

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
THURSDAY, JANUARY 22, 2009**

CALL TO ORDER – The meeting was called to order at the Kingsbury GID office located at 160 Pineridge Dr., Stateline, Nevada at 6:00 p.m. by the acting Chairperson Treanor who led the pledge to the flag.

ROLL CALL – Present were Trustees Hayes, Barratt, Treanor and Schussel. Also present was Legal 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 were Trustee applicants Brent Knittle, Bob McDowell, Natalie Yanish, Ooli Haskins, Richard Kasa, Robert Albertazzi, Stephen Atkinson, Jeff Bryan, Eugene Geyer, Stephen Peck, Marc Sieben, Vince Travens, Darya Vogt, and William Ward. Jennifer Roman of JWA Consulting Engineers, Jim Beattie and Robert Cook were also present for a portion of the meeting.

ELECTION OF OFFICERS –

Motion by Treanor nominates Schussel as Chair and Hayes as vice chair. Barratt seconds.

M-1/22/09-1 – Motion by Treanor, seconded Barratt and unanimously passed to elect Trustee Schussel as Chairman and Hayes as Vice-Chairman for 2009.

M-1/22/09-2 – Motion by Schussel, seconded Barratt, and unanimously passed to elect Trustee Treanor to fill the Secretary/Treasurer position for 2009.

PUBLIC COMMENT –There was no public comment.

APPROVAL OF AGENDA AND CONSENT CALENDAR –

M-1/22/09-2 – Motion by Hayes, seconded by Treanor and unanimously passed to approve the Agenda and Consent Calendar items as follows:

- A. Minutes of the regular board meeting of December 16, 2008 as written.
- C. Approve proposal from JWA Consulting Engineers, Inc. for engineering services for the 2009 Paving Project

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION - Schussel pulls Consent Calendar Item B and asks about check 42410 to Sierra Electronics and whether the invoice includes the cost of the radio, which was confirmed. Also, check 42427 to Garcia Excavating and release of retention. Runtzel informed that the 2008 Paving Project has been completed and all terms of the contract have been fulfilled. Hayes asks about check 42401 to HDR Engineering, for LT2, he thought we hadn't hired a firm. McKay informed that this is for preliminary work on feasibility options for LT2.

M-1/22/09-3 – Motion by Treanor, seconded Barratt, and unanimously passed to approve claims in the amount of \$695,138.67 as represented on the List of Claims by check numbers 42384 through 42568.

UNFINISHED BUSINESS –There was no unfinished business.

NEW BUSINESS –There was no new business.

APPOINTMENT OF TRUSTEE TO FILL VACANCY OF RETIRING TRUSTEE (S)

COOK/BEATTIE INCLUDING A BRIEF BREAK AFTER SELECTION TO SWEAR IN THE

NEW TRUSTEE – Staff provided the board with an alphabetical listing of interested residents as well as any letters or resumes provided to indicate interest in fulfilling the vacant trustee position. Additionally, a questionnaire was provided to each of the applicants and returned to staff on Wednesday. The GM and BCM reviewed all applicants and provided a recommendation list of four applicants for the board's consideration.

Schussel thanks everyone for their interest and reports there are 14 to 15 people interested in the position. Trustees were surprised at the experience and knowledge. This is a two-year appointment. After the two years there will be three positions available on the board. So if not chosen this time, other positions will be available in the future. Will hear from applicants alphabetically and everyone can speak for a minute or two.

Mr. Albertazzi – Has nothing to add, believes board has everything they need. Hayes asks about the small business experience. He owns a small interior decorating business. Hayes asks to elaborate on contact with staff, he feels staff provides additional information on issues and feels he would rely on staff on input and background. Treanor asks when referring to staff, who is he speaking of? Permanent staff. Treanor asks when position became available, why didn't you apply for the election? Not sure, he missed the filing timeframe. Barratt asks if he has been to any of the KGID meetings? One several months ago.

Stephen Atkinson – Nothing to add, happy to answer questions. Barratt asks if he's attended any meetings in the past. Atkinson replies, no. Schedule would allow him to serve at this time. Treanor, when position up for election, was there any interest? Perceives himself as a capable board member but not a politician. Hayes asks of his response to the metered question of "yes" with no elaboration. He felt his response was appropriate. Barratt asks if he agrees with a pay for what you use system? Yes.

Jeff Bryan – No questions, happy to answer any. Treanor asks about his comments on relationships to staff. Referring to staff, he would talk to anyone that knows more than he does. He would do anything he can to learn more. Barratt asks about his severing on other boards, Bryan comments they are private committees/boards. Casinos have various boards or committees; he's sat on several throughout the years. Hayes – recession affecting agencies, do you have philosophy on lowering rates? We have to be careful to allocate for the future, there may be funds available from stimulus plan, need to be sensitive to everyone. Treanor asks how many meetings have you attended? One.

Eugene Geyer – He comments he's lived in the district for 34 years, ran two years ago, hopeless against Mr. Cook, didn't know they were leaving or he would have put in again. Hayes questions his response to the questions that he has knowledge of problems and has some ideas. If companies bid a job, they should stick to the bid, snow removal, contractor shouldn't have overruns. Hayes, BMP's, he feels everyone should install their bmps and help with erosion control. He agrees with some of the things TRPA does, but clarifies he doesn't want KGID to take on bmps. Treanor asks about a plan for lowering rates for seniors? Mr. Geyer admits he has no plan but with economy the way it is we should tighten up the belt.

Ooli Haskins – no questions for board, happy to answer questions. Schussel confirms he works for Folstad Construction. Hayes asks about questionnaire statement to help voice issues to community? Mr. Haskins and his wife have been hear a long time. He can bring complaints or be a middle ground for customers. He also proposes to help get more people involved. Treanor – how many meetings attended? This is first, he just bought house in district 3 months ago. Barratt asks if he's had any opportunity to serve on other boards? No.

Richard Kasa – No comment, report is comprehensive. Schussel asks about Bella Vista HOA, where is that? Wingfield Springs in Sparks, he has second home, when developer reneged on commitments, three on the board were successful in holding developer responsible. Barratt asks on the biggest KGID issues, any specific infrastructure or costs he would like addressed? The district has been aggressively address infrastructure, he wants to see that continue, we must be reliable. He attended the May budget meeting. For all homeowners in district, we need to do proper forecasting, needs to be anticipated, forecasted, and communicated to vacation homeowners, large commercial properties and seniors. Increases should be understandable and clearly communicated. He feels this needs to continue and improve.

Brent Knittle – nothing to add. Treanor asked what made you decide to be a trustee and why didn't put in for election? He has time now. With his business, would you be able to attend? Yes, he has time, has attended 8-10 times over the last two years. Treanor asks how Knittle knew about some of the biggest challenges facing the district? Attending meetings, asked for minutes, asked people around town. Barratt owns or operates 16 units in the district. He believes he can represent most homeowners. Treanor asks if available to do workshops or other work? Yes. Hayes comments water meters. Knittle replies he believes meters need to happen, determine how to implement. KGID's first attempt was not successful, long process with goal to make the project as equitable as possible. Treanor comments he has an interesting point on foreclosures. Knittle is not sure how KGID pulls money in foreclosure situations and this could go on for several years. Runtzel explains that this district may see increase in accounts receivable, which generate additional late fee income and affect cash flow, but that even in foreclosures, the District receives unpaid utility billings.

Bob McDowell – He is a 33 year resident, has lived in the district for 19 years, and has interest and ability to be a good board member and team player. If left alone, he tends toward leadership roles. Has served on other boards, no utility, but he is retired so he has the time. Treanor asks why he didn't file for election? He didn't realize there was an opening and didn't feel competitive against Cook and Beattie. He spoke with Candi and Jack about board duties previously, but didn't feel he had the time. Barratt asks about his response to the metered system; he doesn't understand Mr. McDowell's position? He believes meters are a done deal and his opinion is overridden by federal and state regulations.

He believes the board has already decided; the challenge now is how to get funding and how to charge customers. He is a good team player and would want to explore other options. Barratt asks, do you agree with a pay for use-designed system? Purpose is for water conservation, meters are more effective way to get conservation, so yes, pay for what you use. People don't like change. Schussel asks if main background is with USFS within the basin? Yes, about 26 yrs in basin. Hayes asks about construction of Daggett Pass operations yard, any feelings of constructing up there? Not sure what budgeting process is or what capital is set-aside for it. If we are thinking of levying money from homeowners in this economy, he believes it is not a good idea. We need a capital reserve fund.

Stephen Peck – nothing further to add. Schussel asks what type of work he does? Environmental restoration, stream, water & river. He has extensive experience with grant writing and grant application process, worked for City of SLT. He thinks with the Economic Stimulus Package, we should see a lot of money. Treanor how many meetings attended? None. He agrees with water meters, need a base rate with a set cap of 15,000 gallons per month and to install as schedule allows. Water meters were a big issue; we sent a lot of notices out. Every board has unique characteristics, he has learned a lot, more you work the more you know. Public works contracting is his biggest asset as well as RFP development. Mr. Peck believes there should be no conflict of interest, as the company he works for would not chase KGID work. Hayes asks about second homes vs. to fulltime residents. Mr. Peck is aware that the district is slowly changing from mostly residential to vacation or second homeowners, this is why he would set the base rate fairly high. We still get revenues needed and if someone over irrigates we generate additional income. Barratt asks if he has any ideas to get more people to the KGID meetings? Peck comments a website to post agendas and set up email of agendas. We are working on the website, getting very close. Treanor – did you research KGID issues? No, but he's aware of a lot of issues around the basin. TRPA not very easy to work with.

Marc Siebens filed letter of interest but did not attend the meeting for interview.

Vince Travens – Gibbons just gave speech about budget and he wonders how that affects KGID? McKay reports we don't know yet and will receive preliminary projects in the middle of February. Travens is from SVHOA, he came to the metering meeting, may have conflict that could be resolved. Treanor asks about snow removal and what is his knowledge of the issue. Every two years SVHOA goes out to bid, they always look to keep costs down for homeowners, had to special assess homeowners for snow removal costs. Need to look at best company with best rates for individuals. Why didn't you put in for election? He thought it was a conflict of time, as he works in the casinos with different shifts and things change. Now he can attend meetings. He's looking for people to get involved with new administration, wants to get involved and recognizes there is a great deal of experience in the room. Schussel, how much time does SVHOA take? They meet the first Monday each month with more time involved in a recent lawsuit. More going on than most people know about.

Darya Vogt – lived in community 25 years, schoolteacher, just retired. Now has lots of time, loves being part of community, many boards with school district. Only attended the water metering meeting, glad she went, became very educated about what we are doing and why and she can support it now. Would love to be part of committee if so chose. Hayes asks about educating public on board decisions, any ideas to facilitate that? Great to have a website, she's facilitated many meetings and is happy to run workshops. She's been on many boards where people don't stick to issues. Barratt asks she's just retired, any commitments that would prevent making meetings? Nothing to interfere. Hayes, in two years, he and Schussel will be gone. Four years Treanor gone. Treanor welcomes input from the community, and comments residents are always welcome to come to the meetings. Schussel, water meters are tip of ice burg and that there are numerous other issues the board deal with including lawsuits.

William Ward – Qualified group of candidates, happy to answer questions and he's lived here about 9 ½ years. Treanor asks about his response to meters and a hybrid solution? We need to have a base rate, and bill for usage over the base. He has a flexible schedule, does handyman jobs, works for himself, not a political office. Treanor asks if he's attended any meetings? No. Heard about the position from his sister. Treanor asks what do you think of snow removal services? Pretty good really, need to go through learning process but overall great service.

Natalie Yanish – Thanks board for reading through questionnaires. Hayes comments on her sales & marketing experience and asks if she has any different ideas of communicating? She's happy to hear of the website and posting newsletter. The internet is non-confrontational way to communicate. Workshop was key in November on water metering; water conservation is huge, everyone talking about metering. Metering educates people, she believes in it, and realizes it is important to communicate well with the public. Conservation tips could be posted on a website. Hayes – some arguments that may be compelling – water meters means \$25/mo however you split it. She heard in the public hearing that less water usage is increasing fire danger. There are other ways to decrease fire danger. Barratt asks if she works full time?

Yes, 9-5. Any problems participating on board? No, she can rearrange daytime schedule if needed. She was not afraid to run against Cook or Beattie, had a different job at the time and schedule wouldn't allow, now has more flexible job.

Schussel would like to thank everyone again. McDowell comments that this is an open meeting and now the board needs to choose. McDowell's suggests that the 14 applicants move to the other room. Schussel and Barratt clarified this would be voluntary and this is an open meeting. Schussel would like to hang on to all applicant numbers for future committees.

Schussel asked for a motion or if anyone wants to talk. Treanor believes interaction with staff is an important question. People answered in a lot of different ways. The GM is the chain of command. Schussel asked for top three applicants from each board member. Hayes chooses Peck, Albertazzi and Knittle. Treanor picks Peck, Knittle and Travens. Barratt picks Peck, Knittle and Kasa. Schussel picks Peck as his first choice. Seems like a great resource.

Robert Cook commented that if Brett Barratt didn't file for the board seat we would be dealing with two vacancies. He believes Board picked the shining star and there are several good candidates. Jim Beattie comments that the first choice is superior. Applicants voluntarily left the room and the board discussed their first three choices.

M-1/22/09-4 - Motion by Hayes, seconded Treanor and unanimously passed to choose Stephen Peck as the appointed Trustee for the term of January 1, 2009 through December 31, 2010.

Brooke thinks the process the board went through was very good. Schussel thanks all of the applicants again and reports the board selection is Stephen Peck.

A brief break was taken so Runtzel could swear in Mr. Peck. After swear in, Mr. Peck took a seat at the board table for the duration of the meeting.

ADDITION OF TWO NEW KGID TRUSTEES AND REMOVAL OF TWO RETIRED TRUSTEES AS AUTHORIZED PERSON/SIGNERS ON KGID'S CHECKING ACCOUNT AND CERTIFICATES OF DEPOSIT AT COLONIAL BANK – Runtzel reported that Colonial Bank requires a documented motion of the Board of Trustees before it will issue new signature cards for the District's checking account to add the new trustees as signers.

M-1/22/09-5 – Motion by Hayes, seconded Treanor and unanimously approved as follows:

- A. Approve the addition of Trustees Brett Barratt and Stephen Peck as authorized signers on KGID's checking account and certificate of deposit at Colonial Bank
- B. Approve removal of authorized signers for retire Trustees Robert Cook and James Beattie.
- C. Determine that all checks shall be signed by at least one member of the Board of Trustees and two Trustee signatures are required on all checks in excess of \$100,000
- D. Authorize the signing, by two or more authorized account signers, of any required resolutions or letters required to effect the above changes.

DISCUSSION AND POSSIBLE ACTION ON CONFIRMING THE STATUS OF THE KGID PUBLIC UTILITY EASEMENT (23,460 SQUARE FEET) LOCATED WITHIN THE WHITEBARK SUBDIVISION, A PROPERTY OWNED BY THE WHITEBARK HOMEOWNERS ASSOCIATION (APN 1319-30-310-026), INCLUDING THE FILING OF AN ACTION TO QUIET TITLE, OR FOR EMINENT DOMAIN, AS MAY BE DEEMED APPROPRIATE; AND TO ENLARGE SAID EASEMENT BY TWENTY FEET (20') ON THE WESTERN EDGE THEREOF, BY EMINENT DOMAIN. SUCH ACTION IS IN FURTHERANCE OF THE CONSTRUCTION OF THE TANK 10B WATER TANK – Previous and current correspondence between Legal Council Scott Brooke, KGID and Whitebark representatives was provided to the board for review in advance of the meeting.

McKay and Runtzel attempted to get an easement signed with Whitebark HOA who tentatively agreed and then came back that they don't agree. Brooke summarized conversation with Whitebark and met with their attorneys. He received word today that they are going to oppose the project; they will contest the validity of the easement and object to the project. This may consist of litigation, if we want to keep our schedule; we need to authorize legal action to clear our title to the property or to condemn the property. Staff advised that we are trying to negotiate an additional 20' on the west slope of the easement to facilitate the retaining wall. They may be looking for money but nothing will change until the board decides to move forward. Brooke recommends that the board take the recommended action. We need to obtain the necessary appraisal information. Had they taken this position in 2004, we would have taken this action then.

Whitebark is a new board, and Brooke feels our legal position is strong. Easement was not transferred by deed, doesn't say tank site only public utility. Kerry David will testify accurately of his knowledge. Schussel asks if the additional 20' we are seeking is on the mountain side and not closer to their homes. This is accurate and the value of the additional easement should be minimal. It's somewhat complicated because we have to confirm our rights and/or condemn. It's important to make the project feasible. A lawsuit will show we tried to put the water tank somewhere else and have no where to place the tank other than the existing site. Brooke reports, the basis for condemnation is that it is necessary for public service. We need a minimum size tank of what we have now. Barratt clarifies that the recommended action is to perfect easement. Will they have to pay our attorney fees? Brooke replies that would be up to the discretion of the court. Also, we need to condemn 20'. If this existing easement isn't acknowledged we would have to condemn. Hayes comments that Whitebark could not have been developed without this exchange of water rights for the tank site. Stan Hansen and Andrew Strain will attest to this Brooke believes.

Beattie says this was to be recorded in the CCR's. Is it not perfected? It is delineated on the subdivision map on record with Douglas County. Typically, there would be another deed. There is no deed of record. There is a dedication on the map and Brooke believes that is sufficient. Cook reminded the board that there were other players involved including Rick Gardner and Tony Laurien. The reason we were putting the tank in is because Tank 10 has to be taken out of service. This is a health and safety issue. Brooke hopes courts will make a swift decision. Brooke provided the board with a memo on his findings was reviewed and approved.

M-1/22/09-6 – Motion by Hayes, second Treanor, and unanimously passed approve Legal Council and staff to proceed to acquire quiet title or eminent domain as deemed appropriate, and to attempt to enlarge said easement by twenty feet on the western edge by eminent domain and that the KGID Board has reviewed and adopted the findings provided by Legal Counsel.

ISSUE REQUEST FOR QUALIFICATIONS FOR ENGINEERING SERVICES – The GM reports we are currently being eaten alive on our projects from overages on engineering costs.

While KGID is not a large enough utility to have an "in-house" engineer, we are in need of an engineer to be on retainer to oversee other engineers retained to work on various water, sewer, and road projects.

Engineering costs for these various projects are charged to that specific project. For example: The engineering costs for the KGID/Edgewood Intertie are charged to that specific capitol improvement project (CIP), and are not paid for out of the regular budget as the cost of this proposed item would be. Each separate fund, (water, sewer, and general), has its own specific line item in the budget for engineering for non-capital improvement work.

This is not to be construed as a mechanism to replace engineering firms that we are currently using for existing projects. It is simply a tool to use as a way to keep better track of the consultants we have working for us on different projects, and to monitor their performance and cost over a project life. Also, smaller emergency type projects similar to the water line replacement on Crestview could then be done by this consultant under the retainer, instead of going to an outside consultant. I foresee the cost of keeping an engineering consultant firm on retainer to be around \$3,000 to \$4,500 per month. The potential savings on consultant costs will be at least this amount.

The board was provided with a draft "Request for Qualifications" (RFQ's), that would be sent out to at least ten different consultant firms with board approval. Once these RFQ's are received he will set up an interview panel for all submittal interviews. Usually there will be three separate interview sessions to go through before the field can be narrowed down to two or three finalists. At that time, these finalists will be asked to present a proposal to the Trustees and a decision can then be made to retain a consultant. This whole process could take as much as two to three months to complete but should be in place prior to the next budget year.

McKay comments that in looking in the last two projects, we had engineering overruns of approximately \$200K, there is a lot of gold plating in the engineering, he estimates that the project could have been done approximately \$60K less. We aren't big enough to have an engineer in house. He believes we should have an engineer that can review plans or look at things that we are not qualified to do ourselves. He would like to send the RFQ out to over 10 firms. They could do small jobs. They can be involved on a daily basis if we need anything. The GM thinks that the savings would outweigh the costs.

Schussel doesn't understand why we need to have someone oversee what engineers we hire do. We employ them; we shouldn't have to hire someone to oversee our engineers.

Runtzel adds that for years we've had a similar agreement with JWA Consulting Engineers except that we are not required to provide a monthly retention to them. They are available to us at all times per the agreement at negotiated rates. This has been very helpful to staff over the years. We annually issue a purchase order for a not to exceed amount for these general services.

M-1/22/09-7 – Motion by Hayes, seconded Peck, and unanimously passed to authorize the General Manager to proceed to issue Request for Qualifications to various engineering consultants.

CONTINUATION OF WATER METER INSTALLATION PROJECT WITH FUNDING FROM THE NEVADA STATE REVOLVING FUND OR USDA RURAL DEVELOPMENT -

At the last meeting the GM reported to the board that the KGID did not qualify for grant funding of a project to install water meters District wide. The reason for this was that KGID still had the ability to borrow \$3,000,000 from the State Revolving Fund to finance this project and the BFWP was to be used as a last resort for funding projects.

I would like to continue to pursue the meter installation throughout the District by using State Revolving Funds instead of grant funds. This process will allow for more public hearings on this issue, as the bonding for the borrowed funds requires.

There are a few compelling reasons to continue with the meter project:

- A. To start with, meters are not used to punish anyone for using too much water. They are to be used to control the amount of water used by showing users how much they consume thus allowing them to conserve this precious resource.
- B. We need to come into compliance with the Long Term Enhanced Surface Treatment Rule (LT2) by 2014. This project today would cost about \$3.5 million. In three years when we are ready to build it may cost more. Grant funding will be needed to construct this, and while there are no guarantees that grant funding may be available if we do go ahead and borrow money to install meters, there is a guarantee that it will **not** be available if we do not install them.
- C. As a business, we are currently selling a product of which we have absolutely no idea the quantity. Look at the power and gas utilities. Can you imagine how they could operate if they did not sell their product without knowing how much each customer is using.
- D. Without meters, low water users are subsidizing the high water users, part time residents are subsidizing full time residents, and those who waste it punish people who conserve water.
- E. We cannot continue to borrow money to upgrade the system indefinitely. Each time we go to the SFR the water rates will go up and future residents will have to pay for our upgrades. At some time the meters will have to be installed and now is the best time to do it. The cost will be lower in the next couple of years.
- F. Presently, we pump 600 million gallons of water per year from the treatment plant and that's about all we know about the water use. A water audit that would tell us where the water is being used cannot be done without meters. We have no idea if water is being lost to leaks, unlawful use, or if people are leaving their water running during the winter months when not at home.
- G. During the irrigation season, you can drive around the streets of the District and see water running down the streets from irrigation left on too long. This is a complete waste of water and is an expense that we do not need to incur. At least with meters this water will be paid for by the customer, not by KGID.

Water conservation is necessary and it is the right thing to do. Lake Tahoe is not an unending supply of water. We have a finite amount that we can use and we must use it wisely.

Having said all this, to continue on with this project will mean nearly starting from square one. We had originally retained Farr West Engineering to produce a letter of intent to the Board for Financing Water Projects. That was as far as their agreement went. During the compilation of that document and subsequent final project cost breakdowns submitted to Michelle Stamates, I noted a significant number of charges that I felt were not justified. Therefore I would like to use the engineer we will select in agenda item # 10 to work on this project. That will mean a delay in the project but I don't think that is a bad thing. In the mean time, I will take the existing Letter of Intent that was submitted to the Board for Financing Water Projects, make any necessary changes, and present it to both the USDA Rural Development and the State Revolving Fund.

Included in this item also, were the written comments from the public at the water meter workshop.

McKay is concerned with the stimulus package, and comments they are only speaking of loans at this point, not grants. This project he believes we need to continue on, through SRF or USDA, we will need public hearings and bond issuance, public will be back to hear where the district is proposing to go. A lot of the public seems willing to go with meters. Without meters we will not get grant funding. The next big project should be meters and by 2014 the district must meet requirements for LT2. This should be in process first (meters). We will have a better chance of grant funding. He strongly recommends that we continue to pursue funding. USDA gives 40-yr loans instead of 20-yr loans, based on water rates. USDA will make a presentation to the board at the February meeting.

Schussel believes that our customers were for meters due to our perceived ability to obtain grant funding for the project and is concerned that we will borrow approximately 3 million and not receive grants for future projects. McKay reports the cost of meters will be \$20-25/mo per customer. Other concern is we borrow money and max out our borrowing capacity resulting in the average guy will be paying that much more. Rates are already jacked up, once everyone has meters and when LT2 modifications are needed what happens if we don't get grant funding? Where do we get that funding for LT2? There are a lot of ramifications out there. One of the reasons we could not obtain a grant is because it is meant to be used as a last resort, where we have no other options.

Hayes comments that this was the hardest thing to sell to our neighbors, and he could only justify it because we were going to get about 60% in grant funds. Hayes believes we need to show the customers that the grant is off the table. He thinks we need to have public hearings and get people back into discussions and gain customer support. Things have changed now. He believes this is a decision that the whole district needs to make. He feels we need to be open with our customers on this. McKay agrees we need public input but in either event, we would still have to increase rates. Schussel points out that the difference is that we would still have the loan capacity in the future had we received the grant. Schussel agrees with Hayes on beginning meetings again with the public. We need to show the public several scenarios to use money and invite their input.

McKay comments we need to have something in place within the next two years to start LT2. It will take over 1 year to build the plant. McKay believes we need to obtain funding for LT2 within the next 1-1 ½ years. Schussel is not asking to push this off; he wants to begin public hearings again on meters next month. The public still believes that we will obtain a grant for the meters, which has now changed and this hasn't been communicated to the public. McKay asks to delay this for one month, he will estimate LT2 costs and meter costs and see if there is any grant funding available. McKay believes if we go past 60 days, we will be out of time.

Barratt asks what McKay means by putting off meters 60 days? McKay explains that it takes time to get bonding in place, need to start engineering process; meters couldn't be installed until 2010. Barratt agrees on public education needs. LT2 will be required but meters are something we want. He believes there may be funding available through the Federal Government. Treanor confirms that there will not be any grant funding available if we do not install meters. Runtzel clarifies that AB198 is only one source of grant funding. Hayes believes 1) customers think we already have a grant for the meters, and 2) customers need a plan to be laid out that they can buy into.

Runtzel explains that staff is preparing to put together the budget in these next two months and that the \$20-\$25/mo rate increase that's being thrown around tonight is likely not an accurate number. KGID has done significant water rate increases over the last two years and we've been able to put some money aside in reserves, fund more of depreciation and she is not certain that rates will need to be raised significantly. The other item she points out is that the existing loan capacity of SRF 2006, it is anticipated that there will be approximately \$900,000 left over after the Phase 1 Improvements are completed. This is existing loan capacity that the district can draw from to help fund part of the meters, LT2 or other water system improvements. It could potentially be used to begin the engineering portion of the water-metering project. The interest rate is 2.95% on this loan. We would not have to borrow an additional \$3,000,000 for meters, maybe only \$2,000,000.

Hayes adds that if we start designing, show good faith, we can't be expected to finish metering in the timeframe needed to begin the process of securing funding for LT2, it will at least show that we are moving in the right direction. McKay agrees.

Barratt suggests maybe we borrow \$1.5M and begin installing meters. Runtzel believes the existing rates will suffice for the metering project. McKay believes if we are in the process of installing meters, we would be eligible for grant funding for LT2. Water conservation is the main goal and will be mandated sooner rather than later. Schussel would still want to hold off on charging for metered usage until the district is metered. McKay believes the first meters installed should be read and charged on soon.

It begins to wear out as soon as it is installed. Runtzel comments this is the challenge and we heard opposition at the public hearings from our customers.

Jim Beattie comments that with the economy in its current situation, the board should be very cautious about raising rates, he believes it will take a good couple of years for things to settle. Secondly, KGID has done a poor job in the past of involving the public in these types of discussions and he believes we should begin public hearings right away.

Hayes asks if it is possible to install meter sets only and not meters until the whole district has sets installed. McKay says that's a good idea. It scares Hayes to try to meter only part of the district. McKay reports that we saved a lot of money installing the meters in-house. Hayes asks whether the GM would start with the harder properties first or install the easier ones first? GM proposes to complete Lake Village first, multi-family units. We haven't identified how we are going to set this up as far as multi-family residential units and the requirement to create an HOA. He would stay away with the multi-family units at the top and work with Lake Village first. Barratt comments that some of the buildings up top already have HOA set up. Runtzel confirmed her unit is in an 8-plex building that also has an HOA. The challenge is that the majority of the multi-family units are duplexes and most of them will not have an existing HOA.

Runtzel explains it will be a challenge to get a document that assigns responsibility to a single entity to pay for utility usage and can be recorded against the property. The KGID Water Ordinance requires a "property owners association" be formed or separate service lines installed to each individual residential unit. In most cases the district could install separate water meters for the individual residential units, however, those meters would be located on private property (most likely under the building), secondly, the homeowners would still be responsible for the service line to the street shutoff, (KGID cannot assume ownership or maintenance responsibility) and lastly, by installing meters under the building, KGID would not be capturing any water loss on the owners service line between the district water main and the water meter under the building. Since installing approximately 170 meters, Runtzel reports that we've identified about 6 properties who have leaks on their side of the service line, most of which never day lighted. Alternatively, it may be possible to install a master meter at the street to capture all usage that goes to a building and then subtract any individual meter reads to ensure all water is accounted for. In the event that the main meter shows more usage than individual meters, we would still have to have someone identified to charge any excess water usage to. Or, the district may install one master meter at the street and then it's up to the residents of that building to either split up the water bill or install separate meters themselves. This option would be at a cost to the homeowners but likely much less expensive than installing separate service lines.

Runtzel will work with legal council on the requirements of setting up a property owners or homeowners association. Runtzel brought this up because it is relevant today; we installed approximately 20 water meters on Bigler Ct., which are all multi-family buildings. We don't know who we are going to bill, Unit A because it's the first unit? Fortunately, right now we are not billing for those meters, but we've talked about that we will begin billing probably this summer, so we have to figure this issue out. Brooke comments we probably should have figured it out before we installed the meters.

Hayes and Schussel want a projection on costs, want to hear from USDA and they want to see a plan that they can use to present to the public that won't compromise credibility of the KGID Board.

M-1/22/09-8 – Motion by Hayes, second Treanor and unanimously passed to table this item until the February meeting.

Schussel and Barratt want to provide a notice to customers on a preliminary metering plan.

STATUS UPDATE ON OPERATIONS YARD FACILITY AND RELATED MATTERS - On August 19, 2008, the KGID Board of Trustees approved the following recommended action:

- A. Authorize the Business & Contracts Manager to work with Legal Counsel to define and revise terms of a Cooperative Agreement between NDOT, Heavenly and KGID for the sale of property at the KGID Operations Yard with a total selling price of \$750,000 for a 150' strip of land, in which KGID will provide 86' and Heavenly will provide 64' of said strip, and the proceeds divided at \$435,000 and \$315,000 respectively, **and**
- B. Approve 50/50 cost sharing with NDOT for new access improvements including a deceleration lane, and new entrance/exit from Hwy 207 providing greater visibility at a total cost of approximately \$750,000

Since that time, NDOT has slowly been working on revisions to the agreement and reviewing hydrologic and right-of-way issues. An updated appraisal was completed last year by Johnson & Perkins on the total 150' strip of land to be sold to NDOT with a value of \$750,000 that NDOT has verbally agreed to. Additionally, KGID will share the access improvement costs at 50% each for KGID and NDOT. These items were included in the FY08/09 budget.

After a thorough review of the agreement with Legal Council and incorporation of any recommended changes, the agreement will be provided to Heavenly for review and comment. Formal approval of a final draft agreement will be sought by the board at a later date.

Runtzel explained that she finally received the attached draft agreement from NDOT, the board has seen this agreement in August 2008 and there have been some revisions by NDOT. A formal agreement will be brought back to the board for final approval. She notes that she would like to work with Brooke to make some revisions and obtain authorization to present this to Heavenly. She believes that the operations yard must be sold this year or NDOT will lose funding. Heavenly should have incentive by benefiting from a new access at no cost to them. The variable will be Heavenly and whether they are still willing to work with us on this. Her gut feeling is that Heavenly is upset with the district on the Out-of-Basin Water Allocations, and additionally Andrew Strain has been overwhelmed in the last couple of conversations she's had with him as he lost his assistant the day after Vail announced a hiring freeze.

M-1/22/09-9 Motion by Hayes, seconded Treanor, and unanimously passed to conceptually approve the revised terms of a Cooperative Agreement between NDOT, Heavenly and KGID for the sale of property at the KGID Operations Yard and new access improvements, and authorize the Business & Contracts Manager to work with legal counsel to prepare and negotiate any revisions deemed necessary and submit agreement to Heavenly for review and approval to finalize this sale.

Hayes comments that Heavenly mixes all of the business between the two entities as one and has come across in the past that they shouldn't work with KGID on the Operations Yard when we haven't helped them on the Out-of-Basin Water allocations.

BOARD REPORTS – Treanor saw the most glowing article on Tahoe Beach Club she's ever seen. McKay reported that was an advertisement in numerous papers. Cook reminds the board that the GM's contract has to be renewed by May 31, 2009. The GM Contract will be put on the March regular meeting agenda. Barratt requests that the March meeting be moved to Thursday 19th. Treanor reports she won't be able to make the April 21 meeting, she'll be gone all week.

STAFF REPORTS – The General Manager, Business & Contracts Manager and Operations Supervisor provided written staff reports, which were included in the meeting backup information. Bookkeeper Garon provided cash position statement as of December 31, 2008 along with draft financials statements as of that date.

General Manager Report –

Hayes asks GM to elaborate on the Storm water Partnership, GM explains he hasn't been to that meeting yet.

Intertie – we drew up a punch list and are waiting on scada controls to be completed. When finished, there will be a test period. The new Trustee's would like a tour of the district. Runtzel will schedule Barratt for a tour. McKay attended a PUC hearing because Edgewood is requesting to raise their rates and McKay was there to represent that KGID is completing the Intertie in conjunction with Edgewood.

How many agencies are bringing water samples? McKay doesn't have a number yet, we just started this week, and he's worked out an agreement for Sierra Environmental on a discounted rate in exchange for the additional staff time to take in the water samples.

Business & Contracts Manager Report – Barratt asks if the snow plow operator hits something, who's responsibility is it. Runtzel explained it depends on what and where something is hit. If something is hit in the right of way, typically, the contractor is not responsible unless it is clearly negligible.

SVHOA – Hilltop parking deck – Schussel asks where this is? Runtzel explains across from Bonnie on Tramway Dr.

Douglas County DA Office – Detective called the GM because a sign was hit at Jack and S. Benjamin, he will be in court on Monday. Runtzel explains that the guy is disputing the cost of the signs provided by KGID. James reported he didn't believe there were any signs missing so when the DA called her, she told him to subpoena the GM.

Operations Supervisor Report – Schussel asks about the leak on Robert Way. This was an older water line that may have settled from the paving project during the summer.

Schussel also asked about the broken wire on the meter set on Cedar. This was malicious. The meter and radio had to be reset to calculate usage. The meter still reads actual usage during the period that the radio wire was cut. When we read meters, the office gets a tamper notification and the guys investigated and found the wire cut. We have a tampering fine of \$200 in our Water Ordinance.

Treanor reported a rumor of a person who was going to bypass the meter by tapping in before the meter to avoid being charged for metered usage. This would be difficult to do without the district becoming aware.

Cook asked whether we hired a water operator to replace Johnson. Johnson reported we hired Brandon Garden on December 27, 2008.

ATTORNEY'S REPORT – Brooke reports on Rancho Pacific, he attended court hearing on Tuesday and provided a memorandum. Rancho Pacific's lawsuit with Douglas County has a provision in there that requires KGID to toll time for the time that Rancho Pacific was unable to obtain a building permit. Brooke advised Rancho Pacific and the court that he couldn't make any representations on behalf of the district and that it would have to be brought back before the board. The court indicated intent to seek an order of joinder of the district to that case so that the court would then have jurisdiction and be able to order that the matter was tolled. This means that Rancho Pacific would have an additional amount of time to utilize their 50 units and would allow an increase in the condominium project from 40 units to 50 units. He inquired as to what Heavenly Valley's position was and it turned out that they didn't even know about this. Brooke thought it was important that Heavenly Valley know so he called Ron Alling to inform him what was going on so that Heavenly may be able to protect themselves. Brooke expects that the Rancho Pacific attorney will draft an order, and we will place it on the agenda. We can either oppose or consent to being brought in under the courts jurisdiction. Once we're brought in, we can agree or not agree as to the tolling of time. Brooke's view is that we should let the court make an order and the district should accept it. This limits KGID's exposure to potential lawsuits by either party. The court had indicated its intention to effectuate a settlement agreement. Heavenly may try to overturn this if it chooses to do so.

Treanor asks whether the County will allow the original planned development overlay. Brooke confirms. Rancho Pacific will have to improve gas line road with gravel. McKay reports KGID will not take that road. The county owns that right-of-way and can authorize improvements all the way to Kingsbury. The road also goes through Heavenly property so there may be a dispute about who owns the right-of-way. Regardless, Brooke believes the county will approve the project even if that provision goes away. Brooke feels that Rancho Pacific will get another year for the tolling of time.

CORRESPONDENCE - The following correspondence was received or provided during the month, 1) LTWWIP General Partnership Notes, 2) Record of Meeting from JWA Consulting Engineers regarding a Water System Intertie Evaluation Project, 3) Letter to President Elect Obama from AWWA and other agencies requesting funding for water and wastewater projects, 4) Draft Document on the Asian Clam of Lake Tahoe.

ADJOURNMENT

M-1/22/09-10 – Motion by Hayes, seconded by Treanor and unanimous approval the meeting was adjourned at 9:45p.m.

Respectfully submitted,

Larry Schussel - Chairman

Attest:

Carolyn Treanor, Secretary