewer system.

Vice Chairman Schumacher – I understand that CB Maddox owns two other adjacent parcels, are they separate units and what is the status of those units. I would like to know what is happening with all the other vacant area surrounding these units.

Mr. Dwayne Smith, DWR – You have in front of you Unit 6 and Unit 7 and are mapped two separate projects that were reverted to acreage. They came in as two separate projects and when they reverted together which was a change to the size of the APN for consolidation which were two – five unit developments.

Public Comment

Malachy Horan – What is the connection fee for? When you build, you plan for many more connections to

recover the actual tie-ins. What you use the fee is for the actual tie in and all those fees you occurred in the past. How do you break this figure out? Secondly, what is the legal policy to give this money back? Are we legally obligated to give this money back?

Public Comment - closed

Member Allman – What is the total we are talking about \$66,519? I am not sure we have had this situation before.

Jerry what is the status of the strip which is for single family residence as far as connection I assume

Mr. Dwayne Smith, DWR – The policy for the Washoe County regarding a request for refund is verifying the project, verify who paid the fees and owns the property currently. In this case, the same person that paid the fees is still the owner. Our policy is that if it is over \$50,000 there is a cash refund and if over \$50,000 we provide credit.

Chairman Cohen – Follow up there are no infrastructure on the property. If we do a refund, later they decide to build they will have to pay the fees.

Mr. Dwayne Smith, DWR – Absolutely, they will also have to review the entire map and there are substantial fees for the developer to process.

Mr. Dan Magill, representing C.B. Maddox - This property was a part of a 142 lot residential subdivision developed 51 lots on the west side of Arrowcreek Parkway. We started planning for development on the east side. The property in question, was to be 10 single property units, since that time, the city of Reno annexed that property and rezoned it under the multi-use for Virginia street apartments. It was no longer going forward. We have not made any improvements, no grading, nothing has been done to the property. We did not ask for a refund because we were waiting for the development plans to change so we could develop it. We fully understand that it could cost more when that time comes.

Chairman Cohen – I feel a refund of this money will help slow growth.

Member Tavernetti – I rarely see a developer walk away from land and I want to make sure it is not going into another project.

Chairman Cohen – I know what you are saying however it is beyond this item on our agenda.

Member Allen – **I make a motion to approve \$28,500 and \$38,019 for water connection privilege fees result of the reversion to acreage of the Wedge Meadows Unit 6 and Unit 7 to C. B. Maddox. Chairman Cohen seconds the motion. All in Favor, The motion carries unanimously**

7. Discuss and possible recommendation to the Board of Trustees to authorize transference of STMGID Trustees from the current Board of Trustees to standing members of the Local Managing Board which first ordinance reading was presented at the Board of Trustees meeting on November 13, 2012 (for possible action)

Chairman Cohen – We asked the Washoe County Commissioners to hold off of the first reading. However they read the first reading at last month's meeting with the second reading scheduled on Tuesday. Some of my concerns were indemnity, insurance, and the fact that no one asked the newly elected local managing board members if they wanted to be a trustee. This is more for information and does not need to be a motion. The current trustees intend to make us trustees come Tuesday. Does anyone have any concerns and do not want to become a trustee? We currently receive \$200 dollars to attend this meeting. \$100 a meeting to represent STMGID at another meeting and I believe the cap is \$6,000 a year.

Vice Chairman Schumacher – This is a question for Rew Goodenow, it would not take effect upon the second reading, there has to be notification and publication of the readings of 30 days before it can take effect.

Mr. Rew Goodenow, Parsons, Behle & Latimer – That is correct. Assuming you accept the roll as trustee the swearing in will take place January 7, 2013.

Chairman Cohen – Following up, I understood the swearing in was to take place on January 7, 2013. We should ask, does anyone not want to be a trustee? Everyone agreed to be a trustee.

Public Comment

Mary Ann Williams – I am concerned why we are making changes right now and we should slow down and see if it is really necessary.

Bill Maggiora – The Trustees have over saw all new development that connected into STMGID even though they were DWR customers, they oversaw tie-ins that served both STMGID and DWR customers, they oversaw and managed DWR and other county employees that miss allocated up to \$4 million dollars of STMGID discretionary account, and they made a political decision that STMGID would need to isolate themselves from the rest of the system or merge with DWR and STMGID occur all the isolation costs. It does not seem like a good idea to ask for new people to decide STMGID's fate. The key question is why are we changing the LMB at this point in time?

Public Comment – closed

Chairman Cohen – We asked the trustees to hold off on the first reading based on the same concerns we just heard, the BOT disagreed and went ahead and had the first reading.

8. Discussion and recommendation from the Local Managing Board regarding application for Director & Officers Insurance upon transference of Trusteeship from the current Board of Trustees to the Local Managing Board (for possible action)

Chairman Cohen – This is why we asked for the Trustees to delay the reading so we could get some of these questions answered. When I had discussions regarding the trustees will fall under the counties insurance.

Mr. Rew Goodenow, Parsons, Behle & Latimer – This discussion will not touch the matters discussed in my memo. For the LMB, discuss what the public treatment of the members of the board of trustees for purposes of liability insurance and if this board would be treated similar as other boards authorized by statues. The basic proposition is that the board is authorized to buy additional insurance and protected by the statues that govern the activities regarding the public. If you have specific questions concerning aspects of your service, we can address those concerns privately.

Chairman Cohen – I was in contact with an insurance company and suggested that we may already be covered under the county policy.

Mr. Rew Goodenow, Parsons, Behle & Latimer – I refer you to the insurance agent for that discussion as that was what we were told when we discussed with the trustees. My advice is to confirm with the counties agent.

Chairman Cohen – After we are sworn in, I would put on the January agenda to discuss the exact coverage is and if we need to increase the coverage beyond what it currently is.

Public Comment – closed

9. Discuss Feasibility Study Option D merger proposal; including establishment of proposal conditions (for possible action)

Mr. Rew Goodenow, Parsons, Behle & Latimer – The BOT authorized us to continue negotiations with TMWA. I have circulated a term sheet which has been accepted by TMWA council. This is terms that will be discussed at the upcoming board meetings and are the same as what we have discussed. The terms are to keep the rates to remain the same in the event of a merger at the current STMGID rates. It prevents the STMGID customers to pay for the TMWA past borrowing that present forms the current TMWA rate. Secondly, triggering of the adjustment of former STMGID customers would consist of the current rate through the year 2035 or as determined by property transference and would not take effect when a new tenant takes position of a rental property. The next point is the use of cash that have been set aside for STMGID cash assets have been held for the purpose of construction of surface water conversion into the existing system. These funds would be held for the STMGID system and not somewhere else. Finally, as a proponent of the proposal, certain assets of STMGID not being used would get sold and cash distributed to the rate payers. The details of how this component would be done not be a part of the merger and be the BOT decision.

Chairman Cohen – This agreement will go to the TMWA board on December 12, 2013. The term sheet is

not a final agreement and a document will lay out every detail.

Mr. Rew Goodenow, Parsons, Behle & Latimer – That is correct. I have prepared a written document however is not ready to be signed at this point of time.

Chairman Cohen – Enforcement will be included in this document.

Mr. Rew Goodenow, Parsons, Behle & Latimer – Any agreement reached with TMWA will be enforceable.

Vice Chairman Schumacher – How are they handling the assets not used in the system? Lease rights?

Mr. Rew Goodenow, Parsons, Behle & Latimer – As a part of this document we are developing a list of assets that will be excluded from the post-merger. We are trying to identify all of those in the system.

Vice Chairman Schumacher - Jerry all that would fall out in the last sentence of the term sheet.

Member Tavernetti – This says final term sheet of TMWA/STMGID merger. What does final mean. When the county reads this, how much leeway do we have in changing some of these, because I have a very bad problem with one of these issues in here?

Mr. Rew Goodenow, Parsons, Behle & Latimer – As you are aware, this board does not have negotiating authority unless there is a change of trustees and recommendation from the trustees have been sought. I understand you have reservations on the item 2 trigger mechanisms and you prefer that the adjustments only take place only on the expiration of agreement of the 2035 date. Until the agreement has been approved by both boards, the terms are negotiable. I accept the direction of this board and the BOT for the recommendation of certain terms be alerted in the final document can be subject to TMWA approval. Whether they agree or not, I cannot answer. The terms before you we have agreed to take to the board and have been approved by the staff and council level. What their board will do, I do not know.

Member Tavernetti – If it does not bother the other board members here, could I join the meetings with TMWA to listen in as a board member? My concern is that we become the BOT, we are to stay with what decisions are made and I do not want to raise problems with TMWA.

Mr. Rew Goodenow, Parsons, Behle & Latimer – As many as the people have been interested are welcome.

Member Tavernetti – We could be in a serious problem if it is taken out of our hands and everyone's hands if it goes to legislations and forced to do whatever the state decides. I would like to go to these meetings and have some POW representatives to see what is going on and possibly prevent a problem that potential could happen. We need to discuss Option D and lots of people have expressed the concern. There needs to be opposition there to keep everyone informed and the terms are acceptable to them also.

Mr. Rew Goodenow, Parsons, Behle & Latimer – Understood

Chairman Cohen – I have the same concern; I understand the some of the terms are off the sheet.

Mr. Rew Goodenow, Parsons, Behle & Latimer – The term sheet reflects give and take; it is my best attempts to come with mutually agreeable. I cannot predict what the outcome however attendees' feedback is welcome.

Chairman Cohen – If we recommend to the BOT Option D, this term sheet is being presented Tuesday to the BOT and TMWA on Wednesday. If those things do get approved, it is acceptable to me to have Member Tavernetti sit in during the final contract negotiations.

Member Tavernetti – I have heard from the people and if we give STMGID the proper amount of money, we can work out of a term acceptable for our rate payers that will go up to 2035, the opposition will be happy to. Right now the opposition does not know what is going on. I would like to sit in and I have experience, would like to sit in, have representatives of the opposition to sit in and see that we are doing better for STMGID.

Public Comment

Mike Schuliwitsch – My first concern is that Option D was placed in a mailer without having an agreed term and conditions. What are the detail terms and conditions and is it binding? And why weren't the terms on the hand out for everyone to make a decision on? We are rushing this deal. As rate payers can we get a copy of this? How does Washoe County fit into this? Why are we concerned with fairness for DWR when by their actions, offers, and options they have shown that they were not considering fairness for STMGID? Whose rate will be used: TMWA less debt component or STMGID adjusted for % increase in TMWA rates? Why do we need to pay for the isolation costs? POW identified approximately \$4 Million dollars of restricted cash that was not either reconciled or adequately addressed. What about our unrestricted cash, once cash accounts are reconciled it could be \$12 Million Dollars. We need to understand the impact of the option to the rate payers over time.

Bill Maggiora – It seemed from the mailer Option C had higher rates than Option D primarily because areas of expense included STMGID paying for all the isolation costs which translates into higher rates for the STMGID customer. And they had the old figures for the discretionary funds and I understand they found \$4 million dollars that can be moved into discretionary funds which would lower the rate for the STMGID customer. I would like to see if STMGID would actually need to pay for isolation costs under Option C and really what kind of bond would STMGID really need to buy to do this.

Ron Penrose – I would like to commend you on further discovery into option d which I feel is better and as a professional water engineer, I feel option c is risky and I question the savings. So keep pursuing Option D.

Bob Acheson, incoming board member - Since much of this will take part after the first part of January; I would like to be included in the negotiation meetings. Make sure Rew has administrative costs to work through the TMWA negotiations that will be done. I have not heard the negotiations of the cost of mailings. In the past from what I have read, we were over charged for these mailings and we need to negotiate the TMWA administration costs.

Malachy Horan - Questions regarding Option D, how are using the STMGID rates including operating and maintenance and capital costs. We already have this in our rates and are paying for it as we go. Second, as a property owner there will be fewer people that are subject to the new rate. We need to get that \$12 million dollars, if not when you change the title the number will go down. I do believe the cash is a sever issue to me and to other members of the POW. There is a win-win here with the \$12 Million dollars. It is not going away you need to consider and think it through.

Ted Short - Option D was sprung on us and I have some concerns. We have 5 elected board we go to TMWA and we have two are from Sparks, two are from Reno, and one from Washoe County and then chairman. We don't have a way to get our message to TMWA and some form of advisory to have a voice. We have 414 acre rights that leased by Washoe County that belong to STMGID with Double Diamond and the money was going to the black hole and since has been corrected. When that lease is up in 10 years that is \$10 Million Dollars if that is handled I would like to see that. Another thing that needs to be negotiated is wheeling water.

Jerry Gamroth – POW would like to know if there is a legal mandate that the \$8 million dollars of unrestricted is used for capital improvements. If you are just considering just option D, not c with all the income of \$1.9 million should be unrestricted cash, should be for the cleanup, has not been touched in three years and should also be in unrestricted cash. Hookup fees have not been reconciled. The projections in option b and c are skewed and inaccurate and need to take into consideration. Correct cash figures.

Public Comment – closed

There is no action on this item.

10. Item 10 was tabled

11. Presentation of the final report including revisions regarding the analysis and development of a feasibility plan related to the possible establishment of the STMGID as a general improvement district independent from Washoe County DWR, which plan was originally presented to the Board of Trustees on November 13, 2012. (non-action)

Mr. Rod Savini, Gray and Associates (GA), Feasibility Study Project Manager – A brief background, the Feasibility Report was presented to the LMB on November 1, 2012 for review, and subsequently to that to the BOT on November 13, 2012. There was a discovery in the report that TMWA rates were used instead of DWR rates. The report and presentations were revised and presented to the DWR, uploaded and presented to the BOT on November 13, 2013 with the corrected rate for Option A. The only inquire we received was from DWR to clarify Option A infrastructure costs. Since report presentation to the BOT, there have not been comments on the report on the findings. There has been a subsequent activity presented in the next agenda item on the rate payer feedback. As you recall, the BOT wanted to hold the time certain delivery date on the feasibility study to be presented to them on November 13th. It was determined that the customer preference would be presented tonight at the LMB meeting.

Chairman Cohen – Is there any additional comments from the team?

Mr. Rew Goodenow, Parsons, Behle & Latimer – I have recommended that there be a financial analysis of Option D after the trustees make their decisions on December 11, 2012. And the LMB has elected to table item 10 tonight. If the BOT makes the decision to pursue Option D, it is my recommendation to have the financial analysis done.

Chairman Cohen – Thank you that is why we are waiting because we do not want to spend money until it is warranted.

Public Comment

Malachy Horan - The key ingredient of the Feasibility Study is reliant on calculations. I found the original report that was brought to the LMB was flawed with errors. During that time the financial did not have Curti Ranch pay off and POW found there was \$4 million of restricted cash that could have been put toward option c. I would not rely on those financial and do not accept the numbers for what they are and base your decision solely on the report.

Chris Hoffman - I think a lot of the rate payers did not respond. As a member of the POW, we send out a postcard that the merger did not want this merger. And receive over 1000 responses that we do not want the merger.

Mary Ann Williams - Accountability that the report had inaccurate information. Are salaries are adjusted for inaccurate or incomplete information of the report. As STMGID do we still pay the same amount of inaccurate information?

Chairman Cohen – I would like to thank everyone for putting this together in a short amount time.

12. Presentation of rate payer feedback regarding Feasibility Study option preference including comments and responses received at the open house meetings (non-action)

Jerri Conrad, Good Standing - Good standing was brought on to do the public outreach in regards to the Feasibility Study. Mailing of the customer packet provided the most accurate information at that time regarding the options that were a part of the Feasibility Study. The packet had a preference form and how to submit the preference either on line, hand it in person or mail it in. The goal was to give the LMB/BOT what the customers preferred at the time of the packet and it was not intended to be a vote. On Page 2 of the report you see a tally of the results. Since then we have received several others and I will update the tally.

Total preferences indicated are 341 preferences

- 8 no option
- Option A - zero
- Option B - 3
- Option C - 99
- Option D - 231

There is a binder with all copies that we have received as an unofficial record. The binder will be kept and maintained at Gray and Associates

Public Comment

Jerry Gamroth – I believe there is some bias with the information presented in the mailing. The report did not disclose a conflict of interest between TMWA and Good Standing. We asked in March that there not be any conflict of interest in the information presented. The Stand-alone option did not indicate whether a legal requirement mandated that we pay gross costs of circa \$14 million in capital to isolate and was it required. Options D is not signed nor are the key terms defined, only two choices given and what about an option of neither. NRS 318 says that for a petition, only real property owners can sign. The same rules were not followed by the survey. We are closing in on our objectives with a response of 1/3 of the property owners and for the survey what type of controls were given to validate the signatures.

Harland Derra - I found the flyer confusing I had to go to the open house and ask questions and maybe people were turned off by the mailer because of the confusion.

Mike Schuliwitsch - When the previous speaker saw the packet they were confused. When people saw Option C and saw that our rates would go up to stand alone it was not taken into consideration that we would not need to finance all of the capital expenditures. We do not have a legal statement that says all this funding must be made by STMGID. We are asking for wheeling agreements and do not have all those expenses. We already do this with DWR. Regards to the survey, when out to rate payers and property owners. The people that have a stake in this game are the property owners not the rate payers if they are not the same.

Bill Maggiora - People that received the mailer like Option D because the rates were lower. The way Option C and B look appears to be higher. It has worked fine together why do we need to separate?

Public Comment - Closed

Chairman Cohen – Steve these was not a vote and there are signed by couples and if there were three people in the house their opinion counts

Non-Action

13. Discussion and recommendation recommending future options to the Board of Trustees on December 11, 2012 (for possible action)

Chairman Cohen – This is what it comes down to tonight. We need to have discussions for recommendation to the BOT. I have been asked why there was not an option. In the past 10 years that I have been involved in STMGID, the County Commissioners have always followed what we recommend the best for our water system. We have been doing this all along. Last year as the advisory board they directed us to work on a merger agreement. We went out and hired Rew and worked through Option A. I did not like it however it is what we had to work with. This was our option or we would go away or try to come up with something. The Commissioners said go out and see what you can do. We have done that and have spent \$450 plus dollars to see if we could put together a standalone system. Now we at that final recommendation to the BOT as our trustees will decide our future.

Speaking for myself, I am here in an elected position to make decisions for what is best for the rate payers. As a rate payer, I cannot justify to spend \$8 - \$10 million dollars to stand up our own system. I want to keep the rates the same. Personally I feel the commission will approve Option C and I do not believe TMWA will support that decision. If this merger does not go through it will hurt everyone, if it goes to legislature it will take away all our power we have now. I want to thank POW to bring other options and have the commissioners listen to us. We have been directed by BOT and given to today for a final recommendation.

Member Allman - As the only exiting member agree with Steve, we want to stay the same and it does not matter what everyone wants, DWR is going away and things will not be the same. TMWA is not willing to provide the same interaction that we have had with DWR. All the cash we have acceded for all these years for repairs and renovations, it cannot disappear. If we stand alone and if main breaks, or a well fails, we will not have any other cash to work on that. That is what the capital is to be used for. I understand the rate payers do not want STMGID to go away. Spending any money to separate because it has to be done is throwing our money away. My is option D and thank you POW to get us sitting here.

Member Tavernetti - I would like to thank the POW people. I do not believe we can go to the BOT and say

we want you to consider C or D. We cannot do that. We were told to give the BOT one option. I like C however D is best if we can get the proper wording to make sure our rates do not go up. Make sure we have TMWA locked in to the rates so they cannot be raised for whatever reason. If we can work out a deal and get all the money that is due us and a fair fee that is locked in. Although I like Option C, I do not see any other option than D.

Vice Chairman Schumacher – I agree with most of what Gary said and I thank Rew to get Option D to where it is at. I just cannot turn down Option C. Once we get past the year 2035, TMWA is going to do whatever they want to. There will be no control. It is easier to take our flat rate and hope that TMWA treats us right.

Secretary Saunders - It is way too expensive to stand alone and is a problem of financial distribution. Thank you to POW and Rew to make sure we get all the details sorted out and explained. They have done a superb job to keep up and it is not going to happen. We are going to have to go to Option D.

Chairman Cohen –It is very emotional. I have been fighting to be trustees with Neena for years. It happened so fast and I wanted to put it off because all of this. As far as the cash, talking with Ben Hutchens, (DWR) some of the money could be marked for well 12. I have never heard we have over paid until now. If I was out there I would go for Option C however there too many unknowns for not to go with Option D. There are 100 earthquake faults between Virginia City and Timberline. The third option is NRS 318 is that if 51% of the citizens do not want a merger and petition, DWR will not be there. If a petition stops the merger, DWR and DMWA do not merge, it will go to the legislature and then we will not have any power even for Option D.

Member Tavernetti - If we cannot agree with TMWA we can revert back to Option C. There are some problems with Option C however I would like to have an option if Option D does not work out we can come back and look at Option C.

Chairman Cohen – If the BOT approves our recommendation we can proceed however if they reject our recommendation will be able to come back to Option C?

Mr. Rew Goodenow, Parsons, Behle & Latimer – The Trustees asked for input based on the Feasibility Study and merger proposal. That request did not consider one of four options. Your response would be a wide area of responses is subject to a wide array of alternatives. My suggestions is that the BOT pursue along the lines of Option D and not achievable then revert to status quo.

Member Allman - I like that concept to pursue Option D and if not Option C of sorts.

Chairman Cohen – The BOT are to make us trustees and it will be coming back to us for the decision. In January, it will be us as trustees.

Public Comment

Bart Hooley - I receive good service here and in the community. I have head of lots of things tonight and have listed lots of elements and did not hear any financials or CPA questions regarding the financial costs. Don't worry about the past and look in the future. I do not think there is any miss appropriation of funds.

Bob Acheson - Based on the fact I will be involved shortly after the first of the year, I would like to provide my opinion. Prior to retirement, I owned a trucking company that was profitable for 20 years and when 9-11 came along within two years I was broke. I like the sound of Option C. It takes just a little bit out of our control to eat up the money real fast. Option D has a lot of merit that we can get the contracts in line. Thank you for the people that put this together and the rate payers look upon you to make a good decision.

Malachy Horan - Thank you for your comments on Option C and D. There is other uncertainty, how many of you looked at TMWA and DWR credit rating. These parties do not have a good credit rating and with a disaster you will pay through the nose. Next item is our service rights, how many know the fixed assets of STMGID are? Last issue, I would like to see the legal opinion that required STMGID to pay for the isolation costs, I cannot find it on the web and did not see it in the Feasibility Study.

Jack Slovack - Why do we have to isolate the water system? We have good credit and they have not proven themselves and they have a tremendous debt.

Marine O'Brian – I work with the county commissioners and I am here as a STMGID customer. I have worked close with the fire and it is hard to work through a political situation. It is hard to come to the point to be our spokesman for us. It is the underdog that cannot always be heard if you do not speak up. I am here to thank you for all that you have done and that you are here for us.

Jerry Gamroth - When POW went down to Gardnerville Ranchos GID management and when I hear about earthquake and there is a central insurance fund for the State of Nevada that that covers earthquakes, terrorism and so forth. People should know that if STMGID goes independent there is the GID Insurance Fund. The other thing is, as far as the legislature, we cannot say what is really going to go on down there. There are lots of changes and south has a lot of power and we can go down to the south so it is not an easy task. It's not going to be easy.

Donna Coleman - I have listened to the meetings and thank you for what you do. I have lived in the numbers field, STMGID has the right fiduciary to get the bills and what we are exactly paying for administration. It is one thing if there is a pipe break and to find out what it did cost? What is going to happen to the water bill keep it so everyone knows what the cost is? STMGID is not the underdog and maybe TMWA is and STMGID has just as much right.

Kathy Bowling - I was involved in 2001 on ground water task force I am a well owner. Based on that experience, TMWA is not our friend and they have always wanted to consulate water under one purveyor. In 2004, TMWA sent a will serve letter beyond sustainable yield. This meant that they would not provide developers with wet running water and had rate payers pay for the exploration of that water. I hope our solution will also assist to protect TMWA customers.

Chris Hoffman - If TMWA takes over the water services they will possibly take over the sewer. Would septic people vote for the merger if they knew TMWA may charge \$25,000 to hook up to sewer?

Public Comment - closed

Chairman Cohen – Please come to the meeting on Tuesday and speaks before the Trustees. Rew has a final term sheet to present on Tuesday. Unused assists can be sold and returned to the rate payers.

Mr. Rew Goodenow, Parsons, Behle & Latimer - We are identifying what those assists are.

Chairman Cohen – Any other comments before we make a motion?

Member Allman - I recommend to the BOT that we pursue Option D and if we do not come to a successful negotiation and outcome that we have the ability to fall back to the C like option. Member Tavernetti Second. Motion carries 4 – 1 for Option D, Member Schumacher against

14. Presentation, discussion, and acknowledge receipt of the South Truckee Meadows General Improvement District's Comprehensive Annual Financial report for FY 2011-12 and audit opinion from J.A. Solari & Partners LLC. (for possible action)

Ms. Amy Allen, JA Solari and Partners – We were engaged in a contract to provide the yearly financial audit. Report and PowerPoint presentation provided.

Chairman Cohen – Any questions from the board?

Public Comment

Malachy Horan - There are some restricted in cash accounts that are not reconciled specifically connections. I did not hear if there is a management letter regarding this account or is it in the financial statement. That account has \$4.6 million in it as of June 30, 2012, and has not been reconciled since 2003. We do contingent of \$2 million dollars for Curti Ranch. We must have other contingent liability's since today you agreed to give back funds to a developer paid previously. So where are these funds? We have an account fund 5069 water rights lease that has \$ 1.9 million that was for capital spending and not one dollar has been spent in 15 years. Is there a management letter, did the auditor go out to look at all the assists?

Public Comment - Closed

Chairman Cohen – It is on the January agenda to look at well 12 accounts.

Member Allman - Is there questions and should be tabled until January regarding well 12?

Chairman Cohen – The money in that account should be used for things such as well 12, so if it was not used, why it was not. It is the trustee need to make the decision. I have already asked it be on the January agenda

Vice Chairman Schumacher – Does this information for the state reporting requirement?

Ms. Amy Allen, JA Solari and Partners - The form you turn into the State in June and you need to acknowledge the receipt of this audit report and the Board of Trustees accept it. The financial audit is submitted in draft form for management to look at.

Member Allman - Can you speak to some of the reconciled accounts? The county said they were reconciled this morning which funds should be disclosed

Ms. Amy Allen, JA Solari and Partners – The first I heard about the accounts being reconciled from the County was this morning. The question is which fund was used for which capital improvement and the distinction between designated and undesignated funds. And decisions by management, they can reclassify the funds and the BOT can reclassify these funds. The combined dollar amount is still the same.

Member Allman – **It seems that all we need to do is acknowledge the receipt of this report. I move to acknowledge the report. Member Schumacher second. Record reflects 4 – 1, Member Tavernetti No**

15. Nominate and recommend a Local Managing Board member to the STMGID Board of Trustees to serve as the General Improvement District Representative to the Debt Management Commission of Washoe County. (for possible action)

Chairman Cohen – Nomination for debt management commission. Is there a nomination to serve on this commission 4 meetings I nominate Member Gary Tavernetti. This is approximately 4 meetings a year.

Member Tavernetti – This is one thing I do not want to do and my preference is not. Thank you

Secretary Saunders – Sue can make it to the meetings.

Vice Chairman Schumacher nominates Secretary Saunders to the Debt Management Commission, Member Allman second. The motion carried unanimously

16. Discussion and recommendation from the Local Managing Board regarding amending the legal services agreement with Parsons, Behle, & Latimer, originally approved in the amount of \$50,000, to be increased to \$65,000 for services to analyze the various merger options presented. (for possible action)

Chairman Cohen – When we started this process we did not have an Option D and now we need to increase the service agreement to cover this Option.

Member Allman makes the recommendation to the Board of Trustees to increase legal services, Member Tavernetti second. The motion carried unanimously.

Public Comment - None

17. Discussion and possible recommendation to the Board of Trustees recommending a professional service contract with Gray & Associates to complete Local Managing Board meeting administration for the period January through December 2013. (for possible action)

Chairman Cohen – It is obvious in the last few months DWR does not want continue the administration of the public meetings. Rod from Gray & Associates has been doing this service through the feasibility study and it made since to ask for an emergency proposal to carry us through 2013. The scope is putting together the agenda, getting the minutes out and all other meeting coordination.

Member Tavernetti – I did not see an overall budget for the service.

Chairman Cohen – I received it and emailed it out to the board and should have faxed a copy to Member Tavernetti. It is not a part of our package

Member Allman – It is T & M and he did have associated hours, hourly cost was risible and unit was a little

high and I do not think it will take that long.

Vice Chairman Schumacher – Was there a cap on the estimate?

Mr. Rod Savini, Gray and Associates (GA) – Cost provided estimate was \$36,000 for the year to administer the 12 meetings. Our services typically include securing the facility, arrainging the audio and video, preparation of agenda, coordination with legal review council, accumulating all the backup documentation, comments from LMB members and legal review, prior to the meeting. Lori will be a part of the team as she has been doing. She takes care of all the information distribution prior to the meeting in conformance to the open meeting law, take the meetings minutes, and facilitate the presentations. My role is the same as has been for the Feasibility Study to make sure all that gets done, communication with the LMB members, coordination with legal review, DWR, as the example tonight with the well mitigation. We also included on-call services of \$16,000 for the LMB. My recommendation to the LMB is to be very strict with their role to be, which will minimize our services and make the process more efficient.

Vice Chairman Schumacher – Our contract with Cox was \$16,000 just for minutes and I feel the \$36,000 is fair.

Member Tavernetti – Just as long as we have some control over the budget.

Public Comment

Mike Schuliwitsch - Why are we recommending this work right now? Gray & Associates presented the report with accounting errors however we are going to award them this new contract. How come we are not looking at other firms and going out to bid? Do we have a sole source rotation?

Malachy Horan - Previously, we used DWR to perform many of their functions and did they reduce their bill by us using a consultant? Lumos did a great job and why do we go out to bid? Both firms are qualified. What is the sole source maximum?

Public Comment - Closed

Chairman Cohen – We need to have meetings in January and feel that Rod is integral to the process. And that is why I asked for a proposal is presented tonight. The reason we did not go out to bid was a timing issue. If we went out to bid there would be no administrative team until March and we needed to get started the first of the year.

Member Allman – This contract could be cancelable by both parties if they are not performing.

Vice Chairman Schumacher move to approve contract Gray & Associates for meeting administration for period of January 2013 through December 2013 for the t & m of NTE \$36,000 and \$16,000 for LMB on-call services subject to cancellation provisions, Member Allman second. The motion carried unanimously

18. Recognition of Local Managing Board member Ellen Allman for her contribution to STMGID (non-action)

Chairman Cohen – Ellen has been a valuable member of the board and we present this plaque.

Member Allman – It has been a pleasure serving STMGID for the past 8 years. Thank you very much.

Member Schumacher - Thank you for the service and especially financial matters.

Secretary Saunders - Thank you for your expertise and knowledge of water system.

Member Tavernetti – I must say that I need to look at things a little closer. Thank you for your service.

19. Member report on meetings attended and assignment of LMB members/alternates to attend upcoming meetings of the: (non-action)

- A) Board of Trustees Meeting – Joint BOT meeting, Time Certain 10:00 am, Tuesday
- B) Western Regional Water Commission – Next is in January
- C) Northern Nevada Water Planning Commission – Had a meeting and Vice President Schumacher gave a report on STMGID and the Options to be presented to the BOT.

Cancelled the January meeting so the next one will be in February.

D) Other meetings

20. Public Comment. Comment heard under this item will be limited to three minutes per person and may pertain to matters both on and off the LMB agenda. The LMB will also hear public comment during individual action items, with comment limited to three minutes per person. Comments are to be made to the LMB as a whole. (non-action)

Moreen O'Brian - Other issue I had in the back of my mind. If TMWA becomes the governing board does that open the door for city annexation?

Public Comment - Closed

21. LMB member/staff announcements, requests for information, topics for future agendas and statements relating to items not on the agenda. (non-action)

Chairman Cohen – Welcome Robert Acheson to the board replacing Ellen Allman

Robert Acheson – I would like to make the request that Ellen turn over all documents that I need to know all in one little envelope.

Member Allman – When I started the advice I received was to go to the meetings and keep your name out of the papers.

Chairman Cohen – Our first meeting falls before the swearing in ceremony so we need to change to the second Thursday January 10 2013. After that we will be back to our regular schedule at the Library. On our next agenda is transfer of balance from one account to the other and a bunch of other things. It is dependent on next week. We plan on getting the agenda out earlier so everyone can review. Thank you Feasibility Study team for the time constraint and what we were asked to do. Was an impossible task with the time allowed however we were able to complete it. Thank you

22. Adjournment

Member Allman moved to adjourn the meeting. Secretary Saunders seconds the motion, all in favor. The motion carried unanimously. 9:26 pm.

Approved by:

Member E. Sue Saunders, Secretary

Minutes transcribed by:
Lori Bigham, Project Coordinator
Gray and Associates