

TONOPAH TOWN BOARD

MEETING MINUTES

DECEMBER 12, 2012

Tonopah Town Board Vice Chairman Horace Carlyle called the meeting to order at 7:01 pm. Also present were Duane Downing and Ron Kipp. Jon Zane and Javier Gonzalez were absent. There were eleven other people in attendance.

1. Public Comment

No action taken by the Board.

2. Review and approval of minutes, in context, from regular meeting held on November 28 2012.

Duane Downing made a motion to approve the minutes, in context, from regular meeting held on November 28, 2012. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

3. Review, discussion and possible approval of use of Charles Abbot & Associates for inspection services in connection with the Tonopah Convention Center Roof Project.

James Eason explained that this was the announcement made at the previous meeting. The Town finally received the contract. Bill Browning has already been here twice. They have made some adjustments to areas that were not attached.

Duane Downing made a motion to approve the use of Charles Abbot & Associates for inspection services in connection with the Tonopah Convention Center Roof Project with fee schedule not to exceed \$3,000.00. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

4. Review, discussion and possible decision regarding update to Town of Tonopah/Tonopah Public Utilities Employment Application per POOL/PACT suggested 2012 revisions

Horace Carlyle noted that this is much more extensive than what was used in the past. James Eason explained that if this is approved, the Town will begin using it immediately.

Duane Downing made a motion to approve the update to the Town of Tonopah/Tonopah Public Utilities Employment Application per the Pool/Pact suggested 2012 revisions. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

The Board moved to item 9.

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5. Discussion, decision and possible approval to apply to the Nevada Drinking Water State Revolving Fund for principal forgiveness loan in the amount of \$1,500,000 for Phase II and \$200,000 for Phase III for the completion of the Tonopah Public Utilities Water System Transmission Line.

Susan Dudley was present via telephone.

Susan Dudley attended by telephone and explained there are several items before the Board tonight relating to funding for Phase 2 and Phase 3 of the water project.

In 2009 the Town had a Preliminary Engineering Report completed by Lumos & Associates to address the non-compliance issues with arsenic. That PER was amended by Shaw Engineering in 2010. The PER addressed both the arsenic mitigation and the necessary improvements to the transmission line. The project was identified in three phases. Phase 1 is what is currently being completed. The Town received funding commitments for \$7,196,830. Because the bids came in lower, the new project cost is now estimated at \$5,996,830. To take advantage of the remaining funding commitment, the Town began discussing the future phases with the funders.

Susan Dudley explained that the Town is asking to put in a State Revolving Loan application packet asking for a principal forgiveness loan in the amount of \$1,700,000, with \$1,500,000 going towards Phase II and \$200,000 going towards Phase III. She noted that the Town is not able to make the request unless there are other funders to help complete the funding packet.

Susan Dudley directed the Board to a spread sheet listing the project costs. Phase II of the project is to replace 6.3 miles of 10-12" pipe from Booster II to Ararat with 14" PVC. The estimated project cost is \$3,356,043 with \$1,500,000 to come from a State Revolving Loan Fund principal forgiveness loan. The remainder will come from USDA. Of that, \$1,347,043 will be a grant and \$509,000 will be a new loan. Under Phase II, the Town will need to refinance the existing USDA loan with a current interest rate of 4.25% and a principal balance of \$439,000.

Susan Dudley explained that Phase III of the water project is to replace 3.2 miles of 12" asbestos cement pipe from Booster I to where the current replacement project is ongoing. Those project costs are estimated to be \$1,564,840 with \$200,000 from a State Revolving Loan Fund principal forgiveness loan, \$500,000 from EDA and \$866,000 from a new loan with USDA.

Susan Dudley directed the Board to a handout showing the impacts of the new loans. She explained that with Phase I, the new loan commitment from USDA is \$3,907,000 and has an interest rate of 2.5%. In FY 14/15, there will be an annual debt repayment of \$170,146 for the new debt. There is a current loan in the amount of \$498,000 with an interest rate of 4.25% which has an annual debt repayment amount of \$28,548. Without going forward with the remaining phases, TPU is committed to an annual debt payment to USDA of \$198,694. In addition, TPU is required to fund \$57,000 to Grant Depreciation each year. She explained that current water rates are \$3.25 per thousand gallons for residential and \$3.75 per thousand gallons for commercial. There is currently \$1.00 collected in surcharge which goes to fund debt repayment and grant depreciation. The remainder of the water fees collected goes towards operation and maintenance

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of the utility. In October 2010, the Board adopted a resolution approving to increase the surcharge amount by \$0.10 per thousand gallons each year.

Susan Dudley explained that if the Town refinances the \$439,000 current loan from 4.25% down to a worst case scenario of 2%, as set by the U.S. Treasury, reduced the interest rate on the \$3,907,000 loan from 2.5% down to 2% and included the new loan amount of \$509,000 required for Phase II, the annual debt payment would be \$195,248. She reiterated that the 2% interest rate is a worst case scenario and could be as low as 1.875%. The new interest rate will not be set until December 17th and that rate will be good through the first quarter of 2013. She explained that if the Board proceeded to Phase III, there would be an additional USDA loan of \$866,000 and the annual debt repayment would be \$230,076.

Susan Dudley explained that FY 14/15 would be the first full year of the new debt. If TPU budgeted \$500,000 for operations and maintenance, grant depreciation, the debt expense and short lived assets, the utility would be \$20,355 in the red for FY 14/15 and \$4,755 in the red for FY 15/16. She explained that in the annual audit year ending 6/30/2011, the actual cash in the bank ending fund balance for water was approximately \$420,000. Unaudited, the best guess for year ending 6/30/2012 is an additional \$100,000. She noted that for the years the utility would operate in the red, the balance would be taken from the ending fund balance.

Susan Dudley explained that the scenario with revenue and expenses from Phase II would also apply to Phase III. She reiterated that the first full year for debt payment will be FY 14/15. With the debt payment under Phase III, the utility would end that year \$55,183 in the red and \$39,583 in the red for FY 15/16. As before, this would be covered with the ending fund balance. She noted that these numbers are based on a conservative revenue collection and the projection to spend the entire budgeted amount.

James Eason explained that the staff recommendation is to move forward with both Phase II and Phase III of this project. He noted that right now, this is the best opportunity there is to replace this system.

Duane Downing made a motion to approve and apply to the Nevada Drinking Water State Revolving Fund for principal forgiveness loan in the amount of \$1,500,000 for Phase II and \$200,000 for Phase III for the completion of the Tonopah Public Utilities Water System Transmission Line. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

6. Discussion, decision and possible approval regarding the Town of Tonopah to apply to USDA Rural Development in the amount of \$1,961,043 for Phase II and III for the completion of the Tonopah Public Utilities Water Transmission Line and authorizing the Chairman or Vice Chairman to sign all application and obligating documents

Susan Dudley explained that this is part of the application to USDA showing the amount of money being requested for both projects and the amount of the previous water debt to be refinanced.

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James Eason explained that the staff recommendation is to move forward with this application.

Duane Downing made a motion to approve the Town of Tonopah to apply to USDA Rural Development in the amount of \$1,961,043 for Phase II and Phase III for the completion of the Tonopah Public Utilities Water Transmission Line Project – loan for Phase II in the amount of \$509,000, grant in the amount of \$1,347,043, request to use remaining grant funds in the amount of \$1,200,000 and refinance of the “02 Water Debt” in the amount of \$439,000 – loan for Phase III in the amount of \$866,000; and authorizing the chairman or vice chairman of the Board to sign all application and obligating documents. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

7. Discussion, decision and possible adoption of a resolution authorizing to submit application to amend right of way N-90168 to the U.S. Department of Interior Bureau of Land Management for completion of Phase II and Phase III of the Tonopah Public Utilities Water System Transmission Line

Susan Dudley explained that there were two resolutions before the Board tonight. One was for Phase II only and one was for Phase II and Phase III. Currently, the BLM is not sure which way they would like it so the Board needs to sign both resolutions. She noted that because the BLM is not yet sure which way they would like to go, the actual application will not be signed tonight. She requested that the Board authorize the Town Manager to sign the application once it is determined which way the BLM will go.

James Eason explained that the staff recommendation is to proceed as outlined and to approve both agreements. He noted that, depending on how the funding comes in, this will allow for the flexibility to complete Phase II and Phase III.

Duane Downing made a motion to approve the adoption of a resolution authorizing to submit application to amend right of way N-90168 to the U.S. Department of Interior Bureau of Land Management for completion of Phase II and Phase III of the Tonopah Public Utilities Water System Transmission Line with authorization for Town Manager to sign all associated papers and documents in relation. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

8. Discussion, decision and possible approval to request BOCC of Nye County to apply to the Economic Development Administration for a grant in the amount of \$500,000 for Phase III of the Tonopah Public Utilities Water System Transmission Line

Susan Dudley explained that this is the final piece of the puzzle that needs to happen in order to complete both phases. There are some really tight deadlines for these applications. The State Revolving Loan Fund application will go before the Board for Financing Water Projects on January 23, 2013 but the application needs to be before the manager of the State Revolving Loan Fund six to eight weeks before the meeting. At the time this application goes before the Board, the Town also has to show that it has applied to USDA for the obligation of those additional funds. If the Board wants to move forward with Phase III, it must request the Board of County

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Commissioners to put in for the EDA grant. The EDA must have the pre-application one month before the March 15, 2013 meeting so it needs to be on the Commissioners agenda for the first meeting in February to direct BEC Environmental to put together that application. James Eason reiterated that the EDA grant will be applicable to Phase III.

James Eason explained that staff recommendation is to move forward with this.

Duane Downing made a motion to approve to request the Board of County Commissioners of Nye County to apply to the Economic Development Administration for a grant in the amount of \$500,000 for Phase III of the Tonopah Public Utilities Water System Transmission Line. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

The Board moved to item 10.

9. Review, discussion and possible decision regarding lease of Town property; said decision to lease shall be contingent upon review of lease by District Attorney

James Eason explained that Ron Browning and Patty Winters wanted to know if the Town would be interested in leasing out a portion of the Old Firehouse for them to begin operation of a new business. They have walked through the building and looked at the areas that would be the most practical for them to utilize without interfering with the Town and the present operations of TDC. This is a standard lease agreement the Town has used in the past.

Ron Browning explained that they operate a safety supply and equipment store and they are expanding to include vinyl printing and logo apparel for t-shirts. They have extensively searched locally for open facilities and it is tough to find something that is move-in ready without investing a lot of money to bring up. Patty Winters explained that Mr. Browning would also be maintaining his consulting business as well.

James Eason explained that there is already a fixed cost with the building and the Town knows what the utilities are. Anything that goes above that they would be responsible for. The building is in a dilapidated state and there are areas that could be worked on together with their volunteer work, conservation crews, and Town crews. There are some areas where the building was condemned in the bay area. The plan is to still put in the columns to support the sags with the trusses. The new business would not be in that area. He explained that they have not yet talked about the cost of rent because there are a lot of tentative improvements that need to be done. They are willing to do that in exchange for lowering the rent. He explained that the Board can pass the resolution pending on a negotiated price and a contract approved by the District Attorney's Office. He suggested granting them access to start cleaning and doing things in the building while working out the details. Horace Carlyle wanted to know if the Town needed to notify Pool/Pact that it will be leasing out space in the building. James Eason explained that the Town can notify the insurance carrier. The new business will be required to carry insurance.

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Ron Kipp noted that there were some errors in the real estate lease. James Eason noted that it will be reviewed. On the utility side, the Town has all of the history of what the utilities are and will be able to track that.

Duane Downing made a motion to approve the leasing of Town property namely the Resolution declaring intention to least Old Firehouse Station and that will be contingent upon review of the lease by the District Attorney with all the details to be settled by the Town Manager. Horace Carlyle seconded. James Eason explained that once it is approved by the District Attorney's Office after negotiations, it will come back before the Board for approval. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

The Tonopah Town Board recessed to the Tonopah Library Board of Trustees at 7:17 pm. The Tonopah Town Board returned at 7:23 pm.

The Board moved to item 5.

10. Review, discussion and possible decision regarding Town of Tonopah Personnel Policy
Section 7 – Benefits.

Chris Mulkerns explained that the current suggestions are based on the workshop, the last few meetings, and different discussions with staff. Staff did add the recommendation to send out a notice to all retirees and current employees letting them know that this was on the agenda and that, if approved, will affect what they are getting.

Dave Smith wanted to know if this would affect the current employees. Chris Mulkerns explained that if this is approved it will affect current employees the same way it affects retirees. Horace Carlyle reiterated that all of the current employees and retirees were given this for review. Dave Smith wanted to know if there was any other way to work this. Horace Carlyle noted that the Board could terminate this program.

Duane Downing explained that the biggest thing this will affect for current employees and current retirees is that there will be a cap on the maximum amount per year the Town can spend for benefits. That cap is \$8,773, approximately \$2,300 a year more than what the Town is paying right now. At the rate health insurance is going up it may be several years down the road before it affects them. When the benefits exceed that cap, the overage will be covered by the employee or the retiree. He explained that the Board is in favor of this not affecting current employees and retirees as much as possible. Dave Smith wanted to know if there is a way to change this for new hires. Duane Downing explained that this is a drastic change to new hires. Chris Mulkerns explained that when this is approved anyone hired after the approval date will not receive Town-paid health benefits when they retire. Duane Downing explained that the language also makes it more stringent on current employees. Chris Mulkerns explained that the driving force behind this is the cost to the Town.

Duane Downing explained that the long-term cost of retiree benefits is a problem in the future. Chris Mulkerns explained that when that cap is reached, the cost the employee and retiree would

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cover is the difference between the cap and the annual premium. Duane Downing explained that at 65 retirees will roll into Medicare. The Town would then cover the supplemental insurance. Dave Smith wanted to know if there was a way to word this so that health benefits would be paid in full until the individual was enrolled into Medicare. Duane Downing explained that the Town does not know what is going to happen with health care insurance. It could bankrupt the Town. The Board has to try and guarantee the sustainability of the Town and the Utility.

Dave Smith noted that the language states the Town will review this every year. He wanted to know if the cap was going to be a set limit or if it could fluctuate. Duane Downing explained that annually the Board will look at the program and at what can be done to try and manage that cost. It involves looking at the entire program and keeping it sustainable. To keep everything sustainable, the Town has reduced the number of employees. Dave Smith wanted to know if, when reviewing the program every year, there was the possibility of raising the cap. Duane Downing confirmed that this is a possibility. Dave Smith wanted to know if there was language that there could be an increase to match inflation.

Horace Carlyle explained that the cap was set at a very high level, is a worst case scenario and is a minimum of five years out. He explained that for the last two years the Board has set aside money to help fund retiree benefits. James Eason explained that previous Boards never set aside money for future retirees. It was done as a pay-as-you go system. He noted that back in 2000, the Town made a commitment to Nye County that if a retiree had the majority of his or her time under the Town, the Town would absorb those retiree benefits. He explained that the money for the buy outs came from the Town side. Those were unfunded obligations that the Town had to pay for on the spot. The Town is now trying to be proactive and fund those unfunded obligations. He explained that the current cap is a five-year current healthcare cost project. At the current rate, healthcare costs will be going up 8% over the next five years. The Town will absorb that for the next five years. If the costs go up and the Board decides, the employees and retirees all start paying their portion the difference would be spread out over one year. At 65, the retiree will automatically go to Medicare. This is a County policy that the Town is following. The Town will provide a secondary insurance which it will fund completely until it reaches that cap. He noted that the supplementary insurance costs about \$250.00 per month.

James Eason explained that the Town has closed some loopholes in the policy. If this passes, employees would have to retire without a PERS penalty to get healthcare benefits. Horace Carlyle explained that the intent is to support the current retirees as much as possible. The Town is setting aside money to help fund these benefits in the future. James Eason explained that he feels this is a good recommendation to keep the Town going.

Horace Carlyle explained that if the Town is fortunate enough to get the funding package to rebuild the water line, the Town will have the potential for moderate growth. If there is moderate growth, there will be increased revenue. When this program is reviewed annually, if there is additional revenue, the Town may be able to raise the cap that year.

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James Eason explained that the County will go out to bid every year for insurance. They will keep reducing coverage to stay within a dollar amount that they have promised to their past employees and retirees.

Horace Carlyle explained that this document has been vetted by Pool/Pact. Depending on the circumstances, the Board can always go back and make revisions to this program.

James Eason explained that revenue for healthcare and PERS comes from both a soft market and a hard market. The soft market comes from returns on investments. The balance that is not covered by the soft market is covered by the hard market. The problem comes when there are more people taking out than putting in.

Duane Downing feels there may be a way to get retiree benefits for new hires. If an employee started at 20 years old, using the idea of \$1 per hour, up to 2,080 hours per year, that would be \$62,400 over a 30 year span. From the time they are 50 years old, which is when they would be eligible for retirement without penalty, until they are 65, where they are eligible for Medicare, that is 15 years. The Town can offer \$4,000 per year in health insurance and anything over that is paid for by the retiree. He explained that an employee has to retire from the Town to get the benefits. He noted that it saves the Town money in the long run because for any employee who does not retire without penalty, they are not taking the money that was set aside. The money would be specifically set aside for retiree health insurance. The money will be set aside and will be a funded thing. If the employee does not retire, they do not get the money and it stays in the account to help sustain the program. Ron Kipp wanted to know where the \$1.00 per hour comes from. Chris Mulkerns explained that the Town will have to budget for this. James Eason explained that it will come out of the general fund and is a portion of the general fund that will not go towards operations and maintenance or the capital. This would not be limited to new employees but would also include current employees. James Eason noted that current employees are not fully covered as retirees. He noted that another option would be to not fund any medical but give the employee the option to participate in a plan. He noted that the question tonight seems to be what to do with future employees.

Horace Carlyle explained that the Board always has the option of adding to the Personnel Policy. James Eason explained that there are two parts to this idea, a language part and a funding mechanism. He noted that another idea would be to say that upon retirement without penalty, the Town of Tonopah will fund up to 50% of the healthcare benefit not to exceed a set amount.

James Eason noted that the only section the Board still has an issue on is 7.3. The Board can make a motion to adopt 7.1 and 7.2 and table 7.3 to make that change. The only thing that is currently up in the air is new hires and future retirees.

Duane Downing made a motion to approve the Town of Tonopah Personnel Policy Section 7 – Benefits including Section 7.1 – Health Insurance, 7.2 0 Life Insurance Coverage and table 7.3 – Retirement. Ron Kipp seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

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11. Tonopah Department Budget Reports

Horace Carlyle wanted to know where the \$1,000 in the Mural Fund came from. Chris Mulkerns explained that they money came from the billboards. James Eason noted that there will be a voucher for the Montgomery Pass billboard, which has been finished. They are in the process of completing the backside. Chris Mulkerns noted that they are working at getting a renter for that side.

No action taken by the Board.

12. Tonopah Development Corporation Report

No action taken by the Board.

13. Public Comment

No action taken by the Board.

14. Town Board Member's/Department Manager's/Nye County Commissioner's Comments

James Eason explained that a questionnaire was mailed to all of the business owners along with the business license renewals to see what their perception is of the Chamber, if they think it is necessary and if they will support it.

James Eason explained that the water project and reuse project are both moving along. They are working on the roof. The rain storm did impact one corner where it leaked but it was an area that needed to be removed for the additional blocking. All of the underlayment is on, is weatherproof, and is good for 120 days.

15. Closure of Meeting, Pursuant to NRS 288.220 for purposes of conferring with Town's Management Representative regarding labor negotiation issues, and other personnel issues.

This item was tabled.

16. Closed meeting, pursuant to NRS 288.220 for purposes of conferring with Town's Management Representative regarding labor negotiation issues, and other personnel issues

This item was tabled.

17. Discussion deliberation, and possible decision on labor negotiations, issues and other personnel matters presented in the closed meeting

This item was tabled.

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18. Closure of meeting pursuant to NRS 241.015(2)(b)(2) for purposes of conferring with legal counsel regarding potential or current litigation

This item was tabled.

19. Closed meeting, pursuant to NRS 241.015(2)(b)(2) for purposes of conferring with legal counsel regarding potential or current litigation

This item was tabled.

20. Discussion, deliberation and possible decision on conference with legal counsel regarding potential or current litigation presented in the closed meeting

This item was tabled.

21. Correspondence

New Water Application Expected to Streamline Process

The Equity Option: How to Make the Most of Your Debt – November 2012

Round Mountain Town Board Regular Meeting Minutes – 11/13/2012

Round Mountain Town Board Regular Meeting Minutes – 11/27/2012

Nye County Airports November 2012 Status Report – 12/03/2012

Nye County board of Commissioners Meeting – 12/04/2012

Round Mountain Town Board Regular Meeting Agenda – 12/11/2012

Pahrump Town Board Regular Meeting Agenda – 12/11/2012

Letter to USDA – Rural Development – 12/11/2012

Beatty Town Advisory Board Meeting Agenda – 12/12/2012

22. Approval of Vouchers for Payment

The vouchers were reviewed and all were signed by Board members. Duane Downing made a motion to approve the vouchers as presented for payment. Horace Carlyle seconded. Motion passed 3-0-2 (Jon Zane and Javier Gonzalez were absent).

23. Adjourn

Meeting was adjourned at 9:38 pm.

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Minutes transcribed by:

Mariah Rivero

Approved:

Jon Zane, Chairman

Horace Carlyle, Vice Chairman

Javier Gonzalez, Clerk

Duane Downing, Member

Ron Kipp, Member