MINUTES OF THE BUDGET MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, APRIL 6, 2021

CALL TO ORDER - The meeting was called to order at the Kingsbury General Improvement District office located at 255 Kingsbury Grade, Stateline, Nevada at 5:02 p.m. by Natalie Yanish.

PLEDGE OF ALLEGIANCE

ROLL CALL – Present were Trustees Yanish, Vogt, Nelson, Schorr and Parks. Also present were General Manager Cameron McKay, Superintendent Brandon Garden, Operations KGID employees Judy Brewer and Brandy Johns, and Matt Van Dyne of Farr West Engineering. General Counsel Chuck Zumpft was not in attendance.

PUBLIC COMMENT – There was no public comment.

APPROVAL OF AGENDA – Nelson noted the public comment at the beginning of the agenda says it is at the beginning and the end, but it was not noted at the end. McKay suggested calling for public comment. Yanish requested confirmation that Nelson was satisfied with that solution. Nelson expressed her concerns with having a correct agenda for the meeting. Yanish thanked her for pointing it out.

M-4/6/2021-1 - Motion by Parks, seconded by Vogt, and unanimously passed to approve the Agenda.

UNFINISHED BUSINESS

NEW BUSINESS

DISCUSSION AND POSSIBLE ACTION ON THE TENTATIVE BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2021 AND ENDING JUNE 30, 2022. Yanish noted that a proposed tentative budget has been provided. McKay offered for Brandy Johns to address items. Johns offered for any questions on the narrative.

Nelsons questioned why the General Fund Revenues increased in 19/20 by $130K. McKay explained that number comes from the Department of Taxation based on projected sales for this upcoming year. Nelson questioned the calculations. McKay explained that it is based on the last year, and upcoming year for sales and property tax. Johns noted that we were getting an increase from the prior year. Nelson noted a decrease in the prior year. McKay explained that it is based on the total amount of taxes received throughout the state and specific taxes within our area. It is a convoluted formula and the number they provide is included in the budget. Nelson commented that it was a surprise that the Ad Velorem tax would increase after Covid. McKay added that the highest revenue in taxes comes from casino revenue that has flourished this year while California businesses were closed. Schorr questioned if Johns would perform a general review of the budget.

McKay noted the budget number beginning of the year was low based on Covid and salaries increased 4%. Schorr questioned if the budget projected lower for salaries. McKay reviewed the increase and Schorr concurred.

Schorr questioned Capital Outlay and McKay suggested reviewing this. Nelson requested review of the 2022 road projects. Garden explained that the road rehabilitation projects will be based on the Paver outlook to include street sealing, cape and slurry sealing. The 2021 waterline and road rehabilitation will be Sunflower, Griffin, and Tina Court, along with road repairs on Tramway. Nelson requested confirmation of the timing and Garden explained that the bidding will be this winter, with work slated for next spring. McKay added that the sealing is maintenance and not capital outlay. Nelson questioned $800K in the General Fund for engineering for 2022 road rehab. Garden explained it has not been determined yet. McKay explained it is an estimate and Garden confirmed it will be for road rehabilitation throughout the district, as recommended by MicroPaver.

Schorr questioned the process for road work based on determinations by MicroPaver. He questioned if field inspections also play a role in project selection. Garden explained that MicroPaver will provide random coordinates and field inspections are performed as there are known areas that require maintenance. Garden stated that field inspection is necessary to verify MicroPaver data. This data provides an average of a roads PCI, which is used in determination. McKay added that field inspections are necessary to verify the data.

Nelson questioned benefits decreasing in the General Fund. McKay explained that benefit costs decreased due to reduced staff. Johns stated that when staff is replaced their benefits will be included at reduced PERS contributions by employer at 50% instead of 100%, initially.

Yanish questioned the Snow Fund ending balance which varies depending on how much snow. She questioned if the rates should be reviewed to build up the cash in that account. McKay explained that the operating expense is budgeted at the maximum. He explained that compared to prior year there will be an ending Snow Fund balance of over $700K. He noted the prior year ending balance was estimated and we budget for maximum. In response to Parks' question, he explained that the final balance would reflect full balance being spent. The rates could be reviewed at that time.

Yanish questioned Capital Outlay in 2020. Johns speculated it was tied into the purchase of the property and McKay agreed, noting it was allocated throughout the funds.

Schorr questioned Water Fund debt service and questioned if this is principal and interest on all State Revolving funds and Johns concurred. McKay noted there are five loans: SRF1-5 plus interest. Johns added the amount will decrease when Loan #1 matures. Schorr questioned if the Promissory Notes include covenants cash flow requirements related to debt service. McKay confirmed cash flow requirements are in the agreement and added this is a consideration. Nelson added that the auditors should be reviewing this each year.

Nelson questioned the debt principal repayment is inclusive of interest; however, interest is included in total expenditures. She stated that principal repayment is simply principal and not interest. Interest for 2021 is $419K and principal is approximately $1.3M. McKay noted that $1.9M is principal and interest as indicated on Page 9.

Nelson offered for any questions on the narrative. Nelson questioned the payroll spreadsheet calculations on Page 2. Johns explained that the calculations on each page and noted allocations and totals. Nelson questioned McKay's allocations and Johns noted the accrued leave includes McKay and Joel. Nelson totaled the funds under the KGID Combined Budget 21/22 at $23.5K and questioned if these were McKay's accruals. Nelson referenced the payroll numbers with accrued leave beneath. McKay stated this estimate seems accurate and Johns agreed. Nelson questioned the cash flow adjustment on the narrative for the General Fund. The answer was unknown at this time and Nelson offered for Johns to report back with the final presentation.

Schorr questioned narrative for Capital Outlay for the Water Fund of $5.6M for the Beach Club. McKay explained that is the value of the waterlines in the Beach Club to be dedicated to KGID. Before they become an asset it has to be reflected in the budget. Schorr questioned if the dedication is contractual and McKay confirmed the process to account for the asset to be added. Nelson noted the income presented on the narrative as a cash flow adjustment on Page 3.

Johns replied to Nelson's earlier question on Page 2 and explained that the cash flow adjustment is contingency of 3%.

Schorr questioned the depreciation amounts and McKay explained there is a contingency in the General Fund only. Schorr questioned the depreciation calculations in all of the funds. Johns explained they have a fixed asset program that projects possible calculations for each fund based on depreciation in the prior year. McKay explained that assets depreciate on a different schedule and the program has depreciation schedules and values. Yanish provided an example of deprecation based on the life of an asset. She confirmed with Schorr that this was helpful. She offered for other questions on the Budget Narrative.

Johns offered to review each of the worksheets. She began with the rental properties and offered for any questions. She noted the rental properties income and expenses are included in the General Fund. Nelson questioned if there are any allocations of the rental to water or snow based on usage. McKay explained that 160 Pine Ridge is split differently than 298 Kingsbury as it is including storage usage. Johns has these calculations based on area. Nelson questioned the treatment of revenue and Johns explained the revenue and expenses are reported under 160 Pine Ridge and later moved to Fund 10 per the auditor's suggestions. Nelson requested clarification that for budget purposes, all rental income and expenses are included in the General Fund. Johns explained that it is later taken from Fund 70 as income and expenses which are reported in the General Fund. Yanish offered for other questions on the buildings. McKay suggested that he and Johns review this process.

Nelson questioned the depreciation on 160 Pine Ridge. Johns explained that the depreciation is allocated among all of the funds. Nelson and Parks questioned janitorial for 160 Pine Ridge. Johns explained that janitorial for 160 Pine Ridge was being billed by Remax under 298 Kingsbury for both properties. This includes bathrooms, carpets, stairs and trash for the common areas. Garden stated there is more common space in 160 Pine Ridge.

Yanish noted net income will decrease for both properties. She questioned the lease statuses and Johns offered to review this. McKay explained net rental income 160 Pine Ridge will decrease because of added janitorial expense. Yanish questioned the treatment of expiring leases which McKay stated will have to be addressed. Johns added that the bear box is utilized by both properties was split between both properties. Nelson questioned decrease in net income may be due to an error in the calculation. She stated this should be reviewed for total expenses not calculating properly and estimated it may stay the same.

Parks questioned payments for repairs. Johns explained that the management company utilizes maintenance people for repairs. Parks noted that $6K seems excessive and Johns speculated this may include painting.

Nelson noted that Vogt was having trouble viewing the screen sharing during the meeting. Yanish provided assistance. Yanish offered for any other questions regarding the buildings.

Johns suggested reviewing the engineering report next and offered for any questions. Schorr questioned the expenses. McKay explained that engineering includes $200K for a master plan for sewer to ensure it is in good shape or in need of repair. A pump station may need modifications to include additional storage. This is not tied to a project and is therefore it is a separate line item. Parks questioned the amount and McKay explained that the sewer system has not been reviewed in some time.

Parks questioned engineering costs for big projects and McKay estimated 14%-15%, depending on how complicated the project is. He added that road rehabilitation projects have less engineering. More complex projects are approx. 15% of the project cost for engineering. Van Dyne explained that design and bidding is approx. 8%-10% and oversight and inspection are another 8%, depending on complexity and repetitiveness. For instance, Highway 50 job three years ago was small, but engineering was higher due to the complexity, including NDOT, highway, permitting, NDEP, TRPA, and bidding. Larger projects with consistencies have lower prices. Efficiencies are noted for scope and assistance from staff it utilized to keep costs down. He confirmed these are industry estimate standards which may vary based on the project.

Parks requested additional billing explanation and Van Dyne stated there is an hourly fee presented via task order presented to the board for approval which includes a fee estimate detail for each task. This is based on collective experience and specific KGID projects utilizing information previously collected. Task orders include assumptions including construction timing and unforeseen conditions may result in variations. Farr West may find efficiencies elsewhere in a project to absorb additional costs for a particular task to maintain a number. Parks thanked him for the explanation. Van Dyne offered to provide additional detail on projects if needed.

Nelson questioned Miscellaneous and General Services in Standard Details. McKay stated that they requested Farr West update standard details for KGID for future projects. These are updated for new materials and technology. General Services refers to board meetings and presentations. All water and sewer improvements must be detailed by an engineer. Miscellaneous allows for small items.

Nelson questioned the Capital Outlay for the Ridge Tahoe meter relocation project. McKay explained that near Stagecoach on the left-hand side, our water main exits and goes up to the Ridge. The water line comes off the building and should be a dedicated line owned by the Ridge. We want the meter relocated at the main to include the Stage Coach line with two meters. It is currently on one line owned by the Ridge Tahoe. This will simplify the meter readings and repairs.

Garden explained there are current isolation issues with the line and if Stage Coach had an issue before the meter, The Ridge would also be shut off. McKay added this was prior to installation of water the meters. Garden stated it is a problem with the location of the meter vault installed a long time ago. Garden explained that design will occur after July 1 and bidding would commence next winter with construction the following spring.

Nelson questioned the Scada computer at Station 1 for $160K. Garden explained that Jacobs engineering designed the plant to include a computer with multiple servers, switchboard and firewalls for protection. They recommend for security to do phase upgrade every five years. The first operations will be Phase I and II with two more phases to be good for 5-6 years. The first upgrades are drastic due to the amount of technology, to prevent hacking and subsequent will be less. This was recommended last year to avoid hacking into the Scada system. McKay confirmed that the treatment plant has been online for 6 years. Garden reiterated that the first upgrade is the most expensive at $160K, with subsequent phases estimated at $45K-$50K. He added that minimal updates will be necessary every 3-5 years thereafter. McKay noted that Scada stands for Supervisory Control and Data Acquisition and it's a system that compiles the data necessary for the state on a monthly basis. Garden explained that surveillance necessary on two or three of the tank sites is included per Federal mandates from Homeland Security and WIA Act which KGID is in process for compliance. He added that the tanks are our largest vulnerability due to various potential tampering concerns. They are moving video and alarms to be included through Scada which will improve service and standards. McKay noted there is currently 8M gallons in various tanks, the locations were noted.

In response to Schorr's question regarding security, Garden explained that there is full video surveillance at the treatment plant and Station #2. He confirmed the additional surveillance will be for two or three additional tank sites. In response to Parks' question, Garden explained that during a snow storm, the cameras have heaters and infra-red which allow them to work properly. He added that they hope to improve fencing, but snow load is a problem and razor wire on top of fencing is no longer permitted. They currently install no-climb fences, which do not have top support and bend at the chain link. Surveillance will pick up activity human activity and omit animals. Laser sensors are also an option.

Johns offered for any questions on the Capital Outlay for the second six months of this fiscal year. Nelson questioned the Andria project on the schedule. She explained that Andria was not included in the first Capital Outlay for the last budget for last year that was submitted to state. It is included here completed in the first six months. Yanish offered for any other questions.

Johns offered for questions in regards to expense allocation. Nelson questioned if 20/21 legal fees were actually $946K and explained that the legal fees were cut off on her combined budget. Johns offered to verify the calculations. Nelson requested verification of the proposed fees of $53K, estimating $4K per month and Johns confirmed. McKay questioned treatment other legal issues such as legal negotiations, which Johns explained is not included here but included in the fund itself.

Parks questioned bank charges of $78K. Johns explained that the bank charges of $250 per month, and the balance is web payments on credit card and online payment fees. Nelson questioned if we can pass these amounts to the customer, which McKay answered he has been working on bringing this to the board. Nelson questioned if Springbrook could add these fees to the bills. Johns explained they were not on a utility rate for charges and now corrected, she anticipates this going down. Parks questioned how this was missed. Johns explained that they are now on Civicpay which is offering a utility rate that wasn't offered from Springbrook. The budget amount is possibly higher, but these amounts are new and cannot be projected.

Johns confirmed that two large commercial customers have business cards which do not qualify for the utility rate. It's set on their commercial Visa card accounts at a rate of .027% instead of flat fee of $0.75 per transaction.

Nelson questioned if we are hoping to bring these amounts forward to change billings and pass this on to the customer. Johns explained that by not billing the customers, we are able to receive the utility rate. Nelson suggested a comparable analysis and Garden agreed. McKay explained that the costs are built into the rates and noted that he will provide a breakdown to the trustees. Yanish offered for any other questions.

Johns noted payroll was previously reviewed and offered for additional questions. Nelson questioned positions and McKay explained that Johns is Accountant II and Carrie is Billing Coordinator. Nelson questioned the differences, noting Johns receives 100% PERS and questioned the amount for the Billing Coordinator. McKay noted they must be vested 5 years and they now receive a higher raise. McKay explained the calculations and Johns noted the breakdown on the spreadsheet. McKay noted that KGID this provides a level playing field. Nelson confirmed this answered her question regarding wages between the two employees. Nelson confirmed that Judy Brewer is receiving a higher rate until she is vested at 100%. She questioned McKay's rate versus a new General Manager. He explained that the replacement will come in at 50%. Nelson questioned if a new employee would want to make more and McKay suggested agreeing to a wage which will be reduced upon 100% PERS at five years. Parks noted that a three-year contract will be reviewed before this time. Johns added that is a choice of the employee and McKay stated that many do not want to because they will be fully vested after five years. McKay added that after five years, funds can be withdrawn after 65 years of age. Johns offered for any other questions on payroll, there were none.

Johns addressed computer expense and offered for any questions. Parks questioned the consulting fees and Johns answered this is paid to Thunderbird for the Scada system. Nelson questioned $15K for network and server monitoring, which McKay responded is for DST under the current contract. This contract will be presented for review at the next meeting. Yanish offered for any other questions, there were none.

Johns noted the Snow Fund and addressed interest on investments which has dropped considerably to 0.3740802% as of February which was 0.9223025% in June. Nelson questioned if interest on investments has decreased 90% over the last two years and Johns noted it has dropped monthly and stabilized recently. McKay noted a slight increase recently. Johns noted she based the budget on the lowest amount which represents the investments projected for all funds resulting in under budget. McKay noted snow removal standard budget was $675K and $75K for sand. Actual for 2020 was low and this year so far is also. In response to Parks' question, McKay recalled the snow minimum changes yearly from $300K-$200K for the minimum.

Nelson requested confirmation on column calculations for 20/21 budget calculations. She questioned if the projections should state 20/21 in Column G and Johns confirmed and noted the needed correction. Johns explained that the figures are from other expense allocations for legal labor negotiations. McKay added there will be labor negotiations next calendar year as this is a four-year contract, ending in 2021. Nelson verified that negotiations will begin in February. McKay explained that negotiations will begin and a letter of intent will be sent in January. The new contract will begin July 1, 2022. Johns added that this was estimated at 40 hours and spread out among all funds. Johns addressed bad debt expense which is the lien payable for 298 Chimney Rock for the second six months of this production. For this budget, the foreclosure hold on penalties was estimated from January 1 for six months. McKay added this may take longer and foreclosures will be addressed at a future meeting in May or June for four properties. He explained that some are multi-family and there is a 30-unit apartment complex. He noted HOA dues are also delinquent. The amounts due will be added to the tax bill for these properties and will later be part of a tax sale with the county. He explained some accounts are past due 10-12 years. McKay added that bad debts are distributed among all funds. Johns offered for any questions.

Johns stated user sewer fees are based on current charges. There have been many properties selling which generate transfer fees, which have been budgeted higher. There have been approximately 20 sales per month for the first six months, and she projected possibly 10 sales per month. She projected 16 per month for next year's budget. In response to Parks' question, Johns explained that the purchaser pays the transfer fee. Nelson requested clarification regarding net cash in the narrative which reflects a budget loss in sewer of $278K. McKay explained this includes $200K for engineering and the balance is normal expenses. Nelson noted $70K for depreciation.

Nelson questioned cash flow adjustments of sewer fund including grant revenue of $140K on Page 1. McKay speculated these are funds not charge by the Sewer Authority. He added that an estimate is paid and adjusted each year. In response to Yanish's question regarding timing, McKay explained that an adjustment is billed to the last quarter's invoice each November/December.

Nelson reviewed the sewer budget worksheet and compared it to the front page and noted expenditures are different. She explained that Page 1 indicates expenditures of $2.132M and the worksheet indicates $2.102M. She noted the Depreciation and Capital Outlay. Nelson requested this figure be reviewed and requested notes on the Capital Outlay projects upon presentation of the final budget. Yanish offered for other questions, there were none.

Yanish offered for any questions on the Water Fund. Nelson requested expanded information on the $100K for meter repair and maintenance. McKay explained these are meters that were replaced in 2011/12 and it is the end of their life. A new program will comment for this residential meter replacement program in addition to large meters. Garden elaborated that the meters may not necessarily be replaced, but transmitters that send signal from the meter to the meter reader will be replaced. This cost is for changing 2,500 transmitters or registers plus meter testing for accuracy. McKay added bad meters run slower. Parks requested additional information regarding the meters included and Garden responded it will include approximately 25% of all meters. McKay added that batteries are likely bad and Garden noted the battery life expectancy is a minimum of 10 years. Parks verified the cost is equipment only and not labor.

Yanish requested additional information regarding the cost for each meter. Garden explained that the parts are approximately 28-30% of the cost for the whole meter. Yanish recalled the costs of replacing each meter at approximately $5K each.

Nelson noted the vehicle expenses increased significantly from prior years and requested clarification. Garden explained that gas prices have increased. She noted this is included in the expense allocation of $46K last year to $76K this year. McKay added that the trucks are getting older. Garden stated that increase in fuel prices continues. McKay explained that this includes older equipment such as the Vactor and dump trucks which will require new parts and additional maintenance. Nelson noted this in vehicle expenses. She questioned the amount used for fuel costs and Johns replied 20%. McKay suggested this amount be increased to up to 40% for the final budget.

Yanish questioned connection fee calculations. McKay responded this is based on new construction and remodels with increased water lines. There isn't as much new construction and this is a projection. Sierra Colina has 7 new construction buildings. They will have 41 units in total, mostly duplexes.

Nelson requested an update on the old middle school property. McKay confirmed a church purchased the building, but no plans have been received as of yet. McKay speculates there may be asbestos in the ceiling tiles or flooring. Garden heard talks of lead pain throughout.

Yanish questioned Grant Revenue of $239K. McKay explained this is for the fire partnership. This is a grant funding received for Juniper project and allocated to KGID. Yanish offered for additional questions; there were none.

McKay noted that the General Fund has been touched on. Nelson requested review of the utility increase. Johns explained this includes 160 Pine Ridge and 298 Kingsbury properties which affect all of the funds. She noted this affects janitorial, equipment rental and building repairs. Parks verified this is offset in rental income. Yanish offered for any other questions on the General Fund. She confirmed that all of the funds have been reviewed. She offered for any additional questions or comments.

Parks questioned the narrative indicating cash balances of $20M and noted they are high. McKay explained that we are not a non-profit and we are a government entity. He explained that water and sewer funds are for profit and each fund is built up for large projects. Parks pointed out that there is $8M which is plenty of cash in the water fund and McKay estimated spending $4M. Parks added this cash should be considered during potential rate increases. McKay explained that water and sewer are fee-based enterprises funds.

Nelson noted that the newly constructed plant adds to our infrastructure. In response to Nelson's question regarding the water fund, McKay answered replacement costs for all water lines would be $250M. He provided an example of replacement cost over the life of the asset and estimated annual maintenance costs of $2M. He explained there is an old loop at Maryanne and Barrett that is an old AC line with asbestos concrete which will eventually have to be replaced for $3M-$4M. Garden added that seismic activity can also result in substantial damage to the water lines. Nelson suggested planning and the access to the State Revolving Fund for these types of projects. McKay noted that one loans are due to be forgiven in 2023 and 2025 which will free up debt service.

Parks questioned the timing for reviewing this information and McKay explained the hearing will be in May. He added that a motion to approve the Tentative Budget is needed at this time.

M-4/6/2021-2 - Motion by Nelson, seconded by Parks, and unanimously passed to approve the Tentative Budget for the Fiscal Year beginning July 1, 2021 and ending June 30, 2022.

Yanish offered for additional discussion and she offered for public comment. McKay noted there is no other comment present.

Yanish thanked Johns for the presentation, answering questions and taking notes for the final budget presentation.

PUBLIC COMMENT – Vogt noted she is out of town during the April 26 & 27 meetings to discuss candidates. She would like to connect via Zoom, if possible. She questioned if these dates are still needed. McKay explained that April 26 should be dedicated to discuss the candidates. Schorr added that he will also be out of town and Nelson suggested meeting the week prior. Vogt confirmed she is available other days that week and Nelson is also available on April 22-23. Schorr and Yanish agreed. McKay noted this meeting will take a few hours. He tentatively scheduled for April 22, 2021 at 9am. McKay stated he will confirm the meeting tomorrow via email. He will not be in town, but he is not needed for the meeting. In response to Parks' question, McKay stated they may want to reduce the candidates from 8 to 3 or 4, depending. Yanish suggested scheduling the meeting at this time and avoiding further discussion of candidates.

There was no other public comment.

ADJOURNMENT

M-4/6/2021-3 - Motion by Parks, seconded by Schorr, and unanimously passed to adjourn the meeting at 7:03 p.m.

Respectfully submitted,

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Natalie Yanish, Chairman

Attest:

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Darya Vogt, Secretary