

NEVADA IRRIGATION DISTRICT
BOARD OF DIRECTORS / JOINT POWERS AUTHORITY

MINUTES

July 27, 2016

The Board of Directors of the Nevada Irrigation District and the Nevada Irrigation District Joint Powers Authority convened in regular session at the District's main office located at 1036 W. Main Street, Grass Valley, on the 27th day of July 2016 at 9:00 a.m.

Present were Nancy Weber, President (Division I); Nick Wilcox, Vice-President (Division V); John H. Drew (Division II), W. Scott Miller (Division III), and William Morebeck (Division IV), Directors.

Staff members present included Rem Scherzinger, General Manager; Tim Crough, Assistant General Manager; Marvin V. Davis, Finance Manager/Treasurer; Chip Close, Operations Manager; Brian Powell, Maintenance Manager; Gary King, Engineering Manager; Jana Kolakowski, Human Resources Manager; Jeff Meith, District Counsel; and Lisa Francis Tassone, Board Secretary.

MINUTES – July 13, 2016 Regular Meeting

Approved the minutes of the regular meeting on July 13, 2016, as submitted. M/S/C Drew/Wilcox, unanimously approved

WARRANTS

Approved the following warrants: All Fund Nos. 75212 through 75699, Nos. 75498 through 75598 being void. M/S/C Drew/Wilcox, unanimously approved

QUARTERLY INVESTMENT REPORT – For Quarter Ending June 30, 2016

Received and filed the Quarterly Investment Report for quarter ending June 30, 2016, in accordance with the District's Investment Policy. M/S/C Drew/Wilcox, unanimously approved

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MONTHLY INVESTMENT TRANSACTION REPORT – June

Received and filed Monthly Investment Transaction Report for June 2016. M/S/C Drew/Wilcox, unanimously approved

QUARTERLY BUDGET VS. ACTUAL REPORTS – March 31, 2016 and May 31, 2016

Received and filed the quarterly actual vs. budget reports for periods ending March 31, 2016 and May 31, 2016. M/S/C Drew/Wilcox, unanimously approved

AMERICAN HILL WATERLINE EXTENSION (PHASE II) – Conveyance Agreement

Approved Conveyance Agreement with Glenn Christ for the installation of approximately 2,300 feet of 8-inch pipe, one fire hydrant, pressure reducing station and dissipater, and all appurtenances to serve Nevada County Assessor Parcel No. 05-100-93, which will be subdivided into nine lots. M/S/C Drew/Wilcox, unanimously approved

MADRONE FOREST DRIVE DISTRICT FINANCED WATERLINE EXTENSION – Unencumber Funds

Unencumber funds for the Madrone Forest Drive District Financed Waterline Extension project. M/S/C Drew/Wilcox, unanimously approved

FEDERAL ENERGY REGULATORY COMMISSION (FERC) – Part 12-D Independent Consultant Safety Inspections

Awarded consulting contract to SAGE Engineers, Inc. in the amount of \$342,225 for FERC Part 12-D Independent Consultant (IC) 5-Year Safety Inspections of twelve District dams, and authorized the General Manager to execute the necessary documents. M/S/C Drew/Wilcox, unanimously approved

DUTCH FLAT AFTERBAY FISH FLOW VALVES REPLACEMENT – Award of Contract

Awarded service contract to Syblon Reid General Engineering Contractors in the amount of \$152,896 for Phase I of the Dutch Flat Afterbay Fish Flow Valves Replacement Project, and authorized the General Manager to execute the necessary documents. M/S/C Drew/Wilcox, unanimously approved

LOMA RICA HYDROELECTRIC FACILITY – Task Order 2

Approved Task Order 2 with Brown and Caldwell in the amount of \$50,519 for Phase II (Task 2b) of the Loma Rica Hydroelectric Project. M/S/C Drew/Wilcox, unanimously approved

PRIVATE ROAD MAINTENANCE – Beitler Road

President Weber requested that this matter be removed from the Consent Agenda because she is concerned that the policy for road agreements has been discussed for

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the past 17 plus years, and has not been modified. This Agreement for Beitler Road is not a fair share for maintenance of the road. The policy needs to be modified.

Tim Crough, Assistant General Manager, stated that the cost for maintaining a dirt road can vary. To date, the District has not revised the policy for road agreements since 2003. The Rules and Regulations authorize the District to contribute to road maintenance to the extent that the District uses private roads. The dollar value is a minimum of \$50 per year and a maximum of \$300 per year with a \$.10 per mile measure. In this particular case, the District received a request to contribute to Beitler Road for an indefinite term. The Agreement formalizes the District's policy so that the Agreement can be used from year to year to memorialize the terms of the Agreement. The existing Rules and Regulations have not been changed. He pointed out that a unique Agreement was established for Blue Heron Road. There is also a unique Agreement for Trahern Road. Both of these are dirt roads and the dollar amount in the existing Rules and Regulations was not adequate for these roads. In the case of Beitler Road, the property owners were comfortable with the \$300 amount.

President Weber stated that it was agreed that the District would not fund any group of property owners that was not organized as a road association. The association needs to have officers and a bank account in the association's name.

Mr. Crough confirmed that the northern portion of Beitler Road has formed as a road association and has a checking account in the association's name.

President Weber stated that the District is a partner in the use of Beitler Road, and the District has a responsibility to pay a fair share which would be the number of properties divided by the cost to maintain the road as established each year. This Agreement does not fit that situation. In most cases, the District would pay more than what is being proposed in the Beitler Road Agreement.

Rem Scherzinger, General Manager, stated that there are two components: 1) the value, and 2) the method.

Director Wilcox asked how much other contributors are paying per year for their fair share.

Mr. Crough stated that he does not have that information, but he can find out.

Director Wilcox stated that the District should not be paying more than what other property owners are paying.

Mr. Scherzinger stated that Section 13.05.03 needs to be reevaluated in order to also address those situations where the District is a property owner along the road and pays a fair share each year.

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President Weber stated that she would guess that it would cost more than \$300 per year to maintain Beitler Road. The District should not be paying less than what the property owners are paying.

Director Miller disagreed. He participates in a road association and is happy to have the District utilize the road. There is a benefit for the utilities to utilize roads to access facilities.

President Weber stated that there are different levels. If the District is maintaining a facility that is on a road, that is one thing. If the District is utilizing a road for a facility that serves another area, that is something else.

Director Drew recommended that this matter be discussed at the Maintenance and Resources Committee meeting and then brought back to the Board for resolution.

President Weber suggested that the Board approve the Agreement for a one year period, not a five year period.

Jeff Meith, District Counsel, stated that another option would be for the Board to approve the Agreement, subject to an amendment if the compensation rate is increased.

Approved the Beitler Road Maintenance Contribution Agreement as a form agreement, subject to amended language that provides for increases, when and if, changes are made to the District's Rules and Regulations (Section 13.05) for contributions to private road maintenance, and authorized the General Manager to execute all such form agreements. M/S/C Miller/Wilcox, unanimously approved

EMPLOYEE RELATIONS – New Employee Introduction, Strong

Monica Reyes, Customer Account Administrator, introduced Kasandra 'Kaycee Rae' Strong, Meter Reader I. Ms. Strong was previously employed with Live Wire Products in Penn Valley. Working for the District runs in Ms. Strong's family – her father and uncle are employed with the District. Ms. Strong is a native of Nevada County. She graduated from Nevada Union High School where she was active in Future Farmers of America (FFA). She studied agricultural business at Modesto Junior College and Butte Junior College. She enjoys spending time with her family.

The Board and Staff welcomed Ms. Strong to the District.

EMPLOYEE RELATIONS – New Employee Introduction, Vander Meer

Jerry Green, Hydro Generation Superintendent, introduced Ashley Vander Meer, Hydrographer I (part-time). Ms. Vander Meer is from Michigan and is a graduate of Sierra Nevada University in Incline Village. She graduated with a degree in Biology and Outdoor Leadership. She was previously employed with United States Geological Survey (USGS) as a Hydraulic Technician in the Truckee office. She is very familiar with the District's Upper Country gauging stations. In her spare time, she enjoys

wakeboarding, snowboarding and mountain biking. When accepting the position, she posted on her Facebook page that she landed her dream job.

The Board and Staff welcomed Ms. Strong to the District.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) – 2015

Marvin Davis, Finance Manager/Treasurer, explained that this year, the District is applying for the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting award. He stated that there are a few significant changes to the District's 2015 CAFR:

- Water, Hydroelectric and Recreation are presented separately
- Improvement Districts: Cement Hill, Rodeo Flat and others are presented separately (Agency Fund Statements)
- GASB 68 (Net Pension Liability) adjustment of \$37 million (Balance Sheet)
- Deferred Outflows and Inflows (Pension) adjustments of \$6 million each (Balance Sheet)
- Expanded Required Supplemental Pension Information (Note 7)
- A Statistical Section is provided for trend analysis
- Capacity Fee Schedule in accordance with Government Code Section 66013 (Cash Basis)
- Restatement adjustment of \$35 million (Note 15)

Ingrid Shepline, Richardson & Company, LLP, provided the following information:

Reports Issued:

- Audited Financial Statements
- Internal Control and Compliance Report
- Required Communications Letter
- Management Letter

Audit Results and Observations:

- Audit opinion unmodified (clean)
- Large number of adjustments needed
- Improvement over previous audits
- New accounting pronouncement to record unfunded pension obligation required restatement
- Some recommendations carried over from 2013 audit

Discussion of Financial Statements:

- Debt repayments of \$4.3 million (page 32)
- Capital expenditures of \$15.6 million, with no new debt (pages 29 and 30)
- Positive unrestricted net position (equity) of \$37 million (page 14)
- Reduction in unrestricted net position due to new pension liability of \$37 million (page 14)
- Net income of \$82,000 for Water Division (page 15)
- Net income of \$13 million for Hydroelectric Division (page 15)

Report on Compliance and Internal Control:

- New Comment
 - Improvement needed to grant accounting
- Carryover Comments from 2013 Audit
 - 4 items were corrected
 - 6 items remaining
- Material Weaknesses
 - Year-end closing procedures need to be improved
 - Preparation of budget to actual comparisons from accounting system
 - Physical inventory procedures and reporting
 - Recreation Division cash handling weaknesses
- Significant Deficiencies
 - Accounts payable detail listing to be created from accounting system
 - Strategic Plan needs to be updated

Bob Simons, Richardson & Company, LLP, provided the following information:

Required Communications Letter:

- Difficulties encountered
 - Improvement from last year's audit
 - Not all account analyses completed prior to start of audit fieldwork
 - Still large number of audit adjustments, but less than prior audits
- Restatements to financials
 - Unfunded pension liability
 - Segregate Recreation Fund
 - Segregate assessment districts into Fiduciary Funds
 - FERC relicensing loan between Water and Hydroelectric Funds

Pension Liability Restatement:

- GASB 68 effective January 1, 2014
- Restatement reduced equity by \$37.6 million
- Impact on 2015 earnings is \$874,000 reduction in expense
- Note 7 – new pension disclosures

Audit Adjustments:

- 30 adjustments identified (list attached to letter)
- Reduction from 47 adjustments in 2014 audit
- 8 unadjusted audit differences (list attached to letter); determined to be immaterial

Management Letter:

- Other Recommendations
 - Accounting policies and procedures to be developed
 - Progress made during the year to implement many new policies and procedures
- New Pronouncement

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- Accrual of net unfunded OPEB liability (approximately \$16 million) effective 2018

Director Miller asked the auditors what grade they would give the District for the 2015 audit.

Ms. Scheipline stated that the District is making improvements. The issue has been the turnover of the Finance Manager in recent years. She gave Mr. Davis an 'A' for effort because he has only been with the District less than one year. Overall, she would grade the District a 'B+' or 'A-.'

Ms. Sheipline thanked Mr. Davis and District Staff for working so diligently on this audit.

President Weber stated that she would like to hear a report before the end of the year on the status of the items that require correction.

Mr. Davis stated that he will provide this report prior to the end of the year.

Accepted the Comprehensive Annual Financial Report, and authorized the Finance Manager to publish and file the CAFR for 2015. M/S/C Miller/Drew, unanimously approved

WATER STORAGE AND CONSERVATION – Update

Rem Scherzinger, General Manager, reported that the District is in a good position regarding water storage and conservation. It is anticipated that Northern California will experience a La Niña weather pattern which means a warm and wet winter.

COMPANY PICNIC

Director Wilcox reported that he attended the Company Picnic. It was a delightful day, and it was nice to see water in the lake.

Director Drew also attended the picnic. He noted that there was limited parking.

FARM BUREAU PICNIC

Director Drew reported that he attended the Farm Bureau picnic. He spoke with Paul Wenger, President of the California Farm Bureau, and expressed to Mr. Wenger the District's interest in the Bureau's continuing support of the Centennial Reservoir Project.

GERMANY AND SWITZERLAND – Report by Director Miller

Director Miller reported that he enjoyed a vacation with his wife to Germany and Switzerland. It was a great trip.

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CLOSED SESSION was declared at 9:56 a.m. pursuant to Government Code Section 54956.9 to confer with District Counsel regarding pending litigation – Claim of Logan Brown.

MEETING RECONVENED in regular session at 10:10 a.m.

CLAIMS & SUITS – Brown

Rejected Claim of Logan Brown. M/S/C Wilcox/Miller, unanimously approved

MEETING ADJOURNED at 10:12 a.m. to the Scotts Flat Recreation Site / Ditch Tender's House located at 14923 Casci Road, Nevada City, California.

RETREAT

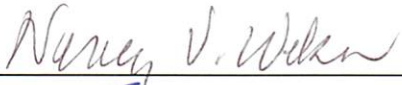
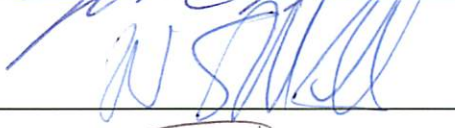
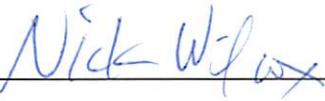
The Board, along with the General Manager, Finance Manager/Treasurer, General Counsel, and the Board Secretary, engaged in a general discussion focusing on the progress made in achieving the goals of the 2013 Strategic Plan. The discussion was facilitated by Carol Scofield. The General Manager also discussed with the Board his plans to achieve the goals of the 2016 Strategic Plan. There was general discussion of means to improve communications between the Board and Staff. No action was proposed or taken.

MEETING ADJOURNED at 2:20 p.m. to reconvene in regular session on August 24, 2016, at 9:00 a.m. at the District's main office located at 1036 W. Main Street, Grass Valley, California.


Board Secretary

Attest a true record of actions
had and taken at the above and
foregoing meeting our presence
thereat and our consent thereto.

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	Director Division I
	Division II
	Division III
	Division IV
	Division V