

An annual meeting of the Local Improvement District #4 Saroni Canal Advisory Board was held on October 11, 2022. The meeting was called to order at 9:02 AM at the Smith Valley Courthouse, 2 Day Lane, Smith, Nevada by General Manager Bryan.

Present:

Robert Bryan
Trent Renner
Gary Garms
Kris Leinassar
Ed Ryan
Michael Nuti
Jason Milligan

Sandy Neville
Richard Nuti
Toni Garms
Marianne Leinassar
Steven Fulstone
Dean Heller
Carlie Henneman

Jessica Halterman
Gunnar Garms
Joanne Sarkisian
Rob Lewis
Peter Fenili
Lynne Heller

1. Call Meeting to order; read proxies into official record.

Richard Nuti was given proxies by Mary R Nuti and Lura Weaver.

2. Public Comment

None presented.

3. Consideration of minutes of the October 10, 2021, Annual Canal Board Meeting.

Steven Fulstone stated it was hard to hear while attending the meeting via phone. In the first paragraph, Steven stated he does not remember the comment that ‘cash continues to go into the negative’.

In the second paragraph on Page 2, Steven read ‘Bert stated the work on the Cardone, Wedertz and Straub would be completed this year but the work on the Lateral B Terminus would not be competed’; Steven remembered the statement but did not remember the Lateral B Terminus being part of the grant. Bert stated it was part of the first grant but was going to be picked up by the second grant if there was any money left. The pipeline behind Mr. Burns’ and the Christof/Carrasco were completed with the first grant and there is no money left in the second grant so Lateral B Terminus will not be completed.

On page 3, Steven stated he did not hear the comment ‘the account is currently in the red’. In the following paragraph, where it says ‘Steven confirms project for the second grant are the four diversions’, Steven confirmed the fourth diversion was from the first grant but rolled into the second but the canal does not have the money for it; Bert confirmed. Marianne asked if the terminus is considered a diversion; Bert stated it is being considered a diversion for the grants.

On page 4, 5th paragraph down- Steven questioned what the headworks referenced; Bert stated that would be gates at the river and would be a special project. Steven stated he wanted to make a note that he felt that his questions about the budget meant that there was a \$5 special assessment to fulfill WaterSMART grant 2 and \$3 for Spring Gulch and the concrete work at the headworks.

In the last paragraph regarding the de-mossing chemical that was in stock but not paid for, Steven stated he could not find the bill in the last budget but found that the bill was paid on the last day of the previous budget and he wanted to clarify that.

In the last paragraph under scheduled maintenance and projects, Kris stated he remembers holding off on the river gates, but to continue with Spring Gulch and that was part of the special assessment. Jessica stated she will check the recording to verify.

Rob asked Bert if rising costs of things were breaking the budget; Bert confirmed with a yes. Rob asked Bert if the board was called when items were purchased or if he was making the decision; Bert stated if it is a daily purchase or an emergency, he makes the decision. If it is anything else, a meeting will be called. Spring Gulch is still controllable but it does need to be replaced. The biggest issue is getting an order fulfilled. Rob asked if some of the projects need to be tabled to see what the economy is in six months; Bert stated that could be a good thing. The District cannot afford to stockpile materials. Rob asked if current value is being added to stockpiled materials; Bert stated if the material is purchased for a project, the cost is what it is purchased for. If the material is purchased for District operations, but a local improvement district or constituent purchases it, they will be charged the current replacement cost. Rob asked if there should be more conversation when a project starts because of the increase in cost. Bert stated the biggest issue is Lateral B from Trent's turnout to the bottom. Until there is money in the bank, the Saroni cannot go after grants. Bert stated NRCS does not have the information on the requirements and/or stipulations for the District applying for their grants. Bert called Ralph regarding the de-mossing, Ralph stated he must purchase 40 barrels and it is well over \$20 per gallon. If it is a bad year, ditch companies do not want to de-moss so filling a 40 barrel order is tough. Marianne asked if another meeting can be called when a project is starting and the costs are higher. Marianne stated an email would be acceptable instead of a meeting. Bert agreed to keep the communication line open.

Marianne made a motion to approve the minutes as corrected and the areas are looking into where requested; Lynne offered a second. The vote was called for and passed.

4. Ditch Tender Update on Water Season 2022

Jason stated it was an interesting year. The year ended a lot sooner last year being that there was not a lot of water in the canal. This year the canal ran about 3 cfs for a month and FIM was the only user on. The canal was de-mossed once but the moss kept perpetuating and getting worse. Jason stated he tried to get ditch shut off but he cannot demand anyone to do anything. Jason reported that the moss problem was near Kris' and the majority of it was across from canal road- not really up high. The moss was hanging up at the two cuts after the pipe. Jason reported that the canal needs to be cleaned as tules and trees are growing. Jason suggested to figure out a way to get it cleaned in the off season. Jason stated that the ditch looks like nothing got burned. Bert, Jason, Sandy, and Scott ran two burners for a month and a half, Kris' and Steven's guys burned, Gunnar burned and a few other users. Jason stated the pipe project on Lateral A has the water flowing through the pipe from top to bottom within 10 minutes. The

Lateral B check structure blew out one night and Jason wasn't able to get over there immediately but it was fixed on Saturday or Sunday. It was patched to get through the season but it needs to be fixed. Gary requested clarification on whether it needed to be repaired if a capital improvement is not done; Jason stated it needs to be fixed this off-season. Steven requested clarification on where the problem is; Jason stated it is the second 90 degree turn at the Renner Takeout. The Renner takeout was used this year and there is a hole on the side of the culvert. Jason stated that if the problem is not fixed, it will blow out. Gary stated it is not an option, the whole structure is rotted out, the gate behind the C10 has a hole, and the whole corner must be replaced. Trent stated the gate is possibly reusable but the pipe is not. Peter asked where the measurement for the Trent's water was as he does not know if the parshall is accurate; Jason stated it is accurate until the pond is filled and the water backs up. Peter stated if the parshall flume is not certified, a certified structure needs to be installed in accordance with all of the other upgrades along the canal. Gary stated this is where the District steps in and tells the users to spend money to replace the structure for safety reasons as well as to continue to improve the ditch. Richard stated it must be designed for the future of Lateral B whether it is a pipeline or something else. Bert stated the recommendation from the engineers is to go into pipe behind Gleason's property and replace the entire structure at B. There is currently no safety valve so if something blows out, the water shoots over to the sovereign, it runs down concrete ditches until it fills someone's pool. Richard reiterated that the future needs to be considered so that the project does not have to be redone. Peter said if it blows out, the District will come in a fix it then send the bill to the Saroni. Peter said this is the worst he has seen the canal in all of his years. The moss was horrible. Everything is being done on the farms, but nothing is progressing on the canal. Mossing is #1 to get the water to the farm. Peter is tired of pitching moss every 2 hours. Marianne asked when the users were told the cash was in the red; Bert state the past few years it has been mentioned. Bert stated the grants did run over budget. BOR was only obligated up to 50% of the initial grant amount. When the final agreement is approved, BOR did modify the 50/50 slightly. But the overall budget went over what was expected and the Saroni had to make up that difference. The O&M assessment has not been changed even though the overall cost of everything is rising. Bert stated that de-mossing was performed only once this year but on historically bad years, two de-mossings are performed. Unfortunately, Ralph was unable to get more barrels due to not being able to fill the 40 barrel order but another option to get rid of the moss was to shut the ditch off for a week. The WRID staff borrowed a rake bucket from Peri's and pulled moss for four days.

Richard stated he went through the audit paperwork found the following:
2018 cash was short \$60,000, 2019 cash was short \$20,000, 2020 cash was short \$25,000 and 2022 cash was short \$19,000. Marianne asked what the shortfall was made of and assumed it must be the grant. Jessica showed the grant breakdown hand out and explained that Phase 1 was \$38,000 over budget and the Saroni had to cover that, Phase 2 was \$27,777 over budget and the Saroni had to cover that. Rob asked if all of the grant bills had been received and paid; Jessica confirmed there were no outstanding grant bills or costs and both grants are finished. Rob stated two years ago the canal had money and that's why the assessments had been dropped. Rob stated the users were not

aware of all the costs associated with the grant and that is where the problem is. Rob stated that if the Saroni was aware that only up to a certain amount was covered, they could have been conservative and adjusted the assessment. Bert stated the District Board has now implemented a 50% upfront payment on all future projects. Rob asked who authorized sending the backhoe to the canal; Bert stated he authorized that. Rob asked if a meeting should have been called to discuss the cost. Toni stated the problem is that there is the expectation that the government is going to pay for everything and what it doesn't cover the District has to figure out a way to make it work. Bert stated a huge portion of the initial list of projects had been completed but as the projects continued, the account started going backward. The O&M assessment has not changed for several years and the special project assessment stayed at \$10 for several years before being changed the last 2 years. Marianne stated they were told in the last two meetings that the grants were covered and when it was asked 'how close are we coming to having it paid off on the government end of it and how much do we have to assess above that' and she never got an answer. Bert stated there was an approximate 3 year timespan between applying for the first grant and when it was finished last year. Marianne asked when the users were told the canal was short. If they were told, they could have set an assessment to cover the cost. Bert stated the notification was made at last year's annual meeting. Jessica reminded everyone that the grant information is printed in the packet- what the government paid and what Saroni had to cover. Marianne asked if the bills were paid; Bert stated the bills have been paid. Marianne asked what day the Saroni came up short; Bert stated the day the check came from BOR. Marianne asked when the negative balance started; Jessica stated the payment from BOR was received March of 2021 so that is a good reference date. The grant breakdown including the amount the Saroni covered has been presented at each meeting since then. Marianne asked for the bills to be sent to her. Bert stated the bills were being sent monthly but there was too much confusion with them and there was a request to stop sending them. Marianne stated that if the users knew there was an amount due on the grant that was not covered, an assessment could have been set to cover the amount; Bert stated it has been presented and discussed several times. Steven suggested to have the Advisory Committee meet with Bert and Jessica in the office to understand where the cash is short. Steven expressed his understanding that there was enough money in the account to cover WaterSMART 2 last year. Marianne stated she wants to pay the bill but wants to see the bill in front of her. She wants to continue making progress on the ditch. Gary asked Bert when makes decisions; Bert stated when it is a day to day decision or an emergency decision. Gary stated that if people want to see the bills, send them the bills. Marianne stated she wants to know when emergency decisions are being made so she knows what is going on. Marianne said making an assessment does not answer questions and does not make the problem go away. Marianne requested estimates on the Lateral B project and to get it going; Bert stated he can get estimates, but it will not be done tomorrow as ITRC has to schedule time to come down to survey the project. Marianne asked if Lateral B was surveyed; Bert stated the area was generally surveyed, but not specifically for this project. Marianne wants to know when purchases are above what was budgeted for; Bert agreed to call her and the rest of the users when this occurs. Marianne asked if a special assessment can be set in the middle of a year; Bert stated that can be done but it will not go through the

Lyon County tax roll and would be billed directly from the District. Marianne stated without numbers in front of her she cannot see where the canal is and she would like regular meetings; Bert stated meetings can be held as frequently as requested. Marianne confirmed more grants can be obtained once the debt is paid off. Richard read excerpts from the October 10, 2021 meeting regarding the account going into the red. Richard stated in the same meeting it was mentioned 4-5 times that the account was in the negative and that no grants could be applied for. Richard reiterated that the special assessment was not the only thing putting the account into the red; the O&M costs are contributing as well. Richard finds it hard to believe that there is confusion on how the account went negative when projects are continuing but the assessments are staying the same or being lowered. Richard stated the cost of 3 de-mossings would take half of the annual budget. Richard advised that 8-10 years ago there was a \$14 assessment to pay off improvements and the special project assessments was kept to continue with the projects on the ITRC memo, and for grants, there had to be funds up front. Bert stated in 2012 the Saroni had a debt of approximately \$120,000 and set a special assessment of \$14.40 per acre for two years, then went to no assessment then \$10 & \$6, \$10 & \$10, \$11 & \$10 then down to \$11 & \$5 now \$11 & \$8 but the account has been in a downward direction. The canal needs to consider where to go from here. Richard stated \$15 per acre will not get the canal out of the red since O&M costs have continually changed- salary, fuel, labor, etc. There will be a large project in Mason this off season and Bert expressed that he could use the help of the users to burn the canal this year using the District's propane tanks. Bert suggested coming up with a comprehensive plan to cover the O&M costs as well as get the account out of red. The canal has been in the red many times and recovered just fine.

5/6. Financial Report & Planned Upcoming Scheduled Maintenance and Projects

Jessica advised a monthly general ledger breakdown, a grant breakdown, the audit reports, and engineering costs were provided in the packet. Gary asked what a special assessment would need to be to cover the grant deficit; Jessica calculated a \$16.80 per acre. Steven asked how the total amount of the grant cost was missed; Bert stated it was not necessarily missed it was because of the increase in cost of materials, labor, etc. that occurred from the grant approval to when the work occurred. Steven asked if the \$32,000 in checks written to the District would be applied to the debt; Jessica stated only \$7,119 would be applied toward the special assessment and the rest would be applied to the District's Equipment Fund for labor and equipment charges. Marianne asked if the projects can be changed in a grant if there is not enough money to complete it all and to avoid being over budget; Bert stated there is a little wiggle room, but major changes must be approved by the grantor or they have the right to deny payment on the entire grant. Steven requested clarification on the grant breakdown. Steven thought BOR wrote a check for \$71,796 but the sheet says they only paid \$61,580 and wanted to know why only \$61,580 was being subtracted from the total grant expense; Jessica stated the \$61,580 was what BOR paid to the District and the cultural study was completed covered by BOR and that money was not expensed or received by the District. Steven requested to know who BOR wrote the cultural study check to; Jessica stated they probably wrote the check to whoever performed the study.

Gary asked what the current acreage was on the canal as it used to be in the 3800s; Bert stated it does change a little each year depending on the boundary line adjustments and easements. Jessica reported the current assessed acreage was 3,951 acres.

Steven asked what the surveying/engineering cost of \$4,341 was for and assumed it was for the loss study. Steven also noted there was not a line item for surveying/engineering or interfund labor expense last year but likes them broken out. Bert stated that Jessica is breaking the two items out instead of including them in the repairs & maintenance line item. Steven wanted to know how much money is expected for engineering next year; Bert stated that depends on what projects are approved. Bert stated last year's engineering cost was for as-built reports. Jessica stated there was a paper in the packet that showed what the expense was for.

7. Budget & Assessments for FY2023/24

Marianne asked what the O&M assessment was for the current year; Bert advised it was set at \$11 per acre. Steven asked what was spent on O&M last year; Jessica stated \$43,657. Steven asked if money was spent on mowing last year; Bert stated no, the barrels used last year were purchased the year before. Steven stated if the canal mowed 3 times, it would be an additional \$30,000. Steven talked to Ralph yesterday and he gave the price of \$1650 per barrel. Steven stated there are other options- copper sulfate, GreenPro (hydrogen peroxide and parasitic acid) or Karmex. Steven suggested to budget for at least 1 aquatic weed killer and he would like to Karmex this fall. Steven said there is an opportunity right now to spray Glyphosate and then spray Karmex before stock water. Steven stated the canal must be burned right away; Bert stated the District can supply the propane trailers, but the staff is scheduled on other projects. Richard stated \$10,000 per mowing is cheap when considering the amount of time spent removing moss this year. Peter stated by not mowing and not improving the canal, the canal is going backwards and is in bad condition. Rob stated that since he has been on the ditch, he has seen nothing but improvements. Rob sees that the canal has been improving and the last two years were to conserve money, but improvements were made. Rob suggests clarifying the money and moving forward. Peter suggested getting O&M strong enough to get the ditch in a good shape to deliver water then approach the projects. Bert stated the canal needs to come together and decide how many de-mossings are going to be done in each year considering the conditions. Marianne asked if the de-mossing chemical could be purchased even if the chemical is not used. Marianne asked what the cost would be for \$30,000 in chemical; Jessica stated it is \$7.60 per acre. Marianne asked if there will be a big engineering cost; Bert stated that depends on what projects are approved. Marianne suggested the engineering should be put in the project fund. Lynne asked if the current assessment includes mowing; Bert stated it has historically been included in the repairs and maintenance, but this year it was not considered. There are 4 barrels leftover from two years ago that Ralph has at his shop. Marianne asked how much it takes to take care of salary, phone, and fuel; Jessica stated the salary is \$4.05 per acre. Marianne asked what the other maintenance costs are going to be; Bert stated Spring Gulch and the Lateral B repair.

Kris asked if Spring Gulch would be Special Project; Bert stated it could be Special Project. Marianne asked what the cost of other maintenance would be; Bert stated spraying will be approximately \$4,000 and asked if it needs to occur more. Toni suggested increasing the spraying to \$6,000. Richard reminded everyone that the money being talked about will not be assessed until July 1, 2023; Marianne said a re-assessment can be done later. Gary suggested the assessments be settled today. Marianne recapped that the Conservation District cost is \$6,000 and asked the cost per acre; Jessica stated \$.50 but then corrected to \$2 per acre. Marianne asked if the shelves and cement needed to be cleaned; Bert stated the top section should be worried about. Jason stated the top part needs to be cleaned down into the area behind Ithuburu's and the cuts need to be cleaned. Marianne asked how much labor cost the cleaning would be; Bert stated it would be no short of two weeks. Jessica stated the labor would be around \$10-11,000 in labor plus fuel. Marianne asked how much per acre that would be; Jessica stated \$2.80 per acre for the cleaning. Marianne asked what needs to be done to make the current \$11 O&M assessment workable and suggested another \$3 assessment. Steven suggested a \$3 special assessment to get caught up to June 2023. Richard confirmed that the \$3 assessment would be added to the \$11. Bert asked Marianne what her suggestion for O&M assessment for FY2023-24; Marianne suggested \$14 per acre but wanted a dollar amount to add to the current year O&M to get through the year. Bert stated the assessments from Lyon County for August and September had not been received due to an error in Lyon County's report so the current year cash is low. Steven suggested to add \$3 per acre as a special assessment to add to the current year O&M to make it \$14 per acre. Marianne asked for regular information to be sent to all of the users rather than a week before the meeting. Kris asked that the minutes from this meeting be available within a week; Jessica stated that could be done. Bert confirmed the recommendation on the table is to add \$3 to the current year O&M and set the FY2023-24 O&M at \$14 per acre. Peter asked Jessica to project what the deficit would be at the end of the fiscal year with the added assessment; Jessica stated the exact amount could not be calculated yet, but the cash deficit would not be touched with the additional assessment as it was set to cover the expenses of this year. Steven confirmed the additional assessment would be to buy de-mossing chemical, clean the shelf and try to get to Spring Gulch. Steven requested to schedule an additional meeting to discuss the special assessment for next fiscal year once everyone has a better understanding of the finances and the grant money. Jessica stated to eliminate the cash deficit of \$138,725.99, it would be \$35.11 per acre. Bert stated the WaterSMART 2 grant is capped out and no further work can be done on that grant. Marianne asked if there are more grants to apply for once the canal has some money; Bert stated there are always grants available, but it is best to have some money up front.

Peter asked what the Board of Directors' position was on carrying the debt. Peter stated the Board carried the canal for 20 years and it seemed they wanted to get away from that. Bert stated the protocols are being changed because of history. The Board is willing to carry an improvement district if there is intent to bring the account current. The Mason board members do not want to tell Smith Valley users what to do, but if there is not any intent to change ways, the board may need to step in. Peter asked what Bert's suggestion for the project fund would be; Bert stated \$15 per acre is good.

Marianne asked if she could come in and discuss the books; Bert stated the doors are open. Marianne asked Bert if he was saying the Board would not carry the canal if the deficit were not paid in 3 years; Bert stated no, the 3 year plan was just a suggestion to the users. Marianne asked how many years the Board would finance the canal; Bert stated the \$15 per acre would have the deficit paid off within about 2 ½ years. Marianne asked when and where the canal start assessing for the project on Lateral B; Bert stated an assessment can start whenever but he could get a cost estimate for the project. Marianne asked when the Lateral B needed to be fixed; Bert stated it should be done this year. A cost estimate can be put together based on whether the owner wants a meter gate or different gate. Bert stated the lower end of Lateral B is also a concern, as the Heller takeout had to be patched, but the corner by Trent's is a higher priority. Marianne requested a cost estimate be provided. Marianne asked Bert if he could do the engineering; Bert stated he does not have an engineer stamp. Bert confirmed that the consideration on the table is the FY23/24 O&M assessment be set at \$14 per acre and a \$3 special assessment to be added to FY22/23 O&M and to provide a cost estimate for the Lateral B project. Gary suggested adding more to the \$3 proposal to cover the Lateral B costs. Toni asked how long it would take to get the cost estimate. Gary suggested to approve an assessment not to exceed \$10 for the additional O&M and Lateral B costs; Marianne expressed her desire to see the cost estimate before setting an amount. Marianne asked when the Lateral B project would start; Bert stated it could start in the spring as there is no decree in that section. Marianne asked if interest was being charged on the deficit; Bert stated no interest is being charged. Bert stated there is a recommendation to set the FY23/24 O&M assessment at \$14 and a recommendation on what to look at for the special assessment and the project fund assessment. At least \$3 special assessment for the current year and not to exceed \$10 per Gary. Marianne asked what is not to exceed \$10; Steven said there is \$14 assessment, a recommendation for Lateral B, and a request for another meeting within 30-45 days. Marianne requested to put everything on hold until there is another meeting. Toni recommended not to put anything on hold because it takes 6 months to get supplies. Marianne asked if the 14 barrels was part of the \$14 assessment; Bert confirmed it included the de-mossing. Marianne made a motion to accept the \$3 for current, \$14 for 23/24 and address the debt and address the Lateral B special assessment within 30 days; Rob offered a second. The vote was called for and all were in favor.

8. Election of Advisory Board Members

Bert reported that Steven and Gunnar are up. Marianne nominated Steven. Gunnar nominated Trent. Peter asked Lynne if he could nominate her; Lynne appreciated the nomination but kindly declined. Marianne made a motion to nominate Steven and Trent; Rob seconded. The vote was called for and approved.

9. Public Comment

Peter asked Bert to express what the condition of the concrete structure at the head of the canal was.

Marianne asked how things worked with Joanne this year; Joanne stated she has a new river rider who starts work at 4am and everything seemed to work well. Jason

confirmed that everything went smoothly. Joanne stated the auto gates are set for 2 am and he was out there by 4am every morning.

Toni asked Ed to introduce himself. Ed introduced himself and stated they have been doing a lot of spraying for the District. They are primarily grant funded.

Lynne and Trent thanked Jason for his help.

Jason stated Peter and Richard got the brunt of the moss this year and appreciated their help removing it.

10. Adjournment

Toni made a motion to adjourn the meeting; Peter offered a second. The vote was called for and passed. Meeting was adjourned at 11:02 am.

DRAFT