

Approved on March 6, 2018

NEVADA IRRIGATION DISTRICT

Administrative Practices Committee

February 6, 2018

MINUTES

Committee Members Present: William Morebeck, Division IV
John H. Drew, Division II

Committee Staff Members Present:

Remleh Scherzinger, General Manager
Greg Jones, Assistant General Manager
Marvin Davis, Finance Manager/Treasurer
Jana Kolakowski, Human Resources Manager
Kris Stepanian, Board Secretary

Other Staff Members Present:

Keane Sommers, Hydroelectric Manager
Gary King, Engineering Manager
Jaqueline Longshore, Program Analyst
Debbie Martin, Controller
Desiree Ince, Finance Assistant I
Susan Lauer, Communication Specialist

Public Comment

None

Minutes of the January 9, 2018 Special Meeting

Approved as submitted.

Combie Sediment and Mercury Removal– USGS Agreement #2

Greg Jones, Assistant General Manager, presented the item to the Committee.

In July 2017, the District was awarded a grant from the Department of Water Resources Riverine Stewardship Program's Proposition 13 Bay-Delta Multipurpose Water Management Program. The funded amount was \$6,130,000 to implement the Combie Sediment Mercury Removal Project. Of this amount, the District will receive \$5,500,000 over a 3-year period, and the remaining balance goes to Department of Water Resources (DWR) for administrative work. Within the District's CEQA document, the United States Geological Survey (USGS) was defined as one of the primary project partners responsible for biological monitoring water quality and ecological parameters of interest.

The agreement with DWR is in the process of being finalized, and is anticipated to be completed in the next couple of months. A meeting is scheduled with all of the project partners next week. The District has engaged with five different entities to help in the implementation, project management, education and outreach, and biological component monitoring. The USGS full work plan has been negotiated over the last six

months between USGS, DWR, NID, and other parties including the Sierra Fund and some others, to identify what biological component will be required in order to assess the effectiveness and the feasibility of the project components put on the ground to reduce mercury methylation out of Combie Reservoir.

This project is going to help inform the State of California on best practices of mercury management in 303(d) listed reservoirs. There are approximately 195 of them in the State of California.

The USGS California Water Science Center in Sacramento has designed a multi-year work plan and will conduct in-reservoir biological sampling and analyze results. The USGS Work Plan includes samples of biota (fish and invertebrates), water quality, sediment, pore water, and reservoir inflows/outflows before, during, and after project operations to determine whether concentrations of mercury and methylmercury in Combie Reservoir are reduced as a result of the Project. The goal of the biological sampling is to determine the effectiveness of removing elemental mercury as a strategy to reduce methylmercury in the aquatic food chain and to characterize the form of mercury that is transported both into and out of Combie Reservoir. The total cost for the USGS multi-year work plan is \$1,004,544. NID and USGS have agreed to work on a quarter by quarter basis, starting Q4, 2017, until the DWR – NID contract is finalized when we will engage in a broader, multi-year agreement, estimated in late Q2 2018.

In Q4, 2017, NID engaged with the USGS in a Joint Funding Agreement totaling \$95,073. This work began the establishment of seasonal baseline conditions of the reservoir as well as establishment of sample methods, testing equipment and the identification of site locations.

This Q1 2018 amendment in the amount of \$99,975, provides bridge funding for the USGS to continue the work started in September in order to maintain baseline characterization and pre-project monitoring.

Director Drew said he understood there is a seasonal component to this study, and asked if there is a flow or temperature component.

Mr. Jones replied that those components are part of the water quality and are in addition to all of the permitting requirements.

Remleh Scherzinger, General Manager, asked why the delay in including other items.

Mr. Jones explained that it is to be sure the DWR contract is in place.

John Volz, resident of Division 2, asked for the estimate increase of water storage at completion of this project.

Mr. Jones replied that it would be approximately 100-acre feet of increased storage.

Mr. Volz asked what on-site work was done in the 4th Quarter of 2017.

Mr. Jones replied that it was similar to the work being done now to establish baselines.

The Committee unanimously approved to award an amended contract to the USGS in the amount of \$99,975 for the Q1, 2018 work plan, for the Combie Sediment and Mercury Removal – USGS Agreement #2

Centennial Audit Contract (FATR# 7013)

Marvin Davis, Finance Manager/Treasurer presented the item to the Committee. During the update provided to the Board on December 6, 2017, the Board and public requested additional information, along with an independent audit to determine reasonable assurance that material misstatements are not present in the figures. The District seeks a contract with Richardson and Company an independent CPA Accounting Firm to perform the audit.

Budgetary Impact: \$78,320 - 104,660

Director Morebeck requested that Mr. Davis explain the audit in more detail.

Mr. Davis spoke about the areas to be tested. The audit is vendor-based, covering all vendor payments over the past five years.

Mr. Scherzinger, General Manager, confirmed that it is a 100% test, and explained how some items may be isolated and removed in transactional blocks for transactions that do not pertain to Centennial, such as PG&E billing.

Director Drew expressed that he is in favor of moving forward and that he thinks it will be beneficial in putting many questions to rest.

Director Morebeck agreed.

Michael Hill-Weld, member of the public, said that he agrees with the Directors comments that it will answer many questions, and asked if there was a project or cost accounting system in place in the past that attributes costs appropriately.

Mr. Scherzinger replied that the District does have the appropriate cost accounting system in place. The internal audit that was done was questioned. The internal audit is now being expanded to all transactions to ensure that all transactions of the District are appropriately being attributed to the project.

Mr. Hill-Weld asked if there is now a cost accounting system in place for newly opened projects, in order to avoid going through an audit like this on future projects.

Mr. Scherzinger said that the appropriate accounting structure is in place now. The third party audit will ensure that these systems are operating appropriately. A 100% transactional audit is appropriate to ensure that every transaction has been looked at and that the project is being accounted for appropriately.

Discussion ensued as to prior year budget overruns.

Syd Brown asked if the third party audit would capture staff time.

Mr. Davis said that any staff time that is associated with the project would be included in the third party audit.

Director Morebeck asked how the auditor was chosen.

Mr. Scherzinger replied that this is the District's auditor, and they are familiar with the District's account structure.

The Committee unanimously approved the Centennial Audit Contract (FATR# 7013) and budget amendment.

Fund Signature Authorization – District Bank Accounts

Marvin Davis, Finance Manager/Treasurer presented the item to the Committee. This item updates the approval for warrants to be based upon position of Board President and Board Vice-President rather than their individual names, which change on a yearly basis.

Remleh Scherzinger, General Manager, added that in the past this meant that the District had to create a new resolution every year naming the new Board President and Vice-President. This change will eliminate the need for the yearly resolution.

The Committee agreed unanimously to advance a recommendation to the Board of Directors to approve the proposed updates to the Fund Signature Authorization – District Bank Accounts. (Consent)

District Policy 3040 – Reserves

Marvin Davis, Finance Manager/Treasurer presented the item, reviewing the red-lined policy changes and priority order of reserve calculation.

Remleh Scherzinger, General Manager, explained that the current Reserve Policy does not tell the treasurer an order in which to withdraw from the reserve accounts. The proposed policy creates a structure for the treasurer to follow.

Discussion ensued as to quarterly revenue trends, the amount of reserves-on-hand needed to do business, and contingency funds that are there to protect the District.

Director Drew said that once this is reviewed a couple of times with Mr. Davis's reporting, it become much easier to follow.

Mr. Scherzinger added that the District used to have one reserve account, and all the money was in it. Now that has been refined and broken out to different reserve

accounts. This enables the Board to see the balances in each account and give them more control over the balances in each account.

Mr. Davis highlighted Page 5 of the red-lined policy, Item 3040.6 – Order of Reserve Calculation:

The order used to calculate cash reserves is according to the following priority beginning with number 1) using unaudited quarterly operating results as follows:

1. The Finance Manager/Treasurer shall calculate the District's total cash for each division.
2. Restricted Cash Reserves shall be established in accordance with policy 3040.3.
3. Accrued Leave Reserve levels shall be established in accordance with policy 3040.4.6
4. Operating/Rate Stabilization Reserve levels shall be established in accordance with policy 3040.4.1
5. Capital Improvement/Replacement Reserve levels established in accordance with policy 3040.4.3
6. Community Investment Reserve levels shall be established in accordance with policy 3040.4.2
7. Watershed Stewardship Reserve levels shall be established in accordance with policy 3040.4.5
8. Insurance and Catastrophic Reserve levels shall be established in accordance with policy 3040.4.4
9. Operating/Working Capital Cash levels shall be established in accordance with policy 3040.5.1

Ricki Heck, member of the public, inquired about the interest or returns made on the reserves and what account they fed into.

Mr. Davis directed Ms. Heck to Page 1, paragraph 2 of the red-lined policy, that states "Unless specifically required by external statute and loan covenants, interest earnings on Hydroelectric, Recreation and other pooled monies is credited to Water Working Capital cash reserve for administrative support provided by Water staff".

Discussion ensued as to the Water Fund, the ability to transfer gains into other accounts, and how the Board knows the amounts of interest funds being put in other accounts.

John Volz, member of the public, said it would be nice for the interest funds to be identified, rather than just called "funds".

Mr. Scherzinger, said that this is something that can be done, and is some of the hope in bringing quarterly reserves to the Board. Four times a year, the Board would see where the money is going to and where it is coming from.

The Committee agreed unanimously to forward an advance to the Board of Directors to approve revisions to the District Policy 3040 – Reserves.

District Policy 3100 - Budget Amendment Authority Levels

Marvin Davis, Finance Manager/Treasurer presented the item to the Committee, explaining the proposed changes to the policy.

Staff encountered ambiguity while implementing budget amendment policy 3100 and is recommending clarification of the following:

- Clear definitions for budget amendment types
- Budget Amendments linked to prior encumbrances
- Clarification of the General Manager's amendment authority, related to transfers not increasing the adopted budgets

Mr. Davis explained that the proposed policy defines amendments between those that would increase the budget and those that are transferring within the budget.

Ricki Heck, member of the public, said she wanted to distinguish between a budget amendment and the General Manager's spending authority, and requested to confirm that amount.

Mr. Scherzinger replied that the spending authority for the GM is \$100,000.

Discussion ensued as to District Policy 3080, and the table, which will be presented to the Board.

Ms. Heck asked how the number of \$600,000 was chosen.

Mr. Scherzinger explained that this was a legacy number created by the Board many years ago.

Discussion ensued as to the possibility of looking to see if the number is in line with other agencies and spending with the Board's approved budget.

Director Morebeck said that the spending authority is not being increased, and that it is being made simpler for the General Manager to operate on a day-to-day basis.

At the request of Director Morebeck, Mr. Scherzinger gave provided examples of when budget transfers may occur, and shared what the process might be if he did not have the authority to make the budget transfers.

Syd Brown, member of the public, asked when the Reserve Workshop is planned.

Mr. Scherzinger replied that it would be held on February 28, 2018 as part of the Board Meeting.

The Committee agreed unanimously to advance a recommendation to the Board of Directors to approve revisions to District Policy 3100 - Budget Amendment Authority Levels.

Hydroelectric Job Classifications and Budgeted Headcount

Jana Kolakowski, Human Resources Manager, presented the item to the Committee, explaining that in order to effectively respond to the changing regulatory environment Staff proposes creating a family of jobs in the Hydroelectric Department specifically designed to address these changes. The proposed family is composed of a Hydroelectric Compliance Administrator, Hydroelectric Compliance Analyst and Hydroelectric Compliance Technician I/II.

Staff recommends converting the Hydroelectric Temporary and Hydroelectric Program Analyst positions shown in the 2018 Budget to a Hydroelectric Compliance Administrator and Hydroelectric Compliance Technician, resulting in no change to the number of Full Time Equivalent employees at the District. Assuming the changes occur approximately 3 months into the year, the cost savings from eliminating the two positions can be used to offset all but approximately \$40,000 of the additional cost.

The 2018 Hydroelectric Administrative Budget includes an additional \$60,000 for temporary staff. The change in staffing will allow the Department to avoid using the majority of the temporary staffing funds resulting in no net impact to the budget for the staffing changes.

Keane Sommers, Hydroelectric Manager, confirmed that money will be used from the temporary budget and moved into the salary budget for staff. There is no change to the budget for 2018.

Remleh Scherzinger, General Manager, explained that The North American Electric Reliability Corporation (NERC), Federal Energy Regulatory Commission (FERC) and Western Electricity Coordinating Council (WECC) are all expanding their regulatory impact on the District, as well as Division of Safety of Dams (DSOD), and the District needs more than one individual to deal with the day-to-day requirements.

Mr. Sommers added to this comment, explaining that the District is registered as Generated Owner and Generator Operator, and is now subject to NERC's regulations. He listed the number of changes that apply to a broad spectrum of categories that NERC made to their requirements since 2014:

- 2014 - 182 changes
- 2015 - 169 changes
- 2016 - 356 changes
- 2017 - 238 changes

Every time there is a change, all of the procedures of the District must be gone through to verify it does not impact the District, and if it does, the District's procedures have to be re-written. The District has to be prepared to update every change made by NERC and be able to provide evidence of compliance for audits. Even if the District is already

doing what is required, all of the policies and procedures must be rewritten, staff must be re-trained on the procedure and implement that procedure, even if it was already being implemented.

Mr. Sommers clarified that this will convert a temporary position into a permanent position, and changing the level of one of the positions to a different level for reorganization. The headcount will stay the same.

Discussion ensued as to the increase of fineable regulations, and how critical it is that the District be prepared for audits.

The Committee agreed unanimously to advance a recommendation to the Board of Directors to approve the updated Hydroelectric Job Classifications and Budgeted Headcount

Human Resources Technician Job Description

Jana Kolakowski, Human Resources Manager, presented the item to the Committee.

The Human Resources Department has an approved budget for 2018 for two Human Resources Technicians. To ensure appropriate growth in this classification, it is recommended to add a level and update the title. This is done in an effort to provide apprentice and journey level opportunity within the department. Staff Recommends the classification be updated to "Human Resources Representative I/II". Additionally, the description has been updated to be current with the essential functions of the role within the department.

The Human Resources Representative I will remain at the budgeted amount of Step 1, which is suggested to remain in the WOB13 salary schedule as the current Human Resources Technician classification. The Human Resources Representative II is recommended to be in the WOB51 wage level. This is benchmarked on similar positions of other outside agencies. The incumbent would adjust to Step 1 of this schedule, resulting in a 4.2% increase.

BUDGETARY IMPACT: \$9,000

The Committee agreed unanimously to advance a recommendation to the Board of Directors to approve the revisions to the Human Resources Technician Job Description. (Consent)

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