

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
WEDNESDAY, AUGUST 19, 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 who led the pledge to the flag.

ROLL CALL – Present were Trustees Hayes, Peck, Treanor, Barratt and Schussel. Also present was General Counsel Scott Brooke, General Manager Cameron McKay, Business & Contracts Manager Michelle Runtzel and Operations Supervisor Eric Johnson. Present and for a portion of the meeting was Jennifer Roman and Mark Hoefler of JWA Consulting Engineers.

PUBLIC COMMENT – There was no public comment.

APPROVAL OF AGENDA

M-8/19/09-1 – Motion by Treanor, seconded Barratt, and unanimously passed to approve the agenda as presented.

APPROVAL OF CONSENT CALENDAR –

M-8/19/09-2 - Motion by Treanor, seconded Peck, and unanimously passed to approve Consent Calendar Item C as follows:

- C. Approval of purchase of security hardware from Burgarello Alarm Inc. to upgrade security at all KGID pump stations and storage tanks, and direct the General Manager to enter into agreements with Burgarello Alarm, Inc. for monitoring services on the above upgrades.

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION - Trustee Schussel requested two items A & B be pulled for discussion. On Consent Calendar Item A, Minutes of the Regular Board meeting of July 21, 2009, under Consent Calendar items brought forward for discussion, Schussel wanted to clarify that he was hoping that the graffiti incident would help us in the future to obtain fencing at the Lake Station. Runtzel will revise the final minutes.

On Consent Calendar Item B, Schussel asks about check number 43329 to TWSA payable to IVGID, Schussel asks whether this is one years dues in the amount of \$8,443.00, Barratt is also curious what this is for. The GM reports costs are going up, there is more public outreach and there is a lot of monitoring for source water protection and monitoring streams for coliform. Costs are based on each districts service area and number of customers. STPUD provides some subsidy but does not pull water from the lake.

Barratt asks about check number 43368 to First Bankcard with a detailed description of business lunch and fuel, and he asks what are business lunches? The GM reports occasionally we take consultants to lunch. Runtzel explains that Kim does her best to put a description on the invoice that is representative of the charges but we are limited with the accounting program to approximately 30 characters. Barratt confirms that business lunches don't occur on a daily basis.

Barratt also asks about check 43418 to Kingsbury Automotive and asks at what point do we look at replacing a vehicle versus continuing to repair. The GM reports that now we are tracking vehicle maintenance and repair costs so we can evaluate when it's better to purchase or replace a vehicle. Barratt asks if we are happy with Kingsbury Auto. Runtzel and McKay both stated that they don't take their personal vehicles there. Treanor reports TVHOA uses them for their business vehicles, and they take care of issues right away and are convenient. Barratt comments there are places on the California side but the GM reminds that we would have to pay sales tax. The Operations Supervisor added that there was several other items replaced other than what is listed in the description including batteries. Schussel adds that he takes his personal vehicles there and he is very happy.

M-8/19/09-3 – Motion by Barratt, seconded by Treanor and unanimously passed to approved Consent Calendar Items as follows:

- A. Minutes of the regular meeting of July 21, 2009 as revised
- B. Claims in the amount of \$866,978.30 as represented on the List of Claims by check numbers 43315 through 43435

UNFINISHED BUSINESS

DISCUSSION AND POSSIBLE ACTION ON OUT-OF-BASIN WATER ALLOCATIONS, AND THOSE HELD BY RANCHO PACIFIC, INC. REGARDING THE DISTRICT'S POSITION IN THE MATTER OF RANCHO PACIFIC V. DOUGLAS COUNTY, NJD CASE NO 08-CV-0166 AS DISCUSSED AT THE AUGUST 14, 2009 HEARING WITH JUDGE

GAMBLE – The Business & Contracts Manager provided a written historical report on this issue and reported on the hearing that was held on August 14, 2009.

The GM reported that he and the BCM attended the hearing and Mr. Brooke attended by phone. The judge ruled in favor of Rancho Pacific to toll time from 5/22/08 to 8/14/09, that amount of time is added for Rancho Pacific to obtain a Douglas County Building Permit. Brooke reports there isn't a written order by the judge yet but there will be. We explained we want a date certain that we can use. We are waiting for a written order and will then take action. The BCM reported that an architect called her who is working on plans wanting connection information and the GM reports that Dave Lundergreen of Douglas County has also heard that Rancho Pacific is going in for a building permit soon.

Brooke reports that the litigation between Heavenly and the project developer continues and there is also litigation between the seller of the project and Rancho Pacific. KGID is not involved in either of those suits. The district now has an order that protects it against Heavenly.

The BCM reported that after the hearing, Mr. Mollaff indicated these suits are far from over. Brooke agrees and comments everyone is losing money.

We want to delay any action on this item until we receive the written order from the judge. There was no action on this item.

DISCUSSION AND POSSIBLE ACTION ON OUT-OF-BASIN WATER ALLOCATIONS, AND THOSE HELD BY CLINT PURVANCE REGARDING THE ASSOCIATED IMPACTS TO MR. PURVANCE ON THE PREFERRED DEVELOPMNET OF APN 1319-19-802-007 DUE TO THE RANCHO PACIFIC V. DOUGLAS COUNTY, NJD CASE NO 08-CV-0166 – Mr.

Purvance holds two (2) water allocations for APN 1319-19-802-007 that were due to expire on May 25, 2009 after the board approved a one-year extension subsequent to the initial one year period in which to obtain a building permit. At the May 21, 2009 board meeting the board adopted the following motion:

M-5/21/09-11 – Motion by Hayes, seconded Barratt, and unanimously passed to direct the Business and Contracts Manager to delay, until further notice, any action as provided by the KGID Policy and Procedures regarding the Out-of-Tahoe Basin Water Allocations, against Rancho Pacific for their 50 allocations currently held, and Clint Purvance for his 2 allocations currently held, pending further instruction from the judge in the Rancho Pacific v. Douglas County Case No 08-CV-0166, and further board direction and bring back to board at the next regular meeting.

At the June 23, 2009 meeting, Purvance was unable to attend and the board approved the following motion:

M-6/23/09-6 - Motion by Hayes, seconded Peck and unanimously passed to continue the Clint Purvance Out-of-Tahoe Basin water allocation issues to the next meeting and notify Mr. Purvance to attend the meeting to present his case to the Board.

Scott Brooke provided the attached memorandum regarding Rancho Pacific and Clint Purvance at the June 23, 2009 meeting. Also included in the meeting backup is the letter from Mr. Purvance explaining the circumstances of his lack of performance on the building permit requirement and a map depicting his parcel and the two potential roads that can serve access for him.

There was some discussion, as reflected in the meeting minutes from last month, on whether Purvance should request to join in the Settlement Agreement. Mr. Purvance has again indicated that he has no interest in engaging in the suit, primarily, for monetary reasons. In the event that he is not provided an easement from Heavenly, nor allowed to use the public right-of-way through Heavenly's property per Douglas County, his project may not be financially feasible. The costs associated with accessing his property from Gasline Road, involve a significantly longer driveway access over one large slope with two switchbacks of approximately 450lf in length.

Mr. Purvance is expected to attend this meeting and provide topography of his parcel to allow the board a better insight as to his challenges. He estimates the costs for access from Gasline Road at approximately \$250,000. Based on the proposed Settlement Agreement and information he received from Douglas County, Mr. Purvance believed in February 2009 that he would have the ability to use the Douglas County public right-of-way through Heavenly's property. While he was preparing to submit, Mr. Purvance was told he could not submit a building permit utilizing access from the public right-of-way until the Rancho Pacific matter was settled.

Technically, Purvance is not involved, and Brooke believes it is prudent to wait for the judge's order in the Rancho Pacific tolling. Schussel still recommends that Purvance be provided the same tolling of time. Brooke believes that is a defensible position. Brooke believes the same argument applies to Mr. Purvance in that he could have always built on the parcel, but that he was advised by the county to wait for the new road Rancho Pacific is required to improve. Barratt reported that he would like to see Mr. Purvance attend the meeting to discuss further and was reminded that he did attend the last meeting when Barratt was absent. There was no action on this item.

NEW BUSINESS

SELECTION OF DISTRICT ENGINEERING CONSULTING FIRM – The General Manager provided the board with the following written background information.

Originally, 12 engineering firms replied with a Submittal of Qualifications. Of these, Stantec, AMEC, and HDR were cut, mainly because I felt they were too large to give KGID a more dedicated service due to their large size.

The first round of interviews consisted of Eco logic, JWA, Nichols, RCI, R.O. Anderson, TEC, and Walters Engineering. One firm, Lumos could not make either of the days the first round of interviews, and I felt that for political reasons I should include Farr West and HDR because of work they had just completed for us. These three firms were interviewed at a later date by office staff only. Therefore of the original ten applicants, 5 were selected to return for a second round in which more questions were asked and the firms were allowed to give a short presentation to the interview panel. These were: Farr West, JWA, Nichols, R.O. Anderson, and Walters Engineering.

This second panel included, Jerry Walker, Douglas County operations manager; Lee Schegg, Public Works Director, North Tahoe PUD; Michelle Runtzel, KGID; Eric Johnson, KGID; and Kevin O'Brien, owner of O'Brien Construction.

I was the facilitator and took my own notes independently. I was able to watch the interviewees from a different viewpoint and make my own decisions on the quality of the answers. R.O Anderson and Nichols gave weak presentations, while Walters seemed to run on without really answering the questions.

In the end it came down to Farr West Engineering and JWA Engineering. Of the five finalists, I felt that Farr West gave the best presentation and could easily assume the position of District Engineer.

After the interviews, three of the five panelists rated Farr West first with JWA second; one rated JWA first with Farr West second; and one rated Walters first with Farr West second.

Since the interviews I have spent a significant amount of time analyzing the two firms to decide who would be a better fit and keep our engineering costs at a minimum. Again, I have contacted references and other people in the industry who have known and worked with both firms in the past. Comparing the two firms side by side, I find that Farr West Engineering comes out ahead.

Typically, the decision to hire an engineering consultant should be based upon which consultant will provide KGID with the most comprehensive professional service and will best represent KGID outside of the District. Having said that, I did take the liberty of asking for a cost breakdown of their services and found that Farr West services are approximately 70% of JWA's costs. Below are charts from each firm showing their respective rate schedules.

Rate Schedule – Effective August 19, 2009 to December 31, 2010

FARR WEST ENGINEERING
2009 & 2010 HOURLY RATES

Classification	Hourly Rate
Principal Engineer	\$ 120.00
Senior Hydrogeologist	\$ 110.00
Project Manager	\$ 100.00
Project Engineer	\$ 85.00
Senior Inspector	\$ 85.00
Inspector	\$ 75.00
AutoCAD Technician	\$ 75.00
Administration	\$ 60.00

JWA Rate Schedule

CATEGORY	2008 KGID HOURLY RATES	2009 KGID HOURLY RATES	2009 STANDARD HOURLY RATES
Principal	\$155.00	\$160.00	\$175.00
Senior Engineer	\$140.00	\$144.00	\$154.00
Project Engineer	\$120.00	\$124.00	\$134.00
Project Coordinator	\$105.00	\$108.00	\$113.00
Engineer	\$100.00	\$103.00	\$108.00
Environmental Planner	\$100.00	\$103.00	\$108.00
Environmental Specialist	\$ 75.00	\$ 77.00	\$ 88.00
Senior Drafter	\$ 98.00	\$101.00	\$103.00
Drafter	\$ 65.00	\$ 67.00	\$ 72.00
Clerical	\$ 54.00	\$ 56.00	\$ 60.00

I have also included my comparison sheet for you to review and ask questions on.

The GM reports this has been a long drawn out and not an easy process. We interviewed a lot of firms. JWA made a very good showing and came in second according to all scoring. He brought a contractor on board on the second panel, and we got a lot of good information from a different perspective. We narrowed down from the first interview to 5 candidates. There were three good candidates at the second interview. Nichols put on a poor presentation. Peck asks what the number one reason he is recommended Farr West Engineering. The GM reported they were more team oriented and showed that they think outside the box. JWA and Farr West were the only two firms who did their homework for what our needs were. Farr West AB198 experience was far in the lead. As we go forward, it will be very important to get a good relationship with SRF and AB198. Projects with JWA will stay with JWA. Peck is concerned because he hasn't seen Farr West here attending our meetings. The GM asked him not to come to the meeting tonight. He didn't want a sales presentation. The GM is asking authority to work with general counsel to come to a two-year agreement.

Hayes thought we were picking a person that we would deal with that would help with picking and negotiating a firm, he thought we were picking an individual engineer. McKay says some work will be done by this firm but LT2 we would pick another firm to design. Farr West would be used a lot for waterline replacements. The GM doesn't want to get a proposal each time we are designing. Hayes wants continuity; our contact would be Brent Farr. Hayes thought we were somewhat disappointed with his past performance, got bait and switch. The GM's perspective is that with this type of contract, it would be managed differently than when we hired for an individual project.

Hayes wants language in agreement that Brent Farr is the main contact. Hayes thought there would be a single engineer at our meetings that is up to speed on our issues. A contract will be brought back to the board for review and approval by the board.

Schussel agreed with Hayes and thought we would be looking for a single engineer to look out for our interests. Treanor also had the same concept but comments she doesn't have a problem with a firm.

Board members asked staff who their top picks were. Runtzel added her biggest concern is that Brent Farr is a very good speaker and did a very good job during the interview and in previous presentations, however, we didn't really get the opportunity to get to know the local representative that works for Farr West who would potentially be the person stopping by or assisting the district in various tasks. He attended only one of the interviews and spoke very little and she wasn't very impressed with what we did hear from him. The GM believes that Brent Farr will be the main contact.

Schussel wants to be certain that something is written into the contract so that if we are unhappy, there is an out. Farr West will not charge us travel time per previous discussions.

M-8/19/09-4 – Motion by Hayes, seconded Treanor, and unanimously passed to allow General Manager and District counsel to negotiate a agreement with Farr West Engineering with a specific agreement identifying Brent Farr as the main contact person based on their submitted rate schedule and bring the agreement back to the board for approval.

Peck mentioned that we should add to the contract language that prevents a change in the main contact person without district approval.

BOARD REPORTS – There were no board reports.

STAFF REPORTS – Written staff reports from the General Manager, Business and Contracts Manager and Operations Supervisor were included in the meeting backup provided to the board. Bookkeeper, Kim Garon, provided draft financial statements as of June 30, 2009 and a cash position statement as of July 31, 2009.

General Manager Report – The GM reported tank 10 floor will be poured on Friday and board is welcome to go up and watch.

Douglas County Conservation Federal Land Bill - County is going to municipalities to ask what they want. An ideal place to build a treatment filter plant could be behind DCSID pump station at beach. They are trying to conserve land for public use. May need special use permits from USFS.

The GM mentioned that he and the BCM met with John Kearney of Summit Plumbing and we will be renegotiating a lower cost for CCTV work.

Station 4 – The GM has had discussions with Jack Sievers, owner of the property of Station 4, who wants to consider leasing the property as opposed to selling to the district. The GM believes at least this has opened the door for negotiations. Runtzel pointed out we were required to complete bmps on the property in accordance with a waterline replacement project TRPA permit and asks about possible condemnation. The GM wants to discuss further with Sievers. Hayes points out if he retains ownership, it is his responsibility to install bmps. Per Scott Brooke, we have a prescriptive easement on the property. The appraisal came in at \$39,000.

Regarding Trustee PER's, Hayes clarified with Brooke that we are in compliance with any legal issues and that those Trustees who are already in PERS are not disadvantaged by the fully employer paid PERS.

Business & Contracts Manager Report – Runtzel reported that the audit is going on this week, this is the last year under the contract with Grant Thornton and we will be seeking proposals this fall for coming years. We will not have single audit this year which will save us approximately \$9,000 in audit fees this year.

Palady Perkins – TRPA has signed off on the project so we will be receiving our security back.

09 Paving Project – Everything is now completed with the exception of the back portion of Tramway Drive which we are planning to schedule after the tank walls have moved to the tank site.

Operations Yard – Jennifer is still looking at whether we should build a straight concrete retaining wall or using pre-fabricated block. The contractor has indicated that costs for the prefab block would be significantly less than the original design. Jennifer comments that she thinks we still may be able to use the prefab block if we tie in geo grid on the lower portion of the wall to reduce load impacts to the septic system and leach field. We will still have some concrete for the headwall for the storm drain. Hayes asks if NDOT still want to use a joint basin, Runtzel believes they still have interest in helping construct a shared detention basin. Runtzel also explains we ended up with a significant amount of material from the tank job that originally wasn't planned for the site. If we can get the wall installed this year, we will be able to take more of the NDOT material. El Camino wants to give us as much material as we can take.

Tank 10B – Natgun will be pouring the tank wall and dome panels this week and plan to move and erect them just after Labor Day.

Barratt asked about the website development costs. The GM explained that when he came on board, we had a contract with Smith and Jones and as far as he was concerned, nothing had been done. He chose to hire another developer to design the website for approximately \$2,700. Barratt is disappointed we spent so much money for nothing.

Operations Supervisor Report – Johnson explained they repaired the hydrant at Hayes house. Hayes explained that his son left a car in neutral in the garage one night and it took a ride of its own and hit a boulder before taking out the fire hydrant. Runtzel reported KGID received payment from Hayes insurance for the claim.

Hayes asked about the ordinance revisions and the 10% standby charge while they were building. He believes we should charge 30-40% standby charge for the water being available. Runtzel explained that is not in the ordinances, that is the policy on the validity of connection permits. McKay responds we need to put it all together and he hasn't seen that policy yet. The GM thinks we should have one ordinance covering everything and have Brooke review to ensure we are legal.

ATTORNEY'S REPORT – Brooke updated that we have received a trial date in July next year for the Whitebark issue. At this time, there has been no ruling on the pending motion to dismiss the individual lot owners who have attempted to join in the case. He'll keep us informed. Discovery is continuing at this point.

CORRESPONDENCE - The following correspondence was received during the month, 1) Derogatory note from Wedgewoods regarding meters 2) Douglas County Sheriff report on activity at Bratovich Park 3) Motion to Dismiss Individual Homeowners' Counter-Claim concerning the Kingsbury GID v. Whitebark HOA, et al. 4) Bill to amend the Safe Drinking Water Act, 5) Letter to RHGID regarding the KGID and Douglas County study on Intertie and Treatment facility, and 6) Water Quality Objective for Pesticide Applications to Water.

Brooke doesn't think staff should be subjected to item 1 of correspondence and recommends that either we send it to the District Attorney or we send it back to the owner stating that if we receive anything like this in the future it will be sent to the DA office with a complaint.

ADJOURNMENT

M-8/19/09-5 – Motion by Hayes, seconded by Peck and unanimous approval the meeting was adjourned at 7:45p.m.

Respectfully submitted,

Larry Schussel - Chairman

Attest:

Carolyn Treanor, Secretary