

TONOPAH TOWN BOARD

WORKSHOP MINUTES

APRIL 01, 2011

Town Board Vice Chairman Horace Carlyle called the workshop to order at 9:08 a.m. Also present was Glenn Hatch and Duane Downing. Jon Zane arrived late at 9:34 a.m. and Harvey Gonzalez was absent. There were eleven other people in attendance.

1. Budget Workshop: All Town Departments/Tonopah Public Utilities for FY 2010-2011

Chris Mulkerns noted that this workshop was a continuation of the previous workshop. The final numbers from the Department of Taxation came on March 15, 2011 and the pro-forma numbers came on March 25, 2011. She explained that after the last workshop she called NV Energy to see if they were considering a rate increase. There was an increase in the last three months and NV Energy plans to go in front of the PUC next fiscal year to ask for another increase. For certain rate classes there will be a decrease anywhere from 1.68 % to 2.2%. The recommendation is to plan for a 2% increase. On the expense sheet, the difference in figures from the previous workshop to this workshop is the increase in power.

Chris Mulkerns directed the Board to the tentative budget. She noted that these are the forms that will go to the Department of Taxation after the Board approves them. She directed the Board to page five: Property Tax Rate and Revenue Reconciliation. The assessed valuation, per the 3/29/2011 numbers from the Department of Taxation, is \$29,937,165. The Total Preabated number is \$176,060 and the Tax Abatement is \$43,817. She noted that the FY 10/11 abatement number was \$34,548. The property tax revenue for FY 11/12 is \$132,243. This is down about \$20,000 from FY10/11 and is down \$20,000 from the initial projection of the first workshop. She noted that because the property tax came in lower than projected, the Town changed the dollar amount on the loan for the Convention Center Project. The amount dropped by \$25,000, from \$750,000 to \$725,000. Page six shows the revenue from the Town General Fund and all the special capital project funds. Susan Dudley explained that in her conversation with USDA on March 31, 2011 she noted that the Town had to reduce the loan. USDA normally does not let an entity close on a revenue bond until the project is almost done. The less the Town has to loan to itself creates a greater possibility of the Town having to go to another bank to borrow more money until the loan can be closed on. The Town convinced USDA to close on the loan when the money runs out. As long as the \$98,300 in place, USDA will allow the Town to close on the loan creating a savings of about \$50,000 to \$70,000 that can be put into the project.

Horace Carlyle questioned if there was any word from Pool/Pact regarding the insurance. Susan Dudley noted that Pool/Pact has gone to Lloyds of London. Pool/Pact will ensure the project, the Town is just waiting to see how much it will be. The Town has received the full funding asked for from CDBG, \$250,000. She explained that the loan amount from USDA is what needs to be insured. They are not requiring earthquake insurance but they will require flood insurance because the Belvada is in a flood zone.

Chris Mulkerns directed the Board to page nine. This lists the revenues for the prior year, consisting of audited numbers from Dan McArthur, the estimated current year, and the tentative budget for the next year. Property tax for FY 11/12 is \$132,243. The tentative room tax budget is \$220,000. Business licenses will stay at \$16,000; consolidated tax will stay at \$210,000; the liquor tax will remain at \$1,800; the gaming tax will remain at \$17,000. The gas tax for FY 11/12 rose to \$8,590. Chris Mulkerns explained that the gas tax is just in and out. The Town gains it but pays it out again. The budget for rescue runs increased to \$400. Pool fees dropped from \$8,000 to \$7,000. The budget for the fairgrounds is \$450. The Convention Center budget dropped to \$5,000. The sports complex fees increased to \$1,300. Court fines dropped to \$20,000 from \$22,500. The budget for interest is \$12,000. Mining Park Donations stays at \$3,500 and miscellaneous remains at \$2,000. The total revenue budget for FY 11/12 is \$357,283. The total ending fund balance for FY 11/12 is \$1,945,341 in revenues.

Chris Mulkerns directed the Board to page eleven, the expenditures. She explained that expenditures for salaries, wages, and employee benefits did not change from the previous workshop. The only numbers that have changed is the power under services and supplies. On page fourteen, Chris Mulkerns explained that the debt service line shows what the Town is setting aside for the new debt for the Convention Center. It comprises a whole year plus a few months. Susan Dudley explained that the new debt will be advertised out over a period of thirty years. It is about \$6,900 a month for a total of about \$83,000 a year.

Chris Mulkerns directed the Board to page fourteen of the tentative budget. The estimated ending fund balance for FY 11/12 is \$157,742. She noted that the Town will get the loan back within the budget year. Page fifteen shows the different special revenue funds. Horace Carlyle noted that Resolution 06-02, the resolution creating the mural fund, does not mention any contractual relationship to TDC or any obligation. He hoped the Board recognizes that any further additions to the mural collection increases the Town's liability. He felt that the increase in funding would have to come from the general fund and that the Town should not adopt any more causes or projects unless there is a clear understanding that the Town is prepared to pay for the funding or there is a revenue source to support it.

Jon Zane arrived at 9:34 a.m.

Jon Zane explained that the Town should not accept anymore murals and monuments unless TDC is willing to involve the Town at every step of the process. James Eason explained that a funding mechanism was in place originally but that is no longer the case because TDC ran into financial problems and needed the money. Horace Carlyle suggested the Board put an item on the agenda to address the state of the mural fund. Horace Carlyle questioned whether the \$18,000 in the fund was accumulated based on the fact that the Town had already accepted five or six murals. Susan Dudley explained that the murals and monuments already accepted were done so with the \$700 a month funding from TDC.

Chris Mulkerns asked for clarification regarding the mural fund for budget purposes. The Board agreed to leave the budget for the mural as is. The estimate is to collect \$500 in interest on the fund. The total FY 11/12 budget is \$19,223 and the projection is to spend the total amount. She

directed the Board to page sixteen: Room Tax. This is the fund the Town takes grant money from. The tentative approved revenue for FY 10/11 is \$20,000. The FY 10/11 budget is \$35,000 and the Town is close to spending all of that. The tentative budget for FY 11/12 is \$12,272 and the expectation is to spend all of that.

The Board moved onto page seventeen: Capital Projects. Chris Mulkerns explained that this is where the loan money for the Convention Center Project will be put. The rescue money and reader board fees will be added to this fund. The FY 11/12 budget for rescue runs is \$1,000. The FY 11/12 budget for interest is \$300 and the FY 11/12 budget for reader board fees is \$100. The total FY 11/12 is \$741,134 and the projection is to spend all of that. The Board moved to page eighteen: Special Capital Projects. The FY 10/11 end of year projection is to collect \$35,000 for a FY 11/12 total of \$249,093. The projection is to spend all of that for FY 11/12. The Board moved to page nineteen: Mining Park Capital Projects. The Town spent \$5,000 for FY 10/11 to complete the PER on the headframes. The projection for FY 10/11 is to collect \$500 interest for a FY 11/12 budget of \$32,180. The projection is to spend the full amount in FY 11/12.

Chris Mulkerns explained that page twenty, form sixteen is the best guess at how to show the new debt for the Convention Center. She noted that Susan Dudley calculated that it would be about \$88,000 between the principal and interest. There is a reserve set aside, which is 10% of the total amount budgeted for the debt: \$9,830. The subtotal is \$98,300.

Horace Carlyle questioned if the Silver Trails building is going to be opened, if the Town will do maintenance on it, and where the funding for it will come from. James Eason explained that maintenance on the building will come from the Town's general maintenance budget. The building will not be opened until all of Horace Carlyle's criteria are met. He explained that currently it is not a liability against the Town. He noted that Clair Blackburn notified him that the power is on and has been on. Duane Downing questioned where the power source is. James Eason explained that power comes from the solar panel. He noted that Clair Blackburn suggested using a web cam for security at the Silver Trails Building. Duane Downing questioned whether the Town insurance will cover the wind turbine. James Eason explained that the turbine is less than the Town's deductible of \$5,000.

Horace Carlyle brought up the surveillance issue at the Mining Park. James Eason explained that this can be done using the existing budget for the Park.

Chris Mulkerns directed the Board to page twenty-one, which shows the operating revenue and nonoperating revenue. She noted that the only thing different from the last workshop is the increase in power. Susan Dudley explained that all the negative numbers are okay because the negative number includes the depreciation and as long as the negative number does not exceed the depreciation it is okay. Chris Mulkerns directed the Board to page twenty-two, which shows the cash flow projections for the water fund. She directed the Board to item C: Cash Flows from Capital and Related Financing Activities. She explained that the third number under Capital Projects, \$248,000, will change because she put in the cultural clearances for next year, which is not a capital project. This number will come down \$75,000 to \$173,000. Susan Dudley explained that the Town will still spend the money for the cultural clearances but it is not a capital project.

She explained that it will still reduce the ending fund balance. Horace Carlyle questioned whether the cultural clearance was based on the pipeline. Susan Dudley explained that the PER provides a best guess about what the cultural clearances will cost. The cultural clearances are not part of the project costs.

Joseph Westerlund explained the Capital Projects expenditures for TPU. He explained that on the water side for vehicle equipment there are no back-up pumps for a couple of the booster stations and that TPU needs money in the Capital Projects fund to purchase a pump or motor. Susan Dudley explained that when the Town does the water project the new pumps and motors will be included in the cost of the funding but the funding is there in case a new pump or motor needs to be purchased. On the sewer side, \$26,500 is set aside for a new vehicle. Joe Westerlund noted that there are two vehicles which have a lot of miles and are starting to show their age. He explained that he does not want to spend the money unless he absolutely has to. He explained that there is money set aside on the water side for a dump truck. On the sewer side, \$5,000 was put aside for the mapping projects. Susan Dudley explained that the balance forward went from \$200,000 to \$65,000 because on November 10, 2010 the Board agreed to hire Shaw Engineering. Horace Carlyle requested that Joe Westerlund look into backup power generators for the pumps. Susan Dudley explained that when the water project is finally defined, it will include rehab on the booster stations. She explained that within the project cost, the Town is looking at the possibility of asking for funding for generators for those booster stations. Joe Westerlund explained the Town has a great relationship with Goldfield and Round Mountain and it is currently using Goldfield's backup generators.

Chris Mulkerns directed the Board to page twenty-three: Utility Sewer Fund. Susan Dudley explained that the line item for Depreciation/Amortization is required to be shown by law but is not something the Town has to fund, as long as the Operating Income of (Loss) does not exceed what the depreciation is. The interest payment for the sewer debt is \$24,329 and the total net income is \$103,851.

The Board moved on to page twenty five. Chris Mulkerns explained that this page lays out the debt for water and sewer with the new bonds. They are both at forty years. This page shows the original amount, when the bonds were issued to the Town, the final payment date, the interest rate, the beginning balance as of FY 11/12, the interest and principal that will be paid, and the total payments for the year.

The Board moved to the last two pages, pages twenty-six and twenty-seven, which deal with the inter-fund loan. These pages show that the loan is coming out of the Town General Fund and going into the Capital Projects Fund.

The Board took a break at 10:21 a.m. The Board resumed at 10:28 a.m.

Irene Carlyle explained that she was on the Library Board for about a year and a half and left at the end of the last fiscal year. She noted that the last Board member resigned in December 2010 and there has been no Board since then. She explained that she has taken on the administrative and financial steps since that time. She directed the Board to the FY 11/12 budget section of the

handout. The beginning FY 10/11 budget of \$118,190. She explained that most of this money is from a trust fund that matured a few years ago and was being spent down. During FY 10/11, \$106,553 was transferred to the gift fund the true beginning balance for FY 11/12 is \$11,637.

Irene Carlyle directed the Board to the line item for Property Tax. She explained that property tax increased from FY 09/10 to FY 10/11. This is because the Library District raised the tax rate to 0.20. This is as high as it can go. She pointed out that the total revenues for FY 09/10 was \$72,941 and the total expenses for the same year were \$88,904. The budget was not balanced and had not been balanced for several years.

Irene Carlyle directed the Board to the line item for director wages and staff wages. She pointed out that the budget for FY 10/11 is balanced. She explained that the library changed how things were done. The operating hours were changed to twenty-one hours a week allowing staff to be all part time. The two employees who were eligible for Medicare were taken out of the county plan. The Library District pays the premium under its supplemental and pays the premium on their drug prescription plan. Irene Carlyle explained that the original budget had \$18,000 for director's salary. The projected salary was \$22.00 per hour for nineteen hours a week. The library currently has no director.

Irene Carlyle directed the Board to the line item for grants. The FY 10/11 budget is \$1,3000. To date expenditures for collections total \$749. She explained that the Library District was not going to receive any more. In order for the library to qualify for an annual collection development grant, it must spend 10% of its operations budget on collections. She noted that the FY 11/12 budget for grants was only \$711 because the expenditures from the previous year determine grant funding. The FY 11/12 budget for donations was cut to \$600. The FY 11/12 budget for director wages is \$12,480. This assumes a fully certified director working twelve hours a week at \$22.00 per hour. She explained that the library needs to keep at least two people on the desk for security reasons.

Horace Carlyle clarified what was meant by security reasons. It is for both safety and the preservation of assets. Irene Carlyle explained that one person was not able to run the library. Chris Mulkerns asked for clarification regarding the total number of hours each staff member works. Irene Carlyle explained that each individual works no more than nineteen hours per week. James Eason questioned whether the minimum number of individuals working each day was a state law or an internal policy. Irene Carlyle explained that this was an internal policy. She explained that if necessary, the library could be operated for short periods of time by one person.

Irene Carlyle explained that for most of the line items she assumed a 5% increase. She explained that there is no FY 11/12 budget for building repair/maintenance because in the previous year the staff stopped using the maintenance service and started vacuuming and cleaning the bathrooms themselves. She noted that the line item for books is a fairly large expense. It is monitored. The projected ending fund balance for FY 11/12 is \$20,487. Jon Zane asked for clarification regarding the line item for building repair/maintenance. Irene Carlyle explained that in the past it referred to cleaning services for the building and minor repairs. She noted that if something major happens to the building, repairs will come from the capital projects budget. Susan Dudley

explained that in the past, Nye County Buildings and Grounds did occasionally help with repairs and maintenance on the building. She explained that the original language of the trust fund specified that the money was to be used for capital projects or improvements on the building. James Eason explained that if the Town takes control of the library district, the day-to-day maintenance on the building will fall under the Town's general maintenance budget.

2. Arsenic Project Workshop

At 10:54 a.m., the Board moved onto the Arsenic Project Workshop.

Susan Dudley explained that there are two components to this project. The Tonopah Town Board owns and operates Tonopah Public Utilities and the Board is responsible for providing a continuous, safe, adequate source of water to the town residents. She explained that the project was looking at arsenic treatment and the transmission line.

Susan Dudley explained that the Environmental Protection Agency dictates what components the Town has to test for in its water. The EPA sets the parameters of what those components are. The Town is in compliance with everything but arsenic. The arsenic standard went from 50 parts per billion to 10 parts per billion. This went into effect on January 6, 2006. There was some flexibility in the requirements based on the level of arsenic in the water and the population served by that water system. The Town's arsenic level was 11 parts per billion. The Town was able to get an extension to 2009. The Town was able to demonstrate to the state Environmental Commission that it was making progress and was granted another extension to 2011. In November 2010, the Town was granted another extension to January 2013. There is the possibility of another extension if the Town demonstrates that it has made adequate progress. Susan Dudley explained that in these extensions are milestones the Town does have to meet. There are compliance issues the Town has to come into compliance with. Joseph Westerlund has to report on a quarterly basis what the Town is doing and how it is doing it. If the Environmental Commission deems that the Town has not made adequate progress the extensions go away and the Town had to reduce the arsenic level down to 10 parts per billion or it is subject to a \$25,000 a day fine.

Susan Dudley explained that as the project has progressed, the Town has always looked at putting in an arsenic treatment plant. She explained that last year and one quarter into this year, the arsenic level is 10 parts per billion. The arsenic level has dropped. The state feels the Town should look at why this is happening and see if it will continue to happen.

Dave Moshe from Midway Gold provided a short explanation regarding the development of the Midway project. He feels that water for the Town is the most important aspect.

Susan Dudley explained that Midway filed for water rights for dewatering. The Town has a responsibility per the well head protection program to file protests because the basin is a designated for the Town of Tonopah. In December 2008, the Town and Midway went for a negotiation meeting with the state Engineers office. The Town went through a selection process to hire an attorney, Karen Peterson. At the meeting on December 8, 2008, the State Engineer

suggested that the Town and Midway work together to help deal with the arsenic issue. Working together, the Town and Midway went through an extensive engineer selection process. They settled on Lumos & Associates to complete the preliminary engineering report. This report was supposed to look at the potential of what the Town had to do as far as mitigating arsenic by itself, what Midway has to do to as far as mitigating arsenic by itself, and, if efforts are combined, what could be done together. The PER was to be completed in September 2009. The Town gave Lumos an extension until November 2009. The Town received the PER in August 2010.

Dave Moshe explained that Midway decided to transition from an exploration company to a true mining company. Because of that, the company completely changed the President, Vice-president, and half the Board. The new President, Kenneth Brunk, and the new Vice-president, Rick Moritz, came on in June 2010. Susan Dudley explained that by the time the Town and Midway had the meeting in July 2010, the Town learned that its arsenic level was decreasing. This created the possibility of not having to put in an arsenic treatment plant. She noted that the issue with the treatment plant is not so much the capital involved in having to put the plant in but the O & M costs after it is put in. The O & M costs would average between \$40,000 to \$100,000 per year. She explained that at the same time, Midway was open to exploring other options.

Susan Dudley explained that the Town decided it needed an engineering evaluation of the numbers in the Lumos report because the Town was not as comfortable as it should be. On November 10, 2010, the Board decided to hire Shaw Engineering to complete an engineering evaluation on the PER developed by Lumos as it related to the arsenic treatment plant and other components, including the wells, transmission lines, well replacement, and well cleaning. Shaw's highest priority is the Town's well capacity. The State's highest priority is removing arsenic. The Town's transmission line is very old and it is not allowing the Town to bring in as much water as it needs. She explained that while Shaw Engineering was doing a reevaluation of the Lumos PER, the Board directed them to go down another path. Shaw hired a hydrogeologist. The Town entered into an agreement with Midway, because they have also hired a hydrogeologist and are looking at the same thing in the same area, to share as much information as possible. By going down both paths at the same time, Shaw will hopefully be able to provide the Board with all the information it needs to make a decision. The hydrogeologist hired by Shaw Engineering has completed his study: Phase 1. From this study, the hydrogeologist determined it is worth the Town's effort to look at what is going on and if it is possible to mitigate arsenic without having to put an arsenic treatment plant in. Susan Dudley explained that the Phase 1 report addressed the fact that putting an arsenic treatment plant in will increase the psi going through the transmission line. The increased psi would cause a complete failure of the transmission line. The Lumos report failed to address that the Town needs a storage tank and booster station before the weakest portion of the transmission line to reduce the psi.

Susan Dudley explained that when asking for funding from the Army Corp. of Engineers, the Town has to be careful with how much it asks for. It has to provide a match with non federal funds. She noted that the Senate bill proposed in October 2010 suggested a 55/45 match. She explained USDA grant money is federal money. Another funding source is the State Revolving Loan fund. There are two sources of money for the State Revolving Loan Fund. One source is money from the state. This has no restriction. The Town can borrow the money and pay it back

at whatever the interest is. This interest rate is higher than USDA and the Town needs to pay it back in thirty years. The second source of money in the State Revolving Loan Fund is Socially Disadvantaged Money. Based on the 1990 census numbers, the medium household income was higher than what would make the Town eligible for the money. The Town conducted an income survey. The results showed that Tonopah was below poverty level. USDA accepted these results. The Town is considered socially disadvantaged and is eligible for the Social Disadvantaged money in the State Revolving Loan Fund. Susan Dudley explained that \$1,000,000 is being held for the Town in the State Revolving Loan Fund. This money is in the September 30, 2010 year-end budget. As long as the Town is making progress on this project and the State is able to, the money will be held for the Town. Susan Dudley explained that regardless of what the project entails, either an arsenic treatment plant or substitute transmission lines and new wells, the project is \$6,000,000. Minus the \$1,000,000 from the State Revolving Loan Fund, the Town still has \$5,000,000 worth of funding to obtain. She explained that until the Census numbers for 2010 are accepted by the federal government, the Town is still considered socially disadvantaged.

James Eason explained that with USDA, this is only a loan. The low income survey allows the Town to have a cheaper interest rate. The interest rate could go up in February or March when the numbers reset. The loan is from the USDA through the U.S. Treasury where they go out and sell bonds. Susan Dudley explained that as long as USDA is in effect, the loan is available. James Eason explained that the loan the Town is going after is a loan guarantee program and is the same sort of thing Solar Reserve is going after. Susan Dudley explained that the low interest rate on the loan for the Town is based on the income. Every program has its own interest rate.

Susan Dudley explained the schedule she has for the project. She noted that Shaw Engineering was getting ready to award the bid for drilling. The driller has until mid May to finish his drilling. The State of Nevada requires the Town to take water quality tests to the highest limit, a Profile One, which looks at every component in the water. This takes about fifteen days to complete. Once the drilling program is completed and the test results have been given to the hydrogeologist, he has from mid May to the end of May to give the Town his summary of what the drilling program produced. Shaw Engineering has until June 10, 2011 to give the Town his recommendation based on those results. The report from Shaw will reach the Town by June 13, 2011. The Town will review the report. The Town Board will receive the report on June 22, 2011 and decide on a course of action. After the decision, Shaw Engineering has until June 30, 2011 to present the Town with a project including all costs associated that can be presented to the committee. Horace Carlyle expressed the concern over documentation for the June 22, 2011 Town Board Meeting. He wanted to know if the Board would receive the documentation by the Friday before the meeting. Susan Dudley explained that the documentation will be ready in time for the Board members packets.

Dave Moshe questioned if the arsenic treatment plant would treat other elements. James Eason explained that the plant only treats arsenic. Susan Dudley explained that the Town is only out of compliance with arsenic. James Eason explained that modules can be connected to the plant to treat other elements if necessary.

Horace Carlyle asked what the minimum cost for power lines is. James Eason explained that it depends on the size of the line. Horace Carlyle also asked what the cost for transmission lines for new wells will be. Susan Dudley explained that those cost estimates will be in the report from Shaw Engineering. The Board called Paul Winkleman from Shaw Engineering for answers to some questions.

Horace Carlyle was concerned about getting enough water from one well. Susan Dudley explained that the new wells will be tied into the existing well field.

Susan Dudley asked Paul Winkleman about the estimated costs for new power and transmission lines. Paul Winkleman explained that it is difficult to work up exact numbers because he does not know the flow rate or the number of wells. The numbers provided by Paul Winkleman for the purposes of the workshop are based on the assumption of a new well field. Twelve inch pipe is \$40 per foot. He explained that he is using the longest route for the estimate, about 29,000 feet of pipe. This route follows the road and is just under six miles. The estimated cost for the entire project is \$3.6 million. This includes extending power 29,000 feet at \$20 per foot.

Dave Moshe questioned what the \$3.6 million covered. Paul Winkleman explained that this covered the entire project: the wells, transmission lines, power lines, and all other elements. The total project cost for the treatment plant is around \$2.5 million, but this does not include the cost of maintaining the plant and replacement of the plant. James Eason questioned if Paul Winkleman had included a factor if someone decided to connect to the new power line. Paul Winkleman explained that he had not included that figure. James Eason explained that if someone else connected to the new power line, the Town would receive a portion of the cost for the new line back. He explained that if the Town decided to develop a new well field, the well collection replacement still needs to be completed. James Eason requested that Paul Winkleman include in his report a factor if someone else decided to connect to the new line.

Horace Carlyle expressed a concern regarding the right of way from NDOT and the environmental impact studies. Susan Dudley explained that Paul Winkleman is working on those and should have everything done by June 10, 2011. Paul Winkleman explained that the new transmission lines, if taken on the longest route, would be adjacent to the NDOT right of way. Only a portion of that route is NDOT. The road that goes up to the 77A site is a county road. Paul Winkleman explained that the estimates he is providing are based on a worst case scenario that follows the longest route. Susan Dudley explained that these are all issues that impact the final decision.

Dave Moshe questioned why the 77A site is better for well placement than any other site. James Eason explained that right now the Town is looking at a drilling program to study all options in the basin. At the moment, it is unknown if site 77A is the best option. The Town is looking at all the potential best options. The Town is trying to understand the hydrology of the basin. Paul Winkleman explained that a combination of sites with low arsenic is another option. James Eason explained that the Town is attempting to exhaust every scenario before any deadlines pass.

Horace Carlyle expressed a concern about having a singular well in one location for blending. He felt there should be a second location in general proximity in the event of failure of one well.

James Eason explained that by state law the Town has to have at least two wells. Paul Winkleman explained that part of the reason for exploration in the existing well field is to get the arsenic level down.

James Eason explained that over the years, the owner of the Jelly Bean well has approached the Town on numerous occasions asking it to buy the well. The Town refused. The BLM has recently approached the Town because the well and the permit are now in trespass and there is a liability for the individuals who own the well. The BLM has asked the Town to take it over. The Town is currently testing the well for quality and quantity and is conducting a ten-day pump test starting April 1, 2011. James Eason explained that the Town is trying to answer as many unknowns as possible before the June 22, 2011 Town Board Meeting when the Board makes its decision.

Horace Carlyle wanted to know who the drilling bid was awarded to. Paul Winkleman explained that Bruce MacKay Pump & Drilling for \$137,084. Bruce MacKay is out of Reno. Susan Dudley emphasized the fact that if the company goes over budget it comes out of Shaw Engineering's pockets.

James Eason Explained that there are four areas the Town is looking at for drilling, with four being a last resort. On Monday March 28, 2011, the Town finalized the right of way with BLM. The right of way is right over the top of Midway's Notice of Intent at site 77A. There is an existing drill pad at that site. The Town will be no more than thirty feet away and on the existing pad. There are a series of four wells running up to Hunts Canyon. The Town has done arsenic sampling on the wells. The lowest arsenic level was a three and the highest was a six. Dave Moshe explained that in the upper part of Ralston valley, the water table is shallow but farther south the water table is deeper. The plan is to drill the test wells and get the best representative sample. Paul Winkleman explained that the depth of the wells impacts the cost of the project. If the wells have to go six hundred feet or more, the cost of the project increases.

Susan Dudley explained that Wells 1-4 have the high Arsenic levels. Well 1 was 22 parts per billion four months ago and Well 4 was 16 parts per billion. James Eason explained that location 2 is on Town property so the Town does not need permits from BLM and the Town already has the other permits. Well 5-8 has an average arsenic level of eight to nine.

James Eason explained that at Rye Patch, the transmission line comes out of Booster One with 12" AC pipe. It then goes to 8" steel pipe that was put in in 1943. The maximum amount of water that can be pumped through the transmission line is 950 gallons per minute. This does not meet peak daily demand.

Paul Winkleman explained that the estimated operations and maintenance costs for the treatment plant is around \$50,000. James Eason explained that if the Town had to take on the additional operations and maintenance, there are issues with time and personnel availability. Horace Carlyle questioned what the water loss estimate was between the well field and the town. Susan Dudley

explained that the amount of water pumped at the wells is known and the amount of water transported from the well field to Booster 2 is known but between Booster 2 and the Ararat tanks there is no metering. The only estimate the Town can provide is the difference between what is pumped and what is sold. The newest estimate is a loss of six million gallons. Between the well field and Booster 2 there is about a two million gallon loss. James Eason explained that part of the funding will include money for new meters in the ground to isolate possible breaks in the line. Susan Dudley explained that once the Board settles on a project, the funders determine how much and what parts of that project get funded.

Paul Winkleman explained why the replacement of the transmission line in conjunction with the arsenic treatment plant is imperative. Without the treatment plant, the 3.8 miles of 8" inch pipe requires a 250 horsepower motor to pump through that small diameter. When the treatment plant is added, the water is pumped through the treatment plant into the transmission line. Because of the size of the transmission line, the pressure has to be increased at the pump station to get the water through the pipeline. When the pressure is increased at the pump station, the pressure in the treatment plant also increases. All of the pipe in the treatment plant has to be sized for the higher pressure.

Horace Carlyle wondered why Booster 1 had the noise associated. James Eason explained that the answer to that is not known. He explained that the TPU personnel were provided with ear plugs for the noise. Susan Dudley explained that adjustments were made to Booster 1 in early 2000 and it has made that noise since then.

James Eason explained that the Town is still looking at working together with Midway but it has to be economical.

Horace Carlyle explained that the goal of the Board is to support economic development.

3. Public Comment

Diane Perchetti questioned who currently owns the Jelly Bean well. Susan Dudley explained that the BLM currently owns the well. There was a lease on the well before but that is now in trespass. The state has withdrawn the water rights.

No action taken by the Board.

4. Adjourn

Workshop was adjourned at 12:49 p.m.

Tonopah Town Board Budget Workshop
April 01, 2011
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