

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, AUGUST 19, 2008**

CALL TO ORDER – The meeting was called to order at the KGID office, 160 Pineridge Drive, Stateline, Nevada at 6:00 p.m. by Vice-Chairman Beattie who led the pledge to the flag.

ROLL CALL – Present were Trustees Hayes, Beattie, Schussel and Treanor. Chairman Cook was not present. Also present was Legal Counsel Scott Brooke, General Manager Cameron McKay, Business & Contracts Manager Michelle Runtzel and Operations Supervisor Eric Johnson. Present and for a portion of the meeting was Susan Jorgenson of Farr West Engineering, Trustee candidate Brent Barratt, and homeowners Charles & Joan Scott, Alan Rabkin, Lee Carr, Charlie Manchester, Jan Christiansen, Monroe Friedling, Ken Stead

PUBLIC COMMENT – Customers questioned whether water meters and rates would be discussed and Trustee Beattie confirmed they are agenda items.

APPROVAL OF AGENDA AND CONSENT CALENDAR –

M-8/19/08-1 – Motion by Beattie, seconded by Hayes and unanimously passed to approve the Agenda and Consent Calendar items as follows:

- A. Approve the Regular Meeting Minutes of July 14, 2008 as written.
- B. Approve claims in the amount of \$516,819.97 as represented on the List of Claims by check numbers 41750 through 41892
- C. Authorize the Business and Contracts Manager to write an amount off as bad debt of \$34,941.93 effective retroactively to 6/30/08 for costs incurred related to the Tahoe Beach Club proposal to build over/around the KGID Lake Station where written cost sharing or reimbursable agreements were never formalized with the KGID Board and Tahoe Beach Club prior to incurring those expenditures.

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION - There were no items brought forward for discussion.

UNFINISHED BUSINESS –There was no unfinished business.

NEW BUSINESS –There was no new business.

PUBLIC HEARING AND POSSIBLE ACTION ON THE PROPOSAL TO CHANGE WATER RATES EFFECTIVE OCTOBER 1, 2008 – The General Manager reported in writing that the rates are the easiest part of this public hearing. The way metered rates are calculated will keep most residents paying the same amount whether they have a meter or not. According to the Division of Water Resources, 500 gallons per day is the typical use for a single family dwelling (or equivalent dwelling unit, EDU.) The average month will then net 30 X 500, which will equal 15,000 gallons per month.

The way that the public notice is stated (which is the maximum that can be charged); with the first 5,000 gallons given for \$55.00 per month and the next 10,000 gallons being charged at \$2.50 per thousand, a total use of 15,000 gallons the cost would be \$80.00 This would seem to penalize the metered customers for coming into compliance with the dictate of the State. Because of the shortage of time to get this notice in the paper I went high with the knowledge that we could bring the numbers down if needed, but we could not have the costs exceed the published numbers.

To ease this cost down a bit, (and this is why I said that the \$55.00/\$2.50 was the maximum), would be to lower the monthly minimum and the commodity rate.

After working with Farr West Engineering we have adjusted the monthly minimum to \$42.00 per month with a tiered rate structure for any water used over the monthly minimum. This is basically a meter charge and will be changed to the “Class I” homeowner even if no water at all is used. On top of the \$42.00 will be a charge of \$1.50 per 1,000 gallons for any water used, up to a total of 5,000 gallons. After that amount of water is used, a charge of \$3.00 per 1,000 gallons will be charged for the next 15,000 gallons and if a total of 20,000 gallons (the initial 5,000 plus the next 15,000 gallons) is used, a charge of \$5.00 per 1,000 gallons will be charged.

I need to state here that these monthly rates are based upon a ¾ - inch service line size. The capacity ratios already in the ordinance will affect the monthly minimum of any service line or meter size over the ¾ inch. The capacity ratios state in section 1.11 will increase the amount charged for meters larger than ¾ inch as well as the amount of water allowed for each tiered level. For example, a 1-inch meter will have a minimum charge of \$70.00 per month, (\$42.00 X 1.67). The tiered water level use will be a surcharge of \$1.50 per thousand for water use up to 8,350 gallons, a \$3.00 per 1,000 gallon charge for any water used up to 25,000 gallons and so on. In other words, everything is based on a constant with a single multiplier used to increase both charges and water amount.

Connection fees: A connection fee is the cost of connecting to an existing system and being put at the same level as everyone else that is being served by the system. Let me explain. A customer that connected to the water system say 25 years ago paid a connection fee to KGID. This fee covered the existing cost of the infrastructure at that time, probably a couple of pumps and some pipe in the ground. This customer then paid a monthly fee for service. This service fee covered the cost of replacement and construction of new infrastructure and treatment systems and over the last 25 years, this portion of the service bill has added up to a considerable amount of money. This is called depreciation funding and is used to pay for the replacement of existing infrastructure when its useful life is over, (mandated by the State of Nevada). As the infrastructure has grown, the cost of service increases for all customers. When a new customer connects they pay their portion of this existing in place infrastructure, which keeps them on the same level as an existing customer.

Today there are 3100 Equivalent Dwelling Units (EDUs) in the Kingsbury district. The infrastructure has a value of \$23,495,536. Divide one by the other and you find that at today's cost, the connection fee should be around \$7,579.20 instead of \$2,000.00. This number should be rounded off to \$7,500.

The GM reported we are going to a metered rate because we are being mandated by the State of Nevada as a method of water conservation. We have utilized over \$9M in grant funds and are looking to obtain additional funds and in doing so, the State is requiring installation of water meters. We are looking to obtain a grant to provide funding for the installation of the meters. McKay reports metered customers will pay approximately the same or a little less than flat rate water customers. Susan Jorgensen with Farr West Engineering provided a presentation on water rates and metering to those present.

Susan reported that there would be 1,951 meters left to install in the district after the Phase 1 Water System Improvements are completed this fall. Approximately 145 service lines are estimated needing replacement. Meter sizing, most customers will require a ¾" meter, some larger homes will need a 1" meter. Estimated costs for the meter project are at \$4.6 million, which includes a 20% contingency, engineering, construction and all other incidental estimated costs of the project. Some funding will come from KGID using its depreciation reserve fund and excess loan funding from the Phase 1 Projects. We will be submitting a letter of intent for the grant later this week with hopes of grant approval in December 2008. After grant approval, we would pursue designing the project, seeking permits, bidding the project and construction is anticipated in the spring of 2010.

Once meters are installed the flat rate would be discontinued. KGID will be installing 241 meters this fall with those customers moving to the new-metered rate. This will provide the district with approximately 2 years worth of data to analyze usage patterns and adjust water rates as necessary to maintain revenue needs. Data of other nearby entities was used to compare Lake Tahoe water usage patterns, which showed that on average winter usage is approximately 5,000 gallons per month. Summer usage averages are approximately 20,000 gallons due to irrigation. KGID's rate structure was designed using these averages to provide water rates that are equivalent to 2% of the MHI for 15,000 gallons as required by the State.

A customer from the Palisades area explained he owned several homes and does not irrigate, he does not live in Tahoe full time and doesn't understand the high minimum water rate. McKay explained that the district has high fixed costs and the minimum rate is based on funding those fixed costs. Jorgensen further explained that his overall water costs would decrease based on his scenario where the house is vacant during those 7 months. The \$47/month minimum is significantly less than the \$63/mo today.

Alan Rabkin who lives on Quaking Aspen asked how the meters are read in the winter? McKay explained that there is a small radio antenna on them where we can drive by to obtain the read. It's called a bubble up system where approximately every 10 seconds the meter sends a signal. The water crew will drive the district and a laptop computer, which will then be downloaded into the billing software at the office, will pick up the signal. McKay also points out that the system we are looking at has a monitor available that the District can loan to a homeowner for a deposit to monitor exact usage at their residence. They can set it to calculate water usage for irrigation, doing a load of laundry, daily use, etc. This will allow the homeowners to cut back a little on their water.

Are any large properties receiving any large discounts? McKay explains the larger the meter, the larger the monthly minimum water bill and more allowable usage for the larger line size, however, the rates are all based on a multiplier of volume compared to a ¾" line size and therefore, everyone is treated the same. Runtzel pointed out that commercial metered users are treated differently than these proposed residential metered water rates. We have different classifications of users who are treated a little differently.

Mr. Scott is concerned about the fairness of metering some and not others. He feels that everyone should be metered at the same time. Beattie replies that we would prefer to install them all at once. We also would prefer to install meters and provide a one-year period where we don't charge for usage to capture and analyze the usage data patterns. Mr. Scott replies that our revenues should match expenditures. Beattie explains that it is saving all of us money to install meters now. Although there are temporary unfairness in this but overall it saves us money. There are existing residential customers who are metered now and have been for several years. We are trying to obtain the grant funds to meter the entire district at once. Hayes is also concerned about metering some first and several years later metering the rest of the district, however, we have tried our best to get the State to understand where we are coming from and to allow us to meter everyone at once. They have repeatedly declined our requests and due to the amount of money needed for future improvements we are taking a calculated risk now to try to get some of this funded and doesn't think we should throw the whole thing out because we are going to have to phase in metering.

Brent Barratt of Tramway asked about the average income of \$46,000 and where that comes from. Hayes explained he questioned that also which came from the census and unless you want to pay a lot of money to have it redone, we're stuck with it. This was approved by the State. Barratt asks how the rates for commercial customers encourage conservation and why are they not on a similar tiered rate structure? Jorgensen explains that commercial rates are hard to develop unless you have multiple commercial property classifications. A school, casino and small office buildings all have very different usage patterns. The rates are set much higher for commercial properties, which in itself should promote conservation.

Elizabeth Babbit, representative of JM Ranches asks what the multiplier of a 2" pipe. McKay replies it is 5.33.

Joan Scott of Cypress asks why we don't increase the base rate of those not metered to help spread the cost. McKay explains it is higher now at \$63. Jorgensen explains further that users who use 5,000 gallons per month will see a water bill of \$54.50 per month.

Jan Christiansen comments that the customers here are complaining about water rates and she is faced with losing her home within the next year. If you use water you should pay for it.

Lee Carr of Hall Court asks how many customers in percentages fall into tiers 1, 2 and 3. Brent Farr reports that he has that data but not available for this meeting. We looked at Roundhill, Tahoe City and Incline Village. Average summer average, approximately 20,000 and in the winter the average was approximately 4,000. Mr. Carr reiterated he was wondering how many customers fall into each tier. Jorgensen brought up a graft to show the usages that we captured from the three entities. We don't have percentages of users in each tier.

Monroe Friedling asks what protection we have for the meters to protect from freezing. We will install them at 3' below ground without heat tape and will not have to worry about freezing at that depth.

Ken Stead of Meadow asks about the water rights and if the district is successful conserving water, can the water potentially be transferred to other jurisdictions? Water in the Tahoe Basin is over-allocated but cannot be transferred outside of the basin for use elsewhere.

Jorgenson continued with her presentation and explained the proposed ordinance changes.

Schussel confirms that the line size coming into the home determines the size of the meter. Mrs. Scott was confused by the rates in the presentation versus what was printed in the paper. McKay explains that we were given a short period of time to put together this meter plan and that he published the rates at the highest amount he would possibly request. After looking further into the plan, it is recommended to lower the water rates in order to maintain revenue streams. The \$55/mo published is now \$47 and the tier structure went down also.

Beattie closed the public hearing. Schussel comments that as a board, they saw the writing on the wall, meters are required, and he believes the board is making a good financial decision to install meters now if we can obtain grant funding to do so.

Beattie called for a 15-minute break and then reconvened the meeting.

McKay reported there are some typos. On page 38, we need to include item 1 (un-metered rate) on page 39. Brooke notes there is a typo on page 39, the effective date should be changed from July 1, 2009 to October 1, 2008. Page 37, the signers need to be corrected.

Runtzel had several comments that McKay may be able to clarify, some of which have been discussed before. First, the public hearing was not noticed to change commercial rates and it was never her understanding that commercial properties would be impacted at this time. However, the base rates and schedules proposed in this ordinance will in fact affect the commercial properties. McKay commented that the metered rates were noticed and that included commercial. Runtzel explained that the public notice specifically cites "Residential Metered Rates" and that the proposed rate schedule on page 39 will directly affect the commercial users in that they will not be allowed the 11,500 gallons any longer for the monthly minimum and that they will be charged a monthly minimum based on meter size. There are several commercial properties that have large meters and the issue is that they have not been properly noticed. McKay comments that charging on the line size is already in the ordinance. Runtzel explained that portion of the ordinance was never enforced due to the large changes anticipated in customer water costs that were analyzed after the 2003 ordinance was adopted. She explained that in previous discussions with McKay, the rate changes were strictly for residential metered customers and not commercial customers.

Beattie and Schussel requested McKay to hold a public hearing in September for the commercial customers. Brooke agreed that if there is a change to what's being done today then we should re-notice commercial customers and hold a public hearing for the rate increase in September.

Runtzel noticed secondly that the ordinance calls for a \$42 base rate but the metered plan and presentation calls for a \$47 base rate. This was changed after further number calculations and the ordinance should be revised to \$47/mo base rate.

Runtzel didn't see anything in the ordinance addressing fire protection lines. The language on page 40, section 1 needs to be corrected to include "less any size required for fire protection" at the end of the second sentence. We need to clarify the difference between fire protection and domestic line sizes.

On Page 6, 1.38A, we should clarify that this classification includes timeshare units less than 10 units. Also, we need to clarify what category apartments fall under. Current ordinance language is conflicting. Susan will go back through and make changes.

Page 39, item 2 "New Accounts", Runtzel explained that she and the GM discussed this and disagree on the Deposit for New Account of \$150. Runtzel explains that any time a property changes hand; it is proposed to collect a \$150 deposit to be held for one year provided that customer is not delinquent during that period and then it would be refunded. If they were delinquent, we would hold the deposit for another year. Runtzel explains that this is an accounting nightmare, we could be required to pay interest on monies held and also that it will in fact reduce our penalty revenues. She is not sure that it's worth the headache. Hayes agrees with Runtzel in that we have the ability to turn off the water when customers are delinquent and that is a good tool to deter late payments, he also comments that the accounting costs will be greater than any revenues we may receive from the program. McKay agrees we can take it out. The new account fee can stay in.

Beattie asks where in the ordinance it states that condominium properties built will have individual metering? McKay reports it doesn't state that. An HOA can either meter the entire project or they can individually meter.

We will need to address redevelopment in a future ordinance. Beattie would like that dealt with soon. We have other ordinance changes to make as well. McKay reports we should be able to revise the ordinances within 3 months.

Runtzel comments that Timeshare properties currently pay 70% of the base rate, which was negotiated with this board several years ago. The proposed ordinance changes eliminate that discount. In the past they were considered commercial, but in this ordinance they are considered residential. Hayes wants this addressed in the next meeting.

M-8/19/08-2 - Motion by Hayes, seconded Treanor and unanimously passed to approval changes to Ordinance No. 1, an Ordinance Establishing Rates, Rules and Regulations for Water Service, as amended by the presentation and discussion with staff, effective October 1, 2008

Brooke recommends that this item come back to the board with all of the changes made in a form to be presented to the board for further action and ratification. For purposes of the State they are approving it now with the discussed changes and a clean copy will come back to the September meeting for ratification.

ACCEPTANCE OF A METERING PLAN SUBMITTED BY FARR WEST ENGINEERING – The GM reports that the water metering plan has gone around a few times now, having been rejected by the Board for financing Water Projects once and now being demanded by the same board to be completed prior to their next meeting.

The plan will be submitted to the Board for Financing Water Projects on August 21 for their review along with a letter of intent for grant funding for the installation of these meters.

The metering plan and the letter of intent were provided to the Board for review prior to the meeting.

McKay commends Farr West Engineering for their efforts on the metering plan and also appreciates Eric Johnson's efforts to lead the crew to do a detailed inspection of each and every property within the district to assess meter needs.

M-8/19/08-3 – Motion by Schussel, seconded by Hayes, and unanimously passed as follows:

- A. Approval of Water Metering Plan as presented by Farr West Engineering
- B. Approval of Letter of Intent to AB198 Board for Financing Water Projects for Kingsbury General Improvement District Metering Plan.

REQUEST BY HEAVENLY VALLEY TO RECONSIDER BOARD DECISION TO GRANT AN EXTENSION OF TIME REQUEST FOR RANCHO PACIFIC, INC. TO OBTAIN A DOUGLAS COUNTY BUILDING PERMIT FOR A TOTAL OF FIFTY-TWO OUT-OF-TAHOE BASIN WATER ALLOCATIONS AT THE MAY 15, 2008 MEETING – At the July 14, 2008 board meeting, this item was tabled to this meeting with the following board action:

M-7/14/08-3 - Motion by Beattie, seconded Schussel and unanimously passed to table this item to the next meeting and provide KGID's assistance to Heavenly and Rancho Pacific to get Douglas County made fully aware of problems on this matter in hopes to work with Douglas County Board of Commissioners to reconsider extensions. Treanor abstained.

Included in the backup information is a letter provided to Heavenly written by the General Manager in accordance with direction provided by the board.

The following information was provided at the last regular meeting as background information. See attached memorandum from Legal Counsel Scott Brooke as requested by the board at the last regular meeting. Also included is a brief response from Rancho Pacific requesting this item be tabled to next month as they were just made aware of a potential reconsideration on the evening of July 8, 2008 and have not had appropriate time to prepare for the item and Mr. Salameh will be out of town and unable to attend the meeting. Also included for the board's review is the letter that was given to Rancho Pacific after the May 15, 2008 board action.

Staff believes the Board took the appropriate action at the May 15, 2008 meeting and that Rancho Pacific was able to show that they have made substantial progress towards their project. Additionally, they relied on the board's action to further pursue the project and expend another \$100,000 according to their attached email. Item 5. d) of the KGID policy states as follows:

Section 5, d) "A certification by Douglas County that the proposed project is an allowable use under the existing master plan and the zoning on the parcel(s) designated in the request and that the proposed project is buildable on the parcel(s). Documentation shall include copy(s) of applicable sections of any covering master plan(s) and proof of applicable Douglas County Zoning."

The section 5 heading is "Application Requirements". Staff's interpretation of this condition is that it is only a requirement at the time of initial application. In fact, the policy does not require further proof or "certification" by Douglas County in any other area of the policy including specifically in section 7, e) which deals with the extension process.

In section 7 "Term of Allocations", the last sentence of the first paragraph in the policy states "The KGID Board may issue extensions thereof only for good cause shown as set forth below." There are six subsections or conditions for the "Term of Allocations" section, which have all been met by Rancho Pacific Inc, including payment of appropriate fees.

Again, it is staff's belief that the board acted in good faith in granting the extension request and that the KGID Policy and Procedures Regarding the Out-of-Tahoe Basin Water Allocations were followed as written.

Runtzel provided a letter dated August 18, 2008 from Heavenly Lake Tahoe requesting this item be continued until at least October 1, 2008. It is staff's recommendation to table this item until the October meeting, as Heavenly is not pursuing its original request for reconsideration at this time.

M-8/19/08-4 – Motion by Hayes, seconded by Schussel, and unanimously passed to table this item until the October meeting.

REQUEST BY HOMEOWNER OF 158 HALL COURT FOR CONSIDERATION OF RESPONSIBILITY OF CONNECTION TO DISTRICT WATER SERVICE, CHARGES FOR STANDBY CONNECTION AND RELATED MATTERS TO THE PROPERTY –

Runtzel reported in writing that Charlie Manchester, owner of 158 Hall Court submitted the attached letter for board consideration and plans to attend the meeting. In the letter is a brief discussion of 4 items for discussion as follows:

1. Reconnection to KGID water system to be used as a standby or backup to his well. He requests KGID connect the new house water service line to the meter box. Charlie installed the service line at his cost after I denied his request for KGID to install the line. The new service line was installed up to the meter box but is not connected. He is requesting KGID staff make the physical connection to the meter box.
2. Charlie is requesting that the district turn on the water during the six months (winter) that he is living in Palm Desert as he has a tenant and doesn't want to risk the well going down. I explained that there are numerous properties within the district that are either 2nd homes or vacation homes and they are charged year round regardless of water usage and that the option to only charge for certain months out of the year was a decision that only the board could deal with. I also explained that the water charges are based on availability and not usage and that policy does not allow for seasonal usage charges.
3. A drainage area near the corner of Hall Court and Kingsbury Grade was unable to handle the amount of flow recently and overflowed next to his shop. After meeting with Charlie onsite, it appears the drainage structure itself is okay but the overgrown trees and lack of rock and angle at which the drainage is supposed to flow may need attention. I will be researching responsibility for the area, as I believe it may be within NDOT right of way and not KGID. If this is within KGID R/W, I will work with staff to try to come to a solution.
4. Driveway Seal Coating and settling – Last year, KGID installed the water transmission main through Manchester's property and provided a new driveway in the disturbed areas as well as some additional paving next to his shop in exchange for an easement. Re-sealing the driveway was not negotiated in the easement conditions, however, after inspecting the property with the Engineer, it was apparent that the adjacent paved areas had a seal coat treatment. I am working with Rapid Construction to provide a seal coat on the driveway as well as addressing the settlement area of the asphalt.

The Manchester's have not paid for water service for a number of years as outlined in his letter despite the fact that he had a physical connection to the KGID water main. That main that ran under his dwelling was abandoned with the Phase 1E Waterline Replacement Project and therefore, his physical connection to KGID was also abandoned. It should be noted that they have benefited from the water system in the form of fire protection in the area. Also, it may be appropriate for staff to reconnect his house service line if he wants to be on district water again and pay for it on a year round basis.

Mr. Manchester attended the meeting and explained his issues to the board.

M-8/19/08-5 - Motion by Schussel, seconded Hayes and unanimously passed as follows:

- A. Deny requests from Charlie Manchester of 158 Hall Court as follows: 1) for KGID staff to make the physical connection of his water service line to the KGID meter set and 2) if connected to District water, charge water service on a seasonal or standby basis, and
- B. Authorize the Business & Contracts Manager to continue to work with Mr. Manchester on drainage and driveway issues

TAHOE BEACH CLUB ISSUES INVOLVING BUILDING AT OR AROUND THE DISTRICT'S LAKE STATION INCLUDING DRAFT AGREEMENT FOR MODIFICATION OF EASEMENT AND EASEMENT DEED

– On July 25th Bob Cook, Jim Beattie, Michelle Runtzel, and Cameron McKay met with the representatives Lou Feldman and Tom Castenada from the Tahoe Beach club to negotiate out an agreement that would give KGID a permanent easement for the water treatment plant.

By the end of the meeting, it was tentatively agreed that the Beach Club would pay KGID \$73,320.00, give us the easement we wanted and in return be able to use 155 1-inch equivalent water services at the new project.

Scott Brooke drew up a draft agreement (included), and has been in contract with their attorney. Supposedly they are pretty much in agreement with the proposal but we may meet one more time to hammer out a final settlement. Scott said they might want to meet on Monday before the Board Meeting.

We still need to have a formal easement drawn up with legal descriptions on both the plant and water lines that are currently in place and future water lines needed. The minor changes that may be needed *will not* include any change in monies due KGID or the right of exclusive easement to KGID.

Beattie reported that he, Brooke and McKay met with Tahoe Beach Club representatives and that the recommended action is no longer viable. We will be meeting sometime in the future for discussion to resolve issues and he suggests that we take no action. McKay reports we are planning a meeting again on September 8th. We have no intentions on changing our stance; we are not in a hurry to finalize these negotiations. NDEP is looking to change some laws regarding water treatment facilities that may benefit the district.

M-8/19/08 – 6 – Motion by Schussel, seconded by Hayes and unanimously passed to take no action on this item.

Jan Christiansen reports that at the TRPA planning advisory commission meeting a gentleman brought up that they need to have a winter road maintenance plan in the EIS and also that there was nothing prohibiting phosphorous runoff from the project. This will come before the TRPA Board on the 27th where KGID will attend the meeting.

AWARD A CONTRACT FOR THE PALADY PERKINS WATERLINE REPLACEMENT

PROJECT - KGID received three bids for the Palady Perkins Waterline Replacement Project which will include installation of approximately 2,900 linear feet of 8" water main, new hydrants, service lines and meter sets and reconnection of 12 water services to abandon backyard water mains. Low bidder Rapid Construction, Inc. performed acceptable work for the district last year on the Phase 1E Waterline Replacement Project and is also currently completing the Edgewood/KGID Intertie Improvement Project.

The engineer's recommendation letter and bid summary are attached. The engineer's estimate for the project was \$1,039,000. The budget for the project provided for \$1,200,000, which was split between FY 07/08 and the FY 08/09 budgets. Based on the low bid of \$789,987 we are able to complete the project well below budget.

M-8/19/08-7 – Motion by Schussel, seconded by Treanor and unanimously passed to award a contract in the amount of \$789,987.00 to low bidder Rapid Construction, Inc. for the Kingsbury General Improvement District Palady Perkins Waterline Replacement Project and authorize the Business and Contracts Manager to sign contract documents and to approve change orders up to 20% (\$157,997.40) of the bid amount.

STATUS UPDATE ON OPERATIONS YARD FACILITY AND RELATED MATTERS –

Runtzel met with Tracy Larkin-Thomason on August 7 to go over a draft Cooperative Agreement between NDOT, Heavenly and KGID and to incorporate changes requested by Heavenly at a previous meeting. It is requested that the board conceptually approve the above recommendations to ensure board is agreeable to the general terms including purchase price of the property, which is based on the updated appraisal completed earlier this year by Johnson & Perkins as well at sharing the access improvement costs at 50% each for KGID and NDOT. These items were included in the FY08/09 budget.

After a thorough review of the agreement with Legal Council and incorporation of any recommended changes, the agreement will be provided to Heavenly for review. Formal approval of a final draft agreement will be sought by the board at a later date.

Runtzel is looking for conceptual approval from the board for the main terms of the agreement being that the property would be sold to NDOT between Heavenly and KGID for a total of \$750,000. KGID would receive approximately 435K; we would split the access improvement with NDOT 50/50. Schussel questions why Heavenly is not paying one-third of the access and Runtzel explained that there is a term in the agreement when Heavenly initially sold the property to KGID that they will not participate on any access improvements and have publicly re-iterated that they have no interest in sharing in those costs other than they may contribute stored materials to help with the fill necessary for the embankment. From a financial standpoint they are not interested in contributing, the existing access would be there primary access. NDOT may require that the existing access is a right in and right-out only. Heavenly has requested that the new access provide them with better access, however, at this point it doesn't look feasible without encumbering Heavenly's property. NDOT is still looking into those options. Beattie comments that if Heavenly wants to use the access then they should pay their proportionate share. Runtzel again reminded the board that the agreement this board signed specifically excludes Heavenly participation in future access improvements. Treanor mentioned that Heavenly might be willing to move the access easement for the benefit of the new access. NDOT is willing to trade other right-of-way potentially if necessary. Runtzel is asking that the board approve the appraisal completed by Steve Johnson valuing the property at \$750,000. Heavenly will still share use of some of the improvements per the inter-local agreement that will be signed by all parties. It is anticipated that Heavenly will be able to use the access. Runtzel is asking for the conceptual agreement to ensure that the board is agreeable to the terms as far as cost and access improvements.

M-8/19/08-8 – Motion by Schussel, seconded by Treanor and unanimously passed to conceptually agree as follows with a final draft agreement to be approved by the KGID board at a later date:

- A. Authorize the Business & Contracts Manager to work with Legal Counsel to define and revise terms of a Cooperative Agreement between NDOT, Heavenly and KGID for the sale of property at the KGID Operations Yard with a total selling price of \$750,000 for a 150' strip of land, in which KGID will provide 86' and Heavenly will provide 64' of said strip and the proceeds divided at \$435,000 and \$315,000 respectively, and,
- B. Approve 50/50/ cost sharing with NDOT for new access improvements including a deceleration lane and new entrance/exit from Hwy 207 providing greater visibility at a total cost of approximately \$750,000.

STAFF SALARY INCREASES FY2008/2009 - This item was brought forward in the June 17, 2008 meeting, at which time it was tabled until the GM had more time to look into the increase and report back to the Board of Trustees. Research shows that this item was brought forward in June 2007 while Jack Jacobs was still the General Manager, but was not followed up on. I have done a comparison study between the Business and Contracts Manager job description and other similar positions around the area. The closest position that I could find is a Project Manager.

It is difficult to compare these positions as each one is usually designed for a specific entity. As you can see, there are many duties done by this position at KGID that other entities do not include. I broke the matrix down by duties performed as well and split the high and low wages paid for each position. I then took the average high and average low wage and split those down to come up with a middle range wage of \$76,414.00.

This wage compares with the wage of the Operations Supervisor and carries about the same amount of responsibility.

A 5% increase July 1st, 2009 will keep these two wages in line with each other. I have come to an agreement with Michelle on wages as follows:

- A. \$75,000.00 per annum wages.
- B. 80 hours per annum administrative leave.
- C. 100% employer paid PERS.
- D. Vacation and sick leave will continue as accrued and will be combined into PTO time. (PTO is Personal Time Off).

NOTE: The total this year of the Operations Supervisor and B&CM salaries is \$145,000.00, approximately \$2,500 less than the total last year.

Schussel asks why the GM is requesting a 5% increase this year for next year and the GM replied to keep the salary in line with the matrix and so we won't have to revisit it again next year. It will then be in line with union negotiations in 2010.

M-8/19/08-9 – Motion by Hayes, seconded by Treanor and unanimously passed to approve wage increase to \$75,000 per annum for Business & Contracts Manager, retroactive to July 1, 2008 with a 5% increase July 1, 2009.

SELECTION OF OPERATIONS SUPERVISOR - When Greg Reed left KGID, I appointed Eric Johnson again as the temporary supervisor of the field crew and posted the job opening on the Internet. Two applications came in, only one of which I would consider looking at.

Eric has filled this position in the past prior to Greg being employed here, and knows the system thoroughly. The crew respects Eric's knowledge and ability, and while he does have some rough edges I feel he is the best person for this position. In working with Eric over the last two months, I feel that we can make a good team for the benefit of KGID.

I have come to an agreement with Eric on wages as follows:

- E. \$72,500 per annum wages.
- F. 80 hours per annum administrative leave.
- G. 100% employer paid PERS.
- H. Vacation and sick leave will continue as accrued and will be combined into PTO time. (PTO is Personal Time Off).

The GM reports that this is long overdue. Runtzel asked when the recommended action would become effective and McKay

M-8/19/08-10 – Motion by Hayes, seconded by Treanor and unanimously passed to approve the hiring of Eric Johnson as the Operations Supervisor for the amount of \$72,500 per annum with a 5% increase July 1, 2009 provided all probationary periods and current company policies are met effective retroactively to July 1, 2008.

PURCHASE OF CRAFCO CRACK SEALING APPARATUS - This new melter will allow the road crew to keep on top of all of the cracks that will come up after the pavement has been down for a couple of years. These are expansion cracks that appear in every road and highway in the country. The pavement expanding and contracting as the temperature heats up and cools down causes them. The biggest problem with these cracks is they are a way for moisture to enter the roadbed. Once the moisture enters the bed, it can freeze and thaw causing potholes and other problems associated with moisture. With a crack sealer, the road crew can fill these cracks with a hot mastic that will expand and contract along with the road therefore minimizing the chance of water getting under the pavement and causing problems in the future.

This machine comes complete with a pump to pump the hot liquid out into the cracks and is a necessary piece of equipment that will allow KGID to maintain the roads better. This purchase was budgeted for in this year's budget and is under budget cost by \$8,000.00.

M-8/19/08-11 – Motion by Schussel, seconded Treanor and unanimously passed to purchase a Crafcro Supershot 125 Melter as per quote No#TE0730085 minus tax for \$38,000.

Beattie asked whether we have purchased a paint striper and Runtzel explained that we are contracting that out again this year because the quote for the paint striper was much higher than budgeted. Runtzel will have Mark Cutright stripe the roads after the sealing projects have been completed. Runtzel explains that we should be striping twice a year, which in part is why we want to do this in house, and that we would plan to stripe in the spring after the snow as well as in the fall.

VEHICLE PURCHASE FOR ADMINISTRATIVE USE - Two separate Board Members have requested that I put this item on the agenda. At present under the conditions of my agreement with KGID, I am using the Business and contract Manager's vehicle. Michelle is using her own car to visit the job sites and as we get closer to winter Michelle will need to have her truck back. Eric will use the old Ford Ranger that Greg used.

I have gone on to the State of Nevada web site for vehicle purchase and have found that many of the vehicles stated there are already gone.

The new vehicles will not be available for purchase until October 15 with a shipping date towards the end of December. (GMC and Ford.)

Toyota, on the other hand, does have some vehicles left on the bidding schedule that are still available. Originally, I received a quote from Carson City Toyota on;

- I. 2008 4X4 Toyota Tacoma, extended cab, long bed, with the extras I requested for \$25,817.25,
- J. 2008 4X4 Toyota Tacoma double cab, long bed, with about the same extras for \$27,025.25
- K. 2008 4X4 Toyota Tacoma Double cab, standard bed, with the same extras for \$26,613.25
- L. 2008 4X4 Chevy Colorado extended cab, short bed for \$18,750.00 (last years price), which may go up and will not be available until the end of December 2008. (This truck was very small and uncomfortable to drive.)

Then Carson City Toyota came back to me with a new rebate offer that is within the state bid.

- M. 2008 4X4 Toyota Tundra double cab, long bed with about the same extras for \$22,329.25.

This is by far the best deal out there right now and this vehicle is available immediately. I have included the quotes for all of these vehicles.

The GM reports now he is using the BCM's vehicle and the BCM is using her own vehicle for district use. She will need her truck back in the winter for snow removal activities. The GM has shopped around and found a Toyota Tundra that offers a \$6,500 rebate.

M-8/19/08-12 – Motion by Hayes, seconded by Treanor, and unanimously passed to approve the purchase of Toyota Tundra for \$22,329.25

BOARD REPORTS – There were no board reports.

STAFF REPORTS – The General Manager, Business & Contracts Manager and Operations Supervisor provided written staff reports, which were including in the meeting backup information. Bookkeeper Garon provided cash position statement as of July 31, 2008 and draft financial statements as of June 30, 2008.

General Manager Report – Hayes asked about the easement issues on Tank 10. The GM thinks we will be able to negotiate with Whitebark HOA. If we bid the project now, we won't get a good price on the project due to a winter shutdown. We received a two-year extension for the use of the grant funds and we can construct next summer.

Business & Contracts Manager Report – Runtzel apologized for not completing her report in advance of the meeting and she will verbally report on key items. She reported that the audit work was mostly completed, 3 auditors here during the previous week. Runtzel will draft the MD&A sometime in September.

Edgewood/KGID Intertie – Progress has been somewhat slow. Attended or held several meetings with contractor and other stakeholders. The boring under Lake Parkway started last Monday.

08 Paving Project has been very active over the last several weeks. The contractor is on schedule and doing a great job.

08 Sealing Project – Runtzel explained that all new pavements prior to this year would be either fog or slurry sealed this year. We are on a two-year schedule to seal the roads and may want to consider doing smaller projects each year instead. As we complete paving on roads, we are increasing the amount that needs to be sealed yearly. Runtzel explained that we hadn't done any slurry since her employment and she will be interested in tracking the life and wear. The fog seal has had some problems due to not having the temps needed.

Palady Perkins – we had a pre-construction meeting, spent significant time reviewing the bidding documents and obtaining easements. Provided changes to incorporate into Addendums 1 & 2, answered numerous questions from contractors on the bidding documents.

Tank 10B – not going to bid this year.

Crestview Waterline Replacement – nearly complete and the project has gone well. Johnson reported that the waterline is charged now and we are waiting for sampling before going on line.

General Financial responsibilities – ongoing.

Hayes asks if there are any areas that Kara sees that can reduce the costs of audit. Runtzel will contact Kara and ask if there are any ways to provide some of the notes or anything that can reduce audit costs. Runtzel noted that we will have a single audit this year.

Operations Supervisor Report – Schussel asked about the work that was done on Robert. We had two water leaks on Robert by the stresses of the paving operation. Johnson reported that we had another leak on Sherwood Ct. due to the vibratory roller operations. Johnson also reported that there is an algae bloom further up the lake. We have not seen that at our intake, if we did see increases, we could increase our treatment.

ATTORNEY’S REPORT – Scott reported some of his time was spent on Tahoe Beach Club. Hayes asks if the term limits for board members means that both Beattie and Cook will not be able to run. Runtzel noted that Brent Barratt is here and will become one of the board members to fill the two vacant seats.

CORRESPONDENCE - The following correspondence was received during the month, 1) Letter from DCSID regarding a privately owned lift station at 381 Kingsbury Grade, 2) Letter from NDEP regarding lift station at 381 Kingsbury Grade, 3) Letter from LTWIP to TRPA regarding policy changes related to Wastewater Policy, 4) Letter from Joan Scott regarding metering, 5) Letter to NDEP regarding the KGID CCR report, 6) Notice of Solicitation of Public Comment on the Draft 2009 Intended Use Plan, 7) Letter from Charles Scott regarding metering, 8) Letter from Mitch Brust of Pool/Pact regarding the 2008/2009 Service Plan Goals.

ADJOURNMENT

M-8/19/08-13 – Motion by Treanor, seconded by Hayes and unanimous approval the meeting was adjourned at 9:35 p.m.

Respectfully submitted,

James Beattie, Vice-Chairman

Attest:

Carolyn Treanor, Secretary