

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, JANUARY 15, 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 Chairman Cook, and Trustee Schussel led the pledge to the flag.

ROLL CALL – Present were Trustees Hayes, Cook, Schussel, Beattie and Treanor. Also present were Business and Contracts Manager Michelle Runtzel, In-Charge Water Operator Eric Johnson and General Counsel Scott Brooke. Present for a portion of the meeting was Bruce Scott of Resource Concepts Inc., Mike Faeth of AMEC Infrastructure, residents of Tahoe Shores Mobile Home Park Monroe Friedling and Jan Christiansen and Beach Club developer Tom Castenada.

PUBLIC COMMENT – There was no public comment.

APPROVAL OF AGENDA AND CONSENT CALENDAR –

M-1/15/08-1 - Motion by Schussel, second by Treanor and unanimously passed to approve the Agenda and Consent Calendar item as follows:

A. Minutes of the meetings of December 17, 2007

B. Claims in the amount of \$480,356.48 as represented on the List of Claims by check numbers 40889 through 41006

There was no public comment

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION - Pulled item C – Contract for SCADA system through Thunderbird Communications. Authorize the Business & Contracts Manager to sign the contract.

M-1/15/08-2 – Motion by Hayes, second Schussel and unanimously passed to authorize the Business & Contracts Manager to enter into an annual maintenance agreement contract with Thunderbird Communications for a not to exceed amount of \$18,240.

There was no public comment.

UNFINISHED BUSINESS –There was no unfinished business.

NEW BUSINESS –There was no new business.

PROPOSAL FOR A FEASIBILITY STUDY TO SUPPORT A SINGLE WATER UTILITY DISTRICT IN DOUGLAS COUNTY AT LAKE TAHOE BY MR. LOWRY STEWART –Trustee Cook reported Mr. Stewart doesn't have any information at this point. This item will be placed on the February board meeting agenda.

DISCUSSION OF WATER RIGHTS ISSUES WITH BRUCE SCOTT OF RESOURCE CONCEPTS, INC. – Brooke reported that some time ago the board thought it would be prudent to look at a water rights consultant to help the district with water rights issues it may face. Bruce Scott was provided with the summary historical report prepared by Rohr.

Bruce Scott introduced himself to the board and reports that water rights are a special interest area that he's worked with for some time. He's completed work recently in conjunction with Runtzel & Brooke on filing the extensions of time on our existing rights. The State Engineer has been squeezing entities recently. Most entities need a long time to prove beneficial use of their rights. State engineer is putting more pressure on. It would behoove us to consider looking ahead to set the groundwork, possibly selling water rights or developing a plan for existing water rights to provide for growth. His sense is that it will get harder and harder and require more effort to continue to keep the open permits extended. He is generally aware of what the district is working on. He has done most of the water rights work for Heavenly over the years (in the USFS name). He believes it's a good time to try to establish the way we will go forward with our water to develop a stronger basis to deal with the State Engineer. Every water right permit holder has been issued a new set of rules that are tighter and the State Engineer will expect more. Scott suggests that further discussion as the year progresses is something the board may want to consider. Some work needing to be completed was outlined in Rohr's report including establishing what the rights are and where they are. He proposes to look at pumping history and capacity and try to match water rights with permits as well as discussing and looking at long term issues with well sites.

Should we re-drill the well or move the well right into the lake? With board input and board direction there is merit looking at alternatives. RCI would be happy to work with us on a proposal or not to exceed or step-by-step basis to help us with these issues.

Beattie comments perhaps Scott should give us a general outline of what we should look at. Scott could do some research, get facts more up to date and come back with a series of questions so that board can consider the pros and cons of any actions. May be helpful in framing what we look at.

Of all districts at Tahoe, KGID enjoys the greatest surplus of water rights per Scott. We are delivering significantly less water than we have rights for. Snowmaking is a big water user; we may want to expand that use. Undeveloped lots need to be looked at. Marketing of our water rights in a low profile way is also a feasible alternative. He doesn't want to see that we do nothing and the State Engineer takes the surplus rights away. Tahoe basin on Nevada side is over appropriated on paper.

Cook doesn't think we have a problem with in-basin water, but rather out of basin water. We don't have the water to provide. What will it take to build out, and what water rights are needed should be looked at. We may be able to recover some of the water for out-of-basin needs. Scott reports the settlement should be reviewed.

The Station 4 well could be re-drilled if it looks like it makes sense geologically. It may be feasibly to drill in the existing well, depends on casing. Also, if it's an old well, it's usually easier to move 10-20 feet over and re-drill.

Scott is currently working with Carson City who is in the process of drilling 4 test wells. KGID may want some hydrogeology assistance and look at possibility of test wells. Cook asks Scott to bring a proposal back to board. He would bring a water rights summary report, and look at strategic issues and discuss where the board wants to go from here. Discuss alternatives, possibly courses of actions; board can then decide what they want to do.

Treanor asks if the pressure applies all over the state and is it possible that we lose our rights to help Clark County as an example. Scott reported water rights are specific for this basin. They are subject to being moved due to the State Engineers individual management, mainly because there are competing interests in the water rights.

Scott is concerned that the state engineer is going in the direction of taking surplus water rights. If we are proactive, the better off we are. We need to integrate the water rights into the process. Treanor asks if we do a study and we are over-allocated, could we try to sell them? That would be the strategy as opposed to losing the surplus rights. Incline Village GID is looking for water; they have peaking needs, etc.

Scott also reports if the Truckee River Operating Agreement (TROA) is ever finalized, water rights will be based on actual metered usage for utilities in the basin that are 100% metered. Schussel comments we all agree that water rights is very important, would be great if we had a lot more wells.

M-1/15/08-3 - Motion by Schussel, seconded Beattie and unanimously passed to authorize Resource Concepts Inc to provide a proposal for a review of water rights issues on behalf of the District.

Beattie asks if Scott could bring a proposal back with an outline of items of what we are looking at. Scott suggests a step at a time for the board to review. A proposal will be brought back to the board. He wants to focus on our needs. He will discuss with Brooke, Runtzel, operations, etc.

Hayes says we were looking at the well seriously before Rohr retired. Station 4 is the most underutilized and exposed water right according to Scott.

There was no public comment.

DISCUSSION OF TAHOE BEACH CLUB ISSUES INVOLVING BUILDING AT OR AROUND THE DISTRICT'S LAKE STATION INCLUDING A PROPOSAL FOR REVIEW AND RECOMMENDATIONS OF THE TAHOE BEACH CLUB DRAFT ENVIRONMENTAL IMPACT STATEMENT PUBLISHED ON JANUARY 2, 2008-

Tom Castenada, Beach Club Developer attended the meeting, as did Mike Faeth of AMEC Infrastructure who will review the EIS on behalf of the District. Castenada reports this is an extensive document and would like to review any questions in a more specific way rather than the public hearings and can bring experts in to discuss any issues with the District.

Cook states the first public meeting is in Tahoe City, not in Incline as reported in the EIS.

Brooke comments, the timeline is very short with just a 60-day period with 2 public forums. Written comments have to be substantiated. If the district believes it has impacts from project that it can't negotiate with applicant on, then they will be dealt with via written communications to TRPA. The only other step would be litigation. Brooke has been in touch with developer attorney, Lew Feldman and has discussed mitigation measures and issues with easement itself. Brooke would like to work with Mr. Feldman in advance of public hearings. We have an opportunity to have informal discussion with developer, which is appreciated. Jan Christiansen asks if those discussions will be held in a public meeting? Brooke reports any action will be taken by the board in a public meeting

Treanor asks Mike Faeth how long it will take to complete the report. Faeth reports the final report is due by February 29 and the first draft report is due February 1, which will give the District time to review. Hayes is hoping AMEC will inform us of our greatest risks or negotiable items with developer. He wants AMEC to look at things that may be more palatable to developer. Faeth reports AMEC is looking to protect KGID interests and recognizes there may be small issues that are not as important.

Hayes asks about updating the easement, and wonders if that is still a priority. Brooke replies this would be a separate informal negotiation between the owner and developer. He believes any successor such as an HOA would be better off with a more specific agreement. This is not part of the EIS process. Castenada proposes we discuss issues prior to public comment and can provide the right people here to address district concerns provided he has issues identified in writing.

Beattie asks if we should set special meeting to get through this the first week of February, we will receive AMEC draft February 1. Hayes asks Mike Faeth if the budget is adequate for work to be done. Yes. Hayes suggests we set a committee. Beattie and Cook will continue on the committee.

M-1/15/08-4 - Motion by Hayes, seconded Treanor and unanimously passed to accept the proposal from AMEC Infrastructure, authorizing the Business and Contracts Manager to execute the agreement, to conduct a review of the Tahoe Beach Club Environmental Impact Statement for a not to exceed amount of \$13,775.00 and authorize a committee of Beattie and Cook to represent the board.

A meeting will be held at the district office on Wednesday, Feb 6, 10:00am with the committee, Runtzel, Reed, Brooke and Faeth. We will plan to meet with Castenada and consultants possibly the next week. Mike Faeth will arrange for the writer of the report to attend meeting, either Dan Gira or Megan Swartz of AMEC as well.

There appears to be walkway to the treatment plant, per Castenanda, it is a paved roadway.

There was no public comment.

CHANGES TO MANAGEMENT CREDIT CARD LIMITS – At previous board meetings, some board members requested this item be placed on the agenda for discussion and believe the existing \$10,000 limit is excessive for management. Currently, non-management staff member have a credit limit of \$2,000 each and management limits were increased to \$10,000 following board direction at the December 19, 2006 regular board meeting. It was suggested that maybe a \$5,000 limit was more appropriate at the recent meetings.

Schussel asked Runtzel what she felt was the absolute lowest credit limit that would work for management staff. Runtzel said the previous General Manager had a limit between \$2,000 and \$3,000 and that \$3,000 would probably be sufficient. She explained again that credit cards are not meant to make everyday purchases and are to be used for travel, training and in unusual situations. As the prior bookkeeper and current manager, credit card use in not encouraged.

It can be somewhat of a hassle with obtaining receipts and should be used as a last resort. In the event that purchases need to be made in excess of this limit, the district has several viable options including cutting a check, opening an account with a vendor, issuing a purchase order, and worst case scenario, combining a couple of credit cards to make a purchase or overnight a check if absolutely required. Staff should be cognoscente of their credit card use and when possible purchase orders or check requests should be made in advance of the purchase.

Runtzel also expressed in Reeds absence that he had strong feelings that the limit should stay the same at the existing \$10,000. There could be situations where several purchases will be made that could take the card to the limit even though the purchases would be within the purchasing authority of the manager. The board appreciated Runtzel's comments on behalf of Reed. Runtzel feels that credit card use should be when other options are not readily available and feels that on the rare occasions of such occurrences, the staff can deal with it.

M-1/15/08-5 – Motion by Beattie, seconded Treanor and unanimously passed to authorize the Business & Contracts Manager to reduce management staff credit card limits from \$10,000 to \$3,000 and reiterates that the policy statement on “Credit Card Purchases” on page 2 of the “Policy Governing Purchasing Authority of District Staff is enforced.

Hayes believes we should leave a little room and recommends a \$5,000 limit. It was noted that we could monitor the new limits to see if there are problems and staff can always come back to the board to request a higher limit if necessary. Runtzel also reported she spoke with Colonial Bank to discuss ease of changing limits and Colonial confirmed it is as simple as a phone call.

FACILITIES LEASE AT 160 PINERIDGE – JM Ranches, LLC. Representative Josh Theriot provided the district with a proposed 3-year lease with a 3-year option for renewal for office space and vehicle storage/bay space. Cook reports we talked with Josh today, we didn't think he needed to be here. Brooke reported he didn't see the 3-year option for renewal mentioned and Runtzel directed him to the language in the lease. Brooke doesn't recommend the district sign lease regardless of the terms at this time. Many provisions are detrimental, onerous, and for landlord. Trustee Beattie provided comments that he would like to see addressed in the current proposed lease language. Lease is really weighted to the landlord. Brooke recommends looking at existing lease. He's never seen the current lease. Otherwise, Brooke recommends editing the lease paragraph by paragraph.

Beattie gave board members some of the issues he's identified including parking issues that state the district has 3 parking spaces. Runtzel reported she discussed this with Josh and clarified that the 3 spaces referred to were for overnight parking. The lease should say “overnight.”

Brooke thinks it's very important that JM Ranches recognizes the districts uses for the building. If we intend to use the bay for maintenance and repairs, we want to disclose it. Brooke wants to be sure that if we store fluids in the bay, the landlord is aware of it. Per Eric Johnson, we wouldn't store fluids necessarily here; there won't be much room. Additionally, we don't have a mechanic.

Brooke asked about timing on this issue, Runtzel explained that the lease would be executed February 1 for the lease space of the offices and that the bays would be taken over when available. Brooke comments that the snow/ice issues should be address now since we are having issues. Beattie addressed this in his comments, which should be incorporated into the revised lease. Runtzel reported Josh Theriot was here today and was very disappointed with the snow removal and ice issues around the building. He was very proactive in getting ice melt and sand available to tenants and will also have maintenance people check the building on a regular basis.

Hayes recommends that Brooke take Beattie's comments and his concerns and provide him a counter lease. JM Ranches has given us a very fair price. The TRPA approval will be incorporated into the document or provided to the district prior to execution of the lease. Brooke requested that Runtzel provide him with a copy of the lease he can modify.

M-1/15/08-6 – Motion by Beattie, seconded Treanor and unanimously passed to authorize Legal Counsel Scott Brooke to revise draft lease for 160 Pineridge to change conditions to be that of a normal net net lease and bring back to February meeting and to also advise the landlord in the near future that we fully intend to occupy the space and only are concerned with conditions of the lease.

Brooke will provide the revisions to Runtzel as soon as he can and she will provide to the landlord for review and hopefully bring back to the board in February.

The board recessed for a 10-minute break.

GENERAL MANAGER HIRING, INCLUDING INTERVIEW AND FURTHER CONSIDERATION OF CANDIDATES, CONSIDERATION OF JOB OFFER TERMS, AUTHORIZATION OF A JOB OFFER AND RELATED MATTERS

– Initial interviews of five General Manager candidates were conducted on January 10, 2008. The Committee decided based on general input to request the board to determine which of the 5 candidates should come back for a second interview. Additional questions specific to the District would be asked. Beattie wants board to decide which candidates should come back for a second interview. Lowest totals interviewed the best from each board member. Beattie provided an average result of the interview results. Hayes points out that if there was not much of a range between highest and lowest, the effect on the whole rating was significant. Hayes doesn't believe we should be held to the ratings. Hayes is somewhat surprised how the numbers came out.

Schussel agrees with Hayes. He proposes that Beattie look at individual board members choices 1-5, put that on a graph and figure out who the top rated applicants were. Possibly re-interview up to 3 people. Also consider having staff provide a tour for candidates. Individual board member top choices in order were:

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|----------|------------|
| Schussel | C,A,E,D,B, |
| Cook | A,E,D,C,B |
| Hayes | A,E,C,B,D |
| Treanor | A,C,D,B,E |
| Beattie | A,B,C,D,E |

The overall results of looking at the individual board member rating are: 1st A, 2nd C, 3rd E, 4th D and in 5th place candidate B.

Board agrees on at least one candidate and move back and forth on candidates C & E. They picked three candidates to re-interview. Need to set interview date. Board will schedule a special meeting for a second interview.

Brooke confirms we do not have to ask the exact same questions of each candidate. Interviews will take place on Thursday, January 24, 2008 with interviews at 1:00pm, 2:30pm and 4:00pm.

Candidates can schedule a meeting with Runtzel and/or Johnson between now and the interview and will have the ability to spend up to 1 ½ hours with each to ask questions or be toured, etc.

Runtzel asks if there should be an agenda item to make a job offer and board members confirmed. A draft employment agreement was provided to Brooke for review. He will get back to the board by the 23rd with any comments.

Beattie stated he had a benefits package put together in addition to the proposed job offer that may be used. Runtzel asked whether he included the 10-day administrative time in the package. Runtzel explained to the board that they approved a 10-day administrative leave for management employees earlier last year at the previous General Manager's request. Administrative Leave does not carry over at the end of the year. Also, Management accrues PTO time and not vacation and sick time. He didn't, Runtzel requested that he run the benefits package by her to verify that all of the benefits are current.

There was some discussion as to whether the candidates are aware of what the district is willing to offer a potential General Manager. Beattie states that the candidates were told the position was not to exceed \$100,000 per year.

BOARD REPORTS - There were no board reports.

STAFF REPORTS

Operations Superintendent Reed and Business & Contracts Manager Runtzel submitted their written reports that are included in the meeting records. Bookkeeper Garon provided cash position statement as of December 31, 2007.

Operations Superintendent

Snow Blower - Cook questioned what kind, and size of snow blower we purchased and why we bought a Craftsman snow blower and not a Honda. Runtzel reported she believed it was due to cost considerations. The craftsman was approximately \$900 and according to Reed the Honda's were \$2500 - \$3000. He also wanted to know who made the decision. Schussel reports he's taking care of someone's house with a 20-year old Craftsman and he's surprised how well it works. Cook reported a neighbor bought several Craftsman's over the last few years which all broke down prior to finally purchasing a Honda. He wouldn't recommend a Craftsman.

NDOT Drainage – Hayes asks if Eric was involved in the design of the improvements. Runtzel reported that Reed and Warswick have been involved.

Farr West Engineering - Beattie questioned when we would see something from Farr West. Runtzel reported he will be on the February agenda and will be prepared to discuss both the discovery and analysis phases of the scope of work. She is planning a meeting with him sometime in the next couple of weeks to tie up any loose ends.

Business & Contracts Manager

2008 Paving Project - Runtzel reported that she omitted the 2008 Paving Project from her report and expects to receive the 50% design this week.

Beach Club EIS – Runtzel explained to the board that her memo distributed tonight at the meeting was just completed today. She didn't have access to the EIS until Friday afternoon and she spent the weekend reading that document and the 2005 AMEC study to put together her notes. She explained that the issues she noted came from reviewing the new EIS and reviewing the 2005 AMEC study, which was based on the prior Beach Club design. Cook will get contact information of NDOW and NDEP to Runtzel so she can inform them of the EIS.

Snow Removal – Runtzel was asked why SVHOA's snow removal is an issue to KGID. She explained that our contractor has made numerous complaints with them plowing our roadways after the contractor has been through and making messes. They have stacked snow on the stop sign at Tramway/Kingsbury and are packing berms in areas. Schussel asked what the "snow speed bump" is and Runtzel/Hayes explained it was actually a snow/ice speed bump placed by a resident that wanted to slow traffic down.

Operations Yard – Hayes asked if Strain has disclosed what the new appraisal is? Runtzel said he had not and her last discussion with him was to try to set up a conference call to discuss moving forward with the easement and tri-party agreement. I'm still waiting for Tracy to be available. We did receive the cubic yards of the material Heavenly owns at the yard and however, she's not sure whether the material will meet spec for the fill needed for the access improvements. We still need the revised design of the layout that Heavenly requested to accommodate a better access to their property. NDOT agreed to look at it and see if they can incorporate changes to the access improvements. Additionally, NDOT has the tri-party agreement that we are waiting for. Strain came to the meeting with a draft tri-party agreement and NDOT will have to reformat it. We made it clear that a multitude of our decisions are on hold for the operations yard. Runtzel explained that NDOT is the one holding things up right now.

Tank 10B – Hayes asked if we are really in jeopardy of losing the grant funding for the project. Runtzel explained that Michelle Stamates told Mike Faeth of AMEC during a conversation about the Palady Perkins Project that if we don't get moving on it they are considering taking away the funding. Runtzel explained that she sent an email to try to set up a meeting to discuss Palady Perkins and will bring up the Tank 10B Project at that meeting. Greg Reed was able to get in touch with the person at the USFS who was not necessarily inclined to resurrect the file quickly or meet with us. Mike Faeth has offered to assist us with working with the Forest Service. Mike may be able to light a fire to get it moving. Schussel asked if we should contact her to let her know we're working diligently on this, Runtzel prefers to wait until we actually make some progress on it.

We should also try to get help from Andrew Strain of Heavenly on the project with USFS. Cook will mention this to Andrew on Thursday. Terry Maceron is supervisor per Brooke. Fire Suppression issue is the hook, and we may want to get to Dean Heller. Ask Andrew to see if he can get this on Terry's desk. Fire issue is big issue for Heavenly. Have Mike attempt to contact person on Jacks list. Cook may get fire chief involved.

Colonial Bank Direct Deposit – Runtzel explained the costs associated with providing direct deposit to staff and board members. She believes that by setting up the ACH we would be able to receive customer payments from Springbrook also and the monthly fees may be worth it. The costs just for direct deposit are fairly high. Treanor believes we may be able to get Colonial to waive the one-time set up fee.

ATTORNEY’S REPORT – Brooke reports we’ve gone over Beach Club earlier. Hayes comments he doesn’t think we should hang our hat on the security fence issues. Brooke thinks the proximity may be the biggest issue. Runtzel thinks the layout is way better than the original plan.

Brooke spoke with Heavenly Valley attorney Ron Alling regarding water rights at Stagecoach Lodge. Runtzel has provided information for their use. The Stipulation regarding out-of-basin water use is out of date. They are pushing the same argument that we’ve used before that we should get the full use of the water no matter how many units it serves. Alling thought they were receptive but are reluctant to say anything different than what’s been said before. They’ve already met with the State Engineer, and will contact the district before the next meeting.

CORRESPONDENCE – There was no correspondence.

ADJOURNMENT

M-1/15/08-9 – Upon a motion by Hayes, second by Beattie and unanimous approval, the meeting was adjourned at 9:20 p.m.

Respectfully submitted,

Robert Cook, Chairman

Attest:

Carolyn Treanor, Secretary