

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, OCTOBER 19, 2010**

CALL TO ORDER – The meeting was called to order at the Kingsbury General Improvement District office located at 160 Pineridge Dr., Stateline, Nevada at 6:00p.m. by Chairperson Hayes.

PLEDGE OF ALLEGIANCE – Hayes led the pledge to the flag.

ROLL CALL – Present were Trustees Hayes, Treanor, Schussel, Norman, and McDowell. Also present was Legal Counsel Scott Brooke, General Manager Cameron McKay, Business & Contracts Manager Michelle Runtzel and Operations Supervisor Eric Johnson. Present for a portion of the meeting were Brent Farr of Farr West Engineering, Darya Voyt, Jodie Nelson, Jason Hudak, Natalie Yanish, David Lewis, Andrew Strain

PUBLIC COMMENT – Darya Voyt noticed that meters are very close to the road, one lid off a meter, and asks in the event they break or need replacement is this our responsibility. Dr. Norman mentioned she should contact the district and we will inspect. The plastic lids are stronger than the metal, we need to install snow stakes in front of the ones likely to be damaged.

The GM asks if we can move the December Board meeting to December 14. Okay to move meeting.

APPROVAL OF AGENDA

M-10/19/10-1 – Motion by McDowell, seconded Treanor, and unanimously passed to approve the agenda as presented.

APPROVAL OF CONSENT CALENDAR

Minutes from the September 7 and September 21, 2010 were not ready for this meeting

M-10/19/10-2 – Motion by Schussel seconded McDowell, and unanimously passed to approve Consent Calendar Items as follows:

C. Addition of new KGID Trustee and removal of resigned Trustee as authorized persons/signers on KGID's checking account and certificates of deposit at US Bank with recommended action as follows:

- a. Approve the addition of Trustee Daniel Norman as an authorized signer on KGID's checking account and certificate of deposit at US Bank
- b. Approve removal of authorized signer for resigned Trustee Brett Barratt
- c. Determine that all checks shall be signed by at least one member of the Board of Trustees and two Trustee signatures are required on all checks in excess of \$100,000
- d. Authorize the signing, by two or more authorized account signers, of any required resolutions or letters required to effect the above changes

CONSENT CALENDAR ITEMS PULLED FOR DISCUSSION – Schussel asks to pull A - Minutes of the August 10, 2010 and on page 4, Schussel asked if we have put out a newsletter on the pressure reducing valves. Runtzel explained the next newsletter scheduled is for May 2011. Schussel doesn't think it is necessary to sent out a separate newsletter for this one issue, just wants to be sure it doesn't get lost along the way. McDowell asked about page 3, Election of Secretary/Treasurer on the August 10, 2010 meeting minutes. McDowell reports it appears that some of the paragraph was for the previous agenda item to appoint a new Trustee. Runtzel will review and correct the language.

Schussel also pulled Consent Calendar item B, List of Claims and asked about check 45038 for random drug testing, Schussel asked how the random works. Runtzel explains the eligible employee list maintained through a 3rd party by Pool/Pact and she receives and email once per quarter to send CDL drivers for random testing.

M-10/19/10-3 – Motion by Schussel, seconded McDowell, and unanimously passed to approve the following Consent Calendar items:

- A. Minutes of the regular meetings held on July 21, 2010 and August 10, 2010
- B. Claims in the amount of \$803,096.21 as represented on the List of Claims by check numbers 44341 through 45024

Hayes points out that on page 6 & 7 of the List of Claims, there are separate checks for medical insurance to the Union and PEPP for premiums and include the retiree's subsidy for medical insurance premiums.

There was no public comment

UNFINISHED BUSINESS – There was no unfinished business.

NEW BUSINESS

OUT-OF-TAHOE BASIN WATER ALLOCATION STATUS UPDATE - PURVANCE – The KGID Policy and Procedures Regarding the Out-of-Tahoe Basin Water Allocations, revised April 18, 2006, is included for Board reference and Section 7.c. provides that allocation holders are required to provide KGID with reports detailing activity and progress towards completion of Douglas County requirements. These reports are due to the district March 1 and October 1 each year and can be used by the KGID Board in considering the need to grant any requested extension.

The Clint Purvance project was issued one (1) allocation for APN 1319-19-802-007 with a validity date of March 22, 2011 to obtain a Douglas County Building Permit.

Mr. Purvance provided the attached report timely for the boards review and discussion. As noted in the report, Mr. Purvance is also working with Paiute Pipeline on their construction which was supposed to begin this summer and is now delayed until next summer. This will likely impact the ability for him to build next summer.

Runtzel assumes Mr. Purvance will likely not pull a building permit with the potential Paiute Project by the March 2011 deadline. Douglas County has a specific timeline to complete a project and close out a building permit that he would not be able to meet with the gasline project. Runtzel explains that Mr. Purvance is in his first year for this application and may ask for the one-year extension which is required 30 days before the March 22, 2011 deadline. Runtzel explains at this time she has one allocation available and no one on the waiting list for allocations.

There was no action on this item.

OUT-OF-TAHOE BASIN WATER ALLOCATION STATUS UPDATE – COLE AND CONSIDERATION OF A ONE (1) YEAR EXTENSION REQUEST TO ESTABLISH ACTUAL SERVICE - The KGID Policy and Procedures Regarding the Out-of-Tahoe Basin Water Allocations, revised April 18, 2006, was included under Agenda Item 8 for Board reference and Section 7.c. provides that allocation holders are required to provide KGID with reports detailing activity and progress towards completion of Douglas County requirements. These reports are due to the district March 1 and October 1 each year and can be used by the KGID Board in considering the need to grant any requested extension.

The William Cole project was issued one (1) allocation for APN 1319-19-802-006 with a validity date of February 4, 2011 and one (1) allocation with a validity date of March 19, 2011 to obtain a Douglas County Building Permit.

Paiute is planning to construct approximately 1000 linear feet of 12" gas line from S. Benjamin Drive, Jack Drive and down Gasline Road next year which will impact Mr. Cole's ability to build on his property. He notes in his progress report that he will be seeking a tolling of time. We will bring that before the board in November for consideration.

Runtzel clarified this is just a status report, not consideration of a one year extension to establish service as agendized. No action is necessary on this item. Mr. Cole is in a similar situation as Mr. Purvance in that both of his allocations will expire in February and March 2011 and the Paiute Pipeline Project will ultimately impact his ability to build. Paiute wants to use Mr. Cole's building site as a staging area for their project. Mr. Cole could return his allocations and we could re-issue them and begin a new clock. Mr. Cole has expressed that he would like board consideration to toll the time similar to the Rancho Pacific. Brooke reported that in Mr. Cole's situation, he doesn't meet the requirements for tolling. Per Brooke, because the tolling language specifically discusses that permits are not available from Douglas County, the language doesn't pertain to Mr. Cole in this case. McDowell asked if Runtzel is knowledgeable about the Paiute project and if it is appropriate to ask these owners to provide documentation about the Paiute project. Brooke comments that is appropriate only if they ask for an extension of time, which has not happened to date. Runtzel has knowledge that Paiute and these owners are working together and that Paiute needs easements from both Purvance and Cole to complete their project. She doesn't believe they have successfully obtained these easements yet.

There was no public comment.

OUT-OF-TAHOE BASIN WATER ALLOCATION STATUS UPDATE – RANCHO PACIFIC - The KGID Policy and Procedures Regarding the Out-of-Tahoe Basin Water Allocations, revised April 18, 2006, are attached in agenda item 9 for Board reference and Section 7.c. provides that allocation holders are required to provide KGID with reports detailing activity and progress towards completion of Douglas County requirements. These reports are due to the district March 1 and October 1 each year and can be used by the KGID Board in considering the need to grant any requested extension.

The Sievers/Rowles (now Rancho Pacific, Inc) project was issued fifty-two (52) allocations for APN 1319-19-802-001 & 002 with a validity date of May 24, 2007, was granted a one-year extension on May 15, 2008 and had one year from that date, or May 24, 2009 to obtain a Douglas County Building Permit for forty (40) of the fifty-two (52) water allocations currently held. The remaining twelve (12) water allocations were granted an extension until October 1, 2008 to allow time for Douglas County to make changes in the zoning ordinances to conform to the Master Plan.

On January 12, 2010, the board approved and acknowledged the Ninth Judicial District Court Order in Case No 08-CV-0166, Rancho Pacific Inc. V Douglas County, requiring Tolling of Time to August 16, 2010 for Rancho Pacific, Inc to obtain a Building Permit from Douglas County on APN 1319-19-802-001 & 002 for fifty (50) Out of Tahoe Basin Water Allocations. Rancho Pacific relinquished two (2) allocations.

Recently, Scott Brooke received word from the court directing KGID to continue tolling the time until further notice. This is because the Douglas County Settlement Agreement is being challenged where Douglas County directed Rancho Pacific to improve the roadway that they later found was actually on Heavenly property.

Brooke reported there was a hearing today and the judge heard the evidence regarding the settlement agreement and has not made a decision yet. One thing for certain is that the matter will be tolled until such time as the judge makes his decision. Douglas County made an agreement that they can't perform on, Rancho Pacific is trying to enforce the agreement and Brooke thinks Heavenly is trying to frustrate the project. Either the judge will order the County to satisfy the conditions or he will cancel the agreement which will put the lawsuit back into play. Heavenly still has no interest in the allocations at this time. Runtzel believes it may be because they understand the allocations are locked up for the time being.

There was no public comment

REQUEST BY OWNER OF 209 CHIMNEY ROCK ROAD, DOUGLAS COUNTY APN 1318-23-710-092, TO RECONSIDER CHARGING METERED WATER USAGE FOR HIS REMODELED PROPERTY - Due to the change of date for this meeting, Mr. Post requested this item be continued to the November 18, 2010 board meeting agenda when he can be present. Hayes asked for some sort of report on how many people may be affected by this so the board can evaluate financial exposure. Schussel would like the board to review the connection permit and conditions attached to it. This information will be provided for board reference at the next meeting.

Runtzel explained that the permit conditions require that the owner must install a water meter and pay for it and the installation. The conditions do not state that the owner will begin paying a metered rate based on the usage. The conditions also state that the owner must comply with the current Water and Sewer Ordinances. This will be a mute point next summer when all properties are metered and when we begin billing all customers. Schussel doesn't think we can spoon feed everyone; this has gone on for a long time. Schussel thinks that the timing is the issue now, because everyone is now receiving meters.

M-10/19/10-4 – Motion by Schussel, second McDowell and unanimously passed to table this agenda item to the next meeting.

Darya Voyt thinks this may be the straw that broke the camels back; he is installing bmps, dealing with TRPA and dealing with other issues, in addition to all the meters being installed around the neighborhood.

COST OF SERVICE STUDY PRESENTATION BY FARR WEST ENGINEERING - Due to the change of date for this meeting, Mr. Post requested this item be continued to the November 18, 2010 board meeting agenda when he can be present.

The GM reports this is the study we authorized Farr West to complete. The goal was to find out how much it costs to deliver water to the Tank 10. Hayes asked Brent to give background for the benefit of the potential trustees.

Farr reports he received an update of the master plan from Heavenly. They would like to expand their service from 310 to over 500 acres for snowmaking. In order to get water to Heavenly, we have to pump through 3 stations to get the water to tank 10. KGID can produce about 900gpm to those tanks. Heavenly would like to take more water. They generally start taking water in October and will make snow through January. Norman asks if Heavenly stores the water at East Peak. Some water is used on the way up the hill and some stored at East peak per Strain. The snowmaking agreement is approximately 10 years old, next year it is due for renewal.

Brent Farr provided a brief presentation on the cost of service study. He isn't sure how the agreement declining block tiered structure was developed. There is an annual connection fee of \$3,600. Heavenly provided Farr West with their Master Plan and has indicated that they would like to increase their snowmaking water 2-3 times what they use today.

Farr provided a history of usage and fees and noted one year Heavenly approached the maximum 50 million gallons. Table 3 in the report shows Heavenly usages and fees compared to total usage and revenues. For instance, in the 2006/2007 season, Heavenly used 11% of the total water pumped and contributed 6.8% to total KGID revenues. Farr cautions not to focus on use of total water vs. revenues because of the tiered rate structure.

The KGID 2010/2011 budget fixed costs of \$1.8M and variable costs of \$1.3 million represent 58% and 42% of total expenditures. In summary, Farr's observations include that the recurring connection fee of \$3,600 should be eliminated, Heavenly should be charged a monthly fixed cost of approximately \$2,700, Heavenly should be charged a flat charge of \$4.01/1000 gallons for all usage and eliminate the tiered rate structure, the District should determine if they want to consider applying surcharges to customers in higher pressure zones and the district should work with Heavenly on a master plan that will determine what improvements are necessary to provide increased capacity to support Heavenly's snow-making master plan. McDowell asked if the \$4.01 applies to everyone in the Tank 10 zone, Farr explained this is an average cost for the whole district. McKay explained this rate was compiled assuming that we were pumping on peak.

Strain has not reviewed the cost of service study and asks to have his engineers review the study before the board takes action. Strain feels it is timely to begin to look at this. Strain believes this contradicts what they have done in California on their snowmaking. He just received the document yesterday and would like the opportunity to further review it with their engineers. Brooke clarified that we are accepting the report, which will be used as a basis to the future snow-making agreement. Strain mentioned that they worked with STPUD to upgrade the system where they bought the motors and STPUD upgraded pumps, this seemed to work well for both. Strain comments Heavenly is KGID's largest customer in terms of water usage, to this point, Heavenly has been able to take the water off-peak and their service is currently interruptible and he believes this should be taken into consideration in the cost of service.

M-10/19/10-5 – Motion by Schussel, seconded McDowell and unanimously passed to accept the cost of service study from Farr West Engineering.

BOARD REPORTS

STAFF REPORTS – Written staff reports were provided by the General Manager and Operations Supervisor. The BCM provided a verbal staff report. The Bookkeeper provided a cash position statement and draft financial statements as of September 30, 2010.

General Manager – Management met with Lake Village today to discuss the multi-family metering. A lot of our time has been spent on the design work for multi-family buildings. Lake Village has potential to cost us a significant amount, will bid separately, may install master meters only, valves are in locations that you can't get equipment to excavate. If the bids are too high, we may consider master metering Lake Village as a whole with about 5 meters. We will make that determination when we get bids in. We also have to consider that the waterlines within Lake Village are KGID's and it is unknown how much leakage may be occurring. This is taking approximately 70-80% of staff time.

McDowell asked what our customers are asking in regards to the metering project, what is the general input we are receiving? Runtzel explained that the majority of customers she's talked to want individual meters and want to know if it can be done. We are setting up inspections to make this determination. The majority want their own meter. She really hasn't spoken to anyone who is unhappy about it, she's explained how it works, and where the master meter would be located and where individual meters may be located.

We've explained that all in their building must agree to have the individual meters. There will be situations where because of illegal dwelling units or garages we can't install individual water meters. Runtzel points out this is the calm before the storm, some people will be very unhappy that they are penalized because of something their neighbor may have done. We will certainly have people upset when 3 of 4 people respond want individual meters and the 4th owner doesn't respond or wants a master meter.

Mr. White is moving forward with installing his own sewer line.

Hayes asked if the Juniper residents have determined how they will meter, neither McKay nor Runtzel have heard back from them. McKay reported they were on the same timeline as the multi-family and Runtzel explained they did not receive a letter with a deadline because they have a master meter. We need to follow-up with them.

There was some discussion about the LT2 requirements, potential funding sources, and the possibility of getting together with Edgewood Water Company. Schussel asked about the sewer flows and whether we have a feel for this year's flow. McKay reports it appears that the flows are still slightly going down.

McKay explained how the voting will work for the Trustees, there will be 3 positions voted on. If Norman is elected he will stay on the board for 4-years and we will have to appoint a Trustee to fill Norman's current position. We will still have 3 trustees voted on in one election and the other 2 will be voted on.

381 Sherwood Waterline Break – No new information.

Dan Norman asked about getting new chairs for the board meetings, we will look into it. There are some folding chairs that have cushions.

Business & Contracts Manager – Runtzel reported she and Kim are still working with the auditors and she is preparing to work on the MD&A. The audited financials will be presented at the next meeting. We are working on the GASB45 requirements for disclosure on our financial statements for future liability for post employment benefits. We signed up with an online service to complete the assessment.

Metering Projects – Lower Kingsbury and Upper Kingsbury is virtually done. V&C was issued a change order to finish the rest of the single family homes which include the areas of Oliver Park, Palisades, Highlands, Buchanan and Kingsbury Estates. We had a progress meeting today, V&C has had a minimal crew working but they are chipping away at it. Runtzel is fairly comfortable that V&C is committed to continuing to install meters until the snow falls. Runtzel hoped that all single family homes would be completed this year, but at this rate it is unlikely. V&C isn't willing to bring more crew members up to finish the job because they claim they will lose more money. Hayes asked if we had many issues with change orders, Runtzel replied there were some that were declined and several that were approved. V&C won't be able to complete any meters within paved areas because they won't be able to get asphalt, so those will be done next spring.

Waterline Projects – All waterlines are in service, a few punch list items left to finish. The subcontractor who did most of the work asked if we really wanted them to justify the additional days or itemize things they didn't ask for money for. We are waiting for the change order requests to determine whether liquidated damages are appropriate.

Multi-family metering – This has consumed the majority of Runtzel's time. She put together a database for all un-metered properties and she input inspection information that our crew gathered a couple years ago to incorporate into the database. The database was narrowed down to all that don't have meters and we developed a letter explaining the options and form to go to each customer and a meter agreement that is required if we will install meters internally. We are receiving phone calls and some agreements back already. Runtzel estimates that 150 units have been inspected by our crew already. Most of her time is spent explaining the metering options to the customers. Runtzel expressed she is comfortable with the options that we were able to offer our customers, however, there will still be some fallout when 3 of 4 owners respond and want individual meters and there is a holdout person or the 4th unit is foreclosed on. Hayes wants Runtzel to bring the issues to the Board's attention so we can discuss this further.

Minutes, connection permits, approval of adjustments, invoices, journal entries, banking, and preparation of board packets are some of the other miscellaneous items Runtzel has worked on during the month.

Operations Supervisor – Schussel asked about the zinc tank. We use a corrosion inhibitor called zinc orthophosphate. This is a new tank, for years we purchased this in 30 gallon barrels, now that we can purchase in bulk we can save about \$4,000 per year. Hayes asked about the month of September where the whole district used 36M gallons of water, this gives the board some perspective as to what Heavenly is asking for.

Hayes asked about whether we can be proactive with Douglas County and the issues we have with them on the Lake Village erosion control work around our waterline. The GM will send them a letter.

Hayes asked if we are looking at using a specific vendor for our heavy equipment, Johnson said we are, because we have various different kinds of equipment that we have been taking to several different places. Frank Jones can work on our fleet onsite and has worked on our equipment in the past, we asked for a proposal.

Darya commented that her stepdaughter just received her first metered bill and used 160,000 gallons and they found a significant leak they didn't know about before. This is another good thing about metering.

ATTORNEY'S REPORT - Brooke reported the Whitebark settlement is almost done; all documents have been signed by Whitebark representatives, currently waiting for signature from the judge.

ENGINEER'S REPORT - Farr reports BCM and GM reported on the status of the projects. Farr West will begin design when we clearly know which direction we are going.

CORRESPONDENCE – There was no correspondence.

ADJOURNMENT TO CLOSED SESSION PURSUANT TO NRS 288.220 TO DISCUSS LABOR/MANAGEMENT ISSUES

M-10/19/10-6 – Motion by Schussel, seconded Treanor and unanimously passed to adjourn to closed session at 8:06pm.

RETURN TO OPEN SESSION

DISCUSSION AND POSSIBLE ACTION ON LABOR/MANAGEMENT ISSUES -

M-10/19/10-7 – Motion by Schussel, seconded Norman and unanimously passed to send to the union a one year contract with a 2% raise and all other things already agreed to as set forth on the July 23, 2010 letter, except for Article 12 and direct the GM to send a letter to the union stating this is the district's last offer.

There was no public comment.

ADJOURNMENT

M-10/19/10-8 – Motion by Schussel, seconded by McDowell and unanimous approval the meeting was adjourned at 9:35: p.m.

Respectfully submitted,

W.R. Hayes –Chairman

Attest:

Robert McDowell, Secretary