

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, AUGUST 19, 2014**

CALL TO ORDER – The meeting was called to order at the Kingsbury General Improvement District office located at 255 Kingsbury Grade, Stateline, Nevada at 6:02 p.m. by Natalie Yanish.

ROLL CALL – Present were Chairman Yanish, Trustees, Vogt, McDowell, and Norman. Nelson was absent. Also present was General Manager Cameron McKay, Counsel Chuck Zumpft, Operations Supervisor Eric Johnson, Business & Contract Manager Michelle Runtzel, Megan Clancy - Owner of 173 Granite Springs, Craig Schorr - US Bank, an anonymous Chimney Rock resident, Matt Van Dyne - Farr West Engineering

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

PUBLIC COMMENT -

The anonymous resident inquired as to how many customers KGID services; McKay responded approximately 2650. Anonymous inquired as to how the last three mild winters have affected snow removal costs. McKay reported that the current snow removal contract lasts through 2016. Anonymous requested side gates be added to the snow plows to avoid burms. McKay reported that side gates are not a feasible addition to the plows due to the extra cost involved. Yanish noted that the snow removal company is chosen through an open bid process. Manchester has continually won bids to continue its contracts with KGID since before 1992. The last open bid cycle received two bids, but the other bidder didn't qualify. Staff is available to address customer problems. Yanish continued that the topography of the District makes it difficult to plow without creating any burms.

APPROVAL OF AGENDA

M-8/19/14-1

Motion by Norman, seconded by McDowell, and unanimously passed to approve the agenda.

APPROVAL OF CONSENT CALENDAR

Norman requested to pull the Item B, the list of claims, from the consent calendar for further discussion.

M-8/19/14-2

Motion by McDowell, seconded by Vogt and unanimously passed to approve Item A from the consent calendar.

CONSENT ITEMS BROUGHT FORWARD FOR DISCUSSION

B. List of Claims

Norman inquired about the following checks:

#50673 to Kingsbury Automotive was for extensive service on truck #5 including front axle repair, new brakes, and all around calipers. McKay explained that service trucks are much larger than personal vehicles and are more expensive to repair.

#50678 to Midkiff and Associates Inc. is for continued work on the LT2 project. Approximately \$15,000 has been paid out to Midkiff for his work on the project this month.

50726 to Incline Village GID was for Tahoe Water Suppliers Association dues.

Yanish inquired about the following checks:

#50780 to Tahoe Douglas Fire Protection for \$22,839 was for the fire plan review for the new water treatment plant. The review from the fire district are more than any other review fees on the project thus far. The review rate scale is based upon the value of the building itself, which in the case of the new water plant, is approximately \$5 million. McKay has been in communication with the fire chief to request a trade for this fee for a connection fee for the old Verizon building. The fire district is classified as a 318 district meaning that they can set their own rates. McKay will be working with the fire district on reducing fees between each other as both are public agencies. Norman felt that if negotiations are not successful with the chief, then staff could communicate with their board of directors. Norman offered to assist with those communications.

#50774 to Southwest Gas was for the completed relocation agreement which outlined moving all utilities for the new water treatment plant.

M-8/19/14-3

Motion by Vogt, seconded by Norman and unanimously passed approve the list of claims.

NEW BUSINESS

8. Engineer's Report

Van Dyne explained that the summer projects are wrapping up earlier than expected. Norman inquired about the Well #4 rehabilitation; Van Dyne explained that the video survey was completed. The casing looks good, but the flow isn't optimal. No rehabilitation work has commenced on the well, the old well has just been evaluated. The next step is to figure out how much water is in the aquifer. McDowell inquired as to the current well depth; Johnson responded that it is approximately 300 feet deep.

No action taken.

9. Discussion on 173 Granite Springs Request for Reimbursement of Fees.

McKay explained that the property was purchased in 2004 and that the original water and sewer permit was taken out in 2006. The installation of the water line began in 2006 from the property towards the water main, but no connection to the water main was made. The owner at the time paid the connection fee for water and sewer line service. This connection fee is transferred to the new owners when the property is sold. The property subsequently went through multiple owners.

The current owners have had the property since 2011. Due to a connection to the water and sewer system never being realized, the current owners are requesting a refund on past monthly bills as outlined in the board packet. Since the first owner paid the connection fee, subsequent owners have been paying the monthly service charges to maintain the connection. The owners continue to pay the monthly service fees in order to avoid paying an uncertain connection fee at a future date. It is the property owners responsibility to connect to the water line.

Johnson reported that the original permit was taken out late in the 2006 construction season. A dispute over metering of the 6" fire line stalled the project and was never completed. The KGID infrastructure is in place to provide water service, the property owner just never connected to it.

Norman commented that he did not believe it ethical for the customers to be paying for service when they are not receiving any services; Runtzel responded that the customer could have disconnected their service. Connection fees have increased significantly since 2006 when the original connection fee was paid.

Norman asked if a policy exists concerning this matter; no policy specifically addresses this situation currently. McKay referred to Item #8 Resolution 2010-2. Brooke reported that the resolution addresses disconnection and reconnection, but this property has never actually connected to the system. However; the connection fee does allow for the property owner to connect to the system at their pleasure.

Clancy referred to item 5 of the KGID Water Ordinance, which states that the water permit is valid as long as monthly service charges are paid. Item 4 in the Terms of the Permit states that the permit will be valid as long as the building permit is valid - the building permit on property expired before the current owners purchased the property. Clancy explained that the only option Runtzel provided was to pay the entire connection amount again at the current rate in order to stop paying monthly fees. Clancy claims that Runtzel didn't inform her that the original connection fee could be applied as a credit towards the new connection as outlined in #5 of the application in addition to any fee increases. Runtzel disputed this. Clancy's request is to refund all of her monthly service fees paid since she purchased the property.

Norman inquired if any similar situations have been seen by KGID. One similar situation exists at the 49 unit property at 323 Tramway where the connection fee was paid, but never connected to the water main. The owner opted to continue paying monthly fees rather than refunding the connection fee. Runtzel commented that she doesn't want to set a precedent for reimbursing retroactively.

Item #8 in Resolution 2010-2 would allow the customer to pay 30% of their monthly charges after six months of disconnection in order to avoid paying an unknown new connection fee at a later date. This figure reflects the present approximate cost of debt service and may be adjusted annually. Brooke noted that the resolution could be amended to address future issues of this manner. Norman, Vogt concurred that a policy needs to be defined.

Clancy inquired if a future connection fee price could be guaranteed; Yanish explained that it cannot. Clancy informed the board that she would felt the 30% deal seemed to be a reasonable option to relieve her current \$495 per month bill. Her service charges include the fire protection service line.

Yanish has utilized Item 8 on her property which cannot be inhabited due to fire damage. However, Runtzel explained that a condemned property, which is outlined in Item 8, differs from a parcel in which an owner decided never to build upon.

Norman believes it fair to require the property owner to pay 30% of their bill to maintain the connection and believes that a retroactive reimbursements should be issued since the connection was established. He would like to know how many properties the decision would affect.

Vogt cautioned that the resolution doesn't address this specific case and that the board be aware of setting a precedent for future cases. Brooke commented that a policy must be created which would apply to all customers in the District.

Brooke suggested that the board table the item until more research can be completed on the situation. Yanish would like to put the customer in the best monetary situation and believes staff can work on finding the best solution to bring forward at the September meeting. Clancy was agreeable to working with staff to find an equitable solution to be brought forward at the September board meeting. Clancy clarified that she will continue paying her monthly bill until a resolution is found.

10. Discussion on Selection of Construction Inspection Services Consultant for the Kingsbury GID Water Treatment Plant Project and 11. Discussion on selection of special inspection and materials testing firm for the Kingsbury GID Water Treatment Plant Project

Items 10 and 11 have been discussed at prior meetings. Vogt inquired about the ongoing costs for the project; Douglas County has inspection requirements and that it doesn't make sense for contractor inspect its own work. Vogt asked about how these items fit into the maximum guaranteed price; staff to discuss. Norman asked when the additional costs will end. McKay responded that these are necessary costs to complete the project and are too complicated to be completed in-house. Utilizing local firms for the project cuts out per diem costs.

Going into Item 11, Norman commented that vendors are charging very high prices for work that ratepayers must cover.. McKay has expressed his dissatisfaction with CH2M Hill's higher costs; the board reciprocated his dissatisfaction. Vogt received the plant cost notice in her bill and is surprised no rate payers are in attendance at the meeting.

Vogt inquired about cost cutting on the project; McKay reported that about a half million dollars in cuts are expected to be made at the value engineering meeting. McKay commented that more savings would have been realized on the project if KG Walters/Q&D were brought into the process earlier. For the money invested into this project, KGID will essentially have a new water system. Rates will still be less than some neighboring districts utilizing with older systems.

M-8/19/14-4

Motion by Norman, seconded by McDowell and unanimously passed approve Items 10 and 11 as outlined below:

10. Authorize staff to approve a time and material Construction Inspection Services Contract with Tri Sage Consulting, providing for construction inspection services for the KGID Water Treatment Plant Project, in an amount not to exceed \$381,500 and provide staff authority to issue contingency funds of 10% or (\$38,150) without further authorization.

11. Authorize staff to approve a time and materials Special Inspection Services Contract with Marvin Davis & Associates, Inc. providing for special inspection services for the KGID Water Treatment Plant Project, in an amount not to exceed \$130,000.00 and authorize staff an additional contingency of 15% or (\$19,393.50) without further authorization.

Vogt asked about the vehicle fee of \$85/day; McKay explained that RCI outlined that cost, but they are not the recommended choice. Norman commented that Marvin Davis & Associates is based out of South Reno, so a vehicle fee would seem feasible with a two hour roundtrip commute.

Public Comment:

Schorr commented that the entire project will cost between \$14 and \$16 million. He is dissatisfied that no pro forma outlining the cost to rate payers has been created. McKay responded that rates haven't been raised yet, but when they are, a public meeting and workshops will be held. Schorr inquired as to how the board can approve \$16 million in costs without knowing the affect on rate payers. Norman responded that the project has to be completed regardless and the board took into account all information available before making a decision. Schorr commented that he would have voted the same way as the board.

Vogt inquired about the water meters. McKay responded that Runtzel was close in her predictions; data will be revisited after a full year of connection data is available. Yanish commented that a rate increase should be done in coordination with meter data.

12. Discussion on Request to the Nevada Department of Environmental Protection for Extension of Time to Complete Capital Improvement, Construction of New Water Treatment Plant

A public notice letter was sent out to all ratepayers outlining the project cost. Customers have not expressed issues with the cost, but have asked why they are being notified. The project was mandated to be completed by 2014, but NDEP will issue a onetime two year extension. The project is now expected to be completed by July 2016. NDEP recommended not extending for the full two years in order to allow for some buffer time for completion. McDowell asked what happens if the deadline is not met; McKay responded that enough buffer time was allocated to ensure the project is finished within the new timeline. Yanish commented that aiming to finish by July 2016 shows KGID's initiative to finish before the final deadline of October 2016 and allows flexibility if last minute problems arise.

M-8/19/14-5

Motion by Vogt, seconded by McDowell and unanimously passed approve the request to the Nevada Department of Environmental Protection for extension of time to complete capital improvement, construction of the new water plant.

No public comment.

13. Discussion on Approval of Resolution 2014-02: A Resolution Designated by the Short Title "2012 Amended Water Bond Resolution;" Providing for the Increase of the District's General Obligation Water Bond Series 2012 and approval State of Nevada Clean Water State Revolving Fund Loan Contract No. DW1203 Amendment #1

McKay explained that amending the original resolution rather than creating an entirely new resolution will cost ratepayers less over the period of the loan (about \$800,000). The amendment adds \$6 million onto the original \$5 million amount for a total of \$11 million. Yanish inquired if all public notice protocol was followed; McKay confirmed that it had been.

M-8/19/14-6

Motion by Vogt, seconded by Norman and unanimously passed approve the adoption of Resolution 2014-2 A resolution designated by the short title "2012 amended water bond resolution;" providing for the increase of the District's general obligation (limited tax) water bond (additionally secured by pledged revenues), series 2012, from the maximum aggregate principal amount of \$5,000,000 to the maximum aggregate principal amount of \$11,000,000; providing the form, term and condition thereof; providing for the levy and

collection of annual general (ad valorem) taxes for the payment of the bond; additionally securing its payment by a pledge of revenues derived from the water system; repealing the 2014-1 water bond resolution adopted on June 17, 2014; and providing other matters relating thereto.

Plus;

Approval of State of Nevada Clean Water State Revolving Fund Loan Contract No. DW1203 amendment #1.

14. Discussion on Approval of Resolution 2014-03: A Resolution Concerning the Issuance of General Obligation Bonds Directing the Secretary to Notify the Douglas County Debt Management Commission of the District's Proposal to Issue General Obligation Bonds Additionally Secured by Pledged Revenues: Providing Certain Details in Connection Therewith; and Providing the Effective Date Hereof.

McKay explained that once approved, a 90 day public comment period will commence with a public notice stating that the bond sale process is starting. McDowell commented that the extra bonds will increase the base rate by 15-20% to meet the debt service. A phased increase was recommended to ease the change with ratepayers. Yanish commented on the importance of being proactive with rate increases and that the flat rate has been fairly steady. Vogt inquired about the percentage of second home owners in the District; Runtzel reported between 40-50% of properties are second homes. McKay commented that residents care about their monthly rates more than the total cost of the project.

M-8/19/14-7

Motion by McDowell, seconded by Vogt and unanimously passed approve Resolution 2014-03; a resolution concerning the issuance of general obligation bonds directing the secretary to notify the Douglas County Debt Management Commission of the District's proposal to issue general obligation bonds additionally secured by pledged revenue.

No public comment.

15. Discussion on Approval of Farr West Engineering Task Order #26, Engineering Services for Hubbard Sewer Main Relocation

McKay reported that this project may or may not happen, depending upon NDOT's final design. Norman asked if approval is required now; McKay responded that approval is needed now to expedite the project in the event that it moves forward. Yanish inquired if NDOT will reimburse KGID for the work; McKay confirmed that they would. Norman commented that the project is double the original estimate; Johnson responded that the original estimate was based on a different process than what is actually necessary.

Kingsbury construction is well ahead of schedule, with completion most likely to occur at the end of this construction season rather than the original three year estimate. Yanish inquired about the connections between the Kingsbury Grade paving and KGID's roads; Runtzel responded that she has not communicated with NDOT about this issue. Yanish inquired about the project cost; KGID would be reimbursed for the outlined engineering and construction management & inspection amount total of \$35,090.

Brooke recommended that the NDOT reimbursement and contract change clarification be added to the motion. Runtzel reported that staff and engineering time has been spent on the project thus far. If NDOT decides to proceed with a different plan, KGID must ensure that they are meeting all regulations. Van Dyne explained that if DNOT doesn't proceed with the project, modifications would need to be made to the lines later. Q&D told Van Dyne that they would like to complete the project before the next board meeting. KGID will only be charged for completed work on a time and materials basis.

McKay reported that the NDOT reimbursement cannot be put into the motion; Brooke reported that McKay could approve the reimbursement at a later date. The task order would approve up to \$35,900, allowing for staff to modify as necessary.

M-8/19/14-8

Motion by Norman, seconded by McDowell and unanimously passed to approve Task Order #26 up to \$35,090, allowing for staff to modify as necessary, so that if relocation of the sewer is needed the project can proceed with minimal delay.

Johnson referred the board to his report outlining his evaluation of the project.

NO ACTION TOOK PLACE ON THE FOLLOWING ITEMS:

BOARD REPORTS

Yanish reported that the TRPA BMP Implementation Working Group meeting will be held on August 20 at 9:00am.

STAFF REPORTS

General Manager Report:

Vogt inquired about the reported street damage caused by tree removal trucks. McKay explained that auxiliary equipment has visibly damaged streets which were recently slurry sealed this year and that the problem has also occurred in past years. McKay has expressed KGID's concerns with the fire chief. In order to keep up with the large amount of one day tree removal jobs, Johnson has communicated with the fire district about collecting KGID encroachment fees and ensuring traffic control plans are established when the fire district issues tree removal permits. Runtzel explained that the encroachment fees are refundable if the removal does not cause any damage to the streets. McKay noted that the encroachment fees can be moved from one location to the next if a company is working in multiple locations. Johnson explained that KGID determines the cost of street repairs if damage is caused.

Vogt inquired about how the recent fog seal on Terrace should meet the curb; McKay reported that Terrace did not have a fog sealing, only an oil coating. In fog seal situations, the seal should be compressed down to meet the curb. McKay explained that fog and slurry seals force oils down into the pavement to further extend their road life.

Yanish inquired about the encroachment issue with Douglas County. McKay responded that all of the GID's within Douglas County have submitted comments as one for the County's franchise agreement renewal with Southwest Gas. The final approval of the franchise agreement is in the hands of the with the Board of County Commissioners. Yanish asked if attention will be brought to the new County Manager regarding the issue. McKay responded that communication with Douglas County is continual and that continued efforts to work with the engineering department are essential to realizing progress. Southwest Gas didn't communicate with KGID regarding the Quaking Aspen

work, thus interfering with the slurry seal project. Douglas County will be billed for the extra costs incurred due to the lack of communication regarding the project with KGID.

Vogt inquired about the costs for the new line to supply Dart Liquor with an adequate water supply for their fire suppression system. McKay reported that information is still being gathered, but \$20,000 in labor and \$16,000-\$18,000 in materials is estimated. Old maps revealed that the line currently runs underneath the hotel rooms and Lakeside Inn & Casino.

Operations Report:

McDowell inquired about the reported sewer manhole issue. McKay reported that welding manholes is not optimal as it makes access difficult, but it was a temporarily solution for this particular situation until NDOT replaces all of the manholes on the Grade. Norman commented that KGID response time was quick. Johnson reported that KGID arrived to the scene before the Douglas County Sheriff's Department and promptly began traffic control with Q&D to address the loose manhole.

Business and Contract Manager Report:

Vogt inquired about the sealing project clean-up efforts. Runtzel explained that the contractor ignored the inspector's instruction to be inside the gate at the KGID yard and subsequently spilled material on Heavenly property. A similar spill situation in the past cost Heavenly \$5,000 to clean up a small spill.

Attorney's Report:

- Mr. Schilling's attorney advised Brooke that the repairs needed to be made to the sewer line will be made next week. This will finalize the easements.
- District has been sued by Ms. Dengler regarding the drainage issue on her property. Brooke believes the issue will be resolved, but the responsibility still needs to be determined between KGID and Douglas County. McKay is working on a grant application to fix the problem. Brooke estimated the lawsuit to last about a one year.

Correspondence: None

ADJOURNMENT

M-8/19/14-9

Motion by Vogt seconded by McDowell and unanimously passed to adjourn the meeting at 8:41 P.M.

No public comment.

Respectfully submitted,

Natalie Yanish – Chairman

Attest:

Robert McDowell, Secretary