

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, FEBRUARY 16, 2010**

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 Hayes.

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

ROLL CALL – Present were Trustees Schussel, Hayes, Treanor, Barratt and Peck. Also present was General Counsel Scott Brooke, General Manager Cameron McKay, Business & Contracts Manager Michelle Runtzel and Operations Supervisor Eric Johnson. Present for a portion of the meeting was Brent Farr and Ralph Wenzinger of Farr West Engineering, residents Natalie Yanish, Brent Knittle, William Cole, Robert McDowell, Bianca Kroettinger, Ursula & Volker Kroettinger, and contractor Mike Rohrer for the 381 Sherwood Drive property.

PUBLIC COMMENT – The GM asked to move the April board meeting schedule because he has time off booked and would like to move the meeting back to April 20. Treanor comments that the board meeting normal schedule was the third Tuesday each month. McDowell comments that we should try to keep it on the third Tuesday each month. Schussel states that in talking with his neighbors, they have no idea when the meetings are and he didn't think it was an issue. People usually call or ask someone when the board meetings are. Brooke comments it's not unusual to move meetings around for GID's because typically the public isn't very involved. We will change the April 22 board meeting back to April 20.

APPROVAL OF AGENDA

M-2/16/10-1 – Motion by Treanor, seconded Barratt, and unanimously passed to approve the agenda as presented.

APPROVAL OF CONSENT CALENDAR –

M-2/16/10-2 - Motion by Barratt, seconded Peck, and unanimously passed to approve Consent Calendar Item C as follows:

- C. Authorize the Business & Contracts Manager to approve Task Order #4 by Farr West Engineering in an amount not to exceed \$24,750, which includes a 10% contingency, for engineering services for the 2010 Sealing Project

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION - Hayes requested Consent Calendar Item A pulled and noted that on page 3 of the meeting minutes, third paragraph and last sentence, the GM stated that the loan would not constitute a rate increase. He did not make that comment so the minutes will be revised.

M-2/16/10-3 – Motion by Schussel, seconded Peck, and unanimously passed to approve Consent Calendar Item A, Minutes of the regular meeting of January 12, 2010 as revised.

Schussel requested Consent Item B is pulled and asks a general question about utility bills and whether we have seen an increase or decrease due to update equipment installations. Runtzel KGID Board meeting minutes 2/16/10

replies that in general the utility bills have increased each year likely due to rate increases so it is hard to tell whether any equipment upgrades affected utility bills.

M-2/16/10-4 – Motion by Schussel, seconded Treanor and unanimously passed to approve Consent Calendar Item B, Claims in the amount of \$707,824.12 as represented on the List of Claims by check numbers 44009 through 44145

There was no public comment.

UNFINISHED BUSINESS – There was no unfinished business.

NEW BUSINESS

ACCEPTANCE OF LETTER OF RESIGNATION FROM TRUSTEE STEPHEN PECK AND POSSIBLE SELECTION OF REPLACEMENT TRUSTEE – Steve Peck is retiring from the Board of Trustees due to the sale of his residence within the District. His letter of resignation is attached in this item. A year ago he was selected from a number of applicants and at that time he felt that he would run again for election for this position in 2010.

When the final selection was made, there were four finalists. I have taken the liberty of calling these finalists to inform them that this position has now reopened, to which they replied that they are still interested in filling this position. They are: Richard Kasa, Brent Knittel, Bob McDowell, and Natalie Yanish. (At the time of this report, I had talked to all but Richard Kasa. I left a voice mail message on his phone and am awaiting a call back.)

The reason for the urgency is due to any person wishing to run for election to the KGID Board of Trustees must register for election by March 12th. The selection of Steve’s replacement should be based upon a candidate’s willingness to run for election in November. Having said that, Steve’s resignation does not take effect until February 28th. The replacement trustee must be selected within 30 days of the resignation.

The GM reported we have potential trustee candidates in attendance from our search one year ago. The new filing deadlines for trustee candidates are now in March this year. We have 30 days from the date of Trustee Peck’s resignation to appoint a new trustee. We want to ensure that anyone that is selected should run for election for 2011. Schussel suggested that we should let everyone in the district know that there is a position open. From a legal standpoint, the board has the power to appoint a trustee without notifying all parties in a community per Brooke. Because the selection process was recent enough when Peck was appointed, Brooke felt it was acceptable to use the recent pool of applicants to make a selection. Schussel commented as one Trustee he would personally feel better about getting all residents notified. He believes it would make more sense to notify district residents who may not have applied in the past. Barratt confirmed that Peck’s resignation date is effective February 28, 2010.

We would have to have an appointed Trustee in place by the next meeting unless we had a special meeting per Brooke. Hayes thought it made sense to use the existing pool of applicants but understands Schussel’s concerns. Brooke pointed out that there are two other seats coming up for election that any interested persons could apply for. Runtzel pointed out that she sent notifications to all district residents of the upcoming filing deadline for the Trustee positions. This appointed position would only serve 10 times more than the new two positions will. Treanor comments we

looked extensively when Peck was appointed and she believes in shortening the procedure and using the applicants from the past round. Schussel again is concerned that there are possibly new residents or changed situations where someone else may be interested and is concerned that we should at least provide that opportunity to them.

Robert McDowell asks how the board feels about the candidates that are here tonight? If the board thinks there is a good variety of talents present amongst those present and they could be satisfied they could consider going forward. On the other hand, if the board feels there is a super person in the community, then consider waiting until next month. Hayes thinks if anyone were that interested they would be here. Brooke suggests that the board have its discussion and then open public comment so everyone could speak at one time.

Brooke comments that the board's action tonight is to either decide to move forward based on some criteria or to defer until next month based on some criteria and a motion should be made on how we are going to select the replacement. Treanor asks if Schussel is comfortable using the existing applicants from the last selection process. Schussel is just concerned on shutting anyone out that we may not even know about right now. Hayes thinks it would be different if the election wasn't coming so soon, but he is interested in seeing someone who shows interest by coming to the meetings even before they become a board member and he thinks we should move forward. Hayes acknowledges that these applicants have attended prior meetings. Schussel suggests that we have each interested person speak again to refresh the board's memory.

M-2/16/10-5 - Motion by Schussel, seconded Treanor, and unanimously passed that the KGID provide an opportunity for anyone interested in serving on the board now, to speak to the board tonight and answer any questions the board may have; the board is expecting that anyone interested will also file for election in March 2010 for the upcoming 4-year term, and; accept the resignation of Trustee Peck effective February 28, 2010.

Richard Kasa, one of the previous applicants was not present.

Brent Knittle reported he is a former Douglas County schoolteacher who owns 8 properties in the GID and manages 4 other properties, and feels he can represent the district fairly from the perspective of the smaller condos and larger homes both at the top of the mountain as well as lower Kingsbury. He is embedded in the community in strong ways and owns a business as well.

Natalie Yanish is a Sales Marketing Manager for Hard Rock since 2002 and has recently moved to Andria Drive but still owns a condo in Tahoe Village. She thinks she could see both points of view, as she owns a rental as well as a home. She loves the community and would love the opportunity to serve on the board.

Bob McDowell provided the board with a one page handout and advises he is a 34 year resident of Tahoe and has lived in district for 20 years. He's committed to community; love to be trustee to help guide a very successful organization. He already tried to file for election but found he was too early and can't until March. He has Served on other boards believes in consensus, and collaboration. He also served on TRPA APC for 12 years. Bob is retired and the chairman of Chimney Rock FSC including 550 homes. He's written grants and received over \$450K in grants for defensible space. McDowell was part of the Political Action Committee for TDFPD obtaining a tax override for fuels management work.

Bianca Kroettinger appreciates Schussels comments in looking out for all district residents.

Barratt asks Knittle – do any of his properties on top have landscaping, no. Any other business interest that would affect sitting on the board, no. Water rates and metering continues to be an issue here, any thoughts? Knittle responds it comes down to public opinion, education and buy in, need to move forward and come up with a grid to develop rates. Maybe consider some incentive for part time owners.

Yanish – her properties do not have landscaping, they have begun installing bmps and hope to install some landscaping. No business interests that would affect her participation on the board. Yanish believes the meter will require a lot of public relations, she comes from Colorado, water is always a huge issue, and everyone needs to pay something, a lot of variables to be considered. There is the argument of pumping water up to the top of Kingsbury costs more money. She believes it is very important to rely on staff input.

McDowell – His Chimney Rock home is landscaped. No business interests affecting decision-making. Water rates – the three board members leaving have been able to put it off long enough they wont have to deal with it. Decision has been made to go with water meters. Upset with charging for metered usage to the 130 properties, he was very involved going door to door to discuss the issue with neighbors. He has learned a lot about policy and law and believes the challenge will be how to fine-tune the charges on metering. Understands why we need water meters, a lot of different ways to look at it and unique circumstances to consider. Bottom line, public relations, education, and workshops. The more understanding we can get from our customers the easier decision.

Treanor comments that the fact that two board members with a lot of experience will be leaving, and she will be leaving, she likes the idea of having a senior perspective on the board, and thinks it might be a good thing, but she also encourages Knittle and Yanish to run for election in the event they are not selected.

The GM advises the board that Mr. Knittles entire resume was not included in the board packet inadvertently, it likely should have been two pages and only one was included in the packets, he apologizes.

Hayes asks Knittle what issues he's heard from neighbors? Knittle responds on the meter issue people have committed, (how is going to be attached to the billings, who pays, when will they go in.) He thinks snow removal hasn't been a problem this year.

Yanish responds probably 50/50 – after the meter workshop there was a lot of talk, new neighbors don't even know about it, they don't seem negative. There are a lot more full time residents on Andria and she would've thought more people would've known about the water metering. Some people always complain about snow removal, burms, she tries to educate people about that. Consecutive storms created more burms for residents to deal with.

McDowell hasn't heard anything about snow removal this year, he doesn't have any complaints, wished they had gates like in South Lake Tahoe. He was very active on meters the last time, has email address of neighbors and shared information back and forth. It appears KGID backed off until the entire district could be metered and everything went quite.

Schussel comments all three would be great candidates. Schussel hopes that whichever two candidates aren't selected tonight, that they file for election for the upcoming two seats. Treanor comments that any serious candidate should come to every board meeting even if not selected tonight. There was some discussion on whether to have the candidates voluntarily step out of the room or continue discussion with all present.

M-2/16/10-6 – Motion by Peck, seconded Treanor and passed to appoint Robert McDowell to the KGID Board of Trustees for the remaining term ending December 31, 2010. Barratt votes nay.

Hayes thinks all of the candidates are qualified. Barratt agrees that they are all good candidates but notes that Mr. McDowell is not his first choice; he believes the other two candidates bring a different balance. Peck comments he believes Mr. McDowell has more time to devote to the board than the others might. Barratt disagrees and notes that Mr. Knittle is self-employed and has time also.

REQUEST BY PROPERTY OWNER OF DOUGLAS COUNTY APN 1318-22-002-002, 346 EUGENE DRIVE TO REDUCE THE JANUARY 1, 2010 BILLING IN ACCORDANCE WITH KGID WATER ORDINANCE # 2.17.1 FOR A WATER LEAK THAT OCCURRED IN DECEMBER 2009 – Mr. Tom Castenada of South Shore Tahoe, LTD provided the attached request for board consideration to reduce the January 1, 2010 water billing for water used in December 2009 due to a leak found and repaired at the property.

KGID Water Ordinance 2.17.1 states as follows:

2.17.1 APPEAL FOR RELIEF FROM EXCESSIVE WATER CHARGES

When a metered customer, through no fault of their own, has incurred an excessively high water bill due to freezing and breaking of water lines or other unavoidable circumstances, and the detection and correction of such a break could not have reasonably been accomplished in time to avoid the excessive water usage, the customer may appeal for relief as follows: A written request for relief shall be made explaining the circumstances for the excessive water use. The Operations Superintendent will review the matter and determine if the high water use was a result of an undetectable condition and was not a direct result of negligence or inattention of the property owner. If it is determined that the usage was unavoidable, the District will bill the overage charge for the first 150,000 gallons in excess of the customer's average water usage at the current District rate. Any excessive usage above 150,000 gallons will not be billed.

Mr. Castenada notes in his request that management noticed water adjacent to Rabe Meadow but didn't think much of it at first because this is somewhat normal. After 3 weeks of standing water they called Summit Plumbing to investigate. Summit was able to locate and complete the leak repair on December 24th.

Average water use at this property is calculated as follows:

December 2008	1,091,000
December 2007	757,000
December 2006	<u>1,118,000</u>
Total	2,966,000 divided by 3 years = <u>988,667</u> Average December Usage

According to ordinance 2.17.1, KGID can waive excessive usage over 150,000 gallons above the average usage. This would be calculated as follows:

January 1, 2010 billing	1,358,940 gallons
Less average usage	(988,667) gallons
Less minimum gallons per ord.	<u>(150,000) gallons</u>
Amount to be waived	220,273 gallons @ 5.48/1000 gallons = \$1,207.10

In discussions with Eric Johnson, the location of this leak was not one that would be easily identifiable because it was located adjacent to Rabe Meadow, which is routinely a wet area. Eric noted that the property likely has several leaks. In December 2009, KGID staff installed a radio read at the property and since the reads have indicated possible leaks on both the January 1 and February 1 billing. Because there are so many mobile homes on this line, it is difficult to identify whether there are truly leaks or if the demographics of the household users are such that the system identifies usage as leaks. It is possible that as the result of the repair of this one particular leak by Summit Plumbing, usage patterns will decrease significantly. The February 1 billing for usage in January 2009 indicates that only 556,000 gallons were used during the month, significantly less than normal or average usage.

It is recommended that the board approve a waiver of \$1207.10 in water service fees incurred on January 1, 2010 in accordance with KGID's water ordinance. At my direction, South Shore Tahoe, LTD paid the January bill before the end of the month; therefore no penalties need to be waived.

The BCM reported Mr. Castenada is not present and notes that she provided the Water Ordinance #1 language that pertains to this issue. She noted that the GM provided a supplement to her report that he will discuss. Runtzel stands by her calculations of the credit based on her interpretation of the ordinance. This calculation is how the ordinance has been applied in the past for customers with previous water leaks.

The GM states his problem with this is "what is unavoidable?" They are supposed to have maintenance personnel that are inspecting the property. Was it the intent of the ordinance to deal with commercial properties or was this for a single homeowner that it would have more impact on? The averages that were used, the GM reports we don't know if the park was full, how many people lived there, was it mostly vacant? He has heartburn with this because it costs us money to make that water and in turn that burden is placed on our residents. Giving them credit back doesn't provide incentive to repair leaks according to the GM.

Schussel comments that this credit gives a little leeway for the customers and clarified the circumstances around the leak with staff input. These water lines are private and old. Johnson reports that since he's been here, the owners have always had issue with the billings. Had this leak occurred on the other side of the park, it would have been noticed right away per Johnson. We do believe this system leaks continually. Johnson reports that in this instance, confirming that there was a leak there would have been hard to tell, he didn't see the leak prior to the repair.

Barratt asks about the discrepancy in the amounts between the BCM and GM's calculations and asks if we are in agreement that there should be a credit. The GM reports he is not saying that at all, he just believes if credit is given it should be lower than the BCM's calculations. The GM believes that we shouldn't allow the deterioration of this system to be our responsibility. Barratt confirms with the GM that if a credit is given the GM recommends a 150,000-gallon credit at the \$5.48/1000 gallons. Runtzel disagrees with the GM's interpretation of the ordinance which clearly states that

you will charge them for the first 150,000 gallons and not charge for usage over 150,000 gallons above the average usage. In practice, Runtzel informs that any time we use averages to calculate lost revenue, or for consideration of this credit, we use a 3-year period to calculate averages.

Barratt asks if Johnson has made the determination that the leak was undetectable or was not a direct result of negligence or inattention of the property owner. Johnson responds it is difficult to say because he was not made aware of the leak until the leak was fixed. Schussel speculates that since the ownership changed, the trailers will be removed and the lines will be removed so he speculates that the owners would not spend money updating the system. Runtzel pointed out that since the leak was repaired the January usage was approximately 550,000 gallons, a significant drop.

Hayes asked if this is a commercial ordinance and the GM responded this is the general water ordinance. Runtzel pointed out that at the time the ordinance was approved in 2003, there were very few residential properties that were metered. Hayes asks if most customers monitor these things or do they wait until the end of the month to see what the bill will be? Runtzel replied that typically they wait until the end of the month. Treanor believes the ordinance was followed in the right manner regarding the Appeal for Relief from the BCM and we should follow it. If we want to remove that section of the ordinance, we should do that. Schussel believes excessive water use should be looked at on an individual basis. The GM believes this would subsidize a lack of maintenance and knowledge in maintaining a system. The GM will look to remove this item from the new ordinances.

Barratt asks was there negligence and if not, what is the proper relief to give. The leak was on a saddle that broke. There was also snow on the ground according to Johnson. Brooke comments that he believes the burden is on the property owner. The Superintendent cannot make the determination that it was unavoidable because he doesn't have the information.

Hayes doesn't believe the owner provided any information that shows us that this was not negligent. We could ask for more information from the owner. Runtzel noted that the property owner stated in their letter that they noticed water and didn't think much of it because it's commonly a wet area and three weeks later; they investigated it further and repaired the leak. Johnson comments that it was a water line break, not unavoidable, was it undetectable, he doesn't know because they didn't call during this to see if something else was going on. The GM points out that the break may not have been unavoidable but the time it took to repair the leak was. Runtzel reports when she spoke with Johnson on this issue, he had reported it was similar to the 555 Buchanan leak last year that you could not easily see the leak driving down the road, Johnson confirmed.

Brooke comments any deal is totally within the board's discretion, the board could deny the claim for lack of attendance, or we could continue it and ask they are present and present their case.

M-2/16/10-7 – Motion by Schussel, seconded Barratt and unanimously passed to deny the request for any relief. Not enough information provided and lack of presence.

Farr comments it is more unusual for a board to grant relief for excessive use. Hayes would have liked to see more information from the property owner.

REQUEST BY PROPERTY OWNER OF DOUGLAS COUNTY APN 1318-23-710-067, 381 SHERWOOD DRIVE TO PAY DAMAGES TO PRIVATE PROPERTY FROM A MAIN

WATER LEAK THAT OCCURRED ON OCTOBER 17, 2009 – On October 17, 2009, the 4-inch water main located in the street just in front of 381 Sherwood Drive broke during the night, eroding a portion of the structure of the driveway going to the property. As soon as the leak was reported the water crew responded and the leak was repaired.

Upon learning of the leak, I went with Eric to study the damage and reported the damage to our insurance company. The homeowners were also contacted and eventually the insurance companies (their Farmers Insurance and Pool/Pact) came out and inspected the site and to investigate further into the damage.

The Pool/Pact declined any responsibility for the leak and subsequent repairs because they said that the leak was not caused by any negligence of KGID.

Farmers Insurance also denied the claim for the reasons stated in the attached letter.

This is not the first water main break that has happened adjacent to this property. The first one happened in 2006 just up the street and also caused erosion to the property and driveway structure. The homeowner decided at that time that they would replace the complete driveway structure and not worry about asking for any costs be reimbursed from KGID.

Since this leak, the water line in this area has broken one more time, just last week.

I am including the estimate and some pictures with this item for your review.

The Owners are present as well as the contractor who completed recent improvements. Major damage due to a water leak according to the GM filed report with pool/pact who investigated and denied the claim. Homeowner insurance carrier also denied the claim. Our insurance determined that there was no negligence by KGID to cause the break. There have been several leaks on that line in the last couple of years.

Mr. Rohrer reported in 2006 there was a leak and caused some damage, the then owner asked for costs to repair the driveway. They pulled a permit in 2009 and completed about \$60,000 worth of work there. Approximately one month later when the water main broke again, it undermined the new footings that were installed. They had an engineer come out to inspect damages and based on the engineers recommendations the contractor provided a new estimate to repair the driveway.

Schussel feels this wasn't our fault because things do break; it can't be our responsibility, however he does feel that we need to do something for these homeowners. The contractor asked what was found when we repaired the pipe. Johnson reported this was an ac line, the line simply breaks, and it doesn't have small leaks. There was no change in pressure in this instance. The repair was made with a full circle repair band, stainless steel band with rubber to connect the pipe.

Mrs. Kroettinger asked how old the pipe is and when it was installed. We are guessing it was installed in the 60's. Kroettinger comments that the expected life of the pipe is 50 years under optimal conditions and 20 years for non-optimal conditions. She believes KGID did not maintain the pipe. The GM was actually surprised when our insurance denied the claim.

Barratt asks to have our insurance to reconsider the claim. Hayes comments unless it's negligent on our part, we are not liable. Brooke confirms this is state law. Johnson explained that the two KGID Board meeting minutes 2/16/10

pressure relief valves were not open on that day; therefore, we didn't have a high-pressure issue. These valves are not monitored on a 24/7 basis, but are monitored and maintained quarterly.

Mrs. Ursula Kroettinger believes we were negligent for not monitoring our pipes and felt that the response time took too long. The neighbor called in the leak because the owners were not home. The neighbor reported it had been running for some time. Bianca Kroettinger believes that the pipe has been in the ground and not maintained too long. Runtzel explained that we have spent approximately \$15 million replacing waterlines so far including a water tank. Peck comments that the homeowner appears do have done a lot of research, but asks whether she has researched how much ac pipe is in Lake Tahoe. Peck advises that there is probably more than 100 miles of ac pipe here. All utility districts are going through the process of replacing this pipe; it is not like we are neglecting it, it is a process of prioritizing the replacement schedule and funding them. Peck asks the contractor how close he was to the pipe when he was working. Rohrer replies probably within 6 feet. When we replaced the road, the paving contractor caused one leak because of the compaction equipment.

M-2/16/10-8 – Motion by Schussel, seconded Peck, and unanimously passed to go back to our insurance and request a hearing and have them review the claim again.

McKay will contact insurance company to see what the protocol or process is to request a hearing on this issue.

WATER METERING PROJECT – PROJECT STATUS UPDATE, FUTURE RATE SETTING PRESENTATION AND DISCUSSIONS AND OTHER RELATED MATTERS –

This is an explanation of how rates are designed as requested by the Trustees. To eliminate confusion, residential rates only are shown. We know what the commercial usage and revenue is because all commercial properties are metered. Some usage assumptions are used in the design of water rates. These are necessary in order to come up with the first set of numbers. Only after meters are installed and firm usage numbers established can a more accurate and detailed rate structure be built.

When designing rates, you start first with *what revenue do we need to at least meet the current needs plus what will we need for future reinvestment into the water system.* As you can see by the attachments, even though we will meet the thresholds set by the BFWP, the overall revenue will not increase significantly.

There are three different scenarios or options shown here. Option #1 benefits the lower end water users. Option #3 benefits the higher end water users and option #2 splits the difference. All options meet the 2% MHI level stated by the Board for Financing Water Projects threshold of approximately \$85.00 for 15,000 gallons of water usage.

There are at least two distinct user groups within the District. Single-family residences are typically the higher users due to the amount of irrigation water used during 5 months of the year. During the winter months they typically use considerably less, +/- 5,000 per month depending upon personal requirements.

Multi-family residences typically use around 5,000 gallons per month throughout the year because of their geographical location and lack of need for irrigation.

The third group is the second/vacation homeowner whether they are single or multi-family residences. These typically use <5,000 gallons per month for all but 2 to 3 months of the year. All of this must be taken into consideration when designing rates in order to find a rate that will allow all users to share the revenue burden equally.

It must also be remembered that what you see here is a concept of what future rates may look like. If you use water you will have to pay for it. Currently with a flat rate, the low water users are subsidizing the high water users.

Also, when rates are finally set after we have a significant amount of meters installed, public hearings will take place as dictated by law. I know that statements have been made in the past that no meter rate will be instituted until the whole district has meters installed. This will most likely not be possible due to difficulties in some areas.

There is nothing wrong with changing your mind after more information is brought forward. As was brought up in the last meeting, if you tie yourself to a 100% completion level, you will tie your hands on reaching your goal.

The rates you see attached are not set in stone, and should not have any bearing on the decision to install the meters or not. Without the meters in place, future upgrades to the water system including LT2 will be in jeopardy. Failure to meet requirements of NDEP on these may put the KGID water system out of compliance at which time the NDEP has the authority to step in and mandate upgrades within a certain timeframe with no regard as to where the money needed will come from. That would have a severe impact on the residents of this community.

Farr provided a presentation showing potential rates to show the public in a future workshop. He has provided three different options to structure rates. Parameters to work within include the revenue requirement for the residential customer class of approximately \$2M. To follow ratemaking we need to follow fixed and variable costs, and for these comparisons an assumption of 2/3 fixed and 1/3 variable costs was used. Policy from State Board for financing water projects is requires approximately \$85/mo for 15,000 gallons is another parameter to meet. Conservation incentives are required and equity needs were considered. Farr went through each of the three ratemaking scenarios.

Tiered rates are the same, typical indoor water use. 20,000 gallons is average summer water use in this district according to Farr. The difference between Residential Class 1 and 2, class 2 includes mobile home parks and apartment buildings. The GM comments this is the theory of a rate making process, we are basing everything on residential Class 1. Class 1 is single-family homes, condos, duplexes etc. Barratt comments that he understood the intent was to install a water meter at every single unit understanding that there will be some exceptions. Farr explains that mobile homes will not be individually metered because they are currently master metered. Farr says it is easy to do away with the Residential Class 2.

Ultimately the rates will increase because of our capital improvement plan according to Farr. Hayes has a problem with this and wants the rates set for expenses as they are now, if we have to raise rates in the future for capital improvement projects, then we will deal with that then. We have to be transparent now and go to the public. Hayes doesn't want to build in rate increases now. The GM points out that the rates will go up 25%. The rates jump from \$63 to \$85 is over a 25% increase. Runtzel points out that is only if you use the 15,000 gallons. An average usage for a condo user is

less than 5,000 gallons. Option 1 favors the low end user and Option 3 favors the higher end users.

McDowell asks if the calculations are for normal operations or if it includes capital improvements. Farr explains it is based on the revenue requirement needs, which includes depreciation. Hayes asked for analysis to see how the rates played out meeting our revenue requirements with a slight cushion. Hayes wants to see the plan before spending the money on the project.

Hayes asked why Farr didn't try to hit the same target revenue for each of the scenarios and Farr explained that because of the requirement to hit the 2%MHI, he was somewhat boxed in. Barratt believes we need to focus on this with the public. We may not get grant funding and may have to review rates again in several years and possibly lower them per Schussel. Farr points out to the board that the current commercial metered rate is significantly higher than these proposed tiered rates.

Farr comments we all want to be on the same page when we go to the public. Schussel believes there may be some tweaking needed on the scenarios so that there is some middle ground. The GM reports that water use will go down when we actually implement the rates.

Residential water was calculated by taking total water pumped less metered usage. They made an assumption that only about 7.5% was used in the third tier even though in Susan's investigations it was typical for users in this tier to use 12-15%. The GM explained the averages calculated on the last table, which assumes a certain usage of summer usage for 5 months and then assumes 5,000 gallons in the winter months. With Option 2, the average bills would be a 50% increase compared to the current flat rate.

The GM asks Hayes if this clarifies a lot of things for him? Hayes likes to see the numbers to see where he is going and notes that this is obviously nowhere near what we currently have in the ordinance. The GM says we will be changing our ordinances and have public hearings. Meter rates should be dealt with on their own. Hayes is concerned because we have existing ordinances that are meaningless and need to be changed.

Hayes asks how this will affect commercial metered rates? The GM replies that usually if you increase your residential rates you then increase commercial rates by the same percent. The GM reports that one of the reasons commercial pays more is because they can't right it off. Farr has a different perspective; he believes you have to have equity in the rates. By imposing a residential metered rate we are creating more equity between the residential and commercial class. The GM looks at it as the commercial users basically resell their water. Most commercial usage is used internally, a few have irrigation but it is not significant.

McDowell asks when meters are installed will the district wait to charge for usage. We will wait for some period of time before charging for usage per the GM. We will try to provide education materials for the public regarding conservation.

Farr reminds that at the last meeting we talked about how to move forward. We will not impose rates until the district is metered. The idea of coming up with these rates is to provide customers with information to see what their bills may look like. The GM reports we will have a public hearing in 90 days. Hayes thinks we need to pick an option and make it a very clear presentation on where we are going. This way the customers will know it's coming. Schussel thinks the people who don't have meters currently will have a hard time estimating. Treanor would like to see a

simple presentation with not as much information and provide average calculations, possibly based on square footage of lawn. Property values are affected by lawns and irrigating also. We can show typical numbers of usage for public comparison.

Barratt is on board with Option 2 provided that some of the numbers may be tweaked. Consider lowering the rate for the first 5K or increase the rate for the second tier. Schussel thanks Hayes for spearheading this issue and he thinks we have a much better idea of where we are going and he appreciates Hayes efforts. Treanor agrees.

Hayes wants this on the agenda for next month to take it farther. Farr can present a depiction of what we would show the public when we get to the hearing process at next months meeting. Hayes wants the board to keep going over this. He is suspicious of how the rates were cut in half and it still works. Runtzel pointed out that the base rate is \$10 higher than the original proposal was, meaning that the condos are still supplementing the revenues. McDowell hopes that the board will make sure to share why we are doing this with the public. He believes the reason it has quieted down is because KGID has backed off of implementing the rates.

ADOPTION OF RESOLUTION 2010-2, RESOLUTION OF INTENT FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS IN ASSOCIATION WITH A LOW COST LOAN FROM THE NEVADA STATE REVOLVING FUND FOR THE INSTALLATION OF WATER METERS

– The GM reports this is the next step in the process to receiving a low interest loan from the Nevada State Revolving fund for the installation of water meters. The Debt Management Commission has approved this proposal. Adopting this resolution will start a 90-day period in which residents may file a petition against the continuance of this process without an election. At the end of the 90 days, a public hearing will be held on the matter. With the adoption of this resolution, a notice will be placed in the *Record Courier*. The notice can be seen on pages 7 and 8 of the resolution.

M-2/16/10-9 – Motion by Peck, seconded Barratt, and unanimously passed to adopt Resolution 2010-2, A Resolution of Intent for the Issuance of General Obligation Bonds, in association with a low cost loan from the Nevada State Revolving Fund for the installation of water meters.

THIRD AMENDMENT TO THE KGID POLICY AND PROCEDURES REGARDING THE OUT-OF-TAHOE BASIN WATER ALLOCATIONS – Runtzel prepared proposed revisions to the policy and provided to General Counsel and the General Manager for review and comment.

Runtzel explained that in working with this policy for the last several years she has found some items that needed to be addressed. She felt it should be clear that an application would be rejected in the event that the number of requested units exceeded the allowable buildable units for any parcel. Also, under item 6b, an applicant should only be issued water allocations that are sufficient to begin a construction project. She and Brooke had a discussion last week regarding this and suggested we contact the county and see if we could receive any documentation allowing the phasing of a project. We may want to make a minor change in the language in the event the county can provide this documentation.

Hayes asks if we have dealt with the issue of having more than one application for the same project and Runtzel believes the 6a language deals with that. Runtzel proposes the board approve revisions allowing a minor change to be made between legal counsel and the BCM.

Brooke suggested revising the language for mediation as opposed to arbitration; he believes this is the best way to handle any issues. Treanor asks if an excavation permit is the same as a grading permit, Runtzel replies they are. Brooke comments it is not a structural permit.

Schussel asks if Mr. Cole has any comments. His main concern is related to the connection fees and he wants to ensure that connection fees are refundable. Cole is concerned that if KGID determines he is not making progress, that KGID could keep the fees. Runtzel believes that there aren't any situations in which KGID would keep connection fees. If you lose a building permit or it lapses or is pulled, the water allocations would revert back to the district and she doesn't believe KGID should keep connection fees for something that might not ever be able to be built because of our out-of-basin limitations on allocations available. Our policy on the validity of connection permits does have language that in essence states that if there is a lapse in a building permit KGID will hold the connection fees paid until such time that a new building permit is issued and the owner is subject to the then current connection fees. KGID would provide credit for the previously paid fees. In the case of out-of-basin allocations, KGID should not hold the connection fees because there is no guarantee that allocations would be available in the future for building.

Brooke recommends that the Policy on the Validity of Connection Permits should be revised to deal with the refunds of connection permits. Runtzel will provide revisions to this policy to clarify that out-of-Tahoe basin water connection fees will be refunded.

M-2/16/10-10 – Motion by Peck, seconded Treanor and unanimously passed to table this item until the next meeting and at that time to also provide revisions to the Policy governing the validity of utility connection permits for board consideration.

BOARD REPORTS –Barratt continues to be contacted by Bill Kolstad who wants to know if we received the marked to market information on investments he requested last spring. The pool did answer the immediate questions. McKay has the pool/pact renewal on his desk.

STAFF REPORTS – Written staff reports from the General Manager, Business & Contracts Manager and Operations Supervisor were included in the meeting backup provided to the board. Bookkeeper, Kim Garon, provided cash position statement as of January 31, 2010 and financial statements as of December 31, 2009.

General Manager Report – GM reports he met with Jennifer Carr of DWSDW and they have indicated that they want to fast track our intertie project for potential funding because of their interest in the potential consolidation of the two water systems. Per the GM unofficially, Douglas County doesn't want to be in the water business. He expects the County will eventually come to KGID and request we operate their water system.

Business & Contracts Manager Report – Runtzel had nothing to add since the writing of this report but would be happy to answer any questions. Hayes confirmed that we are moving ahead with building a wall at the operations yard. Runtzel advised NDOT plans to bring a significant amount of dirt in this year.

Operations Supervisor Report – Barratt asked about Vosburg's injury. Johnson explained the circumstances and the preventative measures we are taking. We are building work platforms to provide a place to stand while maintaining the generators. Also looking at installing grip tape inside

so they are not so slippery.

Hayes asks if the sweeper is paid for and whether we will look into purchasing a new one, yes.

Schussel asked whether the impeller for the Station 2 pump was the same diameter, yes, it increased our flow by changing it out.

Schussel also asked about the Lakeside Inn meters, he has the impression that there have always been problems with the meters. Johnson indicated we are in the process of replacing the meters and now have an understanding how Lakeside is plumbed.

ATTORNEY'S REPORT – Still waiting for agreement from WBHOA and we were told by their attorneys that they have had trouble communicating with their clients and they hope to get back to us soon. We don't anticipate any problem in finalizing the agreement. Brooke complements the look of the new tank.

Rancho Pacific – there are efforts to try to rescind the settlement agreement by all parties. There has been no indication by the court yet on whether or when that may happen. Heavenly is urging that the entire issue go back to square one, Rancho Pacific is urging that they simply eliminate the condition and Brooke doesn't know what Douglas County's position is.

ENGINEER'S REPORT – Making progress on the meter project itself, goal is to have two areas metered by the end of this season. Barratt and his building residents have volunteered for a water meter. Rates seem like they have come down tonight, hopes we are on the right track. Hayes encourages staff to keep working on this. McKay states he didn't understand exactly what the board was asking for.

CORRESPONDENCE - The following correspondence was received during the month 1) Summary of Claims from Scott Brooke, 2) Letter from Tahoe Douglas Fire Protection District regarding snow thrown onto fire hydrants, 3) Sanitary Survey response, 4) Letter from JM Ranches regarding the upcoming lease and space available, 5) Letter from McKay to JWA regarding road projects, 6) Letter to USACE regarding 369 Summit Drive, 7) email from JM Ranches regarding bay lease rate, 8) Sierra Contractor Source cover-page picture of KGID Tank 10B

ADJOURNMENT

M-2/16/10-11 – Motion by Treanor, seconded by Peck and unanimous approval the meeting was adjourned at 9:57 p.m.

Respectfully submitted,

W.R. Hayes –Chairman

Attest:

Brett Barratt, Secretary