

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SUNDAY, JULY 6, 2014
AT THE HOUR OF 8:00 A.M.

CALL TO ORDER: The meeting was called to order by President O'Grady at 8:00 a.m.

ANNOUNCEMENTS: Manager Sharp stated that this meeting is being fed live over the internet and that the public can view this meeting by going to our web site, www.kmpud.com and following the appropriate link. If the public would like to make a comment they may send an email to msharp@kmpud.com and the Board will respond. Manager Sharp stated that Director Ende will be participating via teleconference. Due to this, all voting must be done by Roll Call and Board members must identify themselves when speaking.

MEMBERS PRESENT: Present: President O'Grady, Directors Epstein, Dornbrook and Richert
Via Teleconference: Director Ende
Also present: General Manager Sharp, Jill Campbell (Assistant Manager, Administration), Brandi Fichtner (Electric/Propane Manager), Rena Sullivan (District Clerk), Michelle Gamble (RCI), Casey Blann (Vail Resorts), Terry Woodrow (Alpine County Supervisor), Peter Forsch (KCP), Cheryl Stern, Caroline Scott, Nancy Trevett, Keith Meyer, Larry Parker and Bertrand Perroud, (Community Residents)

MEMBERS ABSENT: None

ORAL COMMUNICATION
/PUBLIC INPUT:

Nancy Trevett, Community Resident, requested that the Board consider adding the Pledge of Allegiance as an Agenda item to future meetings.

Keith Meyer, Community Resident and KMA Board Director, thanked the Kirkwood Meadows Public Utility District on their snow removal efforts during the 2013-14 winter season and questioned the new estimate for Snow Removal Services General and Administrative expenses in the 2014-2015 Budget. Manager Sharp stated that he will agendize this item for discussion at a later date.

Bertrand Perroud, Community Resident, commented on his concerns about Kirkwood's water rights and the Stage 2 Water Alert watering days assigned to each Association.

CORRECTIONS TO THE AGENDA
OR CONSENT CALENDAR: None

ADOPTION OF THE CONSENT CALENDAR:

Director Richert motioned to approve the Adoption of the Consent Calendar. Director Dornbrook seconded the motion and it carried by

the following roll call vote:

AYES: President O'Grady, Directors Epstein,
Richert, Dornbrook and Ende

NOES: None

ABSENT: None

ABSTAINING: None

CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION/ACTION: None

8A. AGENDA ITEM: Discussion and Possible Action Regarding the Design, Timeline, Bidding Process, Costs and Construction Activities Associated with the Out Valley Power Line Project. Manager Sharp/Michelle Gamble, RCI

i. Overall Construction Update. Michelle Gamble, RCI

Michelle Gamble stated that phenomenal progress has been made on all aspects of the Out Valley project and presented an update of the Underground portion stating that one issue has come up with Caltrans. Concerns of the power line being installed on the shoulder where the snow stakes are placed have been voiced, even though this was thoroughly discussed during the permitting process. Mitigation measures are being negotiated to find a resolution and the cost implications were discussed. Michelle Gamble reported on the cable, vaults, cabinets and trenching that is anticipated to be completed the second week of August.

Michelle Gamble presented an update on the Overhead stating that a PG&E clearance took place June 10th-20th and the balance of the 115kV structures have been installed.

Michelle Gamble shared great news from the USFS that they have released the LOP (Limited Operating Period) so that the Overhead Contractor has been able to continue working.

Michelle Gamble reported that Wilson Construction crews have been working on both KM Blue and KM Green Substations. The Transformer has been set at KM Blue and excavation, structures, drilling, steel deliveries and a foundation for the Transformer is underway at KM Green.

Michelle Gamble stated that we continue to work with the USFS on a variance to allow our contractors to continue work during EV Days, which they have granted, with the exception of welding or chain saw activity. Underground and Substation portions of the project are on schedule and anticipated to be completed per the contract documents. The Overhead portion is ahead of schedule. A discussion ensued.

ii. Owner Furnished Material. Manager Sharp.

Manager Sharp presented a chart that outlined our list of OFM (Owner Furnished Material) needed stating that delivery dates have been confirmed and everything is on schedule.

iii. Out Valley Operations and Maintenance. Manager Sharp

Manager Sharp stated that it is important to ensure that our Out Valley project is maintained and functional. Our in-house team will conduct visual inspections and an outside service will conduct more detailed inspections and maintenance. An RFP will be produced for long term services but in the short term Wilson Construction is qualified to assist us.

Manager Sharp stated that access to the KM Green area has also been discussed and Director Dornbrook stated that he has done some research and recommends a 2000 Tucker-Terra SnoCat with rubber cleats, similar to what Caltrans uses. A discussion ensued.

8B. AGENDA ITEM:

Continued Discussion and Possible Action Regarding the Current PG&E Cost Estimate and Impacts to the Overall Finances and Draw Down Schedule in Relation to the District's Out Valley Power Line Project. Manager Sharp/Michelle Gamble, RCI

Lead: Finance Committee

i. Current Status PG&E Negotiations

Manager Sharp stated that District Staff continues to negotiate with PG&E over the ownership of the 115kV line, cost overruns and other issues. Manager Sharp described the new point of demarcation, stating that the goal is to have the Interconnection Agreement revised and signed in August. A discussion ensued.

ii. Overall Project Costs

Manager Sharp presented the overall cost estimate and described the major changes. Michelle Gamble accounted for the increase in inspection hours that attributed to the overage in construction hours and updated the Board on the potential overage costs. Manager Sharp communicated the implications with regards to paving the trenching between Silver Lake and Kirkwood, and has increased the forecast cost for Caltrans paving, which may, or may not be an issue.

iii. A8 Draw Down Schedule

Manager Sharp presented the weighted interest average for the first \$45 million of the A8 RUS loan which was about 3.19%. For the remaining \$4.5 million the Board authorized Staff to work with the Finance Committee to determine timing, amount of the draw and term. Staff has consulted with Randy Finken, First Southwest, as to the timing for the lowest interest rate and Allan Sapp for the draw down schedule. A discussion ensued.

8C. AGENDA ITEM: Discussion and Possible Approval of Resolution No 14-17 a RESOLUTION of Kirkwood Meadows Public Utility District, California, authorizing the issuance of an Electric Enterprise Revenue Bond in the principal amount of not to exceed \$8,000,000 to provide funds with which to pay the cost of constructing improvements; authorizing the sale of the Bond to the Federal Financing Bank; authorizing a guaranty of the Bond to be provided by the Rural Utilities Service secured by a Reimbursement Bond to be issued by the District; fixing and approving the terms and covenants of the Bond, the Reimbursement Bond and the loan guaranty; providing for other matters properly related thereto; and amending Resolution No. 12-27 to change the definition of Revenue of the Electric Enterprise. Manager Sharp / David Fama, Jones Hall
Lead: Finance Committee

Manager Sharp reported that Staff has been working with Nancy Neraas, Foster Pepper and Dave Fama, Jones Hall, on the loan documents for the \$8 million dollar RUS B8 Supplemental loan. One of the changes is that the electrical revenue has been re-defined to include property taxes which are legally available and allocatable to the electric enterprise fund. Manager Sharp presented a detailed account of Resolution 14-17 that authorizes the issuance of a loan from RUS in an amount not to exceed \$8 million. The Resolution approves the various documents required to be executed by the District in connection with the loan and authorizes the General Manager to execute these documents.

Manager Sharp stated that based on staff's review, and review by Bond Counsel, District Staff recommends approval of Resolution 14-17. Director Epstein stated that the Finance Committee recommends approval and stated that it is straight forward and clarifies that the use of tax revenue is appropriate. A discussion ensued.

President O'Grady motioned to approve Resolution 14-17. Director Epstein seconded the motion and it carried by the following roll call vote:

- AYES: President O'Grady, Directors Epstein, Richert, Dornbrook and Ende
- NOES: None
- ABSENT: None
- ABSTAINING: None

8D. AGENDA ITEM: Discussion and Possible Approval of Telecommunications Service Line Connection Agreement with AT&T to Provide Telecommunications from KM Blue to PG&E Stockton. Manager

Sharp/Michelle Gamble, RCI

Manager Sharp reported that PG&E is requiring the District to provide a telecommunication line from KM Blue to the PG&E Stockton office to provide status information on the 115kV line between Tiger Creek, Salt Springs and KM Green. This line will cost about \$868 a month.

Michelle Gamble explained the status of the telecommunications service line connection and stated that this issue is being revisited and stated that PG&E has indicated that they need this line to Operate and Maintain (O&M) their equipment and she believes that if it is part of the O&M that it should come off of the cost of ownership. We are actively pursuing this with PG&E so that the District does not pay an O&M charge to PG&E and \$868 a month for the telecommunication line. She hopes to have a resolution to this by August. A discussion ensued.

8E. AGENDA ITEM:

Discussion and Possible Approval of Agreement with Exponential Engineering to Complete a Remaining Useful Life Study on the District's Powerhouse. Manager Sharp

Manager Sharp stated that the depreciation accrual effective July 2014 for the Powerhouse assets reflects 7% annual depreciation rate. With the Powerhouse going into stand-by mode on November 1st, the District is petitioning RUS to allow a longer depreciation term due to the change in status. To support this request Staff recommends approval of the Useful Life Study by Exponential Engineering in the amount of \$13,580. With this as back-up, we hope RUS will be persuaded to lengthen the depreciation schedule.

Manager Sharp outlined all the possible depreciation rate accrual options, stating that the reductions of the depreciation expense will be significant. A discussion ensued.

Director Epstein motioned to approve the proposal from Exponential Engineering to conduct a Useful Life Study in the amount of \$13,580. President O'Grady seconded the motion and it carried by the following roll call vote:

AYES: President O'Grady, Directors Epstein, Richert, Dornbrook and Ende

NOES: None

ABSENT: None

ABSTAINING: None

8F. AGENDA ITEM:

Discussion and Possible Approval of Proposal to Install Vacuum Breakers at Each of the District's Water Storage Tanks for Safety During Draining for Maintenance Operations for a Cost of \$14,600.00. Manager Sharp

Manager Sharp stated that the Department of Public Health is requiring that the District inspect the interior of our Water Tanks every five years. This can be accomplished by hiring divers to inspect or we can use the water, without refilling it, and then have a qualified inspector complete the inspection. The District has two water tanks, the Lodge Tank and the Dangberg Tank and Manager Sharp explained the process needed to drain these tanks and stated that the feed will need to be shut off to the supply line and install a vacuum breaker to safely drain them.

This project is estimated to be completed at a cost of \$14,600 plus District time for excavation. Manager Sharp stated that this project is included in the 2014-2015 Capital Plan, however we do not have a final proposal as of this date. District Staff recommends approval of this project at a cost not to exceed \$14,600, contingent on a contract being approved by Director Dornbrook of the Operations/Capital Committee.

President O'Grady motioned to approve the installation of Vacuum Breakers at each of the District's Water Storage Tanks for safety during draining for maintenance operations for a cost not to exceed \$14,600. Director Dornbrook seconded the motion and it carried by the following roll call vote:

AYES: President O'Grady, Directors Epstein, Richert, Dornbrook and Ende

NOES: None

ABSENT: None

ABSTAINING: None

8G. AGENDA ITEM:

Discussion and Possible Adoption of Audit and Update of the Sanitary Sewer Maintenance Program. *Manager Sharp*

Manager Sharp stated that the current Sanitary Sewer System Management Plan (SSMP) document was adopted in June 2012. The SSMP is required by the State Water Resources Control Board for Agencies with sewer collection systems. The state order specifies that an internal audit must be conducted which evaluates the effectiveness of the SSMP and compliance with regulatory requirements. Audits must be completed every two years.

Manager Sharp reported that an audit of the SSMP's effectiveness has been prepared in accordance with the regulatory statutes and the next audit will be in July 2016.

Manager Sharp stated that the State order was updated last year to require an update of the District's SSMP. The District's SSMP document has been updated to conform with the new monitoring and reporting requirements. Manager Sharp stated that according to the

SSMP requirements, re-certification by the Kirkwood Meadows Public Utility Districts Board is necessary when there are significant changes. District Staff recommends approval of the updated SSMP.

Director Dornbrook motioned to approve the adoption of the audit and update of the Sanitary Sewer Maintenance Program (SSMP). Director Richert seconded the motion and it carried by the following roll call vote:

AYES: President O'Grady, Directors Epstein, Richert, Dornbrook and Ende

NOES: None

ABSENT: None

ABSTAINING: None

8H. AGENDA ITEM:

Discussion and Possible Approval of Revision to Policy Statement No. 620 Conditions of Service Regarding the Responsibility of the District for Public Infrastructure Locates, Taps, Lines and Meters.
Manager Sharp

Manager Sharp presented a revised edition of District Policy Statement No. 620, Conditions of Service. This update clearly identifies the District's responsibility for all services in one document and will give new owners clear definition of the responsibilities and services. For all services, the District's responsibility ends at the property line. The District retains the ownership of all meters no matter where they are installed, however it is the customer's responsibility to place the meter in a conditioned space. A discussion ensued.

Manager Sharp stated that District Staff recommends approval of the revisions to Policy Statement No. 620. Director Dornbrook stated that the Operations/Capital Committee concurs.

Director Richert motioned to approve the revisions to Policy Statement No. 620, Conditions of Service, regarding the responsibility of the District for public infrastructure locates, taps, lines and meters. Director Dornbrook seconded the motion and it carried by the following roll call vote:

AYES: President O'Grady, Directors Epstein, Richert, Dornbrook and Ende

NOES: None

ABSENT: None

ABSTAINING: None

8I. AGENDA ITEM: Update on the Progress of the District's Water Meter Upgrade Project. *Manager Sharp*

Manager Sharp reported that the District is nearing completion of the final service to the upgrade of the Flex Net Remote Water Meter project. These meters provide continuous usage reads rather than once a month. These meters allow owners to track individual usage real time over the internet, and once completed they will send alert notifications to the owner and District on usage variances such as leaks and high usage. Manager Sharp anticipates completion by the end of the summer. A discussion ensued.

9. MANAGER REPORTS:

a. General Manager Report. *Manager Sharp*

Manager Sharp reported that the Aquifer levels remain strong. The District is currently in a Water Stage 2 Alert, as a precautionary measure, and at this time we are informing, not necessarily enforcing, and the public of this alert. In the case of any blatant abuse, this would come before the Board for any further action. A discussion ensued with regards to the watering days assigned to each Association.

Manager Sharp reported that the Meadow Trail Survey has been distributed and we are beginning to receive comments. The Demonstration Trail Tour was conducted on July 5th, with nine attending and Geoff Smith, community resident, manned a Meadow Trail information table at the KVFD Barbeque. District Staff will formulate Survey results to be presented at the August 9th Board meeting. A discussion ensued.

Manager Sharp stated that during the summer of 2013 the Board approved several rate increases for electric, water and wastewater. They were to go into effect in October 2013, however we missed the rate increase for electric being incorporated/updated into the PCS system. This has been discussed with the Finance Committee and Board. The increase in October 2013 was \$0.02 per KWH and subsequently there has been another electric increase in July 2014 which will increase the electric rate from \$0.54 to \$0.56 per KWH. Director Epstein stated that this has opened the discussion of how this could be prevented in the future. It was the consensus of the Board to not make these charges retroactive.

Manager Sharp announced that Frank Whatford organized a fundraising event to benefit Graham Simmons and had asked that we participate by allowing an auction booth be set up at the KVFD Wine Tasting/Barbeque event. Frank Whatford has also suggested that the District contribute to the benefit. Manager Sharp stated that laws prohibit the District from contributing public funds to a personal cause. A discussion ensued.

Manager Sharp stated that at a previous Board meeting a

schedule change was approved, changing the November Board meeting from November 8th to November 1st. Plans have now changed, however it was the consensus of the Board to leave the original change in place and the meeting will be held on November 1st.

b. Operations Report. *Manager Sharp*

Manager Sharp reported that District Staff is in the construction phase of the Loop Road project.

Manager Sharp reported that Staff was pulled off the Loop Road project due to a service line failure on Fremont Road. This has been a major repair of a ground fault involving trenching across the road with many utility crossings. District Staff was able to restore service.

Manager Sharp presented a verbal re-cap of the KVFD Wine Tasting/Barbeque thanking the Committee and all the volunteers that participated.

c. Electric/Propane Systems. *Electric/Propane Manager Fichtner*

Manager Fichtner presented a report on the Generator repairs stating that #7 is still out of service, the new Volvo replacement has arrived and PowerSecure has tentatively scheduled the installation later in July and the warranty repairs on the other Volvo's will be completed at the same time. The CAT warranty repairs continue to progress.

Manager Fichtner reported that Symtec will be onsite to conduct repairs and a retest date has been scheduled in August for the 2014 Generator Emissions Testing.

Manager Fichtner reported that the propane regulators are in route and Kiva will replace the main regulators at the propane vaporizers and add an additional second pair.

Manager Fichtner reported that eight people joined the Powerhouse Tour on July 5th

President O'Grady asked about any outstanding issues that may still exist from the Mountain Utilities purchase. Manager Sharp stated that the two issues that need to be addressed are the direct bury line that runs from here to the Lodge at Kirkwood that will need to be replaced and moving the meters from the extended service lines to a closer location. President O'Grady suggested that these items be put onto the list for completion for possibly the summer of 2015. A discussion ensued.

d. Administrative Report. *Assistant Manager Campbell*

Assistant Manager Campbell presented the final Performance

Report for the 2013-2014 Fiscal Year to include Electric, Water, Wastewater and Propane.

Assistant Manager Campbell presented the May Financials to include the Combined Income Statement and updated Operating Cash Waterfall.

Assistant Manager Campbell reported that we completed the initial pre-Audit and Moss Adams will be back onsite on August 18th and anticipates completing the Audit in September.

10. COMMITTEE REPORTS:

a. Communications. Bob Epstein

Director Epstein stated that the Communications Committee has not met since the last meeting and has nothing to report at this time.

b. Planning. Bob Ende

Director Ende stated that the Planning Committee has not met since the last meeting, however Peter Forsch, KCP, presented an update with regards to the Timber Creek Townhomes.

c. Finance. Bob Epstein

Director Epstein mentioned that most topics have been discussed and feels that the main focus going forward will shift to how we lower rates.

d. Operations/Capital Projects. Peter Dornbrook

Director Dornbrook stated that all topics have been previously discussed.

e. Personnel. Standish O'Grady

President O'Grady reported that the GM objectives/performance were reviewed and scored and new objectives will be set for 2014-2015. Director Richert requested that the 2014-2015 GM goals be placed on the August 9th Board Agenda so that they may be viewed by the public, discussed and formally adopted.

11. GENERAL DISCUSSION:

Director Epstein stated that when we originally started looking at redoing our customer based computer system we hired Computer Courage to do the bulk of the work and Director Epstein would assist. However there is and has been a large dependency on Director Epstein which he feels is not a good long term strategy. Director Epstein requested that we place this topic on the Agenda to enlist solid backup to gain the most efficient use of the system.

12. CLOSED SESSION:

The Board adjourned the meeting at 10:30 am and went into a Closed Session to discuss Personnel annual performance reviews pursuant to Government Code 54597.6.

13. OPEN SESSION: At 11:40 am President O'Grady re-opened the Open Portion of the meeting. President O'Grady announced that the Board had reviewed the General Manager's performance during the 2013-2014 year and had decided to increase his salary by 9% effective July 1, 2014 and award him a \$5,000 performance bonus. President O'Grady asked that the current General Manager's employment contract be distributed to the Board. President O'Grady asked that research into what comparable positions are compensated, be conducted, with these results presented at a Personnel Committee meeting.

President O'Grady thanked Manager Sharp for an outstanding year of service to the District.

114. ADJOURNMENT: The Open Session of the meeting was adjourned at 11:52 am.


Secretary

*A complete audio recording of this meeting is available on the District's website www.kmpud.com