

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
MONDAY, JULY 14, 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 who led the pledge to the flag.

ROLL CALL – Present were Trustees Cook, Hayes, Beattie, Schussel and Treanor. Also present was Legal Counsel Scott Brooke, General Manager Cameron McKay and Business & Contracts Manager Michelle Runtzel. Present and for a portion of the meeting was Susan Jorgenson of Farr West Engineering, Andrew Strain of Heavenly, CR Russell, PE for Heavenly and Ron Alling, Trustee candidate Brent Barratt, and homeowner Richard Kasa and Steve Mollath attorney for Rancho Pacific, Mark White and Bill Cole.

PUBLIC COMMENT – There was no public comment.

APPROVAL OF AGENDA AND CONSENT CALENDAR –

M-7/14/08-1 – Motion by Beattie, seconded by Treanor and unanimously passed to approve the Agenda and Consent Calendar items as follows:

- B. Approve claims in the amount of \$607,669.31 as represented on the List of Claims by check numbers 41612 through 41749

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION -. Schussel requested to pull meeting minutes from June 17, 2008 for discussion and noted that he did not attend the meeting and therefore could not have seconded the motion M-6/17/08-6 as written. Runtzel will check the tapes and correct the minutes.

M-7/14/08-2 – Motion by Schussel, seconded Beattie and unanimously passed to approve the Meeting Minutes of 6/17/08 as corrected.

UNFINISHED BUSINESS –There was no unfinished business.

NEW BUSINESS –There was no new business.

REQUEST BY HEAVENLY VALLEY TO RECONSIDER BOARD DECISION TO GRANT AN EXTENSION OF TIME REQUEST TO REANCHO 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 – The board was provided with a memorandum from Legal Counsel Scott Brooke as requested at the last regular meeting. Also included in the board package information was 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 had 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. The above recommendation is from staff, without legal review or guidance, and it should be noted that Mr. Brooke might have other recommendations. Due to jury duty this week, I was unable to speak to him personally to make inquiries.

Treanor may have a conflict of interest and wants to ask Brooke. Brooke discussed with Treanor, has advised that she should abstain. Treanor will abstain from participation in this item.

Brooke provided a memo with attached background materials, worked with attorneys for Rancho Pacific and Heavenly, and reports they have not been able to resolve differences. He attempted to verify information at Douglas County after investigating matters. Issue was potential use of the 12 units, status of zoning, and master plan amendment at Douglas County. It was represented that the master plan allowed building of the full 52 units and the zoning did not. Brooke was not able to get verification either way from Douglas County. Brooke indicated in the memo that the board could reconsider. It may be helpful to have information from Harmon Zuckerman on Douglas County's zoning amendments that would affect use on that property. The only way to get that information is to continue for another month.

Mr. Alling thanks for indulgence in continuance in the matter and agrees that they are unable to resolve. Alling points out that the zoning for the project that Zuckerman indicated in June or July has not taken place. Still their belief that Rancho Pacific has not made reasonable progress as the project for 52 units was denied. They went to Douglas County with a 40-unit project that was denied. This will result in a failure to use the 12 units and they have not made substantial progress on 40 or 12 units according to Alling. From legal point of view, they would like to discuss planned use for the 12 units.

Steve Mollaff, attorney for Rancho Pacific, comments it is unfortunate that Rancho is involved with disagreement with Heavenly, and his client has no problems with Heavenly's project. Problems were with predecessors with Heavenly, Rancho Pacific was not part of. Arguing 52 allocations of water Rancho Pacific needs that Heavenly also needs. Doesn't blame Heavenly for having issues with how the water was dealt with in the past. Rancho Pacific is not in an adverse position with Heavenly and has no animosity towards Heavenly. Mollaff has worked with Alling over 30 years.

Mollaff reports we are here today talking about 12 water allocations and believes Rancho Pacific has moved forward expeditiously with project. Unfortunately they are suing Douglas County for use of discretion with no evidence on record, Judge Gamble has 40 days to open the case, Mollaff is hoping for resolution before the end of the year. Since the last meeting the 12 units are somewhat academic and Rancho Pacific has made financial arrangements to develop those 12 units. Zuckerman's letter of May 15 to Runtzel indicates the master plan designates property with zoning. Zoning has to be changed in accordance with Master Plan. Process is not automatic and Zuckerman gave a timeline for taking the proposed zoning changes to the Planning Commission in June and to the Commissioners in July. The zoning is not specific to the proposed development and in fact affects all of County. The Master Plan for this property allows for the 12 units to be built and the delay in approval of zoning on the County's part has nothing to do with project itself. Master plan allows Rancho Pacific the ability to utilize 12 units. Mollaff further comments that this board has to determine whether the property should be allocated the 12 units. Master plan approval requires County wide zoning changes to conform to Master Plan. Mollath believes board can determine it meets with KGID policy. Developer was blindsided with issues. If zoning is not changed within period of time that the extension of the 40 units, or October 1 2008 then the 12 units go away. Developer has made certain financial decisions since approval, now in position of trying to hold on to value that they purchased. Heavenly has a time constraint and has to submit next week and show those 12 units. Developer involved has financial ability to build the project. Mollaff hopes for best.

Alling reports their ability to use the 52-unit project was denied by Douglas County. If successful in litigation, at best they may have 40 units. Mollaff replies that if the zoning is changed, there is ability to come in with a building permit and use the 12 allocations.

Mr. Strain reports Heavenly is on the heels of submitting next week, as previously committed, once Master Plan was completed, they plan a Phase I of 55 units and 65 units in Phase II. Including demolition Stagecoach Lodge, parking is underground for unit owners. Strain gave brief presentation on proposed project. Strain urges to follow legal recommendation and return 12 if not all 52 water allocations back to the pool. Strain comments that no one wanted the water allocations for years, and when developers came forward, they let them go and returned them to KGID.

Runtzel questions the 12 allocations and how that would help the Heavenly Phase 1 55-unit phase. Unclear. Twelve out-of-basin allocations will not provide 55 residential units. Per Strain and Alling the twelve allocations would be mixed with the in basin water allocations to provide the water for Phase 1. Runtzel reports to board that she doesn't believe Heavenly can mix those out-of-basin allocations with in-basin unless it is proportional to the acreage of the ridgeline parcel. Runtzel believes Heavenly has misunderstood the agreement. How would County deal with a 55-unit project that may only have 25-30 water allocations if the 12 units come back to the pool? KGID cannot provide a will serve letter based on the in basin portion of the water allocations.

Schussel asks if Heavenly has sat on this for a while, what if KGID waits until October 2, three months shouldn't hold them back a whole building season. How much of a problem is that for Heavenly? Alling reports they have a project approval that will expire on July 20th unless they make application to modify that approval. They don't have the luxury of waiting to next week. Beattie asked if they could ask for an extension based on delay they suffered in master plan approval and delay in USFS, County and TRPA. One extension was already granted and they don't have ability to ask for another extension.

Cook comments that if there was an extension made until October 1, and Rancho Pacific couldn't utilize the 12 allocations and Heavenly could obtain them it would be the best of both worlds. Beattie believes Commissioners would consider an extension request by KGID. Brooke didn't recommend returning the 12 units to the pool, take a month to research issue further as he was not able to discuss with Zuckerman and couldn't get any other information from counter. Heavenly must have proposal to Douglas County by July 18.

Per Alling, under KGID policy, the 12 units are questionable because the property doesn't have zoning for more than 40 units unless the County allows affordable housing.

Brooke comments that there is a project for 40-units and that today or tomorrow it cannot be more than 40 units unless zoning is changed. Runtzel reports that her understanding is that in fact there is the possibility of obtaining 25% bonus density units for affordable housing. Brooke comments that is a good point; Mr. Mollaff also pointed that out. Bonus density was not discussed at the May meeting, there is potential that the twelve units can be utilized.

Schussel comments everyone has screwed this up except for KGID. Puts KGID in uncomfortable position and seems unfair either way. If Runtzel's interpretation of the agreement with the State Engineer is correct, it won't help Heavenly complete their project anyway.

Runtzel also points out that there is a waiting list for allocations ahead of Heavenly so that even if the 12 allocations came back, Heavenly would not get all of those allocations. Ultimately, Runtzel's understanding is that Heavenly needs 55 allocations to complete their 120-unit project and KGID doesn't have that. Heavenly has to have corresponding in basin and out-of-basin allocations to have the ability to build anything out of basin. The portion of the parcel that lies in and out of the basin determines that ratio. We should not issue any will serve letter without discussing with the State Engineer.

Brooke comments it's possible that the District could ask staff or Brooke to work with Heavenly and the County to request an extension on this item. There are unique or complicated circumstances with this issue and no firm allocation to rely upon.

Alling comments KGID doesn't need to address the issue of impact of parcel boundary consolidation that agreement is between State Engineer and Heavenly. Heavenly is asking that the 12 units that can't be used should be put back in the pool. Schussel comments Heavenly wants us to give them the 12 allocations in the chance that they may build. Alling comments Schussel misunderstood him. They are comfortable in amending their project with any units available based on their in-basin and out-of-basin allocation agreement with the State Engineer. Heavenly will need a will serve letter from KGID which would have to be conditional upon future water. They will come to us requesting a will serve letter conditioned upon those water allocations available.

Beattie seems like we could talk to Commissioner, very late date, should have done it in May 2008. Alling reported that they have filed their project and they are seeking to amend it now. Alling believes they will meet their first phase for 55-units with the use of in-basin and out-of-basin allocations. Brooke asks Alling if the County would accept their application next week if they didn't have any out-of-basin allocations attached to it. Alling doesn't know.

Mollaff observes that his client made certain financial commitments and now KGID is back reconsidering their decision. It's painfully obvious that the 40 units are also needed by Heavenly. Business plans and decisions are in place and finding out now that the project is at risk again is disconcerting. Mollaff states Rancho Pacific is in jeopardy of losing all value on the project. Commitment made is that by October 1, 2008 to make the 12 units work, the developer has ability to go in for a building permit without any special use permit and utilize the 52 units. Hayes doesn't understand how they could spend much money on the project when they only have a 40-unit project. Mollaff explains that the project is being re-designed again and Rancho Pacific has the ability to build more than a 40-unit development. 60 days down the road this will be a mute point. Mollaff feels like he has to protect Rancho Pacific's property.

Strain is understanding of KGID's situation, and asks that board continue action on this item to give opportunity to approach the County. McKay would like to attend County Commissioners meeting with Brooke to explain KGID's point of view and position that the County is putting us in. Douglas County is meeting in two weeks and should be held at lake. County needs to hear that whatever they do will put KGID in an adverse position. Alling comments Heavenly will need KGID's assistance.

Mark White is on waiting list and is glad to hear the board's consideration on this item. There are others waiting. .

Schussel states we wish we could serve everyone with as much water as desired. We've dealt with the State Engineer over and over.

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.

SELECTION OF LOW BIDDER FOR THE SUPPLY OF 300 WATER METERS AND METER READING SYSTEM

Greg Reed sent out a request for proposal to three water meter suppliers for the supply of 300 - 3/4" water meters complete with an automated reading system. The RFP was not complete as some of the meters needed are larger than 3/4". The request included three handheld reading units instead of one handheld and one mobile read collection unit. Because one of the quotations (Metron-Farnier) did include this mobile reading unit, I felt I could contact the other two suppliers and get a quote for a mobile unit from these as well. I contacted Western Nevada Supply and National Meter and Automation and received statements from both that the price for the mobile unit would be the same as two handheld units. The supply of this mobile meter reading hardware did not change the overall cost of the systems.

By purchasing these meters now, it will demonstrate to the Board for Financing Water Projects that the Kingsbury GID is indeed meeting the conditions of Phase I of the Rehabilitation Project.

McKay reports our crews will install these meters "in house". The time spent on this installation may be used as matching funds towards the grant. He included the comparison and proposals in this agenda item as backup documentation.

McKay reported we have to install the meters and want to show NDEP that we are committed to meter installation. The RFP was approved by Board for Financing Water Projects. There was quite a checklist in the proposal and National Meter came in as low bidder. McKay has prior experience with the company and reports they are very reliable. The meter system will tie in with the current billing system with bills and meter reads will be automatically posted.

Cook asks about data transfer rate, which relates to the meter system transfer to the billing system. McKay explained differences in the proposers. Tracking of meter depths will be done as part of another project.

M-7/14/08-4 – Motion by Beattie, seconded by Hayes, and unanimously passed to approve purchase of 300 meters complete with Orion mobile meter reading system, one handheld data collection units, billing system interface and training in the amount of \$77,785.00.

There was no public comment

PROPOSAL TO COMPLETE A WATER METERING PLAN– Farr West Engineering has submitted a proposal to complete the water-metering plan that has been mandated by the board for financing water projects. The Board for Financing Water Projects stated that this plan has to be submitted to them at the September meeting. The cutoff for information to the September meeting is August 14th. Farr West has already completed a considerable amount of the information gathering, which would be expensive if another engineering consultant were to come in and start from the beginning. KGID is also up against a time limit to complete this project.

The State Revolving Fund administrator Adel Basham has stated that the SRF will cover the cost of this water conservation plan. McKay is still waiting for a confirmation of this from her.

All of the above tie in together. A water-metering plan and water conservation plan go hand-in-hand and both will be needed to apply to the Board for Financing Water Projects for funding to install the meters district wide.

McKay included the proposal from Farr West in this agenda item.

Susan of Farr West Engineering was present to discuss this item. She prepared the initial metering plan to NDEP as part of their request for Phase 1. A condition of the extension recently received is to provide a complete metering plan; with a rate for the meters, how we go about installing all of the meters and how much will it cost is information that must be before Michelle Stamates by August 21. Farr West Engineering can do the job; we've looked at every building, especially multi family residential units. KGID must have meter plan and a water conservation plan together. Farr West would submit the required Letter of Intent for grant funding for the meter installation project. We want to remind NDEP that we have everything in place when we go again before the board. McKay believes we will have a good chance of getting funding if we complete these three items, metering plan, water conservation plan and Letter of Intent.

Hayes questioned what risk if any of doing a long-range plan? McKay commented that the NDEP Board was not interested in that option at all.

Susan clarified that the water conservation plan is funded through the SRF funding. We've started on the metering plan and someone else will complete the water conservation plan in the office. McKay reported, our next meeting will include a public hearing for the rate increases and it is likely that customers will be paying more for water. Susan is gathering information on usage patterns and rate structures to be incorporated in the plan by the August board meeting. Cook will be out of town for the August KGID meeting.

Beattie asks if the proposal is a not to exceed or a fixed price. McKay clarifies it is a not to exceed amount. Beattie asks if the proposed rates would be available prior to 2 days before the meeting. We told customers we would provide a one year waiver of metered fees however, per McKay, we need to begin to meter these customers right away. Susan clarified that as part of the metering plan, Farr West will provide some outreach materials for our customers, and provide customer public relations data. Runtzel clarified that this approach is not what we communicated to the public at the May public hearings and newsletters.

Beattie comments that the analysis that Farr West costs came in low. McKay reports that the rate structure would take effect October 1st. We should be able to have at least 2 read cycles prior to raising rates; McKay will ask Stamates' approval. Beattie comments we should at least ask in order to convey to the customers that we tried to delay. McKay will ask to delay charging the metered rate to next May.

Treanor asks if we could require meters at time of ownership changes, Susan reports we could however; we are shooting for a one-time construction project installing all meters. Treanor asks if there is anything that can measure the water usage for the customers and McKay explained that the metering company chosen has a monitoring device that the District can provide to customers on a deposit basis, which will show usages.

Hayes comments it seems there will be a lot more pressure from customers for those customers who waste water. There will be some metered and others not, is there anything we can do to keep it fair? McKay comments, this is dealt with through the water conservation plan. Runtzel explains the District has policy in place for water wasters, short of policing it, somewhat difficult to monitor unless customers report it. Trustees have reported this in the past to Runtzel who has taken action per policy.

M-7/14/08-5 – Motion by Schussel, seconded by Beattie, and unanimously passed to as follows:

- A. Approval to complete “Water Meter Plan” with “Not to Exceed amount of \$17,280
- B. Approve Farr West Engineering to complete water conservation plan at no cost to Kingsbury GID
- C. Approval to retain Farr West Engineering to submit Letter of Intent for a water meter installation project to the Board for Financing Water Projects with “Not to Exceed \$3,240.00”

There was no public comment.

AUTHORIZE PURCHASE OF NEW REPLACEMENT PUMP ROTATING ASSEMBLY FOR STATION 7 – McKay reports that the pumps are old and wearing out and we received a cost of \$16,700 for replacement with a lead-time of 12-16 weeks. There is some urgency to replace this item; this is part of general maintenance.

A new pump is approximately \$35k for the whole pump. We will change the mechanical seals, which will cut down on maintenance. Treanor asks if this is the same type of pump at all stations. The stations generally have different pumps. Station 3 and 7 use the same pumps. There are 3 pumps at Station 7 with one auxiliary.

Beattie asks if there are bearings or bushings and McKay reports this pump has bearings on the outside.

M-7/14/08-6 - Motion by Beattie, seconded Hayes and unanimously passed to authorize purchase of rotating assembly as per quote #4118 from Peerless Pump Repair in the amount of \$16,700.

There was no public comment.

AUTHORIZATION TO ADD GENERAL MANAGER AS SIGNATURE OF THE COLONIAL BANK CHECKING ACCOUNT – Runtzel explains Colonial Bank requires a documented motion of the Board of Trustees before it will issue new signature cards for the District’s checking account to add Cameron McKay as a signer. She is asking for four approvals.

M-7/14/08-7 – Motion by Hayes, seconded by Schussel, and unanimously passed as follows:

- A.** Approve the addition of General Manager Cameron McKay as an authorized signer on KGID's Colonial Bank checking account
- B.** Designate General Manager, Cameron McKay as an authorized person/signer on KGID's financial accounts to sign checks and perform financial transactions
- C.** Determine that all checks shall be signed by at least one member of the Board of Trustees.
- D.** Authorize the signing, by two or more authorized account signers, of any required resolutions or letters required to effect the above changes

There was no public comment.

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 June 30, 2008.

General Manager Report – Report is in writing. TRPA is attempting to regulate the Sewer collection system in the basin. Tahoe Wastewater Partnership is working on this. Gravity sewer flows downhill. The Partnership is looking at risk assessments. We will meet with NDEP, Lahonton and all entities around the lake and want to have NDEP responsible for controlling agencies in the basin. We want to have the same responsibility as in the past and report to NDEP.

The PUC is again talking about marking laterals in the street. Water/sewer laterals are not being marked. Gas and power want a change in regulations to require marking of laterals in the street. McKay will provide comments to the PUC on the proposal. PUC is in charge of Underground Service Alert. Due to the extensive cost to the district to locate laterals, we will argue that we should not be held liable for such locates. We should not bear the costs of marking these. Clark County, Douglas County, Washoe County are all writing briefs against this. By law we have to locate utilities. Runtzel asked about marking all the way to the house and McKay explained that was thrown out very quickly.

Hayes asks about LT2 Treatment and whether there is any chance we would not have to comply? We have to comply by 2014; Ultra Violet is the cheapest secondary treatment. We will have to put out an RFQ to choose a firm. Preliminary costs are cheaper than originally estimated at approximately \$2 million. Giardia & Cryptosporidium would be a three-log removal from ozone and UV for a redundant system. Black & Veach, HDR or CH2Mhill, are players in the field with all three of the firms having offices in Nevada.

McKay provided a job description for the Operations Supervisor position and will work with Beattie and Schussel on a salary range next week.

Business & Contracts Manager Report – Cook asks about the Tank 10B Project and the additional waterline replacement that was not previously identified. Runtzel explained the locations of the waterline and requested AMEC to include in the project. The line is undersized and due to be replaced per the Preliminary Engineering Report and Phase 1 Water System Improvements.

Runtzel is working with HDR to come up with a basin wide GIS for sewer systems. We are looking at where we are as far a data and will gather information to include in the GIS. Eventually, we can add all of our water valves, road info, drainage, etc. Army Corp is funding some of this project. The funding is for planning and some training and will not necessarily include getting our GIS up to date.

736 Bonnie - Cam and I looked at the property again as well as snow removal equipment, and I verbally reported to the owner conditions of the encroachment including installing curb and gutter and the set back.

Operations Yard – Runtzel has still not heard from Tracy but was out several days last week for Jury Duty. We are playing phone tag again. Tracy reported she was to have a meeting with her boss regarding the purchase of the property. Beattie reported Pat Leed, Senior Appraiser for NDOT, came to his office and according to Beattie, we will see the appraisal price go up. Runtzel explained that was unlikely since Steve Johnson performed the original appraisal and update for both Heavenly and KGID and his responsibility is to review the appraisal. It is not in NDOT’s interest to change the appraisal nor does she think NDOT could change it.

Cook asked about the status of RCI on the Water Rights issue approved earlier this year Runtzel explained she has not heard from Bruce Scott other than a message asking to hold off another month with an apology citing he was not ready. Bruce has not requested any information from the District to date, so it is assumed he has not worked on the project. Initially, this was to be before the board at the June meeting

ATTORNEY’S REPORT – Nothing to add, Brooke, notes Tahoe Beach Club issue is still out there, we need to bring that to a head and determine connection fees. They will finalize the EIR in August and are delayed. They will come forward with a final EIR, we need to have this issue on the table.

CORRESPONDENCE - A following correspondence was received during the month, 1) Letter from the Chimney Rock Fire Safe Chapter thanking the District for it’s participation in the May 14th Evacuation Drill, 2) Letter from Department of Taxation that the 2006/2007 audit report met the statutory provisions required and that no violations of statute or regulation were noted.

ADJOURNMENT

M-7/14/08-8 – Motion by Treanor, seconded by Hayes and unanimous approval the meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Robert Cook, Chairman

Attest:

Carolyn Treanor, Secretary