

**BOARD OF TRUSTEES
SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT
WASHOE COUNTY, NEVADA**

TUESDAY

10:00 A.M.

NOVEMBER 9, 2010

PRESENT:

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

Nancy Parent, Chief Deputy County Clerk
Katy Simon, County Manager
Melanie Foster, Legal Counsel
Dwayne Smith, Acting Sr. Licensed Engineer, Department of Water Resources

The Board convened at 12:12 p.m. in regular session in the Commission Chambers of the Washoe County Administration Complex, 1001 East Ninth Street, Reno, Nevada, and conducted the following business:

10-30STM AGENDA ITEM 2

Agenda Subject: “Comment heard under this item will be limited to two minutes per person and may pertain to matters both on and off the STMGID Board of Trustees agenda. The Trustees will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Trustees as a whole.”

There was no response to the call for public comment.

10-31STM AGENDA ITEM 3

Agenda Subject: “Approve minutes for the Board of Trustees regular meetings of March 2, April 13, May 25, and June 22, 2010, and special budget meeting of May 17, 2010.”

12:13 p.m. Commissioner Weber temporary left the meeting.

On motion by Commissioner Breternitz, seconded by Commissioner Jung, which motion duly carried with Commissioner Weber absent, it was ordered Agenda Item 3 be approved.

10-32STM AGENDA ITEM 4

Agenda Subject: “Presentation, discussion and acknowledge receipt of the South Truckee Meadows General Improvement District’s Comprehensive Annual Financial Report for FY 2010 and audit opinion from Solari & Sturmer LLC.”

Amy Allen, Partner with Solari & Sturmer, LLC, noted the report was contained in the Board’s packet starting on page 19 and the audit opinion started on page 49. She said in the opinion of Solari & Sturmer, LLC, the South Truckee Meadows General Improvement District’s (STMGID’s) financial statements were fairly presented in accordance with United States generally accepted accounting principals. She stated no adjustments were required as a result of the audit, which indicated the financial numbers and reports generated throughout the fiscal year ending June 30, 2010 were the same as those included in this annual report.

Ms. Allen said regarding the second report, even though an outright opinion could not be given on the internal controls, Solari & Sturmer, LLC was required to look at those controls in relation to how they pertained to the financial reporting. She stated no material weaknesses were found in the internal-control system, nor was any lack of compliance noted with laws and regulations.

Ms. Allen encouraged the Board to read the Management’s Discussion and Analysis section of the financial statements, because it summarized everything the Board would need to know.

Commissioner Larkin asked what the opinion was. Ms. Allen replied it was an unqualified audit opinion.

There was no response to the call for public comment.

On motion by Commissioner Larkin, seconded by Commissioner Breternitz, which motion duly carried with Commissioner Weber absent, it was ordered that Agenda Item 4 be accepted.

10-33STM AGENDA ITEM 5

Agenda Subject: “Approve and authorize the Chairman to execute the Amended Interlocal Agreement for Operation and Maintenance of Water Facilities between STMGID and Washoe County, retroactively to July 1, 2010.”

There was no response to the call for public comment.

Steve Cohen, Local Managing Board (LMB) Chairman, commented the LMB supported amending the Interlocal Agreement to pay for the greater costs the South Truckee Meadows General Improvement District (STMGID) was incurring for the operation and maintenance of the water facilities.

On motion by Commissioner Breternitz, seconded by Commissioner Jung, which motion duly carried with Commissioner Weber absent, it was ordered that Agenda Item 5 be approved, authorized, and executed. The Amended Interlocal Agreement for same are attached hereto and made a part of the minutes thereof.

10-34STM AGENDA ITEM 6

Agenda Subject: “Approve and authorize the Chairman to execute the “Memorandum of Legislative Cooperation by and Among the Local Governments, Affected Government Entities, Service Providers, and other Agencies in the Truckee Meadows Region” for the 2011 Nevada Legislative Session.”

Dwayne Smith, Acting Sr. Licensed Engineer, advised this item would allow the South Truckee Meadows General Improvement District (STMGID) to caucus with the other agencies regarding Legislative activities.

There was no response to the call for public comment.

On motion by Commissioner Breternitz, seconded by Commissioner Jung, which motion duly carried with Commissioner Weber absent, it was ordered that Agenda Item 6 be approved, authorized, and executed.

10-35STM AGENDA ITEM 7

Agenda Subject: “Management Report

- (a) **Customer Water Usage Report – May, June, July, August, and September 2010 (p. 72)**
- (b) **Work Order Summary – May, June, July, August, and September 2010 (p. 82)**
- (c) **Financial Report – May, June, July, August, and September 2010 (p. 98)**
- (d) **Well Level Quarterly Report – April/May/June and July/August/September 2010 (p. 113)**
- (e) **Minutes of Local Managing Board regular meetings of May 6, June 3, July 1, and August 5, 2010 (p 128).”**

There was no response to the call for public comment.

On motion by Chairman Humke, seconded by Commissioner Larkin, which motion duly carried with Commissioner Weber absent, it was ordered that Agenda Item 7 be accepted.

10-36STM AGENDA ITEM 8

Agenda Subject: “Trustees, LMB, and staff comments (limited to announcements, requests for information, statements relating to items not on the agenda, or issues for future agendas.”

Steve Cohen, Local Managing Board (LMB) Chairman, explained with the merger of the Truckee Meadows Water Authority (TMWA) and the Department of Water Resources, the South Truckee Meadows General Improvement District (STMGID) had been working on what its direction should be. He stated there was an outstanding response to the questionnaire, and the process for putting together focus groups was nearing completion.

Mr. Cohen said there should be signed paperwork available at the next Board of Trustees meeting for Well No. 12, which would allow the drilling to start soon.

12:21 p.m. Commissioner Weber returned to the meeting.

Mr. Cohen stated there were five applicants for the January 1, 2011 vacancy on the LMB. He said they attended the last LMB meeting, and he asked the four Board members present to list their two favorite applicants. He stated all four picked Gary Tavernetti. He said the recommendation to appoint Mr. Tavernetti would be on the December 2010 Board of Trustees agenda.

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12:22 p.m. There being no further business to come before the Board, on motion by Commissioner Breternitz, seconded by Commissioner Weber, which motion duly carried, the meeting was adjourned.

DAVID E. HUMKE, Chairman
South Truckee Meadows General
Improvement District

ATTEST:

AMY HARVEY, County Clerk and
Ex-Officio Secretary, South Truckee
Meadows General Improvement District

Minutes Prepared by Jan Frazzetta, Deputy County Clerk

AMENDED INTERLOCAL AGREEMENT

FOR OPERATION AND MAINTENANCE OF WATER FACILITIES

This Agreement is effective retroactively to the 1st day of July 2010, between Washoe County, a political subdivision of the State of Nevada (the "County"), and South Truckee Meadows General Improvement District, a governmental subdivision of the State of Nevada and a quasi-municipal corporation organized under Chapter 318 Nevada Revised Statutes ("STMGID").

WITNESSETH:

WHEREAS, STMGID has been organized pursuant to Chapter 318 of the Nevada Revised Statutes; and

WHEREAS, NRS 318.098 and the Nevada Interlocal Cooperation Act provide that an agreement between the County and STMGID is specifically authorized; and

WHEREAS, the County and STMGID desire to enter into an agreement which deals with the operation and maintenance of water facilities and improvement of the present water facilities.

NOW THEREFORE, in consideration of the terms and covenants contained herein, the County and STMGID both agree as follows:

I. GENERAL

STMGID engages the County to furnish the services hereinafter described and for the compensation herein provided, and the County accepts the engagement. The County agrees to maintain staffing levels in accordance with accepted industry standards and Environmental Protection Agency guidelines.

A. STMGID's water system includes all real property, wells, pumping facilities, tanks, water transmission and distribution mains, pressure reduction stations, services, meters and meter boxes, and related items that were acquired with the system or later added to the system.

B. The term of this Agreement is from July 1, 2010 to June 30, 2011.

C. The County shall provide status reports and information regarding acquisition, construction, improvement, extension, and operation and maintenance of STMGID's water system to STMGID's Local Managing Board (the "LMB") in advance of all LMB monthly meetings. Based upon such information the LMB shall make appropriate recommendations to STMGID's Board of Trustees (the "Trustees").

Annually, the LMB shall review STMGID's proposed budget as prepared by the County and provide comments and recommendation to the Trustees. The Trustees shall act on recommendations of the LMB in a timely manner.

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II. SCOPE OF SERVICES

A. The County represents to STMGID, by the execution of this Agreement, that it is qualified in all respects to perform the services that it herein agrees to perform. The County will utilize its knowledge and experience to maintain and operate STMGID's water facilities so that the water supplied meets the requirements of all governmental regulatory agencies within the limits of the present operating capability of the water systems.

B. Water operations agreed to be performed by the County include, but are not limited to: check system status weekly; flush system semi-annually; hang notices; turn services on and off; conduct investigations as required; check and exchange chlorine supply and provide 24-hour emergency on-call service.

C. Maintenance activities to be provided by the County include, but are not limited to: well and pump maintenance; storage tank maintenance and distribution system maintenance (including services).

D. The County shall pay all expenses incurred in usual water facilities operations and maintenance, including, but not limited to: wages; salaries; vehicle expenses; equipment; tools; utilities; consumables such as chemicals and lubricants; and contracted services except as otherwise limited herein.

E. Material for maintenance and repair for all the County's equipment, STMGID's facilities and vehicles shall be provided by the County. The County will pay for all repairs and all parts necessary to perform maintenance and repairs. Replacement of major material items such as pumps, tanks and electrical systems shall be considered capital expenditures as described in Section 2. H., below.

F. Funding for facilities constructed by the County for STMGID's benefit shall be included as part of the budget process and be paid on a cost and material basis.

G. The County shall prepare and submit to the LMB and the Trustees an annual report summarizing the maintenance and repair budget. Documentation of maintenance and operation expenses shall be maintained by the County and be available on request of the LMB and the Trustees.

H. Items defined as capital expenditures will not be included within the scope of services and will be subject to approval prior to funding by STMGID. Capital items will be defined as any new equipment and facility items that significantly extend service life, are considered a capital expenditure in accordance with standard accounting practices, are a non-routine type of expenditure on an annual basis and/or are pre-programmed for expenditure by STMGID. Normally these capital items are programmed for expenditure by STMGID and cost more than \$10,000.00 each.

I. The County agrees to perform other services as may be requested by STMGID and for which appropriate compensation is agreed to by both parties in advance.

J. The County shall make improvements to STMGID's water system upon written request by STMGID. The County shall provide to the LMB a written estimate of the cost of such improvements and shall not thereafter proceed with such improvements until authorized to do so by the Trustees after consideration of the recommendation of the LMB.

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K. The County shall provide to the LMB a monthly report on water table levels, amount of water pumped, and recommendations in regards to well pumping.

L. The County agrees to make all reasonable efforts to: 1) manage STMGID's wells and distribution system as efficiently as possible, and 2) avoid pumping any of STMGID'S production wells to a level below the well screen in situations where such pumping may be harmful or deleterious to the well, except as may be required in emergency situations.

M. The County agrees to make all reasonable efforts to notify the Chairman of the LMB of any emergency situations related to STMGID's water system as soon as practicable after the occurrence of the emergency.

The term "emergency situation" as used herein shall mean loss of primary water supply or source caused by breakdown of machinery or equipment, power outages, industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, droughts, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of government and peoples, court orders, civil disturbances, explosions, and any other causes, whether of the kind herein enumerated or otherwise, not within the reasonable control of the County and which by the exercise of due diligence the County is unable to prevent or overcome.

Such notification shall be made by telephone and in the absence of the Chairman of the LMB, shall be made to the Vice-Chairman. In the absence of both the Chairman and Vice-Chairman, such notification shall be made to any LMB member.

N. On a monthly basis, the County shall advise the LMB of: major service complaints; five or more complaints of a similar nature; complaints which affect five or more customers; and corrective action taken.

O. After metering into and out of STMGID's water system is complete, the County shall provide to the LMB a monthly summary of water balance into and out of the system.

P. After metering into and out of STMGID's water system is complete, the County shall provide to the LMB a monthly summary of unaccounted-for water.

Q. The County shall provide to the LMB a monthly report on domestic well owners' complaints and possible remediation.

III. CHANGE IN SERVICES

Any change in water system operation, reporting requirements, monitoring requirements, or in personnel qualifications required by any governmental agency having jurisdiction to order such change may be authorized by the Trustees, in which event the parties shall mutually determine the increase or decrease in costs of operations to STMGID, provided the Trustees shall first consider the recommendations of the LMB.

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IV. HOLD HARMLESS AGREEMENT

A. The County hereby agrees to, and shall hold STMGID, its elective and appointive boards, officers, agents and employees, harmless from any liability for damage or claims for damage for personal injury, including death resulting there from, as well as from claims for property damage that may arise from the County's operations under this Agreement, whether such operations be by the County or by any subcontractor or by any one or more persons directly or indirectly employed by, or acting as agent for the County, or any subcontractor or subcontractors, not to exceed the County's liability as imposed by law.

B. STMGID hereby agrees to, and shall hold the County, its employees, subcontractors and agents, harmless from any liability for damage or claims for damage for personal injury, including death resulting therefrom, as well as from claims for property damage that may rise from any action of STMGID, its Trustees, LMB, officers, employees or agents or from any failure of the water system, including blockages or rupture of collection and distribution lines, from any claims that may arise from the discharge, dispersal, release or escape of the water into the atmosphere or any watercourse or body of water, except to the extent that the County may have been a contributing cause to the event or injury giving rise to such liability.

C. The County shall be liable for all fines or civil penalties which may be imposed by a regulatory agency for violations resulting from its maintenance and operation activities. The County reserves the right to contest any such fines in administrative or judicial proceedings prior to any payment.

V. INSURANCE

A. The County shall provide risk management and legal services in a timely manner (including legal defense) to STMGID, and STMGID shall reimburse the County's Risk Management Fund for any expenses related to providing these services. Such expenses may include, but are not limited to, costs of insurance premiums, adjusting and appraisal services, defense of claims or suits, settlements or judgments, and other litigation costs.

B. At such time as the County implements a cost allocation system to its departments for risk management services, the system shall also be applied to STMGID in lieu of Section V.A., above.

C. If the County's Risk Manager determines that the purchase of insurance directly is in the best interest of STMGID, or STMGID requests that commercial insurance be purchased, the Risk Manager shall analyze the costs involved, make an appropriate recommendation and assist STMGID in the implementation of the course of action chosen by the Trustees.

D. The County shall comply, during the term of this Agreement, with all applicable Worker's Compensation laws and regulations for all of its employees providing services to STMGID.

E. The County shall maintain, during the term of this Agreement, a program of self-funding for its exposure to liability. This program shall include STMGID with expenses to be allocated pursuant to Section V.A., above.

F. The County shall maintain property insurance on the physical assets of STMGID in the

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same manner as it does for its own property. STMGID shall reimburse the County's Risk Management Fund for the actual cost of this coverage, and for deductibles on the self-funded portion of this program.

VI. RENEWAL

- A. This Agreement may be renewed for successive terms of three (3) years each as herein provided.
- B. If the County desires to renew this Agreement, it shall give written notice to STMGID one hundred twenty (120) days prior to the termination date. If the County's notice is conditional upon an increase in compensation, it shall include a statement to that effect, together with the amount of compensation in its notice, that shall also be accompanied by a written justification of its requested increase. The County shall furnish STMGID with accounting records and other such additional information as STMGID may request. STMGID shall notify the County sixty (60) days prior to the termination date of its determination to accept or reject the County's offer of renewal.

VII. ACCOUNTING AND FINANCIAL SERVICES

- A. The County will maintain a separate set of accounting funds wherein the financial records for STMGID will be reported.
- B. The County will read all STMGID's meters and bill STMGID's customers on a monthly basis. Billing revenues will be coded to STMGID's own operating fund. The County will make all reasonable efforts to collect any and all past due accounts on behalf of STMGID.
- C. STMGID retains the right to audit any and all charges or revenues as may be coded to STMGID's various funds in the County's financial accounting system.
- D. The County will from time to time assist STMGID in analyzing STMGID's various water rate and fee structures and recommend changes to those structures as may be required to maintain STMGID's financial stability.
- E. The County will report the financial status of monthly operations and operating statistics as requested by the LMB.

VIII. COMPENSATION [See Appendix "A" for Definitions.]

- A. Pursuant to NRS 318.098, STMGID shall compensate the County only for costs incurred in the performance of services specified hereunder.
- B. Prior to April 15th of each year, the County shall prepare a budget for the upcoming fiscal year (July 1 to June 30). STMGID shall compensate the County via the settling process in SAP during the closing of each month.
- C. STMGID shall pay compensation for the services to be performed for District operations and maintenance services, including operations and maintenance inventory of supplies, for professional legal

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services from the District Attorney's Office, including preparation of Local Managing Board and Board of Trustees agendas, legal advice and, representation at meetings, telephone conferences, discussions and other communications and proceedings held in furtherance of, and in connection with, District operations, and risk management services, all of which shall be based on the direct cost of services and for supplies incurred, the general and administrative overhead for the County's Department of Water Resources, and the standard cost basis for wages and benefits as approved in STMGID's annual budget. The standard cost is defined as the total wages and benefits paid out to a particular class of employees divided by the total productive man-hours for that class. Administrative and general overhead includes but is not limited to the following: Office lease, office equipment rental, utilities, janitorial services, general accounting services, telephone, training, minor supplies, computer services and support, office machines, small tools, general clerical services, postage (non-billing), , computer hardware and software, etc. The County ratably allocates such overhead expense based on total productive man-hours.

D. Monthly payments will be made via Journal Entry, based on the integrated standard costing system at the closing of each month. Actual costs and/or the standard costs for which the County is to be reimbursed by STMGID shall be costs and expenses directly related to the performance of the services set forth herein. In the event of a dispute between the LMB, the Trustees, and the County as to what is an item or amount of actual cost, such dispute shall be submitted for determination by an independent auditor designated by the Trustees.

IX. TERMINATION

A. This agreement may be terminated at any time by either party (without cause) upon one hundred twenty (120) days written notice to the other party.

B. If this Agreement is terminated by the County or STMGID, the County shall furnish the services necessary to continue normal operations for a period of sixty (60) days after the termination date. This sixty-day period will commence only at STMGID's request, for the purpose of continued supervision and to assist the District in the placement and training of water system personnel.

X. AMENDMENT

This Agreement may be amended or modified only by written agreement signed by both parties, and failure on the part of either party to enforce any provision of the Agreement shall not be construed as a waiver of the right to compel enforcement of any provision.

XI. ENTIRE AGREEMENT

This instrument contains the entire agreement between the parties relating to the rights herein granted and the obligations herein granted and the obligations herein assumed. Any oral representation or modifications concerning this instrument shall be of no force or effect excepting a subsequent modification in

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writing, signed by the party to be charged as a result of the modification. The effective date shall be the date upon which the signatory to be charged by the subject modification approves the modification.

XII. PARTIAL INVALIDITY

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

XIII. NOTICES

All notices shall be in writing and delivered in person or transmitted by certified mail, return receipt, postage prepaid to such addresses as are designated by the parties.

IN WITNESS WHEREOF, the parties hereto have caused their appropriate governing bodies to execute this Agreement.

**SOUTH TRUCKEE MEADOWS
GENERAL IMPROVEMENT DISTRICT**

Chairman
Board of Trustees



AMY HARVEY, County Clerk

Date: 11/9/10

ACKNOWLEDGED:
SOUTH TRUCKEE MEADOWS
GENERAL IMPROVEMENT DISTRICT

Chairman
Local Managing Board

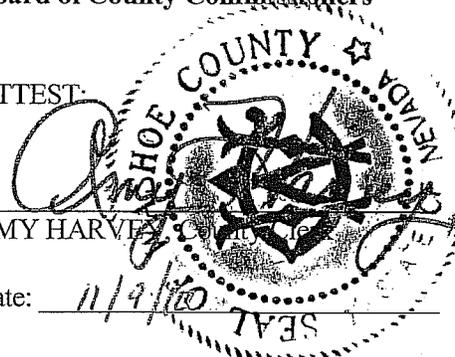
WASHOE COUNTY, NEVADA

Chairman
Board of County Commissioners

ATTEST

AMY HARVEY, County Clerk

Date: 11/9/10



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Appendix A

DEFINITIONS

OVERHEAD, ADMINISTRATIVE and GENERAL – Costs incurred for overall operations that cannot be charged directly to one component of operations or to a specific project and must be allocated in proportion to the benefit derived. The County ratably allocates such overhead expenses based on total productive man-hours.

SAP – The trade name for the County's integrated financial system.

SETTLING PROCESS – Monthly procedure in SAP to allocate costs and post activity to the appropriate fund or funds.

STANDARD OR DIRECT COST – The total wages and benefits paid out to a particular class of employees divided by the total productive man-hours for that class.

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