

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, OCTOBER 20, 2009**

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

ROLL CALL – Present were Trustees Schussel, Hayes and Barratt. Trustees Treanor and Peck were not present. Also present was General Counsel Scott Brooke, General Manager Cameron McKay and Operations Supervisor Eric Johnson. Present for a portion of the meeting was Jennifer Roman of JWA Consulting Engineers, Brent Farr of Farr West Engineering and residents Stephen Casey and Daria Voyt, Bill Cole

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

PUBLIC COMMENT – There was no public comment

APPROVAL OF AGENDA

M-10/20/09-1 – Motion by Barratt, seconded Hayes, and unanimously passed to approve the agenda as presented.

APPROVAL OF CONSENT CALENDAR –

M-10/20/09-2 - Motion by Hayes, seconded Barratt, and unanimously passed to approve Consent Calendar Items as follows:

- B. Claims in the amount of \$836,285.96 as represented on the List of Claims by check numbers 43534 through 43684
- C. Purchase of a Honda Snow Blower at \$2,248.00
- D. Purchase of new Chlorine Pumps and Related Equipment for Water Treatment Plant at a cost not to exceed \$6,000

The meeting minutes of September 15, 2009, Consent Calendar Item A, were not prepared in time for approval at this meeting and will be placed on the November agenda.

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION - Barratt asks to pull Consent Item C and questions why we need a new snow blower, he wants to be sure we are taking care of the equipment we have. He thought there were several sitting at the operations yard, Johnson clarified those are Heavenly

M-10/20/09-3 – Motion by Hayes, seconded Barratt and unanimously passed to approve Consent Calendar Item C, Purchase of a Honda Snow Blower at \$2,248.00.

UNFINISHED BUSINESS

NEW BUSINESS

CONSIDERATION FOR RELIEF OF WATER BILL FROM PROPERTY OWNERS OF 392 TERRACE VIEW DRIVE – The current owners, Mr. And Mrs. Stephen Casey, of 392 Terrace View Drive took ownership of this property on August 13, 2009, but did not move in until the beginning of September. The property is a weekend retreat for the new owners who live in Sacramento during the week.

Escrow closed on this property on August 13th, and at that time the water meter should have been read so that the amount of water used up to that date could be charged to the previous owners. This was not done and a bill for the total amount of water used in August was sent to the new owners.

The previous owner used this property as a vacation home and had been absent for at least 5 months according to our records. A caretaker maintained the property and forwarded all utility bills to the owners who paid them promptly in full without questioning the amount.

Upon receiving the August billing, the new owners asked Flipper Manchester to come in and attempt to find the leak in the exterior water feature. He could not find a leak immediately so they shut down these water features in an attempt to conserve water.

This dropped the water use from 122,000 gallons in August to 63,000 in September. This is still quite a bit of water, but they stated that they are still irrigating their lawns etc.

I have reviewed their water use and bills for the last year and it is hard to find a trend or example of how the water is being used due to a previous absentee owner. The water use jumps around because of obvious non-use when no one is in the house, but I could see that it was used for vacations and holidays such as Christmas and New Years.

I have attached their request letter and a spreadsheet of the meter reads and water billings for the past year

The GM reports Mr. Casey is present and he purchased the property in August this year. There is a water feature that was leaking. The GM reports we should have read the water meter at the time of sale of the property. Mr. Casey came in the office when he received the water bill and obtained a history of water usage for the property. He believes no one was paying attention to the amount of water used in the previous couple of years. The usages were from 152,000 to 88,000 gallons, which is a lot of water. A company previously paid the water bills back east. Mr. Casey has shut down the water features since receiving our bill and believes there may be a leak there. The GM reports Mr. Casey is working in good faith to locate any leaks and he believes the owner is entitled to some reduction in the water bill.

Mr. Casey adds that this house has been vacant for years and it appears the previous owners would fire up the water features and irrigation during the summer months since the property was for sale.

If there were a leak in the water service line, it would be the homeowner's responsibility. It is unlikely that the meter is worn because typically they would read lower as they age. We should change the meter head out to a radio read. Hayes believes option B is the fairest compromise.

M-10/20/09-4 – Motion by Hayes, seconded Barratt and unanimously passed to charge the new owners the same amount for August as the September bill, \$345.22.

We will assist the owner in trying to locate any potential leaks.

APPROVAL OF WATER METER INSTALLATION PROJECT ENGINEERING

AGREEMENT WITH FARR WEST ENGINEERING– This task order is separate from the existing agreement that KGID entered into with Farr West at the last meeting. Farr West's experience in the "grant funding and SRF loan" arena and was one of the more compelling reasons to retain Farr West as our engineer. Also, this agreement will not affect the existing agreement and Farr West will continue to work on the initial agreement and this one simultaneously.

This task order will put KGID on the December agenda of the Board for Financing Water Projects under the SRF loan section. We will go with the SRF for this low cost loan because of the lower interest rate, and because we already deal with them on loans for the other water line replacement and tank 10B water tank projects.

As you can see, delays in the application process have pushed us back in our time schedule and may postpone the construction until the 2011 construction season. Part of this is due to the application not being complete and missing the September quarterly meeting of the BFWP. By the looks of their schedule the design will take a year to complete and if we go out to bid in early 2011, I feel that we will still be able to get an excellent price for this project.

Brent Farr reminded the board that his firm has spent quite a bit of time on this project already and it is a pretty complicated project. First, we need to file an application for a SRF loan at the December meeting and cant really get going until after that. The GM explained that the original task order was for small projects. This would be a task order under the original Master Engineering Agreement. Task Order 2 covers the metering project from beginning to end.

Hayes comments that the funding scenario provided in the packet is old news because it includes AB198 funding. Hayes doesn't believe there will be much design involved. The GM replies that we must have design for contractors to bid the project. Significant time will be involved in identifying whether we master meter areas or buildings vs. individually metering units. We have a somewhat unique situation with all of the multi-family units in the district. Hayes reports he has heard numerous times that California is going to mandate water meters.

M-10/20/09-5 – Motion by Barratt, seconded Hayes and unanimously passed to approve Task Order #2 to Farr West Engineering for an amount not to exceed \$375,000 for all services included in Task Order #2, and approves signing by the General Manager.

Hayes wants to be sure that the rates will not be too penalizing to the customers so they can't keep their landscaping. Barratt doesn't want to encourage people who don't have landscaping to now install landscaping. Farr introduced Ralph to the KGID board and indicated that they met with Eric earlier today to go over some of the concerns we have with the metering project and to get familiar with some of the challenges.

SELECTION OF ENGINEERING CONSULTING FIRM FOR A REGIONAL WATER TREATMENT PLANT STUDY – The GM reported in writing that this is the study the KGID Board approved at the September meeting with costs being split evenly between KGID and Douglas County. The RFP went out right after the meeting and the replies are due on Friday October 16. The GM reports he has studied the five applications submitted on this and also provided them to Carl Rushmeyer of Douglas County for review. He has not heard back from Rushmeyer or received any input, so he would like to table this item to the November meeting. Schussel asks if we have identified a location yet, McKay explained that is part of what the study is about. McKay is not comfortable making a recommendation at this time. This item will be tabled to the November meeting agenda under unfinished 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 two (2) allocations for APN 1319-19-802-007 with a validity date of May 25, 2007, was granted a one-year extension on May 15, 2008, and has one year from that date or May 25, 2009 to obtain a Douglas County Building Permit.

At this time, Mr. Purvance is waiting for board action regarding tolling of time relating to the Rancho Pacific request. Mr. Purvance provided his report timely for the boards review and discussion.

OUT OF TAHOE BASIN WATER ALLOCATION STATUS UPDATE – COLE - The KGID Policy and Procedures Regarding the Out-of-Tahoe Basin Water Allocations, revised April 18, 2006, was included under Agenda Item 11 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 May 22, 2007, was granted a one-year extension on May 15, 2008 and had one year from that date, or May 22, 2009 to obtain a Douglas County Building Permit.

Mr. Cole obtained a Douglas County Building permit after receiving a KGID connection permit within the prescribed time and therefore did not provide a status report. Cole attended the meeting to verbally provide an update if the board chooses. Schussel asks about the timing of the permit and Cole responds that they need to ask for a 180-day extension with the County.

OUT OF TAHOE BASIN WATER ALLOCATION STATUS UPDATE – RANCHO PACIFIC, INC. - 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 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 has 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. The project was sold December 2007 to Rancho Pacific, Inc. who provided the attached report timely for the boards review and discussion as well as a draft order for Judge Gamble.

At the October 21, 2008 regular Board meeting, the following motion was passed:

M-10/21/08-5 – Motion by Beattie, seconded by Schussel and passed to approve the return of two (2) Out-of-Tahoe Basin water allocations from allocation holder Rancho Pacific, Inc. for Douglas County APN 1319-19-802-001 and APN 1319-19-802-002 which are unusable for the project based on current Douglas County Zoning and determine that the remaining fifty (50) allocations are extended until May 24, 2009, the date by which a Douglas County Building Permit must be obtained utilizing such allocations or on such date that the allocations expire. Hayes votes nay.

Brooke reported that as a result of the hearing from the court regarding the tolling, the tolling would be August 16, 2010. The judge has received but has yet to act on that order. Heavenly has objected to some matters in the order, but not the tolling date. We can defer until this is done or he is comfortable with the Board confirming that it is extended to that date. This is the new date by which they must have a building permit. There was no action on this item.

OUT OF TAHOE BASIN WATER ALLOCATION STATUS UPDATE – HEAVENLY - The KGID Policy and Procedures Regarding the Out-of-Tahoe Basin Water Allocations, revised April 18, 2006, was included under Agenda Item 11 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.

Heavenly was issued one (2) allocations for APN 1319-30-645-001 with a validity date of December 22, 2008 and has one year from that date, or December 22, 2009 to obtain a Douglas County Building Permit. Andrew Strain provided the attached report timely for the boards review and discussion.

Brooke reports Heavenly says they have two allocations but they are sitting on them because they are waiting for the court to rule on their claim that they are actually entitled to the other fifty allocations. Brooke doesn't think their position is correct and thinks we should give them the heads up that they shouldn't assume they could sit on those. They only have until December this year to get a building permit and if they don't they lose the allocations. Brooke thinks Runtzel should follow up with Heavenly to give them a reminder of the due date. There was no action on this item.

BOARD REPORTS – Barratt reports on the continuing saga of our insurance policy. Mr. Kolstad brought to the boards attention earlier this summer that the districts assets were not adequately covered and subsequent to that, our current insurance agent Jim Norton ensured that the office and Lake Pump Station was adequately covered, so those issues have been resolved. Kolstad has brought up additional concerns revolving around some of the investments the Pool was making, primarily mortgage backed securities. Kolstad also brought up an issue with the Pool management and an accounting anomaly. Barratt sent an email to the Executive Director of the Pool/Pact asking him to comment on Mr. Kolstad's concerns, with regard to the investments of the Pool and their liquidity. Mr. Wayne Carlson of the Pool responded with a five-page letter strongly worded explaining that most of the mortgage securities are government backed securities such as Fannie Mae and they believed the government would not let them go belly up. The pool has also gone through a number of stress tests and found that the pool and its assets would maintain and sustain. With regard to the accounting anomaly, Mr. Carlson is willing to come to the December board meeting to discuss any of the boards concerns, he can provide a complete list of assets of the pool and can bring others if necessary. Barratt's recommendation is that we remain with the Pool/pact, he is comfortable that they are solid and will remain solid and that they have a conservative investment approach that is in line with the conservative investments required of insurance companies of the State of Nevada. Barratt thinks we should consider and look for another agent because in this particular case, Mr. Norton was not as thorough as he should have been and potentially left us with some exposure, although he believes any exposure would be minor in the grand scheme of things. That being said, he does not recommend we use Mr. Kolstad as an agent because of certain personal issues between Kolstad and KGID staff. One of the primary concerns is whether the agent gets along well with staff, which was not the case earlier. Barratt reports that McKay is in the process of obtaining some comparative quotes that he will hopefully have by the November meeting. It would be ideal to find an agent who is a resident of the district, or at least a resident of Nevada.

Brooke recommends that the board accept the report but not have discussion until it is agendized. Hayes would like this agendized at the December meeting. Pool/pact offers a lot of other training and benefits that we should consider.

STAFF REPORTS – Written staff reports from the General Manager and Operations Supervisor were included in the meeting backup provided to the board. Bookkeeper, Kim Garon, provided a cash position statement as of August 31, 2009.

General Manager Report –

Tank 10 – Contractor will attempt to complete the final coat of shotcrete. Once it's painted they can backfill and move forward. Construction has gone very well. Natgun is very knowledgeable.

He has had weekly meetings with Johnson because of Runtzel missing which has put quite a load on them but nothing they cant handle.

McKay included the Energy Analysis and Planning Report in the board packets. Some items we are already addressing and others improvements will need to spend money to save money. Hayes expected more analysis for \$30,000.

Hayes asks about the Operations Yard. McKay requested Jennifer move forward with the retaining wall. McKay is not sure that the leach field is the way to go. We can look into a lift station to pump the sewer back up. We could gain quite a bit by abandoning the leach field. Jennifer reports we could build a wall within 5' of the property line. McKay believes we should get away from the leach field. We could build the wall this winter before El Camino starts up again next year.

Business & Contracts Manager Report – The BCM has been out due to an injury and no report was provided.

Operations Supervisor Report –

Eric reported a mainline break over the last weekend and began a repair at approximately 3:30am on Saturday night at 381 Sherwood Drive. The leak caused erosion under their parking deck and around their house. They will be patching the road tomorrow. McKay has contacted the insurance company to survey the damage. Repairs should be covered less our deductible.

Hayes asks about adding another operator and whether that is a board or management decision. McKay explained that there are several things we want to bring in-house. With the upcoming meter project, it is anticipated that there will be significant time on identifying leaks and answering questions of customers.

ATTORNEY'S REPORT – William Kimmel who valued the easement at \$175,000 performed an appraisal at the request of Ms. Peterson on the value of the tank easement on the Whitebark HOA common area. Brooke reports we are entering some discussions with Whitebark and we will keep the board posted on any progress.

CORRESPONDENCE - The following correspondence was received during the month, 1) USEPA letter recognizing the Tahoe Water Supplies Association for Exemplary Source Water Protection Award, 2) Letter to Douglas County requesting the pie shaped parcel adjacent to Station 4, 3) Email from Dennis Coking of STPUD regarding Senate approval of Interior Spending Bill, 4) Email from Bill Kolstad regarding Pool concerns, 5) Letter from Joan Wright regarding building of a tennis court in Lake Village potentially over KGID water mains.

ADJOURNMENT

M-10/20/09-6 – Motion by Hayes, seconded by Barratt and unanimous approval the meeting was adjourned at 8:00p.m.

Respectfully submitted,

Larry Schussel –Chairman

Attest:

Carolyn Treanor, Secretary