

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, DECEMBER 19, 2017**

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.

Pledge of Allegiance

Roll Call – Present were Trustees Yanish, Nelson, Vogt and Norman. Also present were General Manager Cameron McKay, Business & Contract Manager Michelle Runtzel, Counsel Chuck Zumpft and Operations Superintendent Brandon Garden. Trustee Norman arrived at 6:16 and Trustee Schorr was not in attendance.

Public Comment – There was no public comment.

Approval of Agenda – McKay pulled Consent Calendar Item E along with Items 18, 19 and 20 as they are ongoing. Zumpft indicated there were notice issues relating to the agenda and documents related to those topics and his recommendation to the District is to remove them from the agenda and reschedule at a special meeting. Nelson questioned the wording of Item 18, 19 and 20 on the agenda and if the wording will remain public record. She explained that she has a concern with publishing the name and other information in the item. Zumpft confirmed that the information provided is per Statute (241.030 or 241.033). Yanish confirmed this answered her question.

M-12/19/2017-1 - Motion by Nelson, seconded by Vogt, and unanimously passed to approve the Agenda minus Consent Calendar Item E and Items 18, 19 and 20.

Yanish offered for any public comment and there was none.

Approval of Minutes – There were no questions, comments or changes to the minutes.

M-12/19/2017-2 - Motion by Vogt, seconded by Nelson, and unanimously passed to approve the Minutes of the Regular Meeting dated October 17, 2017, as presented.

There was no public comment.

Approval of Consent Calendar –

M-12/19/2017-3 - Motion by Nelson, seconded by Vogt, and unanimously passed to approve: Item B, C and D of Consent Calendar as follows:

- B. Approval to give KGID Staff one extra day off as a holiday bonus;
- C. Approval of proposal from Thunderbird Communications to upgrade SCADA hardware at Pump Station 5 and Tanks 6 and 10, and to reprogram the existing software at the quoted price of \$25,822.65;
- D. Approve to Purchase 2018 GMC Sierra ¾ ton to Replace Truck 0505 in the amount of \$30,182.71.

Nelson requested to pull Item A: List of Claims. Yanish offered for any items to be brought forward for further discussion.

There was no public comment.

Nelson pulled Consent Calendar, Item A: List of Claims in the amount of \$1,100,294.69 as represented by check numbers 55479 through 55727 and questioned Check #55641 for \$17,595 to E.H. Wachs. McKay explained that this is for the purchase of equipment trailer mounted vactor unit recently purchased. This is new equipment purchase of a smaller vactor unit that is trailer mounted, but similar to the small vactor truck. He added that the program limits the item description in the check memo area.

Nelson also questioned Check #55645 to the Employment Security Division for \$4,031.87. McKay explained the costs were associated with prior employees Angela Latella and Scott Foster, who left KGID. Runtzel explained that KGID is self-funded, and therefore we do not pay unemployment contributions quarterly like most private industry employers. We pay the actual benefits that are paid out due to the employee for the time period.

Vogt questioned if that is common and McKay explained that he is aware of many government agencies, including two other GID's that don't pay in and he added that it is unusual for such employee turnover at GID's. In response to Vogt's inquiry, Runtzel explained that she anticipates additional payments for the last quarter of the year and possibly more. Runtzel stated that she is not too familiar with the unemployment compensation rules for payment terms. Yanish added that she believes if new employment is obtained, the employees compensation could end or be decreased.

Yanish offered for any other questions or public comment. There were none.

M-12/19/2017-4 - Motion by Nelson, seconded by Vogt, and unanimously passed to approve Item A: List of Claims in the amount of \$1,100,294.69 as represented by check numbers 55479 through 55727.

UNFINISHED BUSINESS

NEW BUSINESS

Presentation of Audited Financial Statements and Auditor's Report for the Fiscal Year Ended June 30, 2017; Possible Action to Accept the Financial Statements and Auditor's Report. *Beth Kohn of Kohn and Company was in attendance to present the Financial Statements and Auditor's report for the fiscal year ended 6/30/17. The audited financial statements and accompanying notes were provided. She issued an unmodified audit, also known as a clean audit opinion. There were no audit findings this year. The financial position for the year was reviewed as of 6/30/17; total assets consist of cash and investments.*

Kohn stated that letter summarizes everyone's responsibilities and any disagreements would be included, but there were none. Adjustments for the PERS liability also included as an annual adjustment. There were no audit adjustments and she noted it was a very clean audit. She explained that the audit is unmodified which is preferred and she explained her audit findings in the budget to actual reports.

The General Fund revenue was better than budget by \$105K. Expenses were budgeted at \$1.2M but came in at \$786K, which was \$404K better than budget. The excess in revenue over expenses was \$668K in the General Fund.

Snow Fund revenue was under budget slightly by \$1,500. Expenses were under budget by \$95K and expenses totaled \$384K.

She reviewed the revenue and expenses for Enterprise Fund. Total revenue was \$6.7M and expenses were \$4.3M. The excess in revenue over expenses was \$2.4M, including interest income and loss related to disposal of assets for equipment related to the old plant, with a net \$2.1M.

She added that auditing standards were clean and there were no audit findings.

Yanish added for the record that Trustee Norman arrived (6:16pm). Kohn offered for any questions.

Nelson questioned Page 26, Note 4 regarding uninsured deposits of \$560K and how and why this should be corrected. Kohn stated that money market accounts are insured up to \$250K and excess funds are considered uninsured. Kohn noted that later on in the report it is explained that funds are part of a collateral pool and the excess is subject to custodial risk collateralized by the bank. The pool is in the US Bank's name instead of KGID funds of \$50M are pooled for government entities for the State of Nevada. She added that KGID is not really at risk and if the bank went out of business, KGID would recover funds through the state pool.

Nelson also questioned the awarded contract noted on Page 36, Note 13 regarding the awarded services contract to which McKay and Runtzel confirmed the contract is through Summit Plumbing.

Vogt questioned the common acceptable practice for Certificate of Deposits for signor deposit and withdrawal. She recalled a prior discussion regarding signors and the possibility of adding a Board Member as a signor. Vogt referred to a prior letter from Kohn and Company. Kohn explained that two signors for Certificates of Deposit are acceptable for a double check. Nelson questioned the process, to which Kohn explained that transfers are made by one signor and bank statements are verified monthly. McKay stated the amounts are reviewed jointly and moved to the money market account over the phone. Kohn added that the Business Manager verifies the bank statements and Business Contract's Manager verifies via bank reconciliations. Kohn explained that the letter referenced is standard procedure for questions to the board.

Kohn referred to Page 37 regarding compensation for employees and significant fund savings by utilizing the reimbursement fund process. She added that most of the government entities are part of the reimbursement process.

Yanish offered for any other questions or comments. Runtzel added that the audit went very smoothly and she was happy with service.

There was no public comment or additional comments.

M-12/19/2017-5 - Motion by Nelson, seconded by Vogt, and unanimously approved to accept the Financial Statements and Auditor's Report for the Fiscal Year Ended June 30, 20

Kohn exited the meeting.

Discussion on Charges for Excess Sewer Plan Maintenance Fees of \$80K from DCLTSA Runtzel reported in writing: *Attached is a bill received from Douglas County Lake Tahoe Sewer Authority (DCLTSA), previously Douglas County Sewer Improvement District (DCSID), in the amount of \$80,575 for our portion of additional maintenance and operation expenses based on their audited financial statements for the fiscal year 16/17.*

McKay explained that they were shocked when the bill was received for the maintenance portion that is divided amongst the entities for sewer. The bill is for our share of maintenance for the sewer treated by our percentage of flows. He noted that our percentage was increased from 22% to 25% for an increase of 3%. They have stated the increase resulted from the absence of the trailer park, but McKay disagrees as the park has been gone for 3 years. McKay advised that the invoice has to be paid, but he intends to dispute the amount as he didn't note a change for infiltration in the information he reviewed. He explained that as a result of the large winter, there was infiltration on every entity, not just KGID. He will provide additional information to DCLTSA for review. He suggested the invoice be paid and then disputed later, similar to KGID's policy.

Norman speculated that KGID's elevation could result in higher infiltration than the other entities. McKay commented that Round Hill has a serious infiltration problem and they are not metered, causing a problem. He

explained Round Hill and Elks Point are not metered and a graph all of the entities metered would display how they should be paying the difference. He will thoroughly analyze the information to be presented.

Yanish questioned the timing issue for the January payment as it isn't budgeted. McKay stated the contract calls for payment by the end of the year and he confirmed the calculation was in question, not the terms of the payment.

Vogt questioned if the \$250K attorney's fees is included in the sewer bills. Runtzel explained that they informed her they chose to absorb overages of expenses through reserves instead of going beyond estimates to the entities. McKay confirmed that the other extra expenses came from legislature and they took them from reserves instead of maintenance. Runtzel stated that exact numbers were not provided and she explained that in years past KGID received \$85K in credits, although not recently.

Nelson questioned the flow usage for our district. McKay confirmed all flows are going down and he wants to study the numbers to confirm usage.

Nelson questioned how the flow information is obtained. McKay stated that everything flows down to the pump station down by the beach and is pumped out from that meter. McKay has requested all of the meter information to verify they have all been calibrated properly. Nelson commented that if other flow is decreased we would have a greater percentage of usage. McKay confirmed the chart shows minimal variance at first review. She commented that it would be interesting to see if there are changes to their historical numbers. He was surprised that Elks Point does not have a meter and he believes Round Hill does not get an accurate reading.

Vogt confirmed with Runtzel and McKay that the flows are decreasing due to reduction in full time residents. Runtzel referred to the chart on Page 8 representing historic flows for 20 years showing KGID reductions in flows. McKay referred to DCSID drop which he is questioning is for this year. Runtzel added that we had several drought years and report only goes through 2016 and doesn't include part of 2017.

Yanish questioned if this will be considered for the budget. Runtzel explained that it is difficult to estimate from the information provided as 15 out of 20 years significant credits were issued. McKay added that large credits were not received in recent years because maintenance increased as the previous manager deferred maintenance. Runtzel stated that a contingency may be considered to cover maintenance in the future and McKay added that a meeting will be held to review the rates and system to cover the increases. Maintenance to our system for the next 5-10 years will be considered in rate analysis.

Yanish questioned the status Bentley's pool, which McKay explained is a capital improvement project that will eventually be included.

Yanish offered for any other questions or comments and there were none. It was noted for the record that there was no public present.

M-12/19/2017-6 - Motion by Nelson, seconded by Vogt, and unanimously approved to authorize staff to pay the invoice dated 11/16/17 to Douglas County Lake Tahoe Sewer Authority in the amount of \$80,575 for the District's proportionate share of operating expenses for fiscal year 2016/2017.

Discussion on Guard Rail Repair on Laurel Lane – Garden reported in writing: *For many years the guard rail at the top of Laurel Lane has been in desperate need of repair. The current state of the rail is unsafe for the motoring public and also creates concern for snow removal equipment in the area. The guard rail has been patched and straightened to the best of our crews ability but is now in need of replacement. The attached pictures show the distress of the rail.*

Garden explained that Laurel Lane is one of the steepest roads in the district. Norman commented that the guard rail has been utilized many times. Garden was concerned that the integrity may be compromised.

Yanish questioned the age of the guard rail to which Runtzel estimated it was replaced approx. 10 years ago. Yanish also questioned the other guard rails on Tramway and confirmed they are not as important as Laurel Lane at this time.

Yanish offered for any other questions and asked if we have utilized this company to install guard rails before. Garden confirmed they are the only option and he wasn't sure who installed the guard rail previously. Runtzel also couldn't recall. Garden stated that the other company to install does not build to federal highway standards.

Norman questioned the cost per square foot, to which McKay and Garden confirmed the cost includes post and rail expenses. Garden added that the posts will be replaced with galvanized steel instead of pressure treated wood and installed 6 feet into the ground.

M-12/19/2017-7 - Motion by Norman, seconded by Vogt, and unanimously approved to approve staff to proceed with Project # RN-4653-17 for 37.5 linear feet of guard rail replacement on Laurel Lane in the amount of \$5,616.25 plus a 10% contingency of \$561.63 for a grand total of \$6,177.88.

There was no further discussion. McKay noted that construction will commence immediately.

Discussion on Upgrade to Cloud Based Email and File Storage – McKay reported in writing: *As our network stands right now, our email will fill the remaining free space in the server within a couple of weeks. We have two choices here. We can purchase a new larger hard drive and migrate all of the stored files and emails over to it or we can use a cloud based system.*

McKay stated that we are running out of digital storage and it is cost prohibitive to move data to another computer. IT suggested the cloud to free up space as security will be the same. McKay confirmed that our accounting software, Acela, is cloud based. He explained that due to regulations, all emails regarding operations and correspondence must be retained indefinitely. The cost to replace a computer could be higher than expensed in 2012.

Vogt questioned the last paragraph regarding monthly cost and per- use costs. McKay explained that would be per employee that has email. McKay added that outlook can be cumbersome for calendar items and IT may suggest a google style calendar that would interface with emails that automatically upload to the calendar. Norman commented that is easy to use.

Yanish stated that she has attended several presentation for cyber security and utilities can be targeted which concerns her. McKay explained that IT monitors our cyber security and firewalls are in place with online monitoring. Yanish questioned if IT uses a third party monitoring company, to which McKay could not confirm. McKay agreed that cyber attacks are a concern but the protections are in place with multiple firewalls and passwords.

Yanish questioned the integrity of the small operation, commenting that even Yahoo was hacked. Nelson added that she would like to review the security and discuss further. Yanish commented that extortion is also a concern.

Norman confirmed that security to an iCloud facility is extensive. McKay added that Yahoo was running on old computer systems allowing for infiltration.

Nelson questioned the software, to which McKay confirmed is Microsoft. He explained that all of the programs and documents will be converted to the cloud. Nelson suggested having programs on the computer hard drive, to access necessary programs if the internet is down, such as email, etc. She also suggested a backup internet source, if possible. McKay confirmed that credit card payments cannot be processed when the internet is down. Nelson commented that she is in support of moving everything to the cloud.

Norman questioned the power outage last Saturday night, to which Runtzel replied she heard it was downed tree. Nelson stated she saw power surges en route to the valley. McKay confirmed that the power will restart in an attempt to recover, if possible. Norman commented that power outages have been significant over the last year.

M-12/19/2017-8 - Motion by Vogt, seconded by Nelson, and unanimously approved to complete the migrating of all software programs, file, and email programs from the old network computer to the Google cloud for \$4,000.00.

There was no further discussion.

NO ACTION TOOK PLACE ON THE FOLLOWING ITEMS:

Board Reports – None.

Staff Reports –

General Manager's Report – McKay submitted two reports: the main report and preventing water loss. Vogt questioned the revised site plan for the Tahoe Beach Club and effects on the payment structure. McKay stated that the number of units hasn't changed at 143 and only the locations have changed. He explained that because they are so far behind schedule, they are trying to move more units between phases, but not the total units. Runtzel confirmed that the payment has been received and McKay confirmed he has the contract and the unit changes will not affect the amounts due.

McKay added that problems for The Beach Club remain with dewatering. Zumpft questioned if they can dewater with the frozen ground. McKay stated the ground isn't frozen down as deep as they need to drill, and he offered recommendations to the Beach Club.

Norman confirmed that winter precipitation will affect the ground water levels. McKay added that the levels haven't dropped for a while and he anticipates not seeing a constructed building until July 1. Norman questioned if they have a plan to prevent flooding. McKay confirmed they currently have water in their parking structures at this point.

Yanish asked about the water rights for the TROA agreement and re-evaluation. She questioned if the value will continue to increase due to the limited supply, to which McKay confirmed. She questioned if there would be an impact or mitigation fee for new developments. McKay explained that we have plenty of surface water rights; however, at some point we will exchange ground water rights. Most of the district was developed on ground water rights which were noted as supply even though surface water is utilized to supply the district. He anticipates a transfer to improve accuracy. At this time they are not aware of how many water rights were allocated within the Tahoe Basin as it wasn't tracked prior to 1980. In the future, a big development could be required to bring water rights. Yanish questioned where another development would be located, to which McKay gave the example of Sierra Colina or the meadow on Kahle developed as new subdivisions. It would be included in the ordinance for further developments to bring in water rights as they are available for purchase on the private market.

Vogt questioned the Non-Revenue Water Report and if this is a problem from the old or new water treatment plant. McKay explained that the distribution system allows for water loss. He referred to Pages 2 and 3 of his report for meter issues in December 2016 – January 2017 as numbers weren't accurate, but the last few months are considered accurate. He referred to September 2017 – November 2017 for lost water through small and large leaks, and fire hydrant flushing. A good tight water system is at 5% and we are currently marginal. In a recent conference for non-revenue water they were advised that 3% is not likely and 20% is due to laziness. He would like to install acoustic listening devices on valve cans that would indicate leaks for repair. District metered areas can also be installed for certain areas to determine leaks. McKay informed the board that they are aware of the problem and they are working to resolve it. Nevada Rural Water is coming to do a no-cost audit of water loss and he also confirmed that \$85K is a lot of money.

Nelson questioned the amount of percentages as high as 23%. McKay stated that the information was from December 2016 and not included in the subject report. His goal is to reduce the amount by half, initially as many leaks stay underground and go undetected. Vogt commented that it could be difficult to determine and repair with an old system such as ours.

McKay reminded the board that the File A Disclosure of Financial Unit must be filed by January 15. Vogt commented that she had difficulty filing the report and was advised they are behind. McKay offered to send the link to Norman. McKay is also required to file as he is appointed by the board. There were no further questions.

Business Manager's Report – Yanish thanked Runtzel for the thorough report. Nelson questioned the revenue dates on Page 3. Runtzel explained that the center column is year to date cumulative and the first column is for November. Nelson questioned why the water distribution expense is over budget already at \$28K. Runtzel was not positive, but estimates a large portion at approx. \$20K was for the Lakeside repair and Garden and McKay agreed. Nelson confirmed that was her only question.

Runtzel stated that journal expenses were recently imputed and November numbers are in draft form. There were no other questions.

Operation's Report – Yanish thanked Garden for the thorough report. Norman questioned the minimal calls regarding snow removal from F&B and Garden explained that not as many calls have been received as were expected. Norman questioned what NDOT did to fix the ice near Terrace View recently at the location of many accidents last year. Garden stated that the owners on the property on that corner put in a drain that is helping. He further explained that there is a natural spring below that and if it ices up, the drain is clogged moving water farther up. Garden was not here, but advised that NDOT recently had a road grater cleaning out the gutter freeing the drain. McKay confirmed that he addresses that area each time he speaks to NDOT. He added that it is iciest going up the hill. Norman estimated 4-6 accidents at that location last year and McKay confirmed one this year. McKay stated that our water line used to be at that side of the road near the spring, but the line has been removed. Garden confirmed that Logging Road is also tested for chlorine which confirmed it is not KGID water at that location.

Vogt questioned NDOT's policy regarding de-icing as it appears they are brining. McKay confirmed it is a salt-brine mixture. Garden confirmed they will also use salt and sand in combination with the brine mixture. Norman questioned the chemical mixture. McKay explained sodium chloride is generally used but it depends on if they are de-icing or anti-icing.

Yanish offered for any other questions, there were none.

Attorney's Report – Zumpft had nothing to report.

Engineer's Report - Van Dyne was not present and Yanish commented that it appeared many items were finalized. Yanish offered for any further questions, there were none.

Correspondence – Vogt stated that she appreciated the Tahoe Keys information and wants the opportunity to speak on the issue. McKay stated that the documents will be released to the public soon and the public comment period will open for comment. The state will not release the information until the tribal entities have reviewed it. There were no additional comments.

Yanish informed Norman that items 18, 19 and 20 were revoked from the agenda and Zumpft advised that these items may return in January. She confirmed with McKay that the closed session packets be returned to McKay. Runtzel noted the meeting schedule was provided with correct month and dates, but it was noted each date should reflect 2018.

Norman added that his email is incorrect on the Secretary of State. Yanish confirmed that not all KGID emails are being utilized. Nelson stated she cannot receive KGID email to sync. Yanish would like to discuss email options for forwarding.

Adjournment

M-12/19/2017-9 - Motion by Vogt, seconded by Nelson, and unanimously passed to adjourn the meeting at 7:20 p.m.

Respectfully submitted,

Natalie Yanish, Vice-Chairman

Attest:

Darya Vogt, Secretary