

**MINUTES OF THE REGULAR MEETING OF THE
KINGSBURY GENERAL IMPROVEMENT DISTRICT BOARD OF TRUSTEES
TUESDAY, JUNE 23, 2009**

CALL TO ORDER – The meeting was called to order at the Tahoe Transportation Center located at 169 Highway 50, Stateline, Nevada at 6:05p.m. by Chairperson Schussel who led the pledge to the flag.

ROLL CALL – Present were Trustees Hayes, Barratt, Peck and Schussel. Trustee Treanor attended portions of the meeting via conference call. Also present was General Counsel Scott Brooke, General Manager Cameron McKay, Business & Contracts Manager Michelle Runtzel and Operations Supervisor Eric Johnson. Present and for a portion of the meeting was Jim Norton of Warren Reed Insurance, Bill Kolstad, Jennifer Roman of JWA Consulting Engineers, Jim Beattie, Andrew Strain, Alan Rabkin, Freddy, Daria and other property owners.

PUBLIC COMMENT – Schussel reported that a resident at Granite Springs stopped him and commented that he liked what was going on in the area and thought the contractor was doing a good job.

APPROVAL OF AGENDA

M-6/23/09-1 – Motion by Peck, seconded Barratt, and unanimously passed to approve the agenda as presented.

APPROVAL OF CONSENT CALENDAR –

M-6/23/09-2 - Motion by Peck, seconded Barratt, and unanimously passed to approve Consent Calendar Items as follows:

- B. Claims in the amount of \$249,636.66 as represented on the List of Claims by check numbers 43026 through 43166
- C. Authorize staff to purchase of desktop computer compatible with for ArcView and ESRI systems for a price of not to exceed \$2,000.

CONSENT CALENDAR ITEMS BROUGHT FORWARD FOR DISCUSSION - Barratt asks for the meeting minutes be pulled and questioned on page 6, third paragraph and fourth to last sentence reads “Barratt confirms that they haven’t changed at this point.” He requested the sentence read, “Barratt questions whether the State Engineers policies have changed yet?” This sentence will be revised in the final minutes.

M-6/23/09-3 – Motion by Barratt, seconded by Hayes and unanimously passed to approve the Minutes of the Regular Meeting and Public Hearing of May 21, 2009 as revised.

UNFINISHED BUSINESS

RENEWAL OF GENERAL MANAGERS CONTRACT – The GM reported he met with Bob Cook and Jim Beattie to review the changes and an agreement was made on the below items. Some changes are self explanatory such as the starting and ending dates but for the rest, the explanations

are as follows:

- I have extended the contract to two years instead of one year.
 - A. The reason for this is to dismiss any conflict of negotiating my contract at the same time the union contract is being negotiated.
- Compensation: A. I have increased my salary by 3% to \$9,613 per month for the first year and for another 3% for the second year.
 - A. With the projected inflation I feel that 3% per year is justified.
- Compensation: C. I have added dependants to this paragraph.
 - A. According to the KGID personnel policy, all KGID employees and their dependants will have full medical benefits paid by employer.
- Employee Benefits: A. I removed the last part of “A” and added a new “B” to come equal to the other existing salaried employees.
- E. Again, other salaried employees are not required to use their vacation time within the year it was accrued.
- The only other item refers back to the PTO or Personal Time Off. I have asked for 12 sick leave days in lieu of Personal Time Off (PTO) days.

Beattie reports he and Cook were appointed by board to review the proposed contract and come back to board with recommendation. Cook met twice with the GM and both met with him last week. Beattie provided a sheet with proposed changes. The latest redline revision was not available and Beattie recommends deferring to the July meeting to see a final redline version of the contract. McKay reports he could supply the redline version to the board. Hayes comments that if Beattie and Cook negotiated the corrections, he has no issue with approving it now. Treanor left McKay a voice mail stating she supports renewal of the contract. McKay played the recorded message from Treanor for the board to hear.

Barratt asks Beattie whether the changes he provided separately to the board is what he was referring to. Beattie feels that this contract should be the guideline between the GM and Board of Directors. We shouldn't bring parts of the personnel policy for revision in bits and pieces. The current contract expires at the end of this month. Hayes recommends getting a redline copy for final review at the next meeting.

M-6/23/09-4 – Motion by Hayes, second Barratt to table this item to the next meeting during which time we will receive the original as compared to the negotiated redline contract as was negotiated with the committee.

DISCUSSION AND POSSIBLE ACTION ON OUT-OF-BASIN WATER ALLOCATIONS, AND THOSE HELD BY RANCHO PACIFIC, INC. AND CLINT PURVANCE; AND REGARDING THE DISTRICT'S POSITION IN THE MATTER OF RANCHO PACIFIC V. DOUGLAS COUNTY, NJD CASE NO 08-CV-0166 – This item was tabled from the May 2009

meeting with direction to Legal Counsel Scott Brooke to attempt to encourage the judge to take action in this matter and inform also to him of the issues the district faces with regard to the out-of-basin water.

Runtzel commented that Mr. Brooke provided the information on this issue tonight and supplemented it with a handout memorandum to the board. She requested Brooke address the board on the latest updates. He received a court order today. This confirms the oral order earlier in the year regarding the opinion that the district is an indispensable party between Douglas County and

Rancho Pacific. Rancho Pacific's settlement required that KGID accept the tolling of time for the water rights for the period of time of litigation. Brooke reports our current policy doesn't provide for such a tolling but as a practical matter, they could not go forward with their plans for a building permit because they were prevented from doing so by the litigation. We have 30 days to respond to the court order and we can accept or reject. This is the only way Rancho Pacific has to extend the time of allocation due to being prevented from proceeding by the litigation. In Brooke's opinion, if the district accepts the tolling, it can provide protection against any claims by either Rancho Pacific or Heavenly. Heavenly will be litigating with Douglas County and Rancho Pacific as to the terms of the settlement for some period of time. Brooke offers to answer any questions from the board.

Hayes asks if Rancho Pacific will have a building permit after this. They would have an additional period of time to obtain their building permit because of the tolling which would be from the time the suit was filed to the time it is settled. Douglas County would not process Rancho Pacific's application for a building permit. Our clock was running for them to provide a building permit. If Heavenly didn't intervene this issue would be settled. Heavenly sought the right to participate and object to the settlement over the next several months. There will be a date certain time set by the court.

Hayes asks staff how long Rancho Pacific can hold on to a building permit without building. The GM replies the way he understands it, they will have one year and then an extension of a year, so they would have until the court order is done and that's when the clock starts on the second extension. Brooke corrected the GM and clarified that Rancho Pacific will receive one extension of time between May 2008 and the conclusion of this settlement which may be up to 2 years. Once they have a building permit, under the rules of Douglas County they will have to keep it alive and moving forward. It's possible that could be an extensive period of time because in history there are examples of that. The GM is still confused as to when our clock runs out. Brooke explains that when the settlement is finished they could have between 15 months to maybe two years. Brooke reports that KGID would have to accept the settlement agreement and the court would impose the tolling requirement. Heavenly doesn't want it approved at all.

Hayes has some issue with giving them additional time. Rancho Pacific's rational is they were stopped when they had a year left to obtain the building permit. Hayes hears they are trying to sell this project. He's worried for someone to be holding the water. Brooke reports that should be expected in this market and the water rights do go with the property. Brooke thinks it would be reasonable to give Rancho Pacific one year to obtain a permit because they had one year left when they were denied by Douglas County. But realize Rancho Pacific can't control when this litigation ends, which will determine when they will be able to start again working towards their building permit. Brooke recommends maybe offering one year from when the lawsuit settles. Brooke spoke with Mollaff this morning and let him know about the meeting tonight, Mollaff couldn't attend tonight.

Barratt wants to confirm that the decision tonight would be to accept joining and allow tolling of time. The court may be more in control of this than anyone else. Brooke responds that when the judge orally wrote the order, there was a period of 30 days that we could've had a hearing. Afterwards, we can work together with Rancho Pacific and the County and see if they can agree to a drop-dead date. We could direct Brooke to request a hearing, determine what we want to talk about and determine what the districts position would be.

Barratt is uncomfortable; this isn't consistent with our policy. Schussel would rather let the judge make the determination. Brooke comments that the court is inviting us to request a hearing. If we don't want a hearing, the judge will make the decision. Hayes doesn't want to see the tolling of time be manipulated by the economy when there are other people in line representing them as being ready to build. Hayes has concerns giving Rancho Pacific 15 months to obtain a building permit, they should proceed with due haste. Hayes also wants to see a drop-dead date on this. Brooke reports that the party next in line is the party contesting the settlement. If there is a date certain, it is in that party's interest to prolong it so that date certain comes and goes. Schussel says it seems unfair to him and the settlement could be stalled on either side. Barratt reports that the delay may hurt the District in that we wouldn't receive connection fees and water revenue until hooked up. He doesn't see the downside to asking for a hearing to try to sort some of the issues out and letting the court make the decision.

Brooke reports we have an interest in getting the connections hooked up so we can get revenues. The development isn't our issue really. Doesn't see a downside to having a hearing and letting the court figure it out. Brooke speculates there are not too many people anxious to turn dirt now in this economy. Purvance is in a catch 22; the road access is dependent upon what happens with this lawsuit. Purvance is requesting an extension based on what Rancho Pacific would get. Seems to Schussel he is caught in the middle also. Brooke believes Purvance's request is valid. Barratt believes Purvance reported if he had to he would join the lawsuit. He is trying to stay out of it for now to try to save money.

Barratt asks if anyone has any concerns with asking for a hearing. We can get the judge to understand our issues at hand. Maybe the parties will have some suggestions.

Andrew Strain of Heavenly and he reports at last month's meeting, the board directed Brooke to complete an analysis so that the board had a more complete understanding on the first application. He hoped that the board could see the various applications made to the county for analysis. The one-year extension expired before the judge gave his answer. From his point of view, there is nothing to toll. If KGID wants to have people to treat fairly, we need to apply rules fairly. Heavenly has tried to comply with all of the rules in every step of the way in their applications and KGID demanded it of them and he is asking we follow those processes with Rancho Pacific as well.

Gregg Ott of Alling & Jillson adds that currently there is no order from the court to order the tolling of the water. Ott has problems with how Heavenly is being portrayed, Rancho Pacific is the plaintiff in this case; they filed the lawsuit. To allow that will allow anyone who can't get a building permit, to drum up a lawsuit and say they can't do anything now because of the lawsuit and request a further extension of time. This is a tolling mechanism is not included in the 2006 policy. Ott believes to allow the tolling when not in the policy is opening a can of worms.

Hayes asks if the order tells us specifically to toll the time. Brooke explains that the order joins the district to a party to the litigation between Rancho Pacific and Douglas County. The reason for the order is to determine whether the district wants to toll. Mr. Ott is correct in that there is no order now telling the district to toll. The court is asking if we want to be heard on this within 30 days, if not the judge will issue an order. If Heavenly didn't intervene, the court would probably make the order. Heavenly has intervened in the case on the basis it claims it is being affected by this settlement between third parties and this order affected the district. This will be litigated at some point. Rancho Pacific was the plaintiff against the County because the County denied the

opportunity to apply for the building permit. Rancho Pacific sued, and the County now says they will give them a building permit. The judge indicated his intent to approve the settlement agreement in January, if we don't want a hearing, the judge likely will approve the agreement.

Ott comments that there are many provisions within the settlement agreement and Heavenly's intervention has to do with the obligation to maintain a road. Ott doesn't believe tolling is allowed by section 10 in the policy. Schussel believes there was a time period where Rancho Pacific could not build. Rancho Pacific is trying to use this lawsuit to get a building permit. Fact is time has run out, they don't have a permit; there is no order to toll time, per Mr. Ott.

Brooke reports that this is a good example of why we should request a hearing; this would allow Heavenly to discuss their issues. End of the day, court will make a binding decision. Last Friday, the court allowed Heavenly to join the lawsuit. All parties will have to abide by court order. Board could make finding that Purvance can't proceed until lawsuit settled.

Barratt asks where Mr. Purvance stands in line now. Runtzel responds he currently holds two water allocations now, which were due to expire near the end of May this year about the same time as Rancho Pacific. Barratt asks what would have happened if actually expired and Runtzel replied they would have been offered to the first person on the waiting list, Heavenly. Peck asks if he ever applied for a building permit? Runtzel explains Purvance reported that the county told him he could not apply. Barratt asks whether he tried. Brooke reports that Purvance sent a letter included in the last meeting reciting that Douglas County would not process an application for a building permit because of the application for a driveway. It would have been a significantly higher cost for him to develop his property off of the existing access roadway than the one that Rancho Pacific is required to improve per the settlement. Peck confirms that he still may have been able to build his house and chose not to for financial purposes. Runtzel confirmed that is the case. Runtzel explained to the board that logistically he would have a much shorter access to his property from the Rancho Pacific improved roadway. Logistically, Purvance wouldn't spend \$100K to design his house from the lower road when he believed Rancho Pacific and Douglas County have an agreement to improve the upper road, which is also the preferred site on the property for the new house. It would've been very risky for him and not cost effective when ultimately he wants to build on the upper portion. McKay reports that he could have applied for the building permit elsewhere on his property. This was a financial decision he had to make. Barratt is okay with giving Purvance a break but was he really "necessarily impacted". Runtzel reported that the cost differences between the two site locations for the house were somewhere in the realm of \$250,000, significant. Peck asks if these should be separate issues.

Andrew commented that Rancho Pacific could build today, a 39-unit development; compare the horse to the zebra. The settlement agreement is asking for 50-units. Strain was hopeful that Brooke would've provided what the board asked for last month, there were three different applications, and a historical analysis of the project would've been helpful. Strain comments Purvance's upper building site would have to be accessed crossing a roadway on Heavenly's land. He is free to utilize Gasline Road today and he believes the County has misinterpreted that. The County claims it is a public right-of-way and Heavenly believes it is not. They want to build public improvements on the road and then require Heavenly to maintain it. This is a private right-of-way. Heavenly believes it has documents that will demonstrate that and the County has made a mistake. They have now required improvements on Heavenly property without including them on any of this. He again urges the board to review the series of applications made to the County by Rancho Pacific.

Brooke believes it would be more appropriate for Heavenly to put together the historical processes. Brooke believes Heavenly will put together the information as part of the litigation they are now party to, and Mr. Strain is right that there are a number of changes in the Rancho Pacific applications, and the settlement gave them far more rights than they had in the zoning and increased the allocations. Brooke doesn't believe that the district is the entity to sort that out.

McKay believes if we go to court for a hearing, that will give Mr. Purvance a chance to jump into the dogfight and present his case and we could potentially get a decision on his case as well. Brooke reported he didn't appreciate the fact that his preferred house location would cross Heavenly's property and that he may have difficulty getting that easement across Heavenly's property. He might be well advised to intervene and participate. It would be best for all involved because then there would be a global resolution. Brooke is unsure whether the court would allow him to do that. McKay believes we should allow him the chance to present his case.

Runtzel clarifies that it was her understanding that we were talking about the same road access in the settlement agreement that Rancho Pacific is required to improve and that Heavenly is apparently required to maintain along with other owners. Runtzel didn't look at this as Heavenly's property, she looked at it as the settlement agreement property and Douglas County will tell you it's theirs.

M-6/23/09-5 – Motion by Hayes, seconded Barratt and unanimously passed as follows:

- A. Acknowledge and adhere to the courts written decision of June 22 2009, which provided an intention to toll this matter for the period of litigation between Rancho Pacific and Douglas County and direct counsel to request hearing from judge to explain the position of KGID regarding tolling of time
- B. Direct the Business and Contracts Manager to delay, until further notice, any action as provided by the KGID Policy and Procedures regarding the Out-of-Tahoe Basin Water Allocations against Rancho Pacific for their 50 allocations currently held, pending further instruction from the judge in the Rancho Pacific v. Douglas County Case No 08-CV-0166 and further board direction.

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

NEW BUSINESS

PRESENTATION BY JIM NORTON OF WARREN REED INSURANCE ON DISTRICT INSURANCE POLICY RENEWAL FOR FISCAL YEAR 2009-2010 – Runtzel reported Jim Norton of Warren Reed Insurance will attend the meeting to make a presentation on the annual insurance renewal. The board may recall that last month the GM recommended a change in agents to Bill Kolstad, citing that there are some significant oversights in coverage on our policy. Board direction was for the GM, BCM and Trustee Barratt to have a meeting with Jim Norton to discuss the issues and come back to the board with a recommendation.

Meetings with Jim Norton and Bill Kolstad were scheduled for June 17, 2009 and unfortunately; Trustee Barratt was stuck out of town. Barratt asked to reschedule but left it up to the GM. Since Jim Norton was already at the district offices for his appointment the GM decided to go ahead with the meeting.

McKay and Runtzel met separately with Jim Norton and Bill Kolstad. After the meetings the GM decided it would be best to renew our policy with Jim Norton of Warren Reed, and continue to look into any coverage issues, and look further into our policy and the state of the Pool at a later date.

Jim Norton introduced himself and has been our agent since 1997. Warren Reed Insurance handles 20 pool participants of 122 members. KGID saw a 6% increase for the renewal this year compared to a statewide average of 12% increases. This was due in part to our loss experience rating and low claims. Norton gave a brief presentation on the policy and Pool.

Hayes asked if the Pool carries insurance, what if there are numerous claims throughout the state. Norton reported that the layered re-insurance coverage is 13 million, so the pool has its own carrier built in and self-insures and also various companies participate on the property portion. There are A+ companies that re-insure the pool.

Schussel comments that when this came up last month, it was mentioned that either we weren't carrying the right insurance or were under-insured and asked Norton to speak to that. We looked at the lake station and will be addressing looking at increasing the coverage. The pool actually periodically appraises the property and assigns the value for coverage, which was done a couple of years ago.

Bill Kolstad reminded the board that the prior action by the board was for the GM and Brett Barratt to meet with him to discuss whether we would stay with the existing broker or not and he is offering to meet with Barratt in the next couple of days if the board chooses. Barratt explains he missed a flight connection and was stuck in LA when we were supposed to meet. Barratt spoke with both Jim Norton and Bill Kolstad via the telephone. Barratt believes from his own experience that the pool is an outstanding operation. All members are public entities and it is conservatively run. Barratt indicated he would still like to meet with both representatives but because of the July 1 renewal date but there isn't time. The GM recommends renewing with Warren Reed and re-visiting this item several months down the road. Norton commented that the beginning work for renewing the policy begins in January each year.

Kolstad reported that he and Jim disagree on the errors and omissions coverage. He suggests its something we should have and the Business and Contracts Manager isn't doing. Are we covered for missing locations but for undervalues? He disagrees that the extension raises the limits up. Schussel asks if we could renew the policy and then still switch later. The GM doesn't believe there is any reason we can't change coverage's right away. Schussel asks if we could change agents in a few months. The GM believes we can. Barratt asks whether it would be Kolstad's proposal to keep the district in the pool? Kolstad replied we are in the pool and are not going to get out even if we wanted to tonight. Barratt realizes that. Kolstad is not suggesting that we pull out of the pool right now and would like to get more involved in the study of it. He has expressed this to staff to the point of being animated and apologized, but he was also chastising the BCM unfairly because she didn't even have the statement of values, which should have been included in the statement of renewal. The renewal proposal doesn't have a statement of values or location listing and he

believes this is why this is happening. Kolstad believes this is the level of professionalism that is lacking. We should have that onsite and it should be delivered to the BCM. He apologizes if he was harsh with her, but in this business you deliver a contract and go over it, especially if the GM is missing. That type of personal relationship he is suggesting has been lax. We could resolve the issue tonight if in fact we had a copy of the contract. We still don't have a copy of the coverage form.

Runtzel disagrees with the statement for the record. She has seen the statement of values in the office and she was asked to provide the insurance contract at the beginning of her and the GM's meeting with Kolstad. She did not have the contract readily available, the GM had the insurance binder. Files exist and Runtzel admits she does not know where every single file is and additionally this is not her job.

M-6/23/09-7 – Motion by Barratt, seconded Hayes and unanimously passed to accept the insurance proposal by Warren Reed Insurance in the amount of \$53,463.50 for the KGID insurance renewal for the fiscal year 2009/2010.

PURCHASE OF REPLACEMENT ELECTRIC MOTOR FOR LAKE PUMP STATION –

In late May one of the two hundred horsepower electric motors had a catastrophic failure. The operator responded to the alarm and found the motor had failed due to a winding short and had burned up the wiring internally.

Eric received some quotes on replacement motors as follows. Please note that these prices do not include installation by the electrician. Here's my list as it stands. I have one phone call I'm waiting for tomorrow morning; Applied Industrial Technologies is calling their supplier to be sure that the non-reversing mechanism is included with their motor price. All list it as in stock, Applied says it can be delivered in a week; Reed is getting it from the same place I believe.

| | |
|--------------------------|-----------|
| Applied Industrial Tech. | 11,286.00 |
| Reed Electrical | 11,692.00 |
| Industrial Electrical | 12,361.74 |

Included in the meeting records are copies of the quotes. Please note that this price does not include the rewiring of the replacement motor.

M-6/23/09-8 - Motion by Hayes, seconded Barratt and unanimously approved to purchase a replacement electric motor from Applied Industrial Technologies for the price of not to exceed \$11,286.00.

APPLICATION FOR REDUCTION IN FEES FOR PROPERTY LOCATED AT 323

TRAMWAY DRIVE – Attached is correspondence from Douglas Cobb, agent for Apex Tahoe Development, the developer of a 49 unit project located at 323 Tramway Drive, requesting the water, sewer, and snow removal fees be reduced. This letter was dropped off and I have not been able to talk to Doug Cobb since.

Although a connection permit has been accepted and connection fees have been paid, the property has never connected to the water main or sewer main. Having said this, the KGID policy (Resolution 92-4, included), clearly states that the property owner must pay these fees.

The Wadman Corporation has notified Douglas County that it is no longer the General Contractor of Record for 323 Tramway Drive. (See attached). I have received a verbal confirmation from Dave Lundergreen of Douglas County that they will issue a stop work notice for this property, but have not received a copy yet.

I have sent all of this information down to Scott Brooke for his review and he replied with the following email.

*Cam – section 12 (page 5) of Resolution 92-4 provides authority for the Board to modify normal requirements on a finding of “special circumstances”. My view is that 323’s letter can qualify as an application under that section, and that the Board can make whatever modification it deems appropriate, and could accept 323’s suggestion, or fashion some other relief. In any event, however, the Board always retains the authority to modify its policy. I am also of the view that a finding of “special circumstances” can be made, based on the current and unusual economic climate and limited credit and financing availability, and also based on 323’s particular project.
Please give me a call if you want to discuss any additional aspects or details.*

The GM needs a lot more information from Douglas County before he can make a recommendation to the Board on a fee reduction if any is to be given. Within the next month he will be working closely with Scott Brooke to draw up another agreement if KGID decides to reduce the fees. This agreement will need to cover all aspects of any potential failure by the owner to continue developing this property and must also state what will happen if bankruptcy takes place.

Therefore, he recommends that the Trustees approve “C”.

Please note: The last half of the letter that deals with material storage has nothing to do with KGID and this point has been explained to Mr. Cobb.

Construction is halted and Douglas County has stated no work can be done because there is no contractor of record, want reduction in monthly costs. McKay doesn’t want to set precedence. Runtzel added that we have numerous vacation/second homes that already ask for reductions.

McKay recommended we table to next meeting and negotiate further. Runtzel recommends the board deny this request. Brooke commented that the board allows staff to negotiate and make a distinction on a development project vs. anyone who already has a certificate of occupancy.

McKay reported they could disconnect from the system and not pay monthly fees, but they would be subject to new connection fees at a now higher rate when they start back up. The difference in the connection fees would be approximately \$250,000 more that they would owe. Brooke asked if they would also loose the water allocations. The GM replied, yes. Runtzel corrected him and explained that the water allocations associated with this project were moved from several lots identified in the Ernie Jones Report with water rights and the rights stay with the lot. This is not the same situation as we are dealing with Heavenly and Rancho Pacific. Water rights would not go away or be re-issued.

M-6/23/09-9– Motion by Hayes, seconded Peck, and unanimously passed to deny rate reductions as presented.

There was no public comment. A brief break was taken to 8:00.

INSTALLATION OF WATER METERS IN THE KINGSBURY GID WATER SERVICE AREA – There is not much more information that I can give you that you have not already seen. The main thing to stress here is that we are looking for fairness to each and every customer of KGID.

To do this, the complete District must be metered. Only then, with a reasonable amount of data, can a fair and equitable water rate that will meet KGID’s revenue needs be put into place. To guess at that rate now would be foolish.

I have included all of the information that was given to you at the previous meetings/workshops for your review.

So let me go over what I feel are the highlights of this workshop:

- A. KGID was not allowed any grant funding from AB198 for the meter installation project because a financial audit showed we still had the ability to borrow >\$3,000,000 from the SRF.**
- B. Absolutely no more grant funding from the State of Nevada will be available until meters are installed in the Kingsbury District.**
- C. To continue to upgrade the water distribution system by borrowing funds from the SRF would cause the water rates to increase dramatically. By getting at least 57% grant funded for water line replacement projects cuts the rate increases down by more than half.**
- D. With the current water rates, KGID can borrow \$3,000,000 in a low cost loan for the Nevada State Revolving Fund, install meters district wide, with an increase in cost of service of \$4.69 per month per EDU. This cost will not cause any increase in water rates as they stand now and still allow us to fund depreciation.**

The GM provided a power point presentation for this workshop. He explained to those present that water meters are coming and that we cannot get additional grant funding until we are fully metered.

Trustee Treanor participated on this item via conference call.

In the presentation, the GM showed a property in Roundhill with a green lawn and explained to those present that people can still have lawns. This property uses approximately 20,000 gallons per month and under Roundhill's rates, they pay \$45/month. Alan Rabkin asks about our rates and whether we would have a tiered rate structure. The GM explained we don’t currently have rates for meters; we will look at this after meters are installed. Rabkin confirmed that people using less

water should pay less than \$63 and people using more water will likely pay more. Due to water conservation required by the State, we will have to adopt a tiered rate structure.

Schussel clarifies to the public that water metering does not guarantee grants, but without metering we have no chance of getting grant funding. The GM explained that we attempted to secure grant funding, at the encouragement of the AB198 Board for Financing Water Project, but were denied because of having the ability to borrow \$3 million. AB198 requires that KGID have a depreciation reserve fund to complete future water system replacements.

Johnson explained that the water meters we are installing work very well in the system. The system has a leak detection system and we have found about 7 leaks on water laterals that we didn't know existed. We are able to sit at our office most times and pickup meter reads from several blocks away. We don't necessarily have to drive in front of every single house. Installing meters will actually cut down on staff time to read meters. Currently, to read the manual meters installed, it takes 2 people approximately 2 days to read 145 water meters.

A customer commented that the GM reported earlier that each homeowner would have a water meter, he and his wife live in one side of the duplex and 7-8 people live in the other unit, with only one water service line serving the building. The GM reported this would be challenging in his area on Bigler and in some cases the homeowner may have to install a separate service line. Runtzel offered another solution that we will be looking into, possibly separate meters can be installed under the building and KGID's meter reading system can read those meters. The separate meters would have to total the same amount as is on the master meter at the property line.

Schussel asks whether landscaping will be replaced as existing when we actually install water meters? Yes, meters likely will be installed using a tractor truck or trailer and all improvements will have to be restored. Barratt comments that he is delighted to see upper Kingsbury residents participating in the meeting.

The GM acknowledges that we are not sure what we will do with multi-family units yet. We will have to look at each property individually. A duplex may end up with 3 meters, one master and two individual meters. Until we move forward with an engineer and look at costs, we don't know. Homeowners may have to contribute to the costs of meters.

Hayes believes the board is evenly split as far as where their properties are located. 2 live in lower Kingsbury, 2 have homes in upper Kingsbury and one lives in a condo in upper Kingsbury. When it comes time to set rates he believes there will be a fair representation of the district residents. Treanor believes it is the right time to install water meters and will help us to obtain future grant funding, and will cause her to be more conservative with water use.

The GM reported that ideally when we set rates, customers would pay the same over the course of a year as they do now. They may pay less in the winter and more in the summer.

Runtzel explained that bills were sent out last fall based on a board approved tiered metered rate structure. The board has rescinded those rates for the time being and once we install water meters throughout the district, we will look at usage over a period of 6-12 months and then try to develop a rate for the whole district that is fair. The rates set will never be Roundhill's rates at \$45 for 20,000 gallons and on the flipside hopefully it won't be \$343 or people won't use 77,000 gallons either.

After further discussions and questions fielded from the public, the board concluded that KGID should move forward with water metering.

M-6/23/09-6 – Motion by Peck, seconded by Treanor and unanimously passed to approve the General Manager to initiate a funding agreement with either the USDA Rural Development or the Nevada State Revolving Fund for the purpose of installing water meters throughout the complete Kingsbury GID Water Service area.

Hayes commented that the letter that went out regarding metering was outstanding. The GM reported we still had some calls with questions. Treanor was released from the conference call after this item was concluded.

BOARD REPORTS –Peck commented they have board’s comments compiled on the General Managers review and believes it would be helpful to get managers input towards the GM. This would be strictly confidential. Barratt believes it would be good to get the managers input. The BCM and Operations Supervisor will complete reviews and give to Peck who will incorporate into a final evaluation. The GM encourages input from staff.

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

General Manager Report – Eric and the GM attended an East Fork Fire meeting with Douglas County on how we would fit into an emergency command center. There will be some additional training coming. How will we deal with the public, handle the water system, handle the media, etc.

Business & Contracts Manager Report – Barratt asks about someone sleeping at Station 5. Runtzel explained she received an anonymous complaint that he is tired of seeing 5 guys standing around on a jobsite, secondly, he’s heard someone is taking a district vehicle to the valley every day and third he rides his bike up Kimberly Brooke and has witnessed someone sleeping. She had no phone number or name to further investigate his allegations.

F & B received a notice of non-compliance on the Kingsbury Village Waterline Replacement project for dust control issues and supervision on the job. Eric reported that since the notice he has not had further issues with them. Runtzel explained that last year they had a staff member who had significant experience in utility installation and they did a great job on the Crestview Waterline. We didn’t realize he was no longer on staff.

A landscaping rock was placed next to the roadway at 310 Barton and the homeowner believed that it was likely moved by snow removal operations. Brooke reviewed the situation and recommended an encroachment permit for the rock and/or remove the liability. The homeowner is hoping that we would replace the rock and Runtzel recommends we don’t touch it.

Operations Supervisor Report – There were no further questions for Eric.

ATTORNEY'S REPORT – On the Whitebark condemnation, we received a counter claim in past, they are contesting validity of easement, reserved time for homeowners to join action which they have now done. Whitebark claims we don't have an easement, we are impacting view, airspace and property value and they believe we are liable for that. Brooke is a little concerned about their involvement and claim for diminishing value in addition to HOA property. The matter was referred to Pool pact attorney who is working on the suit and we are moving forward on discovery, finding documents. Not all of the homeowners are participating. Two owners who are participating are members who participated in the 2004 negotiations.

Hayes asked about our policy to provide for tolling in the Rancho Pacific. Brooke confirmed that the policy doesn't provide for tolling. He believes Heavenly is looking to correct a serious mistake in the past by letting the water allocations go. Rancho Pacific is now suing Jack Sievers and Shawn Rowles based on not disclosing information at the time of sale. Without the water units, the property has little value. Schussel is disappointed that no one from Rancho Pacific has shown up at the last couple of meetings. Runtzel explained they might not have known this item was even on the agenda.

Hayes had someone call him to drill him on the will serve letter provided to Heavenly. They were laying it out that KGID was circumventing their project because of some side deal they believed we had with Heavenly. This is a letter that the GM wrote and Heavenly used to get their project through Douglas County Commissioners.

Runtzel asked if Sievers forecloses on the property tomorrow, would he get the benefit of the court order? Brooke believes he'd take it subject to the litigation.

Runtzel comments that the board really needs to keep an eye on the progress reports provided by allocation holders. In Heavenly's case, come December their year will be up and she doesn't anticipate they will come up with a building permit. Logistically, do the two water allocations revert back to KGID and then become offered back to Heavenly because they are first on the list, or are they offered to the next in line since Heavenly failed to obtain a permit. This will be our next big issue with Heavenly, Runtzel predicts.

CORRESPONDENCE - The following correspondence was received during the month, 1) Letter from the Nevada Department of Taxation finding our FY 2009/2010 Budget in compliance, 2) Letter from Margaret James requesting information on person responsible for stopping water meters, 3) Pool/pact Training Service Plan for upcoming year, 4) DCSID fax on 2009/2010 assessment, 5) Bill Cole's building permit for his out-of-basin water allocations, 6) DCSID letter acknowledging responsibility for a sewer spill on June 5, 2009, and 7) Letter from Hardy Nielsen of Lake Village with questions regarding water meters.

ADJOURNMENT

M-6/23/09-7 – Motion by Barratt, seconded by Peck and unanimous approval the meeting was adjourned at 9:45 p.m.

Respectfully submitted,

Larry Schussel - Chairman

Attest:

Carolyn Treanor, Secretary